



# INTERNATIONAL ROAD DYNAMICS INC.

(IRD-T \$1.93)

## Q1 Results Strong, 40% EPS Growth on Track

### Financial Summary

(end-Dec)	Revenue (\$m)	EPS (\$)	Price/Revenue (x)	P/E (x)
FY05	33.5	0.07	0.8	27.6
FY06	34.4	0.11	0.8	17.5
FY07e	44.3	0.13	0.6	14.8
FY08e	56.6	0.18	0.5	10.7

- IRD reported Q1/FY07 results of \$8.3m in revenues and EPS of \$0.03. The revenue was lighter than our expectation of \$10.3m but the gross margin was impressive at 33.6% allowing EPS to be in-line with our expectation of \$0.03.
- While IRD is receiving orders from US customers via the SAFETEA program it also receiving orders for other sources including Canada and abroad.
- We are maintaining our Buy recommendation and increasing our 12-month target price of \$2.20 to \$2.70.

### Q1/FY07 Results Very Solid

IRD reported very solid results for Q1 with revenues of \$8.3m and EPS of \$0.03 which was much improved over the prior year Q1 of \$6.3m and an EPS loss of \$0.01. While revenue was lighter than our expectation of \$10.3m, gross margins of 33.6% were much better than our expectation of 30.9%. Hence the EPS was in-line with our expectation of \$0.03.

### Strong Q1 Order Flow Points to Solid FY07

During the quarter IRD saw strong order flow from its weight station and data collection system offerings plus service contract renewals and expects this to continue through 2007.

### Indian Contract Pushed to Q2 and Q3

During Q1 revenues were lower than expected as the Indian freeway contract was pushed into Q2 and Q3/FY07. Such is the nature of large capital projects but it is a sequencing issue with the client not a project change.

### US Funding Finally Flowing

IRD has seen orders from the SAFETEA Funding in the US start to reach its production floor, and the volume has improved from Q1/FY06 by 31% to \$3.5m in the quarter. The flow of US orders is expected to be maintained through 2007 and into 2008.

Stock Rating:

**Buy**

12-month target **↑\$2.70**

Potential ROR **40%**

### Company Profile

Sector **Industrial Products**

Ticker **IRD-T**

Shares O/S (m) **13.9**

Free Float (m) **9.7**

Mkt cap (\$m) **26.0**

Mkt float (\$m) **18.7**

Free float (%) **70.0%**

### Key Metrics

Book Value/sh (\$) **1.13**

Est. FY07 Gross Margin **31%**

Div/sh (\$) **0**

Debt to Equity **22%**

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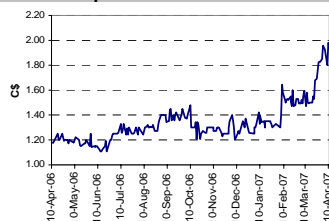
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### IRD stock price chart



04/12/07 Target raised (\$2.70)  
 02/09/07 FY07 EPS lowered  
 10/10/06 FY06-07 EPS lowered  
 01/25/06 FY05-06 EPS & target lowered (\$2.20)  
 09/25/05 FY05 EPS lowered  
 08/18/05 Initiated coverage (\$2.40)

Source: Bloomberg



### Adjusting Forecasts Down But 50% EPS Growth Still Intact

We are maintaining our forecast of \$44.3m and EPS of \$0.13 in FY07 and \$56.6m and \$0.18 in FY08. We are expecting \$11.6m and \$0.04 in Q2/FY07.

### Maintain Buy, Raising Target Price

Our valuation is based on 15x our FY08 EPS of \$0.18. Our FY08 forecast is predicated on revenue of \$56.6m which, we believe, is an attainable increase over our FY07 forecast revenue of \$46.5m, given the ramp in spending on Intelligent Transportation systems that is expected to engage over the next 9 to 12 months. We are increasing our one year target price of \$2.20 to \$2.70 and maintaining our Buy recommendation. The IRD growth story is engaging and the market is responding to the EPS performance.

FIG. 1. Forecast Summary

	Current			Prior	
	Q2FY07e	FY07e	FY08e	FY07e	FY08e
Revenue (\$m)	11.6	44.3	56.6	44.3	56.6
EPS (\$)	0.04	0.13	0.18	0.13	0.18

Source: Paradigm



## Appendix 1: IRD Financial Statements

**Table A1-1: Income Statement**

International Road Dynamics												
Income Statement \$'000's												
Nov. 30 year end												
	2001	2002	2003	2004	2005	2006	Q107	Q207E	Q307E	Q407E	2007E	2008E
Revenue	28,394	29,043	28,288	31,356	33,550	34,482	8,296	11,600	12,300	12,600	44,796	56,600
Cost of Sales	18,689	18,800	18,338	22,893	23,712	23,339	5,506	8,125	8,650	8,650	30,931	39,750
Gross Margin	9,705	10,243	9,950	8,463	9,838	11,143	2,790	3,475	3,650	3,950	13,865	16,850
%	34.2%	35.3%	35.2%	27.0%	29.3%	32.3%	33.6%	30.0%	29.7%	31.3%	31.0%	29.8%
General and administrative	5,419	6,587	6,678	7,574	7,079	7,837	1,928	2,150	2,350	2,650	9,078	10,250
% of sales	19.1%	22.7%	23.6%	24.2%	21.1%	22.7%	23.2%	18.5%	19.1%	21.0%	20.3%	18.1%
Research & Development	906	775	752	1,015	534	581	138	195	210	225	768	1,450
% of sales	3.2%	2.7%	2.7%	3.2%	1.6%	1.7%	1.7%	1.7%	1.7%	1.8%	1.7%	2.6%
Earnings (loss) before below expenses	6,325	7,362	7,430	8,589	7,613	8,418	2,066	2,345	2,560	2,875	9,846	11,700
	3,380	2,881	2,520	-126	2,225	2,725	724	1,130	1,090	1,075	4,019	5,150
Other Expenses												
Foreign exchange (gain) loss	0	0	1,006	-91	15	-145	4	8	22	15	49	100
Amortization	553	647	799	933	836	715	221	205	210	265	901	1,025
Interest on short term debt	195	154	98	257	316	257	98	95	60	70	323	275
Interest on long term debt	75	64	89	94	125	175	62	27	51	32	172	145
Interest and other income	-112	0	-27	-115	-73	-44	-13	-16	-3	-17	-49	-115
Investment tax credits recovered	-937	-71										
Loss (income) from equity investment				92	-199	-208	-145	-26	-8			
Earnings (loss) before taxes	-226	794	1,965	1,170	1,020	750	227	293	333	365	1,397	1,430
	3,606	2,087	555	-1,296	1,205	1,975	497	837	758	710	2,622	3,720
Income taxes												
Current	0	1,226	59	130	168	335	170	125	105	125	315	450
Future	1,605	-474	-168	-509	75	183	-61	95	120	135	350	750
tax rate	1,605	752	-109	-379	243	518	109	220	225	260	665	1,200
	44.5%	36.0%	nmf	nmf	20.2%	26.2%	21.9%	26.3%	29.7%	36.6%	25.4%	32.3%
Net earnings	2,001	1,335	664	-917	962	1,457	388	617	533	450	1,957	2,520
sos												
basic	12,861,646	13,657,696	13,566,177	13,747,614	13,831,513	13,876,385	13,886,320	13,886,320	13,886,320	13,886,320	13,886,320	13,886,320
fully diluted	14,631,713	14,577,196	14,300,677	14,722,614	14,806,513	14,851,385	14,861,320	14,846,320	14,846,320	14,846,320	14,861,320	14,861,320

Source : Company, Paradigm Capital



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