



INTERNATIONAL ROAD DYNAMICS INC.

(IRD-T \$2.25)

Q2 EPS Beats Estimate, On Track for 40% Growth

Financial Summary

(end-Dec)	Revenue (\$m)	EPS (\$)	Price/Revenue (x)	P/E (x)
FY05	33.5	0.07	1.0	32.1
FY06	34.4	0.11	1.0	20.5
FY07e	44.3	0.13	0.7	17.3
FY08e	56.6	0.18	0.6	12.5

- IRD reported Q2/FY07 results of 11.1m in revenues and EPS of \$0.05. The revenue was lighter than our expectation of \$11.6m but the gross margin was stronger at 31.4% compared to our 30.0% estimate.
- Revenue contribution is from all areas but the SAFETEA program funding in the US allowed US revenue to be \$2.5m (60%) better than a year ago.
- We are maintaining our Buy recommendation and our 12-month target price of \$2.70. Our estimates for 2007 remain unchanged.

Q2/FY07 Results Very Solid

IRD reported very solid results for Q2 with revenues of \$11.1m and EPS of \$0.05 which was much improved over the prior year Q2 of \$7.2m and an EPS loss of \$0.03. While revenue was lighter than our expectation of \$11.6m, gross margins of 31.4% were much better than our expectation of 30.0%. Hence the EPS was better than our expectation of \$0.03.

Strong Q2 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 Q2 revenues were lower than expected as the Indian freeway contract which had been pushed into 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 Q2/FY06 by 60% to \$6.7m in

Stock Rating:

Buy

12-month target	\$2.70
Potential ROR	17%

Company Profile

Sector	Industrial Products
Ticker	IRD-T

Shares O/S (m)	13.9
Free Float (m)	9.7
Mkt cap (\$m)	31.3
Mkt float (\$m)	21.2
Free float (%)	70.0%

Key Metrics

Book Value/sh (\$)	1.18
Est. FY07 Gross Margin	31%
Div/sh (\$)	0
Debt to Equity	23%

Analyst

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Sales

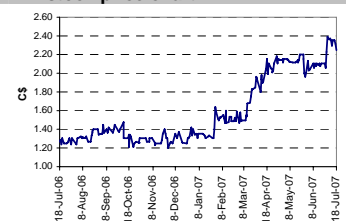
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IRD stock price chart



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



the quarter. The flow of US orders is expected to be maintained through 2007 and into 2008.

Tweaking Forecasts with 40% EPS Growth Expectation Intact

We are tweaking our forecast of \$44.3m and EPS of \$0.13 in FY07 to \$0.15 and \$56.6m and \$0.18 in FY08 to \$0.19.. We are expecting \$12.3m and \$0.04 in Q3/FY07.

Maintain Buy, and 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 \$44.3m, given the ramp in spending on Intelligent Transportation systems that is expected to engage over the next 9 to 12 months. We are maintaining our one year target price of \$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	
	Q3FY07e	FY07e	FY08e	FY07e	FY08e
Revenue (\$m)	12.3	44.3	56.6	44.3	56.6
EPS (\$)	0.04	0.15	0.19	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	Q207	Q307E	Q407E	2007E	2008E
Revenue	28,394	29,043	28,288	31,356	33,550	34,482	8,296	11,124	12,300	12,600	44,320	56,600
Cost of Sales	18,689	18,800	18,338	22,893	23,712	23,339	5,506	7,636	8,650	8,650	30,442	39,750
Gross Margin	9,705	10,243	9,950	8,463	9,838	11,143	2,790	3,488	3,650	3,950	13,878	16,850
%	34.2%	35.3%	35.2%	27.0%	29.3%	32.3%	33.6%	31.4%	29.7%	31.3%	31.3%	29.8%
General and administrative	5,419	6,587	6,678	7,574	7,079	7,837	1,928	2,340	2,350	2,650	9,268	10,250
% of sales	19.1%	22.7%	23.6%	24.2%	21.1%	22.7%	23.2%	21.0%	19.1%	21.0%	20.9%	18.1%
Research & Development	906	775	752	1,015	534	581	138	95	210	225	668	1,450
% of sales	3.2%	2.7%	2.7%	3.2%	1.6%	1.7%	1.7%	0.9%	1.7%	1.8%	1.5%	2.6%
Earnings (loss) before below expenses	3,380	2,881	2,520	-126	2,225	2,725	724	1,053	1,090	1,075	3,942	5,150
Other Expenses												
Foreign exchange (gain) loss	0	0	1,006	-91	15	-145	4	-14	22	15	27	100
Amortization	553	647	799	933	836	715	221	230	210	265	926	1,025
Interest on short term debt	195	154	98	257	316	257	98	119	60	70	347	275
Interest on long term debt	75	64	89	94	125	175	62	50	51	32	195	145
Interest and other income	-112	0	-27	-115	-73	-44	-13	-38	-3	-17	-71	-115
Investment tax credits recovered	-937	-71										
Loss (income) from equity investment				92	-199	-208	-145	-225	-8		-378	
Earnings (loss) before taxes	3,606	2,087	1,965	1,170	1,020	750	227	122	333	365	1,047	1,430
Income taxes												
Current	0	1,226	59	130	168	335	170	230	105	125	315	360
Future	1,605	-474	-168	-509	75	183	-61	-13	120	135	350	610
tax rate	44.5%	36.0%	nmf	nmf	20.2%	26.2%	21.9%	23.3%	29.7%	36.6%	23.0%	26.1%
Net earnings	2,001	1,335	664	-917	962	1,457	388	714	533	450	2,231	2,750
so\$												
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
EPS												
basic	\$0.16	\$0.10	\$0.05	-\$0.07	\$0.07	\$0.11	\$0.03	\$0.05	\$0.04	\$0.03	\$0.16	\$0.20
fully diluted	\$0.14	\$0.09	\$0.05	-\$0.06	\$0.06	\$0.11	\$0.03	\$0.05	\$0.04	\$0.03	\$0.15	\$0.19

Source : Company, Paradigm Capital



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