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Earnings Guidance

17 August 2016, Melbourne: Traffic Technologies Ltd (TTI) presents earnings guidance for the financial year ended 30 June 2016.

TTI is expecting to report revenue of approximately $44 million (2015: $46m), EBITDA before one-off costs of approximately $3.5m (2015: $5.3m), EBITDA of approximately $2.5m (2015: $4.6m) and an NPAT loss of approximately $22.0m - $22.6m (2015: profit $0.4m). The NPAT loss is after taking account of an impairment provision of $20m and write-off of a deferred tax asset of $1.4m relating to tax losses (see below).

Trading conditions for much of the financial year and in particular Q2 and Q3 were challenging having been affected by weak economic conditions, lack of government expenditure on infrastructure in some markets serviced by TTI and a low Australian dollar that led to higher import prices. The nature of the Group's traditional business is that contract revenue is lumpy, reflects seasonal factors and is often affected by matters outside the Group's control (such as economic activity, political decisions and infrastructure spending by government authorities).

The fourth quarter however saw an improvement and the outlook for the 2017 financial year is positive with a number of exciting growth initiatives developed by the Group during the 2016 financial year which are expected to benefit earnings in the coming year and in the 2018 financial year. Of most significance is the opportunity in the LED road lighting market in Australia and the Group's export initiatives, along with the rapid expansion of the Intelligent Transportation System (ITS) segment of the industry. As previously announced, the Group has secured approval for its lighting and ITS products in a number of states and has been awarded a number of significant contracts locally and offshore which has led to some significant orders in the second half of the year and in particular Q4 of the 2016 financial year.

The Group has performed impairment testing on the value of goodwill in the balance sheet. Given the disappointing result for the 2016 financial year and the uncertain economic climate, the Board considers it prudent to record an impairment provision of $20m against the value of goodwill in the 30 June 2016 financial statements. The Group will also write off tax losses of $1.4m previously recorded in the balance sheet as a deferred tax asset. Neither of these items affect cash flow or the trading operations of the Group.

The Group's earnings guidance is subject to completion of the full year accounts and the final audit. The Company expects to release its full year results to the market in the final week of August 2016.

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