

Mossberg's Investor Digest

Best Idea Profile

Global Traffic Network, Inc. (NASDAQ:GNET)

DESCRIPTION:

Headquartered in New York City; Global Traffic Network provides traffic and news information reports to radio and television stations in international markets. The company provides TV traffic reports in Australia and Canada, radio entertainment news reports in the UK and news information reports to radio stations in Canada. Global Traffic derives a majority of its rev from the sale to advertisers of commercial advertising inventory which is embedded within these information reports. GNET obtains advertising inventory from radio and TV stations in exchange for providing them with information reports and/or cash compensation. GNET provides broadcasters in international markets a cost-effective outsourcing alternative to the internal production of their own traffic and news information reports and offers advertisers an efficient, broad-reaching alternative to that offered by traditional radio and TV stations. In the UK, in addition to the sale of commercial ad inventory, GNET generates revenue by providing services to the Highways Agency under a Traffic Radio Services Contract that is discussed below under "UK Traffic Network." GNET's mission is to become the leading aggregator of premium radio and TV advertising inventory in the markets that they serve.

KEY INVESTMENT CONSIDERATIONS:

Leading Franchise in Target Markets: GNET is the largest provider of traffic information reports to radio stations in Australia, Canada and the UK and believes that it maintains the largest inventory of commercial advertising embedded in radio news reports in Australia. GNET's large inventory of network-based advertising enables it to reach a broad, demographically diverse audience using the traditional media of radio and TV.

Strong Advertising Base: The trend toward fragmentation in media markets poses a challenge to advertisers. Although innovations in non-traditional media provide advertisers with additional platforms with which they can reach consumers, the rising number of media platforms creates increasingly segmented audiences that make it difficult for advertisers, especially large companies that rely on national or global brand recognition, to reach the broad-based audiences that they desire. Advertisers are increasingly looking for a ROI for each advertising dollar spent. Due to its aggregate number of markets, its reach within these markets and the range of services that it provides, GNET has garnered a broad base of advertising clients in a diverse group of industries. This group includes 18 of the top 20 global advertisers as published by Advertising Age. GNET has many large and high profile advertising customers which include names such as McDonalds, Telus Corporation, Wal-Mart, Volkswagen and Mercedes.

Industry Trends: GNET's infrastructure and expertise give it a distinct advantage over local and regional media affiliates which have neither the expertise, economics, or wish to compete with Global. GNET's infrastructure and the flexibility created by its ability to collect traffic information allows it to provide services 24/7 in certain markets and enables it to respond to changing conditions for network affiliates thereby providing their listeners with accurate and up-to-the-minute news and traffic info. GNET is also able to customize and personalize its reports of breaking stories using its network affiliates' call letters from the scene of news events. This trend toward outsourcing appears stable and long-term in nature.

Key Acquisition: In Mar 09, GNET acquired The Unique Broadcasting Company from UBC Media, for approximately \$16.5MM. This acquisition significantly expanded the GNET's media footprint in a target market, and contributed \$17MM to 4Q10 revenue.

A Unique Play on the US Dollar: FY10 revenue breaks down into 3 functional currencies. 60% Australian dollars, 10% in Canadian Dollars and 30% in the UK pound. This provides investors with both some currency diversification and protection from any further erosion of the US dollar, which is currently a distinct possibility.

VALUATION:

GNET is benefitting from an expanding advertising footprint and an advertising market undergoing a cyclical recovery from the recent recession. An increase in both rev and EPS could drive both a higher valuation and additional investor visibility. GNET also offers a safe haven and/or diversification from a declining US dollar.

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Investment Data (as of 10/8/10)

Recent Price	\$5.93
52-Week Range	3.85 - 6.39
Fiscal Year End	Jun 30
Shares Outstanding	18MM
Average Trading Volume (3 mos)	29,215
Market Capitalization	110MM
Cash	20MM
Long Term Debt	NA
Enterprise Value (EV)	90MM
LT Debt/ Equity	NA
BV/ Share	\$2.62
TTM Revenue	\$93MM
P/ Revenue	1.2x
TTM EPS	\$0.04
P/ EPS	NA
TTM EBITDA	9MM
EV/ EBITDA	10x

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