

KEYSTONE'S

Small-Cap Stock Report

JANUARY 2017

Independent Equity Advisors

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International Road Dynamics Inc.

Focus BUY Portfolio

Price: \$2.36

Symbol: IRD:TSX

Near Term: ▲BUY

Long Term: ▲BUY

Summary

International Road Dynamics Inc. (IRD:TSX) is a highway traffic management technology company specializing in supplying products and systems to the global Intelligent Transportation Systems (ITS) industry. IRD is a North American company based in Saskatoon, Saskatchewan Canada with sales and service offices throughout the United States and overseas. Private corporations, transportation agencies and highway authorities around the world use IRD's products and advanced systems to manage and protect their highway infrastructures.

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International Road Dynamics Inc.**Current Price (January 30/2017): \$2.36****IRD:TSX****RECOMMENDATION: BUY**

Shares Outstanding.....14,724,278

Fully Diluted Shares Outstanding.....15,416,882

SELECTED QUARTERLY DATA

Income Statement	9-Months 2016	9-Months 2015
Revenues	\$48,439,341	\$41,746,208
Net Earnings	\$2,235,031	\$1,752,442
EPS	\$0.15	\$0.12
Fully Diluted EPS	\$0.14	\$0.11
FCF	\$2,659,606	\$1,916,854
FCF/Share	\$0.18	\$0.13
Balance Sheet	31-Aug-16	30-Nov-15
Current Assets	\$32,302,158	\$28,888,834
Total Assets	\$45,203,658	\$41,759,738
Current Liabilities	\$19,024,296	\$17,587,619
Long-Term Debt	\$546,427	\$642,856
Total Liabilities	\$20,371,873	\$19,055,141
Shareholders' Equity	\$24,831,785	\$22,704,597

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Book Value	\$22,704,597	\$19,174,121
ROE	11%	7%

SUMMARY OF OPERATIONS

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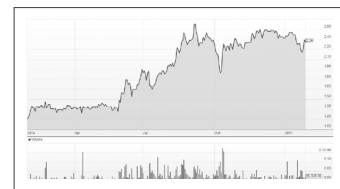
EXPANDED OPERATIONAL DESCRIPTION

IRD is a transportation system, engineering and advanced technology business operating in one industry segment, the ITS industry. The company's operations include system design, electronics and software development, manufacturing and integration of products and systems to improve the efficiency and safety of traffic flows.

Primary products and services offered by the company include the following:

- Automated Truck Weigh Stations.
- Toll Road Systems and Equipment.
- Traffic Management and Traffic Safety.
- Integrated Traffic Control.
- Permanent Weigh-in-Motion (WIM) Systems.
- Portable Slow Speed Weigh-in-Motion (SSWIM) Systems.
- Portable Wheel Load Scales.
- Traffic Data Collection (Traffic Counters and Vehicle Classifiers).
- Advanced Traffic Safety Systems.
- Vehicle and Axle Detection Equipment (tire contact, video, passive acoustic, radar).
- Automated Vehicle Identification (AVI) (using active and passive radio frequency identification (RFID) communications technologies, machine vision license plate readers, and DOT number readers).
- Driver/Fleet Telematics Systems using GPS.
- Operations and Maintenance of Truck Weigh Station, Toll and Traffic Data Collection Systems.

These market areas are diverse and yet are complementary in terms of the technology and delivery. Many of

**RATINGS****VALUE (TRAILING)**

EPS	\$0.19
P/E	11.25
PEG Ratio	0.56
P/S	0.51
P/FCF	9.8
EV/EBITDA	6.5
BV/Share	1.69
	4.00

GROWTH

Revenues	15%
FCF	20%
EPS	20%
	3.75

RISK/LIQUIDITY

D/E	0.02
Current Ratio	1.70
SGR	n/a
	3.75
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Contact:

Terry Bergan
President & CEO

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the customers are the same in each of these business areas.

IRD's reportable business segments are based on the company's three geographic business units and reflect management's current focus on allocating resources and measuring performance. The three reportable segments of the business are:

- Canada & United States, which include sales into international markets not serviced by other business segments: 89.12% of revenues year-to-date 2016.
- Latin America and Mexico: 10.83% of revenues year-to-date 2016.
- India: 0.8% of revenues year-to-date 2016.

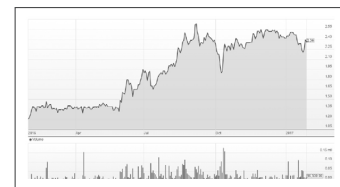
Reportable segments offer similar products and services, and have separate management structures and sales forces.

IRD's main customers include corporations, transportation agencies, transportation authorities and highway concessionaires that utilize the company's systems and equipment to improve the performance, safety and the efficiency of roadways and to protect their roadway investment.

INDUSTRY OVERVIEW - The Intelligent Transportation Systems (ITS) Industry

IRD operates in one industry segment, the ITS industry, which involves systems design, hardware and software development, manufacturing and integration of products and systems to improve the efficiency of traffic flows. IRD develops advanced technologies to detect, track, classify and weigh vehicles at highway speeds and integrates these and other complementary ITS technologies into off-the-shelf products, advanced traffic and safety solutions, and corresponding long-term maintenance and service work.

In recent years as the ITS Industry has matured, some of the company's systems incorporating the proprietary technologies have evolved into off-the-shelf products complementing the company's historic revenue stream and reputation as a supplier of custom systems. In addition, with a growing installed base of products and systems worldwide, IRD continues to grow its recurring revenue base as customers incorporate the com-

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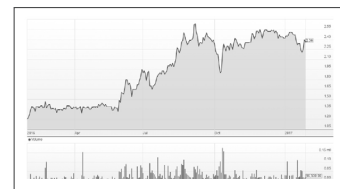
pany's systems and products into long-term service and maintenance contracts.

Traffic problems, the high cost of traffic congestion, the associated toxic emissions, and concerns about traffic safety are the primary reasons for utilization of ITS. IRD technologies satisfy the need to optimize roadway usage while addressing environmental issues due to traffic emissions and mitigating the costs associated with maintaining existing infrastructure and building new highways. All these issues present serious challenges for politicians and highway planning engineers worldwide. Intelligent Transportation Systems are designed to provide safer, quicker and more efficient travel.

The company's engineers and software experts have developed products with custom designed software, firmware and modular electronics. IRD has adopted and continues to refine its electronics and software architecture to allow maximum component and system flexibility for easier modification and adaptation to other applications. For many projects, the company acts as the systems integrator and in some cases as the prime contractor. IRD designs and develops the software and databases to manage a variety of product and technology interfaces.

The company's vehicle detection and classifying technologies are also used in toll roads and a growing part of the business of IRD is supplying products and complete audit and control systems to toll road operators worldwide.

The company's Fleet Telematics (driver and fleet management) systems support transportation businesses in the implementation and monitoring of driver safety programs by providing real time feedback of compliance with corporate driving programs and policies. Vehicle data and GPS location information is also available for integrated solutions with computer aided dispatching systems, driver management systems and back office business applications using various forms of communications (cellular, 802.11 wireless, satellite, etc.).

Opportunities**Helping Alleviate Global Traffic Congestion - Toll Systems****RATINGS****VALUE (TRAILING)**

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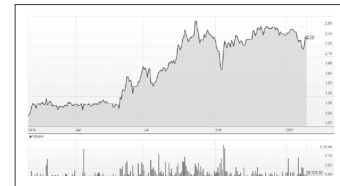
Today, one of the primary strategies used to reduce traffic congestion is implementing toll systems that incentivize behavior toward utilizing the roadway network during periods of lower demand. This is commonly referred to as time of use tolling. Similar strategies have been used in another highly capital and environmentally sensitive industry such as electrical production.

Incentivizing users to utilize a scarce resource during periods of otherwise low relative demand by way of reduced tariffs can make an immediate and dramatic impact on congestion. In order for this system to be effective, roadway infrastructure needs to be installed with ITS' sensors that first measure roadway usage allowing for the creation of a tariff system that can meaningfully address and modify user behavior. The growing use of tolling infrastructure is a major growth opportunity for IRD. The sale process begins with initial sensor sales which lead to vehicle information capture and billing systems. It does not end there however, as typically, IRD will enter into longer-term maintenance contracts which recur overtime and has begun to provide a more stable base of revenues which is starting to smooth out the historically lumpy nature of the company's business. IRD participates in this market directly and through partnerships with global integrators such as Siemens, Xerox, Swarco, Persceptics and a number of others.

Increasingly, governments are turning to Public-Private Partnerships (P3's) as a means through which to deliver new road infrastructure in their countries. This trend is prevalent throughout the world. IRD has an extensive presence outside of North America through a combination of corporately owned and operated Sales & Service Offices, as well as through Distribution Partners.

Once the time of use tolling system is in place, additional ITS equipment is required to measure, collect and process usage data. IRD has extensive global experience with toll road infrastructure. Increasing implementation of these types of systems will continue to drive demand for IRD's ITS products and services.

Time of use tolling and other usage pattern shifting strategies can only impact demand for roadways so much. In the end, new roads will need to be built.

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Infrastructure Build (Public & Private) – North American Focus (Moving Global)

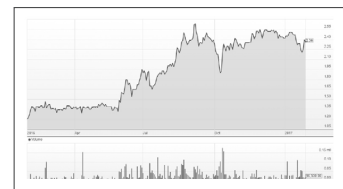
The United States is the company's single largest market comprising over 69% of consolidated revenues in 2015. On the strength of its Illinois based sales and manufacturing site and a nationwide network of field support staff, IRD actively supports projects across the entire country, including Alaska and Hawaii.

On a national basis, the U.S. National Highway System (NHS) consists of approximately 225,000 miles of road including the Principal Arterials that were added to the new Enhanced NHS as of October 1, 2012. This may seem like a lot of roadways – and it is, but it is not nearly enough. In fact, according to the U.S. Department of Transportation's Federal Highway Administration (FHWA), between 1980 and 1999 (these studies are not competed very often) there was a 1.5% increase in route miles (roadways) added to U.S. highway infrastructure. During the same time period the number of drivers, vehicles and ultimately passenger miles increased 78%. This amounts to a massive disparity between the growth rate of drivers, vehicles and vehicle miles relative to the supply of new route miles/road infrastructure. In all likelihood, this imbalance has accelerated as vehicle affordability has increased and fuel prices have decreased on a relative basis.

New President Donald Trump waxed poetically throughout his campaign about America's collapsing bridges and "third-world" airports, and vowed to fix up the country by doubling Hillary Clinton's proposed spending on infrastructure.

Under Trump's plan—at least as it's written—the federal government would offer tax credits to private investors interested in funding large infrastructure projects, who would put down some of their own money up front, then borrow the rest on the private bond markets. They would eventually earn their profits on the back end from usage fees, such as highway and bridge tolls (if they built a highway or bridge) or higher water rates (if they fixed up some water mains). So instead of paying for their new roads at tax time, Americans would pay for them during their daily commute. And of course, all these private developers would earn a nice return at the end of the day.

The federal government already offers credit programs

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designed to help states and cities team up with private-sector investors to finance new infrastructure. While the plan calls for fully private projects, it also appears a blend of P3 projects would also be incorporated.

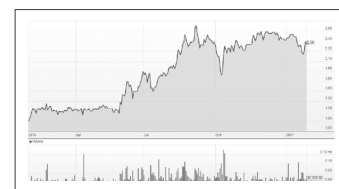
ITS is the most fundamental enabler of P3 road infrastructure development. The roadway infrastructure must have a revenue stream attached to it to provide the economic return for its private developer. This is fundamental to the Trump plan. Whether his government is able to enact it effectively remains to be seen, but the path is tilted in the right direction for IRD. Toll roads are enabled by sensors, vehicle identification and other usage measuring systems all of which are a key part of IRD's iToll product offering.

IRD has participated in local as well as global P3 funded road infrastructure projects including Toronto's highly successful Highway 407 where they were a key component supplier delivered through one of its global infrastructure partners.

Virtually all of these P3 projects could require some aspect of IRD's ITS products and services.

Exponential Growth in Global Roadway Use – Saving Deteriorating Infrastructure

The company's automated truck weigh station systems assist highway and transportation agencies to target suspected overweight offenders, thereby reducing heavy truck damage to roadways. In addition, the truck transport industry receives significant economic benefits through the automation of truck weigh stations. Since 90% of trucks are able to bypass stations without stopping for further static weight checks, truck operators save both time and money, and environmental greenhouse gas emissions are reduced. IRD also provides complementary systems, like Virtual Weigh Stations, which allow highway and transportation agencies to monitor trucks remotely through short range wireless, cellular or other communications technologies. These systems improve the efficient utilization of resources to permit them to focus their enforcement efforts on overweight and unsafe commercial vehicles. Given that these systems have the ability to monitor vehicle traffic on a continuous basis, they can also be used by highway planning and traffic management agencies.

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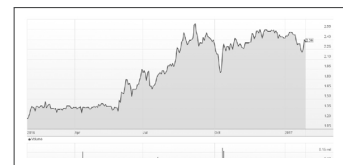
(306) 653-6600

Email: bergan@irdinc.com
Website: www.irdinc.com

International Road Dynamics Inc.**Current Price (January 30/2017): \$2.36****IRD:TSX****RECOMMENDATION: BUY**

Shares Outstanding.....14,724,278

Fully Diluted Shares Outstanding.....15,416,882

**SELECTED QUARTERLY DATA**

Income Statement	9-Months 2016	9-Months 2015
Revenues	\$48,439,341	\$41,746,208
Net Earnings	\$2,235,031	\$1,752,442
EPS	\$0.15	\$0.12
Fully Diluted EPS	\$0.14	\$0.11
FCF	\$2,659,606	\$1,916,854
FCF/Share	\$0.18	\$0.13
Balance Sheet	31-Aug-16	30-Nov-15
Current Assets	\$32,302,158	\$28,888,834
Total Assets	\$45,203,658	\$41,759,738
Current Liabilities	\$19,024,296	\$17,587,619
Long-Term Debt	\$546,427	\$642,856
Total Liabilities	\$20,371,873	\$19,055,141
Shareholders' Equity	\$24,831,785	\$22,704,597

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Income Statement	2015	2014
Revenues	\$57,990,057	\$45,101,507
Net Earnings	\$2,531,585	\$1,372,103
EPS	\$0.17	\$0.09
Fully Diluted EPS	\$0.16	\$0.09
FCF	\$3,611,993	\$(1,801,084)
FCF/Share	\$0.25	\$(0.12)
Balance Sheet		
Total Assets	\$28,888,834	\$25,104,868
Total Liabilities	\$17,587,619	\$15,557,906
Working Capital	\$11,301,215	\$9,546,962
Long Term Debt	\$642,856	\$771,428
Book Value	\$22,704,597	\$19,174,121
ROE	11%	7%

Safety

Safety is also a primary concern of transportation agencies. Up to one third of the trucks on the highway are unsafe in some respect. IRD has developed transportation safety-related products designed to warn truckers of unsafe dynamics of their vehicles.

IRD's systems utilize a number of axle and vehicle detection technologies to classify and weigh vehicles in motion, and to detect and monitor vehicle and traffic passage. The company utilizes its own specialized products, and incorporates the technologies and the products from other suppliers, to provide specialized and integrated traffic management systems used in a number of complementary markets.

IRD's Weight in Motion (WIM) technology is a platform technology from which IRD has developed many other industry leading products and services. By extending the WIM product to include tire pressure sensors, Vector Sense as well as other functionality such as HAZMAT Placard Reader, Kapsch, IRD is becoming a complete freight focused compliance and safety service provider.

Data

The ITS industry is evolving quickly, with many significant trends occurring in the transportation world. One that is receiving considerable attention is the autonomous vehicle trend being pursued by Google and many others. The most basic building block upon which this mega trend is built is accurate and reliable real-time data such as that captured, analyzed and distributed by IRD.

At present, IRD collects massive quantities of road data for its clients. In our opinion it is for the use of its clients at this stage. However, because of the potential value of this data to the autonomous vehicle market, the company could pursue a strategy of potentially partnering with its clients to "resell" the data. While this event is likely down the road for IRD, the company has the potential to benefit from the autonomous vehicle trend long term or at least be a part of the solution to this technological challenge.

COMPETITIVE CONDITIONS

IRD faces varying levels of competition in each of its

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PEG Ratio	0.56
P/S	0.51
P/FCF	9.8
EV/EBITDA	6.5
BV/Share	1.69
	4.00

GROWTH

Revenues	15%
FCF	20%
EPS	20%
	3.75

RISK/LIQUIDITY

D/E	0.02
Current Ratio	1.70
SGR	n/a
	3.75
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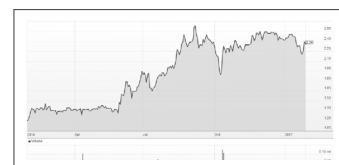
business segments and markets depending on specific sales opportunity. In Canada and United States, the company's major competitors are primarily Canadian and U.S. based systems integrators and sensor companies that also operate in the ITS industry. In other international markets, IRD competes against various European based companies and local technology companies of varying sizes and abilities.

Although competitive forces exist across all its market segments, IRD has achieved a dominant position in the ITS industry, particularly in the United States, Canada and Latin America through the Chile operation where the company's reputation for quality of work and ability to execute projects in a timely manner has allowed IRD to outperform direct competitors. In other parts of the world, the company's success versus its competitors is often more variable as ability to win contracts often depends on local pricing competition.

IRD is unique as it has been in the ITS business for 35 years focused solely on the ITS market, offering a broad range of products and systems spanning a number of complementary and parallel markets. IRD is the largest company in the WIM market with a well-established international foot print. Its offerings in the complementary markets are all built from the same core technologies as used for the WIM data and weigh station systems. The reapplication of core technologies in these complementary markets and the international reach ensure stability and are an important part of the IRD's strengths.

HISTORICAL QUARTERLY RESULTS

Below is a table of operating results (in \$000's except for earnings (loss) per share) for the eight most recently completed quarters. Quarterly operating results may fluctuate throughout any fiscal year and not be comparable sequentially, or to same prior year results, due to a number of factors including the timing of project awards, product delivery schedules, product mix, the impact of seasonal weather conditions on project installation schedules, and the fact that the timing and completion of projects is often at the discretion of construction contractors and customers. With the Canada and United States segment currently the largest source of consolidated revenue IRD, seasonal weather conditions in North America may impact installation work for certain projects. Thus the first quarter of a fiscal year is often the weakest compared to the balance of

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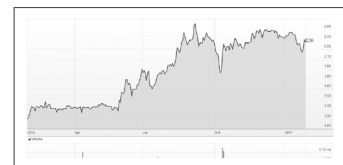
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the fiscal year. If we see the same pattern this year, which is expected, a long-term buying opportunity may present itself.

The past eight quarter results have demonstrated IRD's success in delivering an increasing number and dollar value of projects, mainly in its Canada and United States segments (India is a non-factor in this respect), resulting in revenue growth and solid EBITDA and net earnings. In addition, since the majority of the company's sales are in U.S. dollars, the increased value of the U.S. dollar compared to the Canadian dollar and Chilean peso over this time period has contributed to this growth.

Over the past eight quarters, IRD has recorded significant profitability in the third quarter of 2016 and 2015 relative to other quarters in this time period. For the third quarter of 2016, the company's strong growth in net earnings and earnings per share reflects its success across all its market segments arising from an increased number of contracted projects, higher service and maintenance revenues and a large high margin product sale in the Latin America and Mexico segment. Similarly, the strong growth in net earnings and earnings per share in the third quarter of 2015 was due to several factors including: a significant increase in project revenues realized, foreign currency gains due to further increase in the U.S. dollar compared to the Canadian dollar and Chilean peso, and higher XPCT earnings which included a sale of this entity's land and building.

Higher earnings in the Canada and United States segment in the current fiscal year and over the past eight quarters have been offset, in part, by lower earnings in Latin America and Mexico, which were affected by strategic pricing decisions taken on certain contracts and delays in project execution. In addition, India has incurred operating losses over this time period due to a decision to reduce the level of business activity in this segment.

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Average USD:CAD Foreign Exchange Rate	1.30	1.30	1.39	1.32	1.28	1.24	1.20	1.12
Revenue	\$ 18,256	\$ 15,285	\$ 14,898	\$ 16,244	\$ 18,086	\$ 12,964	\$ 10,697	\$ 11,319
EBITDA ¹	2,176	786	847	1,194	2,188	765	252	552
Net earnings (loss)	1,410	368	457	779	1,458	337	(43)	485
Earnings (loss) per share								
- Basic	0.10	0.03	0.03	0.05	0.10	0.02	(0.00)	0.03
- Diluted	0.09	0.02	0.03	0.05	0.10	0.02	(0.00)	0.03

FINANCIAL PERFORMANCE**Nine Months Fiscal 2016 Highlights:****RATINGS****VALUE (TRAILING)**

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- Revenues up 16.0% to \$48.4 million on growth in key North American markets.
- Solid increase in gross margin to 32.5%.
- EBITDA rises 18.8% to \$3.8 million.
- Net earnings increase 27.5% to \$2.2 million, or \$0.15 per common share.
- Solid financial position with working capital of \$13.3 million.
- Innovative new VectorSense® product line launched.
- Outlook for continued growth with strong confirmed order backlog and near-term business opportunities.

IRD's revenue increased by 0.9% and 16.0% for the three and nine months ended August 31, 2016, respectively compared to the same prior-year periods. The significant growth in fiscal 2016 reflects the company's success across all its market segments arising from an increased number of contracted projects, higher service and maintenance revenues, and product sales compared to the prior year. Changes in the value of the U.S. dollar compared to the prior year increased consolidated revenues by approximately \$2.6 million for the first nine months of fiscal 2016.

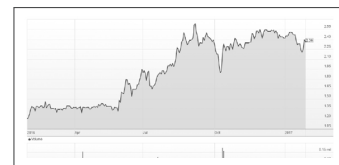
Gross margin as a percentage of revenue in the third quarter and first nine months of fiscal 2016 increased compared to the prior year due mainly to changes in product mix, foreign currency variability, and increased margins on specific projects.

IRD reported net earnings of \$1.41 million, or \$0.10 per share (2015 - \$1.46 million, or \$0.10 per share), in the third quarter of fiscal 2016 and \$2.24 million, or \$0.15 per share (2015 - \$1.75 million, or \$0.12 per share), for the nine months ended August 31, 2016.

Xuzhou-PAT Control Technologies Limited (XPCT)

IRD also owns a 50% joint venture interest in XPCT, an ITS products and manufacturing service provider in China. XPCT has two business divisions providing products and services to both the ITS industry and construction equipment manufacturers. As a distributor for the company's ITS manufactured goods, XPCT provides a strategic advantage to the company to increase sales in the Chinese market.

IRD's share of XPCT reported earnings in the third

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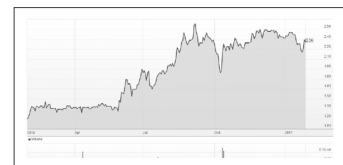
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quarter of fiscal 2016 was \$65,165 (2015 - \$399,670) and year-to-date was \$189,858 (2015 - \$473,198). Wire harness profitability for the year-to-date is consistent with the prior year period. However, the company currently has only a limited number of traffic sales projects underway. Third quarter earnings in the prior year were also higher as IRD recorded an after tax gain on sale of land and a building of \$167,577. In offset to earnings, the carrying value of this investment has decreased by \$419,248 for year-to-date 2016 (2015 - increased \$661,749) due to a decline in the value of the Chinese yuan against the Canadian dollar.

IRD remains confident that future growth opportunities will arise from the Government of China's five-year economic plan which calls for significant investment in infrastructure projects.

OUTLOOK

Following on strong growth through the third quarter and first nine months of fiscal 2016, management expects fourth quarter revenues to be consistent with the prior year's fourth quarter primarily due to current in-house order levels in the Canada and United States business segment. Additionally, the company remains optimistic it can achieve increased revenues and profit in the Latin America and Mexico segment through the balance of the year based on the completion of existing projects and other near-term sales opportunities. Business operations in the India segment are expected to continue at minimal levels for the balance of 2016 reflecting the reduced business activity in this market. Consolidated and business segment revenues and net earnings can vary significantly on a quarterly basis due to uncertainty in the timing of project awards and activities which are often at the discretion of government agencies.

The current value of the U.S. dollar is expected to continue to provide economic benefits to the IRD's 2016 revenues and profitability as the majority of the company's revenues are denominated in U.S. dollars. Changes in the U.S. dollar relative to the Canadian dollar and Chilean peso have the potential to increase or decrease the company's revenue and profit performance.

Over the medium term, management believes that governments and private sector interests around the world will continue to invest in highway and roadway infrastructure as a means to improve transporta-

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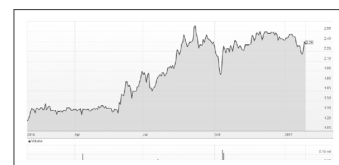
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tion systems efficiency, reduce emissions, and increase safety and productivity while supporting economic growth. As such, IRD expects worldwide demand for ITS products to continue to grow. Further, with a growing global installed base of ITS systems and technologies, the company also anticipates its maintenance and service business will continue to expand, providing recurring and sustainable revenue.

Over the long term, IRD's expertise, technologies, products and services will provide systems, data and solutions for the future evolution of the Automated Highway System (AHS). The speed of the deployment of AHS technologies is dependent on a number of factors, including the development and acceptance of driver assisted and autonomous vehicles, and the deployment of the infrastructure such as the communications and other services needed to support the AHS. IRD believes that most infrastructure investment challenges will be addressed within new government budgets and increased involvement by the private sector through Private-Public-Partnership (PPP) business models. In the PPP model, infrastructure financing is provided outside of traditional government sources. In support of this long-term vision, the company is committed to an active program of research and development to advance the functionality of existing products and systems in the near term while preparing for the AHS in the longer term.

CONCLUSION

IRD is an interesting study. The company is benefiting from the exponential growth in global roadway use, increasing congestion, and elevating needs for roadway safety – almost all approaches to addressing these huge global issues require the hardware, software and services that IRD provides. Despite this, IRD has historically traded at below market multiples. Part of the reason has been the historical lumpiness in quarterly results that is inherent to a contract driven business. While this will continue to a degree, the current demand cycle and the company building recurring revenue base should help drive more consistent profitability over the next 5 years. Additionally, there are a number of fundamental factors at work including a huge promised infrastructure (P3) road building spend from the Trump administration and the potential to monetize the accurate and reliable real-time data that is captured, analyzed and distributed by IRD –the lifeblood of the autonomous vehicle trend – that have the

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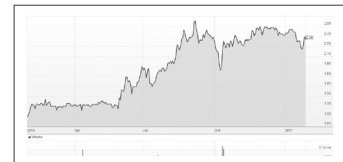
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International Road Dynamics Inc.**Current Price (January 30/2017): \$2.36****IRD:TSX****RECOMMENDATION: BUY**

Shares Outstanding.....14,724,278

Fully Diluted Shares Outstanding.....15,416,882

**SELECTED QUARTERLY DATA**

Income Statement	9-Months 2016	9-Months 2015
Revenues	\$48,439,341	\$41,746,208
Net Earnings	\$2,235,031	\$1,752,442
EPS	\$0.15	\$0.12
Fully Diluted EPS	\$0.14	\$0.11
FCF	\$2,659,606	\$1,916,854
FCF/Share	\$0.18	\$0.13
Balance Sheet	31-Aug-16	30-Nov-15
Current Assets	\$32,302,158	\$28,888,834
Total Assets	\$45,203,658	\$41,759,738
Current Liabilities	\$19,024,296	\$17,587,619
Long-Term Debt	\$546,427	\$642,856
Total Liabilities	\$20,371,873	\$19,055,141
Shareholders' Equity	\$24,831,785	\$22,704,597

SELECTED ANNUAL DATA

Income Statement	2015	2014
Revenues	\$57,990,057	\$45,101,507
Net Earnings	\$2,531,585	\$1,372,103
EPS	\$0.17	\$0.09
Fully Diluted EPS	\$0.16	\$0.09
FCF	\$3,611,993	\$(1,801,084)
FCF/Share	\$0.25	\$(0.12)
Balance Sheet		
Total Assets	\$28,888,834	\$25,104,868
Total Liabilities	\$17,587,619	\$15,557,906
Working Capital	\$11,301,215	\$9,546,962
Long Term Debt	\$642,856	\$771,428
Book Value	\$22,704,597	\$19,174,121
ROE	11%	7%

potential to add a bit of “sizzle” or blue-sky growth to IRD’s solid story. The potential for increased market attention over the next couple years could increase the multiple on the stock. Couple a higher multiple with underlying growth and IRD has the potential to produce solid gains for long-term investors over the next 2-5 years.

With its improved profitability and cash flow over the past 2-years, management has increased IRD’s focus on development projects to enhance its current product lines and introduce new solutions for its customers. One of the company’s key new innovative products is its recently launched VectorSense® Tire Sensor Suite and the related Vehicle Information-In-Motion™ (VI2MTM) Traffic Data Collection system. We believe these type of advanced, leading-edge ITS solutions are the future growth drivers for IRD, providing the enhanced data necessary for improved tolling, increased road safety and more informed decisions on infrastructure spending. VectorSense® and VI2MTM were developed to meet the needs of highway and roadway authorities to provide previously unavailable traffic and vehicle data. This includes tire width and axle configuration including identification of single, dual and new super-single tires being used on large trucks, enhanced vehicle and truck identification, bicycle lane traffic, vehicle lane position and safety information such as under-inflated tires. This data is collected while vehicles travel at highway speed.

In a historically contract driven business, IRD’s quarterly revenues have been subject to fluctuations. Typically the third quarter is the company’s highest revenue and most profitable reporting period followed by the fourth. In North America, these quarters include the busy summer construction season, while the first quarter of the year is the company’s weakest. IRD is more often than not a small portion of a much larger contract to build or recondition a roadway. This is important to remember because IRD does not have a high degree of influence on when things are done and when they will be completed. IRD’s products are usually installed towards the end of the construction phase. This can cause some quarter-to-quarter variability.

The macro trend focusing around congestion is one that we are likely to see increase and may be unsolvable in our lifetimes. This should give IRD a long cycle to take advantage of. We believe that products such as VectorSense are the future for IRD. Greater sensing

RATINGS**VALUE (TRAILING)**

EPS	\$0.19
P/E	11.25
PEG Ratio	0.56
P/S	0.51
P/FCF	9.8
EV/EBITDA	6.5
BV/Share	1.69
	4.00

GROWTH

Revenues	15%
FCF	20%
EPS	20%
	3.75

RISK/LIQUIDITY

D/E	0.02
Current Ratio	1.70
SGR	n/a
	3.75
	3.83

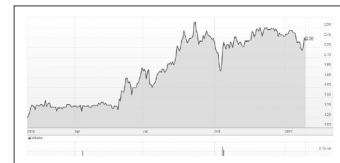
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capabilities produce increasingly valuable and more highly sought after data that will be extremely profitable for IRD. It is important to note that these next generation sensors selling at market rates should begin to move IRD's gross margins higher, which will flow down in a levered manner to the company's EBITDA and net income lines. The launch of new sensors began in late 2016. We believe this bodes well for cash flow growth mid-to-long term.

Following on strong growth through the third quarter and first nine months of fiscal 2016, management expects fourth quarter revenues to be consistent with the prior year primarily due to current in-house order levels in the Canada and United States business segment. As such, and considering we believe Q4 2016 margins will be either inline or slightly ahead of the prior year, fiscal 2016 will be another year of record revenues and net earnings. This positions IRD to earn in the range of \$0.19-\$0.20 per share in fiscal 2016, giving it a relatively attractive PE of 11.8. Near term, we see fair value in the range of \$3.00 (15 times trailing earnings and 9 times trailing EBITDA). But with growth expected in fiscal 2017, our fair value 12-months forward is in the range of \$3.60 or 15 times the company's expected 2017 earnings per share of \$0.24 and roughly 10.5 times EBITDA. This does not account for any potential complimentary acquisitions. Management owns approximately 13% of the shares outstanding with the CEO accounting for approximately 7%, or \$2.3 million dollar of the company's value. We believe the share positions align management's interests with shareholders.

As such, we are initiating coverage on International Road Dynamics Inc. with a BUY rating and adding the company to our Focus BUY Portfolio. Due to the contract driven nature of its business, we expect lumpiness in quarterly revenues and earnings, but for this to lessen overtime and for the company to continue to produce year-over-year growth mid to-long term. We advise clients to place limit orders in the \$2.36-\$2.55 range to a max of \$2.75 near term and to be patient.

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Contact:

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President & CEO

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BV (BV/Share): Book value (book value per share)

Book value per common share calculated as total shareholder's equity less preferred equity, and divided by the number of common shares outstanding. Should the company decide to dissolve, the book value per common share indicates the dollar value remaining for common shareholders after all assets are liquidated and all creditors are paid.

D/E: Debt-to-equity ratio

A measure of a company's financial leverage calculated by dividing long term debt by shareholders equity. It indicates what proportion of equity and debt the company is using to finance its assets.

Current ratio

One of many ratios designed to evaluate short-term liquidity of a company. Calculated as current assets divided by current liabilities, this ratio gauges the level of cash resources relative to current liabilities as a measure of cash obligations.

EBITDA

Earnings before interest, taxes, depreciation, and amortization. EBITDA is calculated as revenue minus expenses (excluding tax, interest, depreciation, and amortization).

EPS: Earnings per share

A company's earnings available to common shareholders, also known as net income or net profit, divided by the number of shares outstanding.

EV: Enterprise value

Enterprise value is calculated as market capitalization less cash and equivalents, plus debt. Evaluation of EV relative to the company's trailing EBITDA is used in identifying potential takeover targets.

FCF: Free cash flow

Capital expenditures are subtracted from cash flow from operating activities to arrive at free cash flow, which intends to measure the cash available to a company after making all cash outlays necessary to maintain existing productive capacity (as measured by capital expenditures on a company's cash flow statement).

Net working capital

A measure of the company's ability to carry on its normal business comfortably and without financial stringency, to expand its operations without the need of new financing, and to meet emergencies and losses. Calculated by deducting current liabilities from the current assets.

P/B: Price-to-book ratio

Calculated as a stock's market value (current closing price) divided by its latest quarter's book value. While a lower P/B ratio could mean that the stock is undervalued, it could also serve as a sign of weak fundamentals, and as with most ratios, this varies a fair amount by industry.

PEG ratio

The price/earnings to growth, or PEG ratio is calculated as P/E ratio divided by a company's annual EPS growth. The PEG ratio is used to determine a stock's value while taking into account earnings growth.

P/FCF: Price-to-free cash flow ratio

Calculated as a company's current share price divided by its free cash flow per share (i.e., free cash flow divided by the number of company's shares outstanding) over the last four quarters (called "TTM," or "trailing 12 months" calculation). It is a measure of the market's expectations regarding a firm's future financial health.

P/S: Price-to-sales ratio

It is calculated as a stock's current market price divided by its sales (revenue) per share. When calculating this ratio, we use the company's revenue from its latest four quarters, or on a TTM basis.

ROE: Return on equity

A measure of a corporation's profitability, calculated as net income divided by shareholder's equity. ROE is often useful in comparing the profitability of a company to other firms in the same industry.

Featured companies in KeyStone's Small-Cap Stock Report are evaluated on a scale of 1 to 5 on each of the following criteria:

Value: 1 - poor investment value
5 - excellent investment value

Risk/Liquidity: 1 - high exposure to liquidity concerns
5 - low exposure to liquidity concerns

Growth: 1 - poor growth potential
5 - excellent growth potential

Overall: 1 - poor fundamental characteristics
5 - excellent fundamental characteristics

Disclosure					
Stock Holding				Other	
Companies	KeyStone	KeyStone Employees	Related Companies	Investment Banking Client	Related Company Business Relationship
International Road Dynamics Inc.	YES	NO	NO	NO	NO

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