

October 22, 2010

### Dear clients and colleagues:

The company we would like to present this week is Global Traffic Network, Inc. (Ticker: GNET). <http://www.globaltrafficnet.com/>

GNET is a US based and listed company that provides custom traffic and news reports to radio and television stations outside the U.S. The Company operates the largest media network by reach in Australia covering 19 markets, has recently acquired the largest traffic network in the United Kingdom, and operates in eight markets in Canada.

The business model is pretty straightforward: In exchange for providing custom traffic and news reports, television and radio stations provide GNET with commercial airtime inventory that GNET sells to advertisers. As a result, radio and television stations incur no out-of-pocket costs when contracting to use Global Traffic Network, Inc.'s services.

It's a great tool for advertisers, as they can buy entire audience reach by media and country geography. It also makes GNET a one-stop shop, instead of going to multiple broadcasters.

GNET can also inform the advertisers of the exact number of listeners that tuned in to specific advertisements, if advertised on its Mobile Traffic Network.

In Australia, a market it has been operating in since 1997, GNET has the largest media network by reach covering about 16.1M radio listeners and television viewers every week. In 2007 it entered the United Kingdom market, where it has an estimated radio listener reach of 24M weekly.

It started its Canadian operations in 2005, catering to approximately 15.4M listeners/viewers per week. In Canada it provides services to 70 traffic reports stations, 4 TV reports and 23 News/Weather/Business/Sports stations. In fact, it provides services to 24 radio stations operated by Corus Entertainment Inc. (99.3 The Fox in Vancouver; and 102.1 the Edge and AM640 in Toronto to name a few).

### Target market size

GNET targets markets with large population clusters in tight geographic areas. The advertising market in the three countries where GNET operates is approximately \$14.6B (excluding print).

### Competitive advantage

GNET's business model allows broadcasters to outsource a non-core activity (traffic and weather).

It has strong relationships with leading global advertisers, nine of the top ten Australian advertisers and 18 of the top 20 global advertisers. This ensures recurring revenue; even through the recent recession companies like McDonalds, Kraft and Subway to name a few did not reduce their advertising dollars.

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In addition to having a healthy balance sheet with no debt and about \$1 per share of cash, GNET has a business model which is easily scalable as it leverages fixed cost infrastructure, and has no competition in the markets it operates.

### Growth strategy

- Their revenue growth in Canada (approx 10% of revenue) should surpass Australia (approx 60% of revenue), as there are more radio stations, a larger population and larger advertising revenue (\$4.1B compared to \$3.3B in Australia).
- Expansion into other European countries like Germany, France or Italy
- It has recently launched its mobile traffic business in Kansas City. Launching the mobile traffic app in iTunes store and Droid.
- Small acquisitions

**Strong management team:** Founders are still active in the management of the company. The CEO is a co-founder. Senior management has, on average, 20 years industry experience, and holds 31.8% ownership in the company.

### Risk

- Slow economic demand might soften advertising demand
- Internet is replacing traditional media at a faster pace
- Currency risk

### Investment theme

GNET is a niche player with a leading position in its business regions. A healthy balance sheet should be able to support its steady expansion to other European markets.

### Valuation

Based on a WACC of 10.0% and a terminal growth of 4%, our target price is \$9.

Market cap: \$122 million, P/E (TTM): 30.9x, P/E (forward): 22.8x, EV/EBITDA (forward): 8.8x, Expected annual sales growth: 10%-15%, Net cash \$19.6M, No debt.

Regards

The Global Alpha Team

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