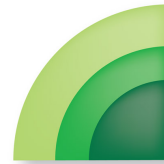




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### CRITERION

with TIM BOREHAM

## QRSciences (QRS) 12c

RICK Stokes describes his security equipment distributor as about 10 years behind the pace of its main local rival, Hills Industries.

As the head of the Hills business until 2002, Stokes should know about the potential of the sector that is more sensitive to growing paranoia levels than economic cycles.

For a business that earns its living from prying on the innocent (and guilty) public, QRS has deftly flown under the radar.

After producing ho-hum June quarterly numbers last week, management outed the company yesterday with an upbeat result, showing all business units had moved to positive cash-flow status.

The company's staple revenues are based on its local video security sales: CCTV cameras as we know them, airport-style baggage scanning and internet-based monitoring systems. Clients include Woolworths/Safeway stores, law courts, airports, banks and property owners such as GPT and Stockland.

But QRS's strongest prospects lie in the US, which is never short of an enemy, perceived or otherwise, from without or within.

QRS has acquired a listed shelf company called DVOP, into which it plans to vend certain technology assets.

DVOP scrip will then be distributed in species to QRS holders and will be the vehicle of a US raising of up to \$US10 million (\$10.9 million).

QRS claims a presence at all of the 20 or so big US airports.

One product is an X-ray screening tool, CastScope, that allows passengers with artificial limbs to be scanned without having to remove their appendages. It's an apt way of allowing Vietnam vets and a growing number of Iraq casualties retain a modicum of dignity at check-in.

Although QRS paid US7c a share for the DVOP scrip, shares are now trading at US50c on the over-the-counter market, in mere anticipation of great things.

QRS expects DVOP to post \$US11 million revenue this year and become profitable in the second half of next year.

"We are trying to unlock value in the QRS share price not seen in Australia," Stokes says.

"We have a good profitable business in Australia, while the US is the blue sky."

The core business, QRSciences Security, reported yesterday a \$1.2 million net profit (earnings a share of 1.4c) on revenue of \$16.8 million. Current-year revenue and EPS is forecast at

\$23 million and 3c, respectively. Given the US investment, the holding company recorded a full-year loss of \$5.34 million.

QRS stock burst from its torpor with a 3.5c, 40 per cent jolt yesterday, valuing the outfit at \$10 million.

As a technology stock, QRS is always going to be unloved to a degree, but it should be worth a few bob more.

QRS is a **speculative buy**. As Stokes says: "It's hard to stuff up a business like this."

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### CHAOS THEORY

