

28 March 2007

Tangent Communications

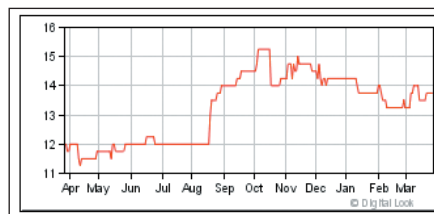
TICKER	SECTOR	MARKET CAP	PRICE	FORECAST P/E	MARKET
TNG	Media	£14.81m	13.25p	14.7	AIM

London-based marketing services provider Tangent Communications has agreed to acquire Newcastle-based direct marketing business Ravensworth, and says the deal doubles its profits.

Tangent, which reversed onto AIM in 2005, provides sophisticated data-based services that improve the marketing efforts of a diverse and impressive range of clients, including SAP, Greene King, Coca-Cola and Sainsbury's. This is a fast-growing market segment.

One third of the business is devoted to customised direct marketing, another third to local-level marketing (through Tangent's 'Toolkit' web system) and the final third to database building and management via the company's first acquisition, last July, of C360 – now re-branded Tangent Labs. This was completed for £4.5m and added a sophisticated tool, along with quality ex-Unilever management.

The purchase of Ravensworth for £5.85m will largely be funded by a £6.1m fundraising at 13p. Ravensworth made £1.1m of profit from £6.1m sales in 2006, which effectively doubles group profits as Tangent was forecast by house broker Collins Stewart to make exactly the same amount in the year to February. Joint chief executive Nick Green said Ravensworth is 'highly complementary' and pointed out that its Newcastle headquarters has a large amount of excess capacity, allowing lots



of room to expand operations away from high-cost London into the low-cost North East.

Tangent's own business is going great guns anyway. For example, a contract was recently extended with leading construction materials supplier Wolseley's UK arm to increase the supply of Tangent's Toolkit system to 550 more centres, on top of the 200 that had already been agreed.

Even before the acquisition, Collins Stewart had a prospective p/e of less than 15 on the figures to February 2007, falling to 12 times for the following year. That was good value, given the quality of new contract signings not yet factored in and the potential for growth.

Results are due out in the summer and Green revealed that current trading is in line with expectations. As the acquisition effectively doubles profits, the shares look too cheap. **BUY.**