

# SHAREWATCH

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## UPDATES & IDEAS

Many investors have recently focused their attention to email marketing firms such as Interactive Prospective (IPH;220p), which we highlighted last month. But they could be missing a trick at **Tangent** (TNG;11.75p), whose business is mostly in print-based response marketing but which has also recently launched into the email and SMS mobile messaging space.

Still 57% owned by the Green family (Michael Green, ex-Carlton Communications), Tangent is a business born out of the advent of digital printing presses. It was formed and financed by brothers Nicholas and Timothy Green, two entrepreneurs with significant experience of response-based marketing, three years ago before reversing into Documedia, a cigar-butt of an investment.

As chief executive Nicholas Green points out, most commercial printing still tends to be conducted on traditional litho machines where the setup costs for printing a single copy are almost as much as printing thousands of leaflets. Digital printing on the other hand (Tangent is strongly affiliated to Hewlett Packard which is a strong proponent of digital print and has invested several billion dollars in this area) has no minimum order quantity and therefore enables marketers to test the marketplace and personalise their text with variable data.

Exactly what Tangent does is not immediately obvious. For example, Green points to one personalisation campaign for Sainsbury where by using data on the Nectar store card, the creative agency involved was able to devise a campaign comprising a

personalised card where each recipient's name was emblazoned on a birthday cake using digital enhancing technology.

Coupons were then attached to the cards which were also targeted to previous purchasing patterns. Green claims Sainsbury achieved a 52% conversion rate versus the less-than-1% typically expected. Unsurprisingly, the margins available on digital printing therefore tend to be several times higher than that available for traditional print.

Tangent has also used its technical skills in other ways and Green notes that 40% of income is now web-related in one form or another. For instance, for Greene King, Tangent hosts a web-enabled marketing system which enables each of its pub landlords to design their own marketing material, within certain tightly controlled parameters. A landlord is now able to design a poster online which is then produced and dispatched by Tangent. The result is that campaigns become better targeted and Greene King saves on costs. Tangent charges recurring fees for the service under a multi-year agreement.

Tangent is expected to make a pretax profit of £1.1m (eps 0.8p) this year to February '07, almost doubling on the £0.6m it expects to report for the year just ended. Green's aim is to become totally channel agnostic, ie. a 'one stop' shop for handling all the digital marketing whether by direct mail, email or mobile. The mix of their connections and strong demand is a potent one. **Buy.**

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