



Tangent (TNG: 13.75p) is an ambitious and fast growing digital printing business which with a market capitalisation of £22.2m, attempted to swallow the much bigger and better known St Ives last year which has a market capital of £325m. The bid was rebuffed but demonstrated management's commitments to become much bigger in the years ahead.

The business began in 2003 when brothers Nicholas and Timothy Green, two entrepreneurs with experience of response-based marketing, backed by the third Green brother, Michael, of Carlton Communications fame, set up their digital press operations. In the year to 28 February, Tangent grew its profits by 71% to £1.07m on sales of £8.6m and broker Collins Stewart is forecasting profits reaching £2.4m this year for eps of 1.1p.

The big jump in profits this year partly reflects the acquisition of Ravensworth, a business which operates a web-based technology platform used by 2,900 of the 10,000 estate agents in the UK and which enables them to design and update sales particulars. Ravensworth also provides the high quality print fulfilment and will print these in colour from its Newcastle site and deliver the brochures, typically in small run sizes, the following day.

March and April were record months for Ravensworth and the plan now will be for Tangent to launch a portal later this summer which will enable agents to also produce localised marketing which will personalise text with variable data. Nicholas Green says even if there is a housing market slowdown, estate agents will still need to print sales particulars.

The company is also targeting a number of companies producing Home Information Packs (HIPs) with its digital print service and is clearly going to benefit from the move on 10 September which extends the HIP requirement down to three bedroom

houses, having previously only applied to four bedrooms.

The earlier transforming development for Tangent was the launch of a web-based marketing system known as Toolkit which enables retailers to produce localised marketing. Clients include Greene King and Threshers who use the system to design their own posters and other point of sale material online which are then produced and dispatched by Tangent. The increased freedom this gives to local managers results in not only less wastage but also better targeted campaigns. Tangent charges recurring fees for the service and customers get hooked on the convenience; last year sales of the product Toolkit increased by 65% from existing customers.

Elsewhere, Tangent is also building up a sophisticated skill in highly customised campaigns, not only in traditional print media but also online. This has led to the development of a generic customer relationship management system for managing emails, websites and mobile content, which it hopes could ultimately be marketed by ERP giant SAP. Tangent already uses similar technology to manage personalisation campaigns for customers such as Sainsburys and manages campaigns for the Nectar store card. These can become highly personalised campaigns, eg. Tangent prints birthday cards from the Nectar data using its technology to emblazon a photograph of a birthday cake with an individual's name. Coupons are also attached based on the individual's previous purchasing patterns. Green claims Nectar achieved a 52% conversion rate versus the less-than-1% typically expected in the industry.

When we first tipped Tangent in the May 2006 issue at 11.75p, it might have appeared a hodge podge. But the business has since taken shape and Ravensworth is a jewel in the crown. Now on low PE if Tangent can find other suitable acquisitions, the shares should continue to do well.