

Ambitious Tangent's targeted prospects

By Oliver Hail

The widespread take-up of the internet has created a new marketing environment, the crux of which is the ability to achieve targeting precision. Advertisers have always attempted to pitch campaigns at exactly the right man or woman on the street and now they can, while mobile marketing has the potential to be an even more precise advertising tool.

Jointly run by brothers Nick and Tim Green, Tangent Communications has a proprietary suite of digital devices that offer advertisers precise, targeted marketing not only on the internet, by email and by mobile text message but also offline, by post, or in-store. Tangent's clients in the digital space make impressive reading, ranging from German

software giant SAP to the Labour Party for website design, Ted Baker for email and, more recently, Nike and Adidas as mobile customers.

Offline, companies such as Sainsbury's work with Tangent for its ability to mine data for nuggets of information and then transfer this into printed marketing. In this instance, the technology allows Sainsbury's to send out mailings to loyalty card customers with offers

'If you like Rioja, your letter from Sainsbury's will have a picture of a bottle of Rioja on it'

and pictures based on their exact shopping habits, dramatically improving redemption rates. 'If you like Rioja,' explains Nick Green, 'your letter from Sainsbury's will have a picture of a bottle of Rioja on it.' Other chains such as Greene King, Threshers and Wolseley use the company's Toolkit system to allow store managers to configure company-wide advertising online to fit with their local needs.

'Seventy per cent of our revenues are driven via our proprietary technology offering,' he declares, 'but we are platform-neutral, so we also offer digital print to our customers.' Straddling the online and offline worlds gives Tangent a real competitive advantage and helped the company see off agencies belonging to much larger groups for a recent website contract.

Green ambition

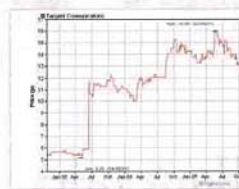
For bosses of a sub-£20 million company, the Greens' goals are undeniably ambitious, as evidenced by last year's rebuffed £280 million tilt at printer St Ives. The brothers' other forays in the market, however, have been much more subtle. A year after reversing Tangent into AIM print management company Documedia in 2005, they picked up C360, a database-led consultancy with a strong management team, for £4.5 million and later Ravensworth, a

'Companies work with Tangent for its ability to mine data for information and then transfer this into printed marketing'

printer of property particulars for estate agents, for £6 million. These acquisitions are thought to have contributed to an impressive interim performance (for which results are imminent). C360, rebranded as Tangent Labs, was bought for its online capabilities and, informs

TANGENT COMMUNICATIONS

Growth Company Recommendation - Buy



Ticker: TNG
Sector: Media
Listing: AIM
Mid-price: 12.25p
Spread: 11.75p-12.5p
Market cap: £19.82 million
12-month high/low: 16p/12.25p
Normal market size: 3,000
Average Sector p/e: 20.02

RESULTS	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	p/e
2006 (A)	6.6	0.6	0.8	15.3
2007 (A)	8.6	1.1	0.9	13.6
2008 (E)	16.0	2.4	1.1	11.0
2009 (E)	18.0	2.9	1.2	10.2

SECTOR PEERS	Ticker	Market cap (£m)	Pre-tax Profit (m)	Forecast p/e
Creston	CRE	63.7	8.3	6.6
smartFOCUS	STF	14.4	0.9	12.1
TMN Group	TMN	32.7	3.3	11.2

Green, 'has grown significantly in the past 12 months'.

'Email, online and SMS is not the largest part of the operation but it is the fastest-growing and over the next 12 months it will overtake the other side of the business,' he says. 'We have been investing in this area and winning deals.'

Ravensworth 'continues to perform way above budget' and has won 'a significant number of new customers' – not just estate agents. Home information packs have been a driver for new revenues, and the recent expansion to houses with three bedrooms should increase this further. One aim had been to transfer business from high-cost London up to the lower-cost North East, but such has been the increase in activity there that much of the spare capacity has already been filled.

With Tangent growing in a number of directions, house broker Collins Stewart is forecasting more than doubled profits of £2.4 million for the year, lifting earnings per share by a fifth to 1.1p. Trading on



Tim Green works with his brother to grow Tangent

a 12-month low and prospective price to earnings ratios of only 11 and 10.2, Tangent's valuation looks undemanding. Moreover, the company is well backed as the brothers' uncle, Michael Green – founder of Carlton Communications, one of the two forerunners of ITV – holds a 38 per cent stake alongside some astute fund managers.



Undeniably ambitious goals are harboured by Tangent's joint-CEO Nick Green