

Thursday 7th November 2007

The Investment Column

Tangent Communications

Our view: BUY Current price: 13p

Even as advertising budgets continue to migrate from traditional media to the ether, there is still a long way to go before the electronic word overtakes the printed and televised version.

But it will happen, and Tangent Communications is enabling corporations to embrace internet marketing.

Yesterday's full-year results from the Aim-listed group prove how lucrative online marketing can be when it is done right. Although in the grand scheme of things the numbers are still small, profit before tax soared by 169 per cent to £1.42m on the back of a 121 per cent jump in revenue to £8.74m. The company also retains plenty of cash – £2.3m, more than 10 per cent of its market capitalisation.

So far, the company has managed

to develop an impressive list of blue-chip clients, including Greene King, Wolseley, KPMG and Halifax. In total it has more than 3,000 customers, and its proprietary technology is driving more than 70 per cent of profits. March's £4.5m acquisition of direct marketing and digital print business Ravensworth has proved to be a canny deal.

As always, this kind of stock is not for the faint-hearted. But Tangent is making real money, and based on forecasts from the broker Collins Stewart it trades on under 10 times forecast 2008 earnings not including its cash pile. **Buy.**