

## **NORCON**

**NCON £31.3m 76p**

**BUY**

PLACING

AIM

Project management and outsourcing business Norcon has agreed to place 5.8 million shares at 65p per share in order to increase its free float. Under the terms of the placing major shareholder Norconsult Telematics Holdings and director Gaute Vik are selling a portion of their holdings to institutional clients of the company's broker. Following the placing Norcon's free float will increase to around 20%.

### ● COMMENT

In our original tip on Norcon We flagged that two of the major risks surrounding the company were its reliance on Saudi Telecom, which is its major customer, and the fact that the free float was only around 5%. Following this development the company has made progress on both fronts recently, having in the 2008 financial year signed up a number of new clients to reduce its exposure to Saudi.

At 76p, an all time high, the shares now trade on a 2009 price earnings multiple of 5.7 and 2010 multiple of 4.75 given forecasts from the house broker for earnings of 19.3 cents (13.25p) for the current year to 31st December 2009 and 23.3 cents of earnings (16p) in 2010. We believe those ratings look excellent value for a company which is forecast to grow earnings in double digits both this year and next. In addition, presuming Norcon maintains its policy of paying out half its earnings as income, the dividend for 2009 is set to be 9.7 cents, meaning that the shares yield a very healthy 8.8%. **BUY.**

