

GROWTH COMPANY INVESTOR

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New Issues Examined

▶ Oliver Haill



As the pessimistic prophets and doom-mongers brayed about an impending recession, it was the serene arrival of the smallest fundraising of the month that caught my eye

Of the seven new arrivals last month, including the £53.3 million extracted by oil & gas explorer **Resaca Exploitation** and \$31.6 million (£15.8 million) raised by a shariah-compliant investment fund, it was fast-growing and income-generating **Norcon's** modest IPO that piqued my interest. This project management expert is a truly international business, with origins in Norway, headquarters in Cyprus and incorporation on the Isle of Man, yet it has yet to fully push its story to investors.

Having raised just £1.6 million of new money in a float advised by FinnCap and with only 5.5 per cent of the shares in public hands, this is understandable. But that is not to say the company is not outward-looking: finance director Marne Martin explains when acquisitions or secondary fundraisings are appropriate the board is looking forward to expanding its share capital.

Go-to guys

Norcon's operating business, Norconsult, is a well-respected provider of project management and outsourcing in the telecoms arena. Set up in Norway in the 1950s, the company swung into the Middle East in the 1960s and now draws more than half of its sales from there. 'This means we move in an almost inverse relationship with the West,' says Martin. 'In recent years our growth prospects have accelerated on the back of their oil boom.'

When companies want to roll into a new market or state-backed organisations want to set up a new network, large or small, Norconsult are the go-to guys. A few years ago Saudi Telecom chose the company to oversee the \$5 billion-plus construction of a new mobile phone network for the whole of Saudi Arabia, which was at the time one of the

world's largest ever telecoms projects and worth over \$230 million to Norconsult.

Between 1997 and 2007 the group has maintained its profitability and declared aggregate dividends of \$30.5 million. Profits have grown over 60 per cent in each of the last two years, expanding 63 per cent to \$7.2 million before tax in 2007 on turnover up 24 per cent at \$55.1 million. Recurring revenues with Saudi Telecom meant it provided the bulk of revenues last year.

Visible earnings

Sustainable revenues are another attraction at Norcon, with many current contracts rolling over into 2009.

Further forward, Martin says demand drivers include deregulation of many of the company's markets, allowing incumbent operators to expand and new entrants to compete (such as a recent project won in Kuwait), as well as a strong trend to outsourcing. Also, there are likely to be a number of projects to upgrade mobile networks to 3G and 3.5G, plus laying cable to expand broadband networks.

'Although the rate of new projects piling up is good, our organic growth from existing projects is very healthy,' stresses Martin. 'We expect steady growth.' But now with tradable equity to offer, acquisitions are perhaps more likely and she conceded that they are a 'distinct possibility' in the next year or two - but 'only profitable, complementary companies at good values, no turnarounds.'

Finally, the company's intention is to pay out a heady dividend of around 50 per cent of net income and interim results, due in September, should confirm this. At 75p, the share price has already put on a few pennies from the 69p issue price and I suggest picking up a few more for the long-term.

AIM NEWCOMERS 2007/08

Date	2007		2008	
	Companies	Funds (£m)	Companies	Funds (£m)
May	19	745.2	13	196.7
June	31	1,189.4	11	230.7
July	28	1,147.5	7	79.85