

Expect to see solid half-year results as business is booming

Trading opportunity on Norcon outsourcing stability

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Investors should buy shares in outsourcing group Norcon (NCON:AIM) ahead of half-year results on 9 September, as they should show resilient earnings and reveal several new contract awards. The business has won its first telecoms deal in South Africa and made a joint venture to expand into India. The figures should also show a positive outlook for defence work, which Norcon wants to jump from 3% to 15% of revenue over the next two years.


Two months ago in a trading update (23 Jun) the £30.8 million cap said it is 'on track to achieve significant growth this year' through extra work from existing clients and winning new customers in both existing and new geographical territories.

House broker Finncap has forecast net income to jump from \$6.4 million in 2008 to \$8 million this year. Around half of earnings are used to fund dividends, so a forecast 9.7 cents per share payout equates to a yield of

7.8% on a 75.5p share price.

Norcon principally helps telecom operators to implement new technology. Saudi Arabia continues to be its biggest region but it is adding new territories as part of a strategy to focus on emerging markets. 'We seek business in regions that have not been as badly hit by economic downturn and where telecoms investment is being driven by deregulation,' says chief executive Arnold Rorholt.

Defence work is being driven by the Middle East where the army, navy and air forces - particularly those of the US - are buying new assets, including command control systems which is Norcon's area of expertise.

Shares says: A hugely attractive business with high quality of earnings and generous dividend.  Buy

