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### Tech Watch, by Elliott Davis

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Almost every UK-listed telecoms group has found its fortunes dictated to some extent by sector leader BT. Yet several recent AIM arrivals have found an intriguing route around this by targeting international markets.

Teleunit is a prime example. The group – which offers a range of services including fixed-line calls, phone cards and broadband connections to Italian customers – became AIM's first Italian arrival in May 2004, securing C15 million (£10.2 million) from investors prior to its arrival.

This cash will be spent developing infrastructure. Although this can be a uniquely expensive process for firms in the telecoms sector, progress has been impressive thus far. Regional local loop unbundling is a prime example of this, as the process is expensive yet grants a stronger market presence. An agreement signed in February, granting the firm access to over half of the broadband market in Tuscany, therefore looks hugely promising.

But while Teleunit's offering in this region is evolving rapidly, it should also be noted that its existing business has continued to perform well. 2004 saw the company grow profits from C3.8 million to C5.6 million on sales swollen more than C16 million at C60.8 million. The first half of 2005 was, admittedly, marked by a £100,000 reduction in profits (associated with some exceptional costs and low margin business). Nonetheless, management remains confident for the full year.

House broker Daniel Stewart shares in this optimism and reckons a profit of roughly C6.5 million is likely from just over C90 million of sales. Anticipated earnings of 2.8 cents place the shares on a tempting prospective p/e of 11, which drops to just 5.8 times forecast earnings for 2006.