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Confidence high at Telecom Plus



LIFE has become much more costly in recent months and nowhere is the change more pronounced than in basic household expenses. Bills have shot through the roof and most people are feeling the pinch.

Against this backdrop, any firm promising to make life cheaper is on to a winner, so it is perhaps not surprising that Telecom Plus is doing well.

The company operates under the Utility Warehouse brand and supplies consumers and businesses with a range of services, such as electricity, gas, phone and broadband. It is the only group in the UK supplying both energy and communication services and it guarantees to be one of the cheapest providers.

Telecom Plus does not own any of these products itself, but it buys in bulk from firms such as npower or phone companies and passes on savings it makes to customers.

As it owns none of the paraphernalia associated with utility businesses, its costs are low. The group also prides



Midas

By JOANNE HART
INVESTMENTS EDITOR

midas@financialmail.co.uk

itself on customer service and has a UK-based call centre, which is in the same building as the management team.

The business is run by Charles Wigoder, who made a name for himself in the Nineties when he founded the

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Peoples Phone Company and sold it to Vodafone for £77 million just a few years later.

So far, he also seems to be doing well at Telecom Plus. The company released a trading statement last week saying it was extremely confident about the next 12 months and promising a 25 per cent increase in the dividend to at least 17.5p for the year to March 2009.

The most recent results showed a 45 per cent rise in pre-tax profits to £16.8 million and brokers believe this figure will climb to more than £20 million next year.

The group has about 200,000 customers, which equates to just one per cent of the markets it serves. Wigoder believes there is scope to expand to about a million customers, delivering turnover of at least £1 billion.

He may well be right. The company promises to cut utility and phone bills by up to 40 per cent, particularly for customers who take all their utility and phone services from Utility Warehouse.

BUOYANT: Charles Wigoder is promising a 25 per cent increase in the dividend for the year to next March

This is a tempting prospect in today's environment and recent numbers indicate that the group is acquiring more customers and that each one is buying more from it.

» Midas verdict: Telecom Plus shares have proved resilient over the past few months, but at 315p there is considerable potential for growth. Wigoder is also extremely motivated to deliver shareholder value as he owns 25 per cent of the company. Buy.

Traded on: Main market

Ticker: TEP