

# Pattern shows Perth-based telecom is threatening a breakout

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TECHNICAL analysis has proven its worth in recent months with stocks highlighted in BusinessDay by Australian Technical Analysts Association member Rob Shelley performing well in a choppy and flat market.

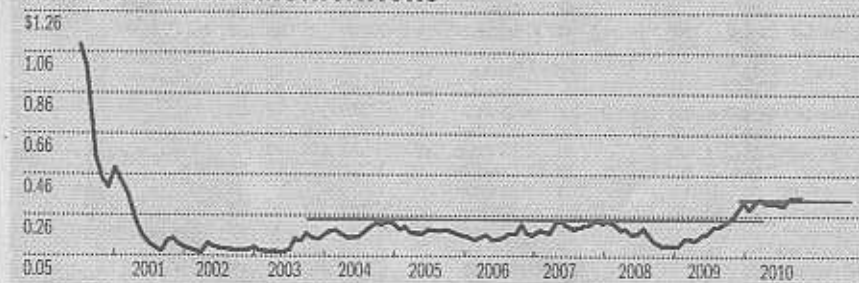
These include Orotan and Thorn Group, which have continued to grow since being identified in these pages, and Super Cheap Auto, which has held its own.

This week, Shelley runs the numbers on another candidate — Amcom Telecommunications.

The Perth-based telecommunications services provider has a market capitalisation of around \$240 million and its share price has risen from a low of 22¢ a year ago to trade around 34¢. It might sound like small change, but that's actually a rise of 50 per cent.

Over the last nine years the stock has been in what is known to technical analysts as an "accumulation" phase, trading in a narrow range on low volumes. And from a technical analyst's viewpoint, the longer the accumulation phase is, the greater the likelihood

## AMCOM TELECOMMUNICATIONS



of good gains when a stock breaks out (as long as the business is performing).

In 2009, the stock moved into a higher price band with stronger

trading volumes. Then this year it broke into new territory, above the top red line on the graph. All that looks healthy from the chartist's perspective as the stock could be

moving from accumulation to breakout territory, Shelley says. A further upward movement could be signalled if Amcom trades over 36¢, he says.

In fundamental terms, there has been earnings per share growth over the last five years, despite a down year in 2008. Total shareholder returns since 2005 stand at a healthy 18.3 per cent a year. The dividend was pushed up 75 per cent this year and, despite recent share price growth, the yield is still 4.3 per cent fully franked. Net profit rose 43 per cent for the year to June 2010.

Neither BusinessDay nor Rob Shelley are offering investment advice; those wishing to commit funds to the market should seek independent guidance.

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