

Weekly Update: 12/07/2021

Merchantec Capital Small Cap Index Major Movers

Company Name	Close (cents)	Weekly %chg	Market Cap (Rm)
Quantum foods	644	+11.8%	1288
One Logix	221	+10.5%	587
Workforce	117	-11.4%	285
MIX Telematics	818	-13.4%	4958

Core equity updates

RFG Holdings Limited (JSE: RFG) announced its acquisition of the frozen foods business of Pioneer Foods Wellingtons. The business has a strong presence in the frozen pies and pastry market and caters to South Africa's high end retail market, which complements RFG's growing pies and pastries business. The acquisition has the potential to generate good synergies for RFG while also diversifying its offering into the retail channel.

The financial terms of the transaction have not been disclosed. However, the acquisition is in line with RFG's strategy of expanding its existing business operations through value accretive acquisitions.

The acquisition will take effect on 1 January 2022, subject to approval from South African Competition Commission.

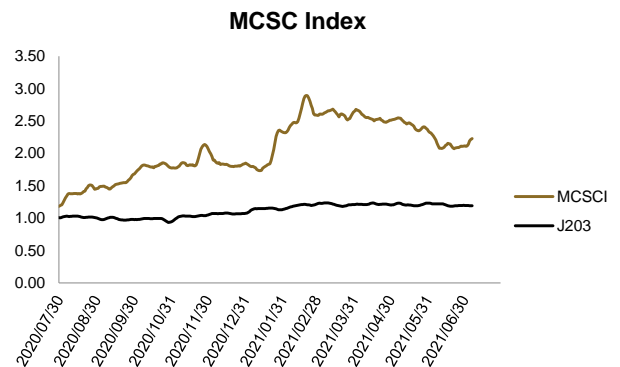
The Merchantec Capital Small Cap Index

The Merchantec small cap index assumes an equal weighting into each of the stocks within our coverage to track performance against the larger JSE and to identify opportunities to buy (after major sell-offs) and opportunities to sell (after major rallying). The index highlights investor sentiment toward the small cap space, which has been characterised by the recent lackluster economic environment.

Over the past 12 months there has been a noticeable reversal in the performance of mid and small-caps, which we believe has created an opportunity for investors to capitalise on mispricing in the market.

MCSC Indices outlook over the past week

The Merchantec Capital Small Cap Index (MCSCI) yielded a ~2.1% gain over the past month and a ~4.9% gain over the past week in comparison to the ALSI (~1.9% 1-month loss and ~0.1% 1-week gain). On a PE basis, the index is trading at a forward PE of ~8.3x, which is relatively undervalued in comparison to the JSE All Share index which is trading at a forward PE of ~9.4x.



Merchantec Research Small & Mid Cap Ranking Table

Company Name	Close (c)	Mcap (Rm)	EPS historic	EPS +1 year	EPS +2 year	Dividend Yield	historic pe	Implied fwd pe	Implied pe price (c)	Gain (Loss)	EPS Risk	DCF Value (c)	Prem (Disc)
Nu-World	2695	604	636	695	781	7.3	4.2	5.4	4155	54%	40%	3717	38%
Workforce	117	282	12	33	44	0.0	9.8	3.7	179	53%	40%	182	56%
Metair	2120	4172	148	319	424	3.6	14.3	8.6	3207	51%	40%	3401	60%
Alviva	1375	1666	149	214	317	1.1	9.2	6.4	2054	49%	35%	1761	28%
Santova	340	474	47	53	60	0.0	7.2	7.8	487	43%	45%	425	25%
Balwin	400	1868	71	89	116	8.8	5.6	5.5	542	35%	35%	518	30%
EOH	681	1189	-505	-35	66	0.0	-1.3	6.6	919	35%	70%	1415	108%
Adapt IT	665	906	67	69	94	0.0	9.9	7.7	723	9%	40%	1149	73%
Quantum Foods	644	1274	81	60	84	1.7	8.0	8.8	695	8%	35%	679	6%
OneLogix	221	581	22	16	26	0.0	10.0	8.9	238	8%	30%	548	148%
Cognition	66	150	2	8	9	0.0	28.3	7.6	71	8%	35%	89	34.1%
Cashbuild	28006	6922	1139	2900	1726	3.4	24.6	17.7	29927	7%	35%	27618	-1%
Adcorp	585	636	34	89	107	0.0	17.1	4.1	625	7%	40%	664	13%
Rhodes Food Goup	1250	3249	87	103	125	2.3	14.4	10.8	1297	4%	45%	1440	15%
Metrofile	320	1373	25	30	33	4.5	12.9	9.6	318	-1%	30%	345	8%
Mustek	1120	731	124	297	183	2.3	9.0	5.3	962	-14%	35%	1035	-8%



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