

Weekly Update: 26/07/2021

Merchantec Capital Small Cap Index Major Movers

Company Name	Close (cents)	Weekly %chg	Market Cap (Rm)
Adcorp	695	+19.8%	764

Core equity updates

Cashbuild Limited (JSE: CSB) released a fourth quarter operational update. Group revenue for the quarter was 38% higher than that of Q4FY20, with revenue from the existing 298 stores and 21 new stores increasing by 36% and 2%, respectively. The revenue growth recorded in Q4 combined with that of the preceding three quarters equates to a 25% increase for the year ended 27 June 2021, slightly outperforming our forecasted revenue growth of 23.7%.

During Q4, the Group opened three new Cashbuild stores, closed one store, and refurbished 16 stores. As of 27 June 2021, the Group has a total of 319 stores of which 73% are Cashbuild South Africa stores and 17% are P&L hardware stores. The remaining 10% consists of Cashbuild Common Monetary Areas Stores and other stores.

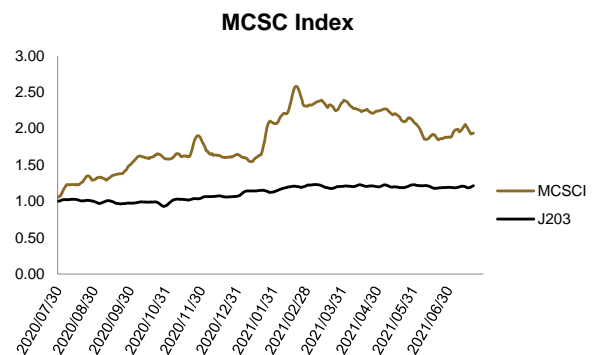
The Merchantec Capital Small Cap Index

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 lacklustre 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 ~4.0% gain over the past month and a ~1.4% gain over the past week in comparison to the ALSI (~2.7% 1-month gain and ~5.0% 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 ~9.1x.



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)
Workforce	117	288	12	33	44	0.0	9.8	3.9	189	61%	40%	179	53%
Alviva	1325	1641	149	214	317	1.1	8.9	6.2	2024	53%	35%	1712	29%
Nu-World	2740	627	636	695	781	7.1	4.3	5.4	4136	51%	40%	3658	34%
Metair	2236	4498	148	319	424	3.4	15.1	8.7	3304	48%	40%	3401	52%
Balwin	372	1776	71	89	116	9.6	5.2	5.4	545	46%	35%	512	38%
Santova	339	483	47	53	60	0.0	7.2	7.8	494	46%	45%	418	23%
EOH	650	1160	-505	-35	66	0.0	-1.3	6.3	900	38%	70%	1381	112%
Vunani Limited	300	489	7.2	42	46	4.2	41.4	8.8	383	28%	60%	410	37%
Quantum Foods	580	1173	81	60	84	1.7	7.2	8.6	689	19%	35%	664	14%
Cognition	66	153	2	8	9	0.0	28.3	7.6	71	8%	35%	87	31.9%
Rhodes Food Goup	1220	3241	87	103	125	2.4	14.1	10.7	1293	6%	45%	1440	18%
OneLogix	232	614	22	16	26	0.0	10.5	9.0	246	6%	30%	539	132%
Cashbuild	27814	7026	1139	2900	1726	3.6	24.4	17.7	29011	4%	35%	27361	-2%
Adapt IT	675	940	67	69	94	0.0	10.1	7.3	700	4%	40%	1123	66%
Metrofile	323	1416	25	30	33	4.3	13.0	9.5	317	-2%	30%	338	5%
Adcorp	695	772	34	89	107	0.0	20.3	4.5	680	-2%	40%	653	-6%
Mustek	1098	733	124	297	183	2.4	8.9	5.2	911	-17%	35%	1008	-8%



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