

Weekly Update: 05/07/2021

### Merchantec Capital Small Cap Index Major Movers

Company Name	Close (cents)	Weekly %chg	Market Cap (Rm)
Cognition	69	+17.0%	158
Calgro M3	284	+15.0%	398
Workforce	132	+12.8%	322

### Core equity updates

**Argent Industrial Limited** (JSE: ART) released a strong set of results which saw revenue increase by 13.8% to R1.97bn and EBITDA increase by 27.8% to R241.4m. HEPS increased by 63.3% to 217.9 cents.

The Group's diversified portfolio performed exceptionally well during FY21. Offshore operations contributed 56.6% to pre-tax profit, buoyed by the acquisition of Partington Engineering. Local operations performed well, benefiting from the demand for steel products post the hard lockdown period.

A dividend has not been declared as management continued with their share repurchase programme after repurchasing and cancelling 4.4m shares during the period. Shares were repurchased at an average price of R5.95, far below the current share price of R11.90. Since 5 November 2020, the share price has rallied, almost doubling in price. Management has indicated that it will continue to use excess capital to fund the share-buyback programme while the share price remains below their assessment of fair value.

ART has a very strong balance sheet, healthy cash reserves and has demonstrated resilience during extremely difficult trading conditions. Once the economic climate stabilises, we expect the Group to continue on their upward trajectory and capitalise on increased market share as they expand further into the UK and USA.

Our full report will follow shortly.

**Cashbuild Limited** (JSE: CSB) released a trading statement indicating that HEPS is expected to increase by a minimum of 100% to 2 276.4 cents, compared to HEPS of 1 138.2 cents in FY20.

A further trading statement will follow once CSB has reasonable certainty on the range of the increase in HEPS.

### 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)
Alviva	1369	1658	149	214	317	1.1	9.2	6.6	2107	54%	35%	1769	29%
Nu-World	2696	603	636	695	781	7.2	4.2	5.3	4078	51%	40%	3765	40%
Workforce	132	318	12	33	44	0.0	11.0	3.8	181	37%	40%	185	40%
Balwin	414	1932	71	89	116	8.6	5.8	5.6	549	33%	35%	530	28%
Metair	2250	4477	148	319	424	3.3	15.2	8.0	2981	32%	40%	3401	51%
EOH	719	1255	-505	-35	66	0.0	-1.4	6.8	942	31%	70%	1422	98%
Quantum Foods	576	1139	81	60	84	1.7	7.2	8.7	683	19%	35%	682	18%
Adapt IT	660	899	67	69	94	0.0	9.9	7.9	745	13%	40%	1153	75%
OneLogix	200	531	22	16	26	0.0	9.0	8.3	221	10%	30%	555	178%
Cashbuild	27101	6772	1139	2900	1726	3.7	23.8	17.4	29802	10%	35%	28113	4%
Cognition	69	156	2	8	9	0.0	29.6	8.1	76	10%	35%	90	30.1%
Rhodes Food Goup	1256	3262	87	103	125	2.3	14.5	10.8	1292	3%	45%	1440	15%
Metrofile	326	1397	25	30	33	4.3	13.1	9.6	319	-2%	30%	347	6%
Mustek	1085	708	124	297	183	2.4	8.7	5.5	1002	-8%	35%	1039	-4%

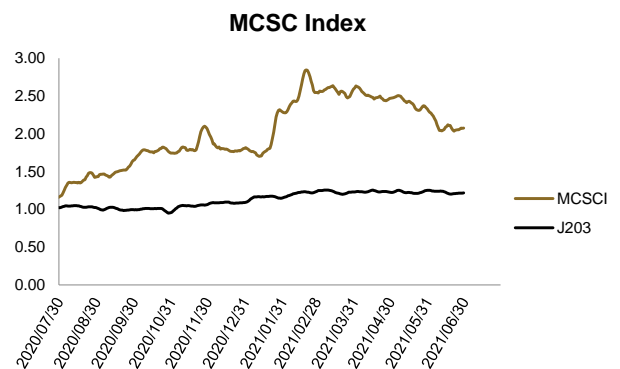
### The Merchantec Capital Small Cap Index

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 ~11.0% loss over the past month and a ~0.5% loss over the past week in comparison to the ALSI (~3.9% 1-month loss and ~0.2% 1-week gain). On a PE basis, the index is trading at a forward PE of ~8.4x, which is relatively undervalued in comparison to the JSE All Share index which is trading at a forward PE of ~9.4x.





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