

Weekly Update: 30/08/2021

Merchantec Capital Small Cap Index Major Movers

Company Name	Close (cents)	Weekly %chg	Market Cap (Rm)
Wescoal	173	+19.3%	726
OneLogix	229	+13.9%	600
Cognition	75	+13.6%	172
Workforce	131	+12.0%	319

Core equity updates

Onelogix Group Limited (JSE: OLG) reported a 6.1% decrease in revenue for the year ended 31 May 2021 while significant cost control efforts saw operating profit increase by 7.6%. HEPS declined by 35.1% to 11.1 cents, falling short of our previous forecast of 16 cents. The Group's tangible NAV increased by ~3% to R3.43, compared to the current share price of R2.29, which is up ~14% from last week.

The Group reported revenue decreases across its major operations in large part due to the continuation of tough trading conditions. OLG has experienced a significant reduction in vehicle stockholding volumes at their storage facilities as OEMs reduced their stockholdings to navigate current trading conditions while production output was also affected by component stock shortages in the global market.

Despite navigating a tough year, all 13 of the Group's companies have remained in good financial health. The Group maintained its healthy balance sheet and spent R9.6m on share buybacks despite the difficult trading conditions. The Group has a comfortable interest cover (EBITDA/interest paid) of more than 5x times, above its covenant of 3.5x.

While short term conditions for all logistic operators are expected to remain difficult for the foreseeable future, our medium- to long-term outlook on OLG is largely positive as the Group continues to protect and grow their individual market share, and each of the Group's businesses are well-placed within their respective niche markets.

Our full report will follow shortly.

Cognition Holdings Limited (JSE: CGN) released a trading statement for the year ended 30 June 2021 in which HEPS is expected to be between 2.8 and 3.3 cents, representing an increase of between 20.2% and 39.9% from FY20 HEPS of 2.3 cents, and outperforming our previous HEPS forecast of 2 cents.

The Group's FY21 results can be expected on or about 31 August 2021.

Metrofile Holdings Limited (JSE: MFL) released a trading statement for the period ended 30 June 2021 in which HEPS is expected to be between 30.0 and 32.0 cents, representing an increase of between 21.0% and 29.0% from FY20 HEPS of 24.8 cents. These figures are in line with our previous HEPS forecast of 30 cents.

The Group's FY21 results can be expected on or about 13 September 2021.

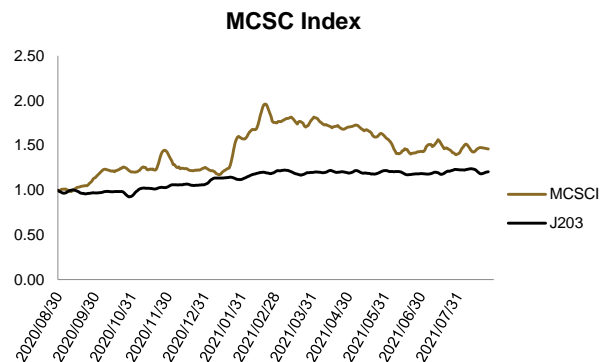
The Merchantec Capital Small Cap Index

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 ~3.4% gain over the past month and a ~1.0% loss over the past week in comparison to the ALSI (~2.8% 1-month loss and ~1.2% 1-week gain). On a PE basis, the index is trading at a forward PE of ~8.3x, which is relatively overvalued in comparison to the JSE All Share index which is trading at a forward PE of ~7.9x.



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)
Wescoal	173	716	-3	51	68	0.0	-59.7	5.5	318	84%	45%	317	83%
EOH	540	940	-505	-35	66	0.0	-1.1	6.5	973	80%	70%	1436	166%
Nu-World	2749	614	636	695	781	7.1	4.3	5.7	4480	63%	40%	3668	33%
Aliva	1500	1813	149	214	317	1.0	10.0	6.8	2281	52%	35%	1789	19%
Balwin	363	1690	71	89	116	9.9	5.1	5.3	545	50%	35%	523	44%
Workforce	131	315	12	33	44	0.0	10.9	3.7	184	41%	40%	179	37%
Vunani Limited	285	453	7.2	42	46	4.4	39.4	8.7	383	34%	60%	412	44%
Quantum Foods	531	1048	81	60	84	1.9	6.6	8.5	697	31%	35%	689	30%
Santova	381	529	47	53	60	0.0	8.1	7.7	493	29%	45%	420	10%
Adapt IT	675	917	67	69	94	0.0	10.1	7.5	737	9%	40%	1164	72%
Argent	1130	663	133	137	186	0.0	8.5	5.8	1201	6%	40%	1534	36%
Adcorp	600	651	34	89	107	0.0	17.5	4.1	634	6%	40%	655	9%
Rhodes Food Goup	1219	3159	87	103	125	2.4	14.1	10.4	1274	4%	45%	1440	18%
Cognition	75	170	2	8	9	0.0	32.1	7.9	75	0%	35%	87	16.4%
Cashbuild	27939	6886	1139	2900	1726	3.6	24.5	18.2	27767	-1%	35%	27839	0%
Metrofile	330	1412	25	30	33	4.2	13.3	9.7	325	-1%	30%	350	6%
Invicta	2905	3194	316	288	317	2.1	9.2	8.9	2674	-8%	45%	3255	12%
Mustek	1300	846	124	297	183	2.0	10.5	5.7	935	-28%	35%	1050	-19%



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