

Weekly update for 16/08/2021

Merchantec Capital Small Cap Index Major Movers

Company Name	Close (cents)	Weekly %chg	Market Cap (Rm)
EOH	570	-10.9%	1006

Core equity updates

Workforce Holdings Limited (JSE: WKF) released a trading statement in which HEPS for the interim period ended 30 June 2021 is expected to be between 10.4 and 12.1 cents, representing an increase of between 222% and 242% from the headline loss per share of 8.5 cents for the interim period ended 30 June 2020. The Group has delivered improved performance and we believe, barring any unforeseen circumstances, that it is on track to meet our FY21 HEPS forecast of 33 cents.

WKF's FY21 interim results can be expected on or about 23 August 2021.

Wescoal Holdings Limited (JSE: WSL) announced the signing of a long-term CSA with Eskom to supply coal for the next ten years from the Arnot Mine, in which the Group has a 50% equity stake. Negotiations have been on-going since mid-2020 and, according to WSL's FY21 results, will see the Group supplying 200kt per month to Eskom.

The imminent restart of the Arnot mine, along with ramped up contributions from the Moabsvelden mine, are expected to supplement our forecasted ~27% increase in coal production and accompanying 44.5% increase in revenue from WSL's mining segment.

The first coal delivery from the Arnot mine is expected to be delivered to Eskom in 2021.

Alviva Holdings Limited (JSE: AVV) released a trading statement in which HEPS for the year ended 30 June 2021 is expected to be between 271 and 291 cents, representing an increase of between 81% to 95% from HEPS of 149.4 cents in FY20. The Group has shown resilience in recovering from the effects of Covid-19 and is thus set to outperform our previous HEPS forecast of 214 cents.

The Group's FY21 results will be released on or about 28 September 2021

Cashbuild Limited (JSE: CSB) released an update about its acquisition of 100% of the issued share capital of the Building Company from Pepkor Holdings Limited in which it announced that the transaction has been terminated on account of the Competition Commission's recommendation that the transaction be prohibited.

The Competition Commission's approval of the transaction was a material suspensive condition which was required to be fulfilled in order to implement the transaction.

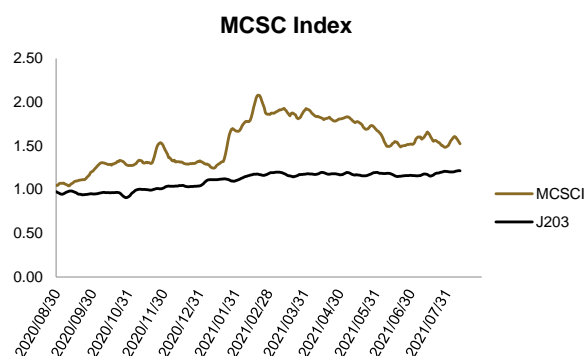
The Merchantec Capital Small Cap Index

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 ~7.9% loss over the past month and a ~6.3% loss over the past week in comparison to the ALSI (~2.7% 1-month gain and ~1.0% 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	135	565	-3	51	68	0.0	-46.6	5.4	308	128%	45%	311	130%
EOH	570	1002	-505	-35	66	0.0	-1.1	6.2	912	60%	70%	1385	143%
Workforce	117	284	12	33	44	0.0	9.8	3.7	185	58%	40%	176	50%
Nu-World	2850	643	636	695	781	6.9	4.5	5.5	4298	51%	40%	3602	26%
Alviva	1475	1800	149	214	317	1.0	9.9	6.4	2124	44%	35%	1717	16%
Balwin	380	1787	71	89	116	9.4	5.3	5.4	545	44%	35%	506	33%
Santova	362	508	47	53	60	0.0	7.7	7.7	491	36%	45%	412	14%
Metair	2570	5094	148	319	424	2.9	17.4	8.6	3320	29%	40%	3401	32%
Vunani Limited	300	482	7.2	42	46	4.2	41.4	8.6	377	26%	60%	404	35%
Quantum Foods	550	1096	81	60	84	1.8	6.8	8.4	684	24%	35%	665	21%
Cognition	66	151	2	8	9	0.0	28.3	8.0	75	14%	35%	86	29.7%
OneLogix	228	595	22	16	26	0.0	10.3	8.9	248	9%	30%	531	133%
Rhodes Food Goup	1120	2932	87	103	125	2.6	12.9	9.9	1214	8%	45%	1440	29%
Adapt IT	670	919	67	69	94	0.0	10.0	7.2	698	4%	40%	1125	68%
Cashbuild	27234	6779	1139	2900	1726	3.7	23.9	17.8	28085	3%	35%	27072	-1%
Adcorp	644	705	34	89	107	0.0	18.8	4.2	642	0%	40%	640	-1%
Metrofile	334	1443	25	30	33	4.2	13.5	9.6	322	-3%	30%	339	1%
Invicta	2750	3054	316	288	317	2.2	8.7	8.8	2616	-5%	45%	3162	15%
Mustek	1205	792	124	297	183	2.2	9.7	5.4	904	-25%	35%	1011	-16%



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