

Small Talk Daily Page 3

2/9/2015

Anchor Group Holdings



Made my YE target last week ...profit taking of 20% since...no biggie

JSE: ACG

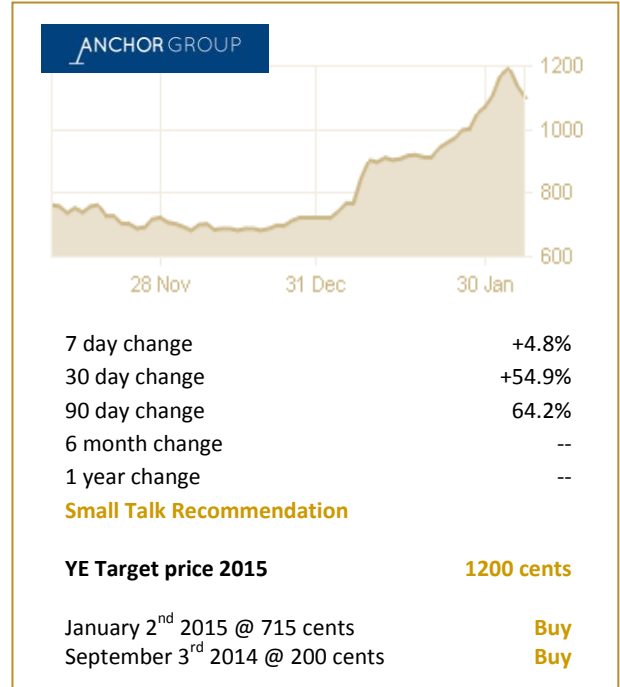
1000 cents

Mcap: R1329m

52 wk Hi/Lo: 1190c /350c

I selected Anchor Group in my Top 5 for 2015 on January 2nd when it was at 715 cents and set a bold year-end target price of 1200 cents (+68%); it made that target in the first month attaining a high of 1190 cents early last week – I think I can be forgiven that my YE target price was <1% achieved (1190c vs. my 1200c target).

Since then, in modest selling volumes, compared to the good purchase volumes that drove the stock surging upwards, Anchor has seen profit taking of 20% taking the stock down to the current 1000 cents. This is a healthy correction and as I selected the stock on a twelve month perspective (and had a R20 target three years out from IPO), I remain very comfortable in my selection & portfolio ownership. My Top 5 is a 12 month 'game' and I remain confident Anchor will be higher at YE than it is currently. HOLD.



At the time of the IPO in September 2014, I stated in several notes & Tweets that the listing was 'under-priced' and that a more reflective opening valuation for Anchor was between 250c-305c; the initial opening at 300c was within my range and the share has not stopped since closing at a recent high of 1190 cents.

The pre-listing stated that Anchor forecast HEPS of 21.7cps in 2014 and 27.7cps in 2015; I thought (both) these numbers were too conservative at the time of the IPO and my assumption proved correct given the H1 2014 results. Interim results detailed that Anchor recorded a 169% growth in revenue to R28.2m (faster than the feverish growth in expenses of +138%) leading to operating cost leverage and thus an Operating Profit of R10.2m (+250%). OP Margin rose from 27.8% to 36.2%. Share of JV associates (in the period) saw them record a contributing loss of -R0.4m; they should swing to a profit in FY14. Profit before Tax was R9.7m (+245%) and an interim HEPS of 11.49cps was disclosed alongside a 3cps interim dividend; for a newly listed Alt-X stock to issue such results alongside a dividend is a highly impressive affair.

Results for its YE December 2014 are imminent and a recent trading update stated that Anchor would exceed its prospectus pro-forma HEPS and release adjusted HEPS for the period in the range of 26.1cps – 28.2cps. Anchor remains under cautionary and is surely seeking a suitable home for its cash pile of @R300m. The stock 'looks' wildly expensive on 1st glance at a mid-PE of 41x (to expected results) but if the earnings growth transpires through organic & acquisitive growth in 2015, that PE will rapidly unwind to @ a PE of 20x. Compared to others in the sector, that remains 'fair' for a fast growing counter. HOLD.

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