



The strong interim results will smash FY14 pro-forma expectations

JSE: ACG

535 cents

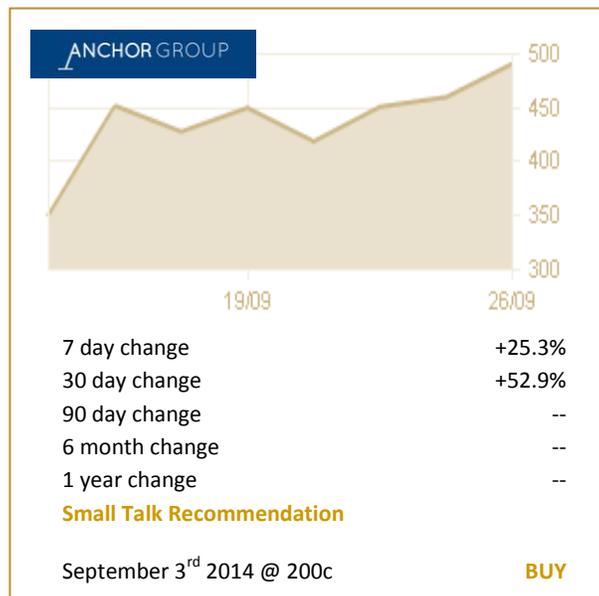
Mcap: R495m

52 wk Hi/Low: 535c /350c

Recently listed Alt-X asset manager Anchor Capital issued its maiden interim results for its six months ended June 2014 yesterday on SENS.

At the time of the IPO, 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 new high of 535 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 in the period were driven by the inherent growth in assets under management (AUM) which rose from R1.7bn to R4.6bn in the like-for-like period; in the pre-listing Anchor used the YE AUM number of R5.2bn (at time of listing) with AUM increasing by @R100m -R150m per month. Thus, by extrapolating out such linear growth – and not factoring in an new 'acquisitions or IFA's', given the H1 2014 HEPS of 11.49cps, Anchor is well on its way to breaching its pre-listing forecast of 21.7cps based on an estimated AUM of R6bn.

The IPO raised some R60m and this will be a main contributor to the FY14 forecasts on interest earned alongside 'initiatives' I understand are underway to grow the domestic presence and AUM coverage of Anchor into new regional areas. With a strong centralised cost base backed up by excess dealing & research capabilities, Anchor is easily able to leverage its base to undertake substantially more AUM at minimal incremental cost. Further, much like PSG Konsult, 'plugging in' new IFA's could add some extra AUM clout to their base alongside new product offerings such as extending the unit trust platform.

**At 535 cents, based on FY14 pro-forma HEPS, Anchor on a FPE of 24.5x looks fully priced. However, if growth in AUM and the leverage effect is as I expect, this FPE will rapidly unwind. Anchor is a stock I'd want to have some exposure too in a long-term small cap growth portfolio.**