

Small Talk Daily Page

8/18/2015

Anchor Group Holdings



Launches a 2nd opportunistic offer for cash for R100m

JSE: ACG

1325 cents

Mcap: R1.985m

52 wk Hi/Lo: 1460c /350c

Hot on the heels of sparkling interim results, late yesterday, Anchor announced it would raise a further R100m of cash from eligible shareholders in a book build range of 1100 cents – 1250 cents (30 day VWAP is 1193 cents). With R218m cash in hand and under on on-going cautionary, Anchor decided to raise some petty cash to add to its war chest to fund its growth via strategic acquisition.

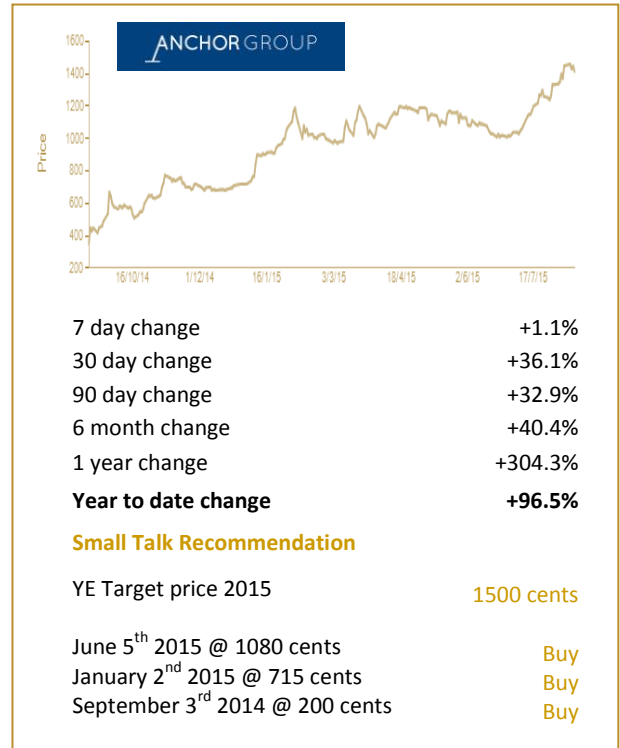
Having reached a post interim share price high of 1460 cents, in the past days – perhaps in anticipation of the share placement – the stock has fallen 10% to 1325 cents; thus the indicative VWAP discount remains 10%. The stock was down 6.4% today on the placing news.

Anchor, had a prior opportunistic offer for cash in November 2014 at 620 cents and participants in that R250m issue have fared handsomely as Anchor's growth strategy delivered the necessary earnings to sustain and hold the market's attention. The current cash call must deliver the same as must the accretive earnings from the pending deals alluded to in the SENS and accompanying presentation.

At 1325 cents, the counter is not cheap, but is a 'darling' with the retail market and I'd be happier with a period of lethargy. However, with aggressive growth plans involving increased AUM accretion, new product launches (CIS, institutional pension funds and offshore products) and a push to punch up its distribution ability, both locally and offshore, all should aid Anchor's accelerated earnings growth thus supporting its current lofty PE.

I selected Anchor Group in my Top 5 Portfolio for 2015 on January 2nd when it was at 715 cents and set a bold year-end target price of 1200 cents (+68%). I was widely derided at the time. That YE target price was attained on March 23rd and I then revised my target for the stock to 1500 cents based on my expectations of strong earnings growth driven by firm assets under management (AUM) expansion alongside the probable extrapolated benefits from the cautionary that Anchor was/is under. The return to date is 85.3%.

Having doubled my money from supporting the prior issue of shares for cash, the present offer (and resultant discount to VWAP) is not as generous as the past. However, astute management would not have undertaken such an endeavour unless they believed it a compelling and value accretive move. I will continue to give them the benefit of the doubt, given past performance, and I would take my allocation if available.



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SECURITIES

Institutional Team

Johan Rossouw	MD / Economics / Strategy /Bonds	021 481 6205 011 384 2909	johan@vunanisecurities.co.za
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Research

Hurbey Geldenhuys	Head of Research / Platinum	011 384 2912	hurbey@vunanisecurities.co.za
Anthony Clark	Small Caps / Food producers	021 481 6225	anthonyc@vunanisecurities.co.za
Arnold Werbeloff	Diversified Industrials	011 384 2916	arnold@vunanisecurities.co.za
Hugo Pienaar	Economist & Bonds (BER)	021 887 2810	hugop@sun.ac.za
Ernest Kaplan	Information Technology	083 325 7799	ernest@KaplanEquity.com
Sejal Mistry	Healthcare	011 384 2938	sejal@vunanisecurities.co.za

Trainee Analysts

Jennifer Enele	Retail	011 384 2906	jennifer@vunanisecurities.co.za
Tabea Mosime	Travel & Leisure	011 384 2905	tabea@vunanisecurities.co.za

Support Staff

Dijana Wasserfall	Personal Assistant / Research co-ordinator	021 481 6206	dijana@vunanisecurities.co.za
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Dealing

Lincoln O'Shea	Head: Equities Dealing / Transition / Sales Trading	011 263 9546/7	lincoln@vunanisecurities.co.za
Anthony Hughes	Dealing	011 263 9546/7	anthony@vunanisecurities.co.za
Ruan van der Merwe	Dealing/Derivative Trader	011 263 9546/7	ruan@vunanisecurities.co.za
Jonathan Feigin	Senior Corporate Trader	011 263 9546/7	jonathan@vunanisecurities.co.za
Oupa Madonsela	Corporate Trader	011 263 9546/7	oupa@vunanisecurities.co.za
Lindiwe Khalaki	Sales Trading	011 263 9546/7	Lindiwe@vunanisecurities.co.za
Zizo Maraule	Trainee Dealer	011 263 9546/7	zizo@vunanisecurities.co.za
Sarel Pretorius	*Head: Fixed Income Sales & Trading	011 326 5198	sarel@vunanicm.co.za
Dan du Toit	Senior Bonds Dealer	011 326 5198	dan@vunanicm.co.za
Percy Matebula	Junior Bonds Trader	011 326 5198	percy@vunanicm.co.za
George Shaw	Money Market Trader	011 326 5198	george@vunanicm.co.za
Raymond Papenfus	Money Market Trader	011 326 5198	raymond@vunanicm.co.za

*Fixed interest and money market trading conducted in Vunani Capital Markets (Pty) Ltd

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