



May 6<sup>th</sup> 2021

## Argent Industrial

Micro-cap makes new 52-week highs. YTD +59% & +22% since last note May 6th



7-day chg	+9.4%
30-day chg	+16.7%
90-day chg	+31.8%
6 months chg	+91.3%
1-year chg	+152.9%
Year to date chg	+59.2%

JSE: ART Price : 1139 cents Mcap: R1139m 52wk high/low : 1140c / 390c

I've written a few notes on micro-cap Argent Industrial the past year with the recent two being May 6<sup>th</sup> (930 cents) then a more extensive 7-page note on January 28<sup>th</sup> (850 cents).

Both notes were basically me stating my target values for Argent had been made and I was increasing the target value based on expectations on FY2021 results.

In January I moved my target to 1100 cents. That target was made mid-May.

My May note was on the stellar trading update for Argent's year ended March 2021. The company stated its HEPS for the 12-months would increase between a range of 54.6% and 74.6% giving an indicative range of 206 cents per share to 232 cents per share. This is a stunning achievement for a micro-cap that has consistently delivered solid earnings growth for the past four reporting periods.

On that note (930 cents) I upgraded my target valuation to 1400 cents.

A fortnight later, Argent has rallied on the trading update by +22.4% and is hitting new 52-week highs with the stock trading today at 1139 cents. This places the counter on a mid-guidance PE of 5.3x. Despite the dramatic rise in share price, this rating is hardly demanding. I am forecasting growth in earnings in FY2022 to 260 cents per share (+21%) bringing the FPE down to 4.4x.

The counter has been one of the best performing micro-caps on earnings and share appreciation sense for the past two years. Year to date, the stock is +59.2% and +152.9% on the past year.

**My 1100 cent January 28<sup>th</sup> price target now undervalued the prospects of this counter and should FY2022 HEPS even normalise back to sustainable double-digit growth in the mid-20%'s .... I can justify a price target for Argent a year out of 1400 cents or a return of +23%. The counter would still (then) be on a PE of 5.3x based on mid-2021 HEPS expectations and 4.4x on my FY2022 forecast.**

**I maintain my BUY recommendation on Argent Industrial.**

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