

# Smalltalkdaily Research

## Argent Industrial: bolt-on deal announced in the UK. Powers to record high

Share code: ART

Share price: 2504c

Market cap: R1,363m

52-wk high/low: 2525c / 1380c

### Prospects

JSE small cap Argent Industrial is an oft maligned stock.

I highlighted back in May 2019 its growth potential and have had a perpetual buy on the counter since I first encountered the evolution outlined by management at 352 cents.

Over the past 3 years the stock is +115% and for five years is +317%, yet the market has mostly passed the counter by despite solid earnings growth and an ongoing share buy-back.

Sales of domestic assets and excess property has been re-invested offshore via acquisitions in niche, primarily, UK companies. That has powered earnings and Argent's Rand hedge qualities where 64% of profit is now derived offshore and increasing.

I move my recently attained 2200-cent target price to 2625 cents.

### Chart



### Share Performance

7-day chg	+4.32%
30-day chg	+11.74%
90-day chg	+23.65%
6 months chg	+39.11%
1-year chg	+62.0%
Year to date chg	+66.82%

My last notes on small-cap Argent Industrial was the YE2024 results note on July 2<sup>nd</sup> (2230 cents) where I upgraded my price target to 2625 cents as my last 2200-cent target was attained.

<https://drive.google.com/file/d/1nX7eX4c4J9-6hnnLAb5RPgAuXPWUoXU8/view?usp=sharing>

A further note was issued July 18<sup>th</sup> (2254 cents) where I again reiterated my on-going buy recommendation.

Today, Argent Industrial is trading at new 52-week high and record high share price of 2525 cents which is a return year-to-date of +66.82%. Argent was included in my top stock's of 2024 portfolio.

This morning on SENS, Argent announced its latest offshore acquisition where it paid R159,3 million (£6.89 million) for Strandmode Group whose main business is Mersey Container Services Ltd (MCS). Argent paid for the business in cash. Argent had a net cash balance as of YE2024 of R450 million with majority offshore.

MCS is involved in the fabrication and manufacturing modular buildings, offices, mess units, toilet and shower blocks. The products are primarily used within the contracting and construction sector and wherever semi-permanent accommodation is needed



Founded in 1994, MCS has a turnover of circa R162 million and made a profit after tax of R27,8 million (£1,2 million) and has a NAV of R70 million (£3,03 million). The entrepreneur sellers are retiring after managing the business for many years. A relative PE of 4.9x was paid for the company.

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Looking at the publicly available account for Liverpool-based MCS, the company has had a consistent and profitable operating track record from data attained since FY2016.

Accounts	▲	2019	2020	2021	2022	2023
Cash		£3,434,868.00	£3,750,816.00	£4,295,613.00	£3,481,251.00	£4,397,792.00
Net Worth		£5,195,844.00	£5,818,328.00	£6,629,599.00	£6,436,472.00	£7,716,020.00
Total Current Assets		£6,239,473.00	£6,934,976.00	£7,939,040.00	£7,752,008.00	£9,069,175.00
Total Current Liabilities		£1,103,202.00	£1,161,068.00	£1,347,804.00	£1,347,381.00	£1,377,436.00



Argent Industrial has been acquiring assets in the United Kingdom since BREXIT where many European companies exited the market and opportunities arose.

Argent acquired Partington Engineering in 2020 (bespoke trollies within warehouse) for £2.5 million, Fuel Proof Limited and Roll-Tec Safety Limited in 2018 for £4.6 million, and OSA Door parts in 2016 for £2,5 million as examples of UK-based acquisitions.

One of the best deals was Fluid Transfer Group in 2020 which was acquired during COVID for £1.00 and the assumption of debt. With the UK airport sector closed due to the pandemic, the business was rescued by Argent. Today, the asset is highly profitable.

## Overall

Over the next twelve-to-eighteen months I anticipate further refining of the South African portfolio to exit more of the low margin trading assets. I foresee, ultimately, Argent's South African operation will be a manufacturing hub with many of the current assets such as ProCrane, Hendor, Gammid and Phoenix sold.

On-going expansion in the UK will continue and it is my personal view that given the lack of wider institutional interest in Argent, I believe an eventual move from a JSE listing towards an AIM listing in London.

As a comparative against other JSE-listed industrial businesses, Argent's share price has stellar, despite limited ownership.

Argent Industrial Limited

ZAC 2,504.00 ↑ 317.33% +1,904.00 5Y

Aug 19, 11:52:47 AM UTC+2 · ZAC · JSE · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX



Argent Industrial Li...	ZAC 2,504.00	+ZAC 1,904.00	↑ 317.33%
Hudaco Industries ...	ZAC 18,180.00	+ZAC 6,478.00	↑ 55.36%
Invicta Holdings LI...	ZAC 3,154.00	+ZAC 1,149.00	↑ 57.31%
Kap Ltd	ZAC 320.00	-ZAC 199.00	↓ 38.34%
Metair Investment...	ZAC 1,380.00	-ZAC 796.00	↓ 36.58%

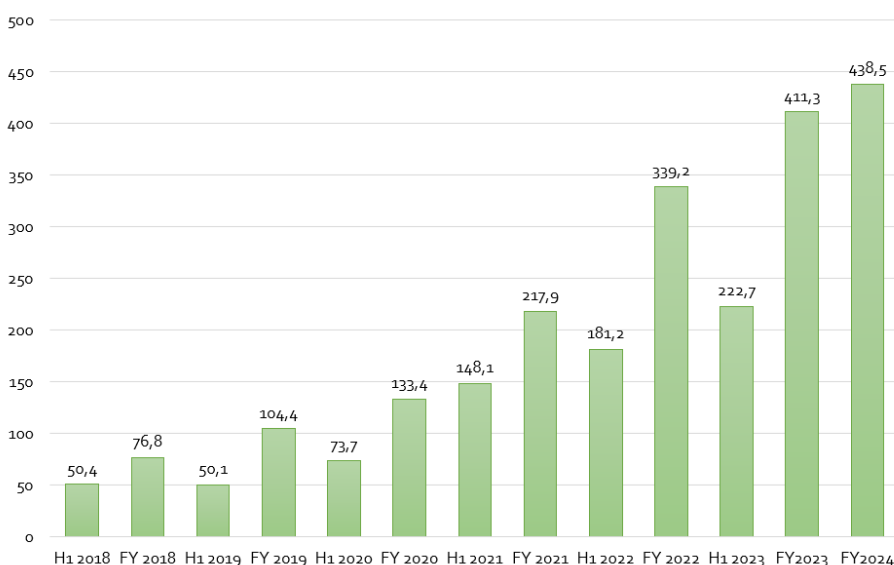
With 48.6% of revenue and 63.5% of revenue offshore as of March 2024 results, the acquisition of MCS – if results are maintained – are circa 40 cents per share factoring in the cash utilisation cost and further aids the rand hedge qualities of Argent Industrial.

A caveat is the recent strength of the rand.

A majority of Argent’s offshore earnings are denominated in GBP £. Volatility YTD has been a

low of 22.75 and a high of 24.45 with spot current at 23.05. I keep a watchful eye on the £ when Argent comes up to its March final and September interim periods.

Argent Industrial HEPS 2018 - 2024



**With a solid NAV of 3115 cents and my HEPS forecast of 510 cents per share (+16%) for FY2025, I maintain my target price of 2625 cents.**

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