Anthony Clark

Smalltalkdaily Research

Argent Industrial: biggest acquisition yet

Share code: ART | **Share price: 3990c** | **Market cap: R2,072m** | **52-wk high/low: 3998c / 2671c**

Prospects

JSE small-cap Argent Industrial remains an oft-maligned stock. I first highlighted its growth potential in May 2019 and have maintained a standing buy recommendation since initiating coverage at 494 cents.

Despite delivering strong returns - up 145% over three years and 230% over five - the market has largely overlooked the counter, even as earnings have grown consistently alongside an ongoing share buyback programme.

Argent has actively reshaped its portfolio, divesting domestic assets and recycling capital into niche offshore acquisitions, primarily in the UK.

This strategy has materially enhanced earnings and strengthened its rand-hedge profile, with approximately 73% of profits now generated offshore - a figure that continues to rise.

Cash-funded M&A has been a key driver, supported by a substantial cash balance equivalent to roughly 30% of market value.

At the current price of 3990 cents - near record highs despite uncertain market conditions -the stock trades on a modest PE of 7.4x. I maintain my target price of 4,500 cents, implying upside of approximately +13%.

Chart

Share Performance

7-day chg	-0.61%
30-day chg	+6.85%
90-day chg	+10.05%
6 months chg	+15.11%
1-year chg	+18.47%
Year to date chg	+41.06%

With an increasing share of revenue and profit generated offshore - and a substantial cash balance equivalent to roughly 30% of its market capitalisation earning a relatively low yield - it was only a matter of time before Argent Industrial CEO Treve Hendry pursued another rand-hedge acquisition.

Argent has now announced its largest transaction to date: the R238.2 million (£10.836 million) acquisition of UK-based Ramsden & Whale, funded in cash.

This marks Argent's fourth acquisition since 2020. That year, the group acquired UK-based Partington for R67 million (£3.1 million), a manufacturer of material handling equipment such as trolleys and trucks. In 2021, Argent expanded locally with the R56.9 million acquisition of American Shutters, strengthening its position in physical security barriers and architectural products alongside existing brands including Xpanda and Cannock Gates & Burbage Iron Craft.

Prior to this latest deal, Argent's largest acquisition was Mersey Containers, purchased in August 2024 for R159.3 million (£6.9 million). The UK-based business manufactures and supplies modular buildings, welfare units, and storage containers.

What does Ramsden & Whale do?

Founded in 1954 and based in the West Midlands, Ramsden & Whale is a family-owned specialist in the manufacturing and reconditioning of steel drums. The business serves critical industries such as oils & lubricants and chemicals, offering tailored solutions ranging from niche, small-batch orders to large-scale industrial supply.

The acquisition includes four trading entities involved in the manufacture, reconditioning, and sale of steel drums. Two subsidiaries - Ramsden & Whale and Drumcare - hold waste management licenses in the United Kingdom, which are difficult to obtain and provide a meaningful barrier to entry.

The group generates annual revenue of £12.5 million (R280 million) and a warranted after-tax profit of £1.517 million (R33 million). The sale is driven by the retirement of the owner-directors. The business has a net asset value of £4.935 million (R108.5 million) and was acquired at a price-to-earnings multiple of 5.5x.

Given Argent's largely offshore cash reserves of R629 million, currently earning a low yield, the transaction is expected to be strongly earnings accretive.

Anthony Clark
Financial and Industrial Small to Medium Market Cap Companies Analyst
Agriculture and Food Producers Analyst
anthony@smalltalkdaily.net
+27 (083) 3007009
X / Twitter: @smalltalkdaily

What has Argent acquired: Main products and services

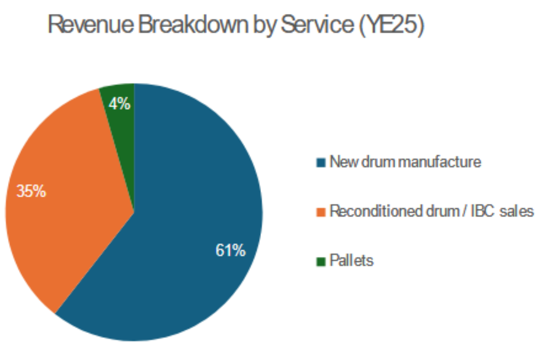
The group specialises in the manufacture and reconditioning of used 210 litre steel drums alongside 1000 litre Intermediate Bulk Container (IBC)—also known as a flowbin—is a large industrial-grade vessel designed for storing and transporting liquids.

The company's subsidiaries also provide services and products for the palletisation of drums and reconditioning and disposal of drums and IBCs alongside the disposal of spent products.

The company holds two separate waste management licenses at two separate premises alongside a Pollution, Prevention and Control (PPC) Permit.

The 210-litre steel and 1000 litre IBCs are all manufactured in-house with drums made to client requirements, colours and corporate branding.

An increasing business is Drumcare, founded in 1993 to recondition drums via the approved cleaning and disposal of the hazardous waste products produced from reconditioning and cleaning the steel drums. With businesses looking to improve their eco-friendly and renewable credentials, Argent sees significant scope in the drum reconditioning and re-sale/re-use segment.



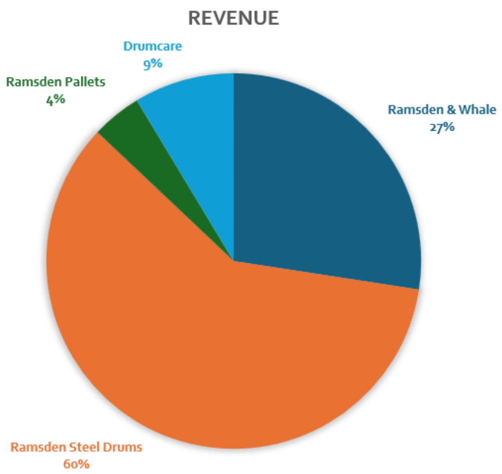
The palletisation business, Ramsden Pallets, was a natural extension to the business as clients were seeking to effectively and safely store and transport steel drums and IBCs via the manufacture and provision of new or re-conditioned pallets.

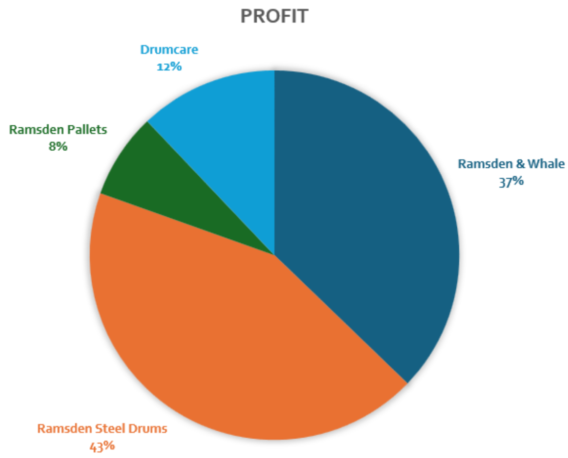
The company has a nationwide footprint, operating in the oil and lubricants, chemicals, waste management and packaging industries with some 200 clients on the books and decades of expertise in the sector, as Ramsden's was founded in 1954.

I understand that the two main business units Ramsden & Whale and Ramsden Steel Drums have a combined 210 clients with their respective top five clients having multi-year operational relationships.

Operations

At **Ramsden Steel Drums,** the larger revenue generating business, they have a more diverse client base in the manufacture of steel drums, however, 85% of sales are directed towards the oils & lubricants and chemicals sector. The business has had stable revenue over five years but improving profit and gross margin, which has risen steadily for the past five years to 25%.





Ramsden and Whale, which is estimated to have a 30% nationwide market share, gains 81% of its sales from three key sectors, No.1, trade, No.2, waste and No.3 oil & lubricants. The business over the past five years has seen a consistent growth in revenue and profits with a steady 40% gross margin.

Drumcare has over 80 clients with a high repeat business with 94% of revenue generated from oils & lubricants (No.1), chemical (No.2) and trade No.3) sectors. Comprising circa 8% group revenue over the past five years, the division has seen a 20% rise in revenue but a flat profit growth with a gross profit margin having slipped from 52% to 45%.

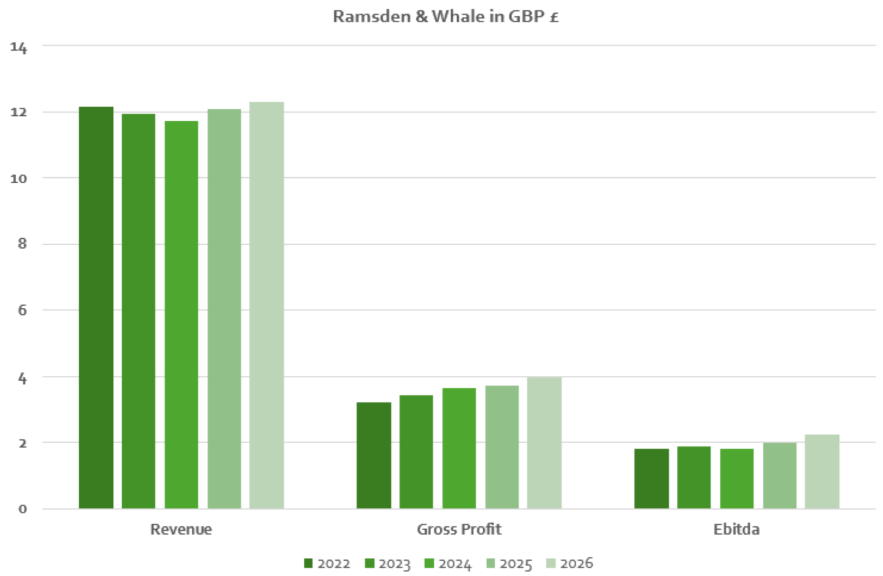
Ramsden Pallets is the smallest business within the group at circa 4% of group revenue, the pallet business has seen a 25% rise in revenue and 27% rise in profits over the five years with a steady gross profit margin of 30%.

The acquisition by Argent also includes the properties within the business which Argent paid £2.49 million (R57,72 million) with recent company investment in significant improvement in the facilities, a,43dditional warehouse and office facilities.

Based in Tipton, in the West Midlands, the business is 20 minutes' drive Northwest of the large city of Birmingham. The area is known as being a main industrialised area within the UK.

In the two company owned sites, site 1 at Ramsden & Whale has a footprint of 6.439m² with site 2 having a footprint of 1,182m² with scope to expand if needed.

Growth Opportunities



Ramsden & Whale presents several clear avenues for growth under Argent Industrial's ownership. These include expanding into the manufacture of smaller drum formats (20L, 25L, and 60L) and scaling existing operations.

Given Argent's established presence in the UK - particularly in fuel and fuel transfer - there are evident strategic synergies, with access to capital and group relationships likely to support expansion.

The reconditioning and resale of steel drums and intermediate bulk containers (IBCs) nearing end-of-life also offer a compelling value proposition. By repurposing these products for secondary use, the business can supply customers at more affordable price points while supporting circular economy principles.

Industry dynamics remain favourable.

The UK is expected to produce approximately 2.5 million new 250L steel drums in 2026, underscoring sustained demand.

As one of only four manufacturers in the country, Ramsden Steel Drums is well positioned to maintain an estimated 10% market share.

The reconditioning segment is similarly concentrated, with only four to five operators nationally; the Ramsden Group is among the largest participants, holding an estimated 30% share.

While sales of reconditioned drums are inherently constrained by the availability and quality of used stock, the Group has an opportunity to leverage its manufacturing capabilities to drive incremental sales of new drums across both existing and adjacent sectors. This includes potential expansion into the agricultural industry, which accounts for approximately 7.9% of total steel drum demand.

Operational efficiency initiatives are also underway.

Energy represents a key input cost due to the steam required in the drum cleaning process. Over the past year, the company invested £400,000 in energy efficiency improvements, with an expected payback period of approximately four and a half years.

Additional capital expenditure includes an upgrade to the internal lacquer lining facility, incorporating a new spray booth and automatic bell sprayer. Initiated in March 2026, this enhancement is expected to improve product quality, broaden the company's offering, and support entry into new customer segments.

Looking ahead, the business sees meaningful opportunity in the 1000L IBC market. With the backing and capital resources of Argent, Ramsden & Whale is better positioned to pursue this expansion over time.

Strategic Rationale

The Ramsden & Whale acquisition aligns with Argent Industrial's proven acquisition strategy: targeting niche industrial businesses operating in regulated environments where compliance requirements, licensing, and health and safety standards tend to increase over time.

These structural characteristics create durable barriers to entry and reduce the likelihood of regulatory rollback, thereby supporting long-term earnings resilience and growth.

Current subsidiaries within Argent in this fold include;

OSA (insulated sectional doors which meet all building regulation and quality requirements).

Fuel Transfer (designs and manufactures industry-leading fuel storage tanks) as the fuel transport sector in the UK is heavily regulated.

Fuel Proof (designs, develops, and manufactures specialized aircraft refuelling vehicles and systems).

Xpanda Security. Known in South Africa as a barrier to impede residential intrusion, overseas, Argent is rolling-out the product as mainstream retail outlets in the UK – bound by legislation in securing medication, alcohol and tobacco securely – see major retailers instal security enclosures to prevent not just theft but to comply with legislation.

There is a short YouTube video that describes Ramsden and Whale and its drum manufacturing process as a background.

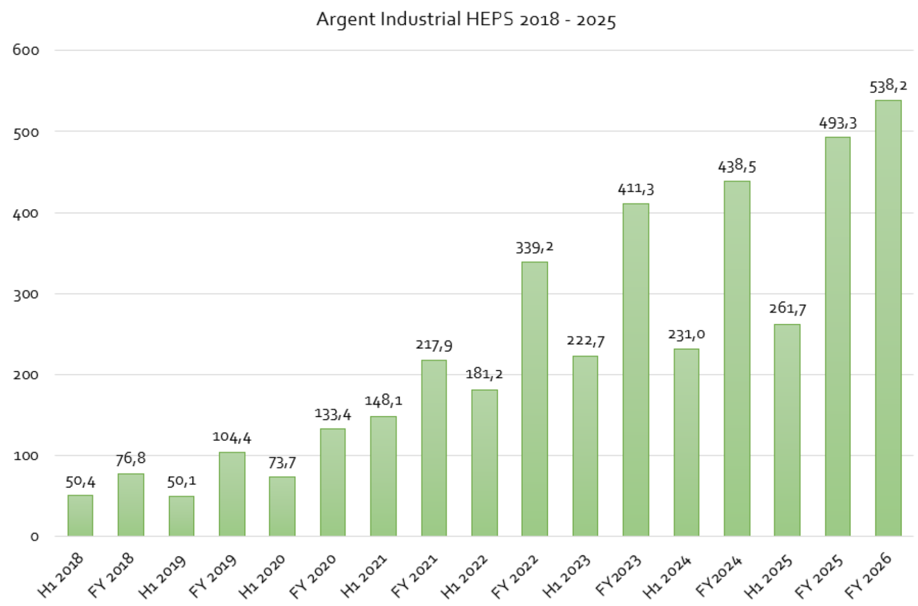
https://youtu.be/AKKf2R2EYSA

Snap review on results for the year ended March 2026

Post the release of year end results to March 2026 where fast growing small-cap Argent Industrial reported a +9.1% rise in HEPS to 538.2 cents per share with the percentage of offshore revenue now at 55% and profits at 73%, the counter rallied and hit a new 52-week and record share price high.

For the year, Argent recorded revenue growth of +7.7% to R2,839 million with profit before tax increases +11.9% to R410.5 million. In the year, offshore revenue and profit continue to rise with other regions now 55.2% of group revenue (R1,566.7 million) and 73.1% (R300.2 million) of total profit.

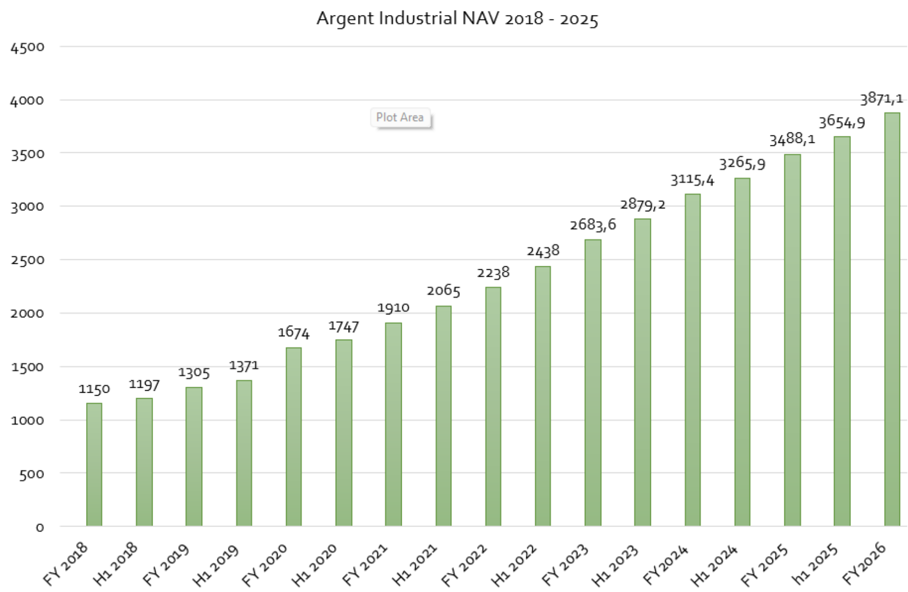
The United Kingdom is now the largest offshore sales region at 35.7% (it grew 27% year-on-year mainly on acquisitions) with South African falling from 49.7% to 44.8% in FY2026.

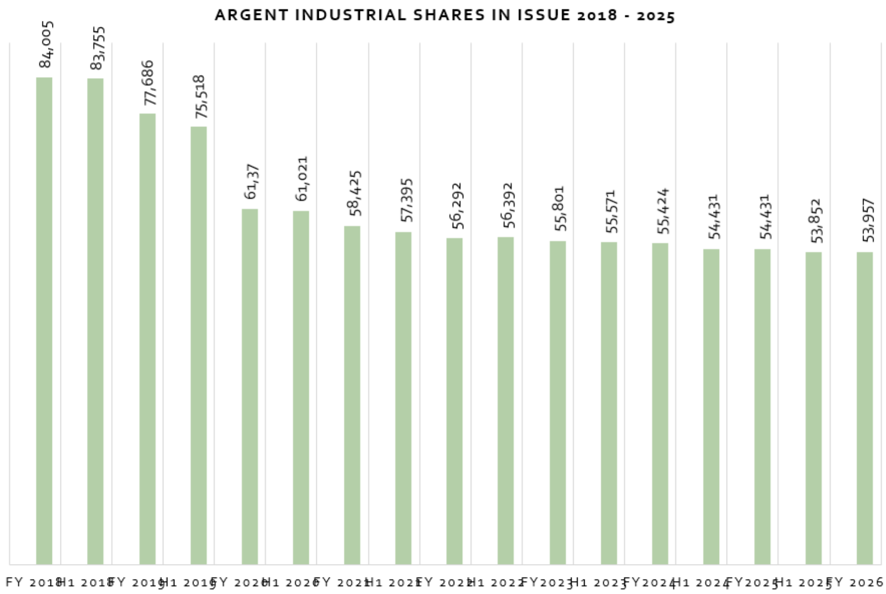


De-stocking within the challenging domestic steel division aided with lower levels of inventory though steel trading revenue fell 20.6% in the year to R358.1 million and PBT slumping from a FY2025 profit of R5.7 million to a loss of R10.5 million (-282%). The division remains for sale with continued restructuring.

The manufacturing unit, 87.3%, rose by 500bps year on year with sales +13.5% to R2,479 million with profit rising +16.6% to R400.7 million with nearly three-quarters now classed as Rand hedge profits.

Net Asset Value rose to 3837.1 cents per share (+10%) with cash on hand increasing 29.1% to R629.2 million equivalent to 30% of Argent market valuation or 1167 cents per share.





The current PE, despite the stock having gained 41% in the past 12 months, remains an attractive 7.4x with a dividend yield of 3.5% with on-going prospect of share buybacks. Argent paid 141 cents (+11%) in dividends on the year with a final dividend of 74-cents.

Overall

My standing **buy recommendation** on Argent Industrial has been in place since May 2019 at 494 cents, with each subsequent target valuation achieved and exceeded.

My most recent earnings forecast for the year ended March 2026 of 540 cents per share proved highly accurate, with actual HEPS reported at 538.2 cents.

In May, after Argent reached my prior target of 3315 cents, I revised my valuation upward to 4500 cents.

As of writing, the share price has reached a new 52-week -and all-time - high. I remain confident in this target and expect to revisit it following the interim results to September.

With Argent now surpassing the R2 billion market capitalisation threshold, the company is increasingly likely to attract attention from institutional investors.

To date, mainstream institutional ownership has remained limited; however, sixteen consecutive periods of earnings and NAV growth should prompt broader scrutiny of Argent as a compelling small-cap growth opportunity.

Over both five- and ten-year periods, Argent has delivered exceptional capital returns - outperforming even Capitec - yet it remains underrepresented in many small-cap and growth-focused portfolios.

At a current price of 3990 cents, a market capitalisation of R2,072 billion, and trading on a modest P/E of 7.4x, Argent offers further upside.

This is supported by ongoing contributions from recent acquisitions, including Mersey Containers and, more recently, Ramsden & Whale. In this context, my 4500-cent target may prove conservative.

I therefore reiterate my **buy recommendation** on Argent Industrial.