

Small Talk Daily Page

3/18/2016

Anchor Group Holdings



FY15 HEPS at 55cps slap bang in line with my expectations

JSE: ACG

1440 cents

Mcap: R2,429m

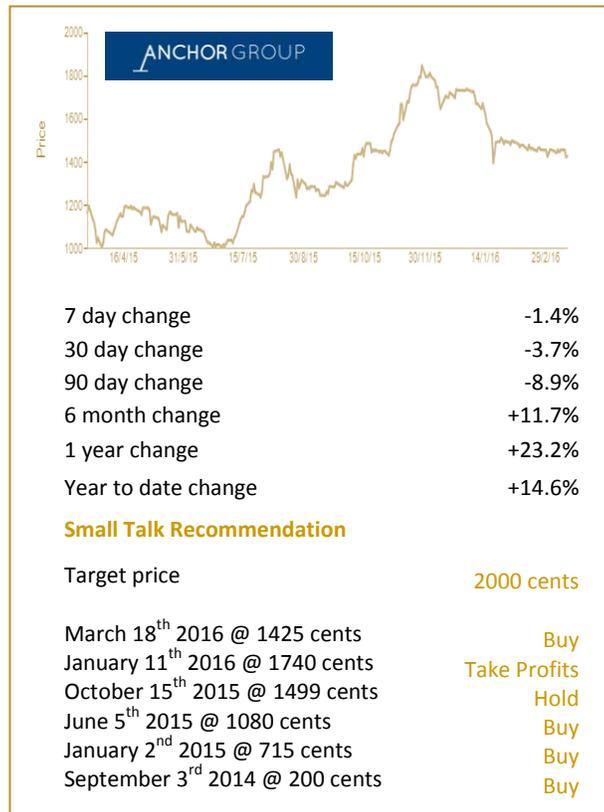
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My coverage and support for Anchor Group has been a contentious one for many. However, it's been a great investment call for SmallTalk.

Selected at 715 cents in my Top 5 Portfolio of 2015, the stock was the best performing counter having attained all of my set price targets for 2015 and exceeding them.

On January 11th 2016 (1740 cents) I moved out of the counter and stated that whilst I liked the stock it was 'too high' and that I'd gladly buy the stock back around 1400 cents.

Following a period when Anchor declined 17% and on the back of yesterday's released FY15 HEPS of 55.1cps (+83%), Assets Under Management growth from R18.8bn to in excess of R40bn year-on-year, the bullish and positive prospects statement and the dip in pricing **leads me to re-instate by buy recommendation on Anchor and I maintain my 2000 cent price target.**



Yesterday afternoon on SENS, Anchor released results to its December 2015 year end above its own guidance (43cps – 53cps) stating HEPS rose by 83% to 55.1cps and declared a dividend of 27cps for the year. I'm attending the Cape Town results presentation this morning by CEO Peter Armitage and will give a further update following, but the key features of results were;

- AUM rose from R18.8bn to R34.1bn on the year and if the Capricorn deal (47.7%) is included; assets are in excess of R40bn heading into FY16. Unit trusts rose from R838m to R3.39bn.
- Revenue rose 175% to R226.3m with operating expenses ahead by 172%. Operating Profit increased by 181% to R80.3m, PBT of R116.6m (+244%) aided by fat increases in interest income which led to a profit for the period of R84.2m (+247%). Shares in issue rose 18% with diluted weighted shares in issue of 150.571m (+92%).
- 2016 is scaling up to be a bumper year for Anchor's earnings as the benefits of past deals will be felt. RCI (cost R111m) was only in FY15 for 7 months. Portfolio Bureau (cost R125m) was only in for FY15 for 2 months. Capricorn (cost R348m) will be in FY16 for 10 months alongside the benefits of enlarged AUM and the management fees accruing from said management and from the management contract of Astoria (R1.9bn at 1%). FY16, markets allowing and with further AUM growth should lead to 'bumper' earnings and dividends.

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

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