



Diversified Industrials

Date: 22 January 2021

Chart Book and Outlook

Key message: Strong outperformance over the last six months, but in general still down from a year ago. The big movers were where balance sheet concerns drove down valuations – but we would be switching to the less-speculative better managed companies now. Gains in the second leg of a cyclical recovery are the domain of higher quality companies.

Analyst

Rowan Goeller
082 801 2071

rowan.goeller@chronux.co.za

- As we move into 2021, we look at the performance of the Diversified Industrials through 2020 and make some adjustments to our recommendations after strong price moves.
- The sector has rebounded strongly over the past six months (outperforming the ALSI), although the 12-month performance is still mostly negative (underperforming the ALSI).
- The cyclical nature of the sector was highlighted through the Covid-19 lockdowns, with a number of large declines followed by significant recoveries in share prices.
- Balance sheet concerns was the primary driver of the volatility as some companies had to engage lenders for debt covenant relaxations.
- We can divide the sector along three main themes (with a direct link to volatility):
- **Higher quality - Conservative balance sheet, more sustainable and stable businesses:**
 - Afrimat, Bidvest, Bidcorp, Cashbuild, KAP, Super Group, Raubex, WBHO
- **Middle ground – High operational gearing, structural change in company or sectors:**
 - Barloworld, Invicta, Imperial, Motus
- **Lower quality - Geared balance sheet, structural changes in business model and more cyclical businesses:**
 - Nampak, PPC
- We continue to lean towards the higher quality companies in our valuation ranking – there is still considerable gearing to an economic recovery in South Africa and relative outperformance is still possible.
- The Covid-19 impact seems to have moved from lockdowns to disruption caused by high infection rates within companies. This could define the 1H CY21 results season as strong cost-cutting efforts implemented last year are impacted by these disruptions.
- The implementation of a global vaccination program in 1H CY21 should help some normalisation in 2H CY21, although this has likely been priced in already. However, valuations remain low in the Diversified Industrial sector and relative outperformance is possible should the economic outlook improve.

Company	Ticker	Share Price	Target Price	% Upside	Recommendation
PPC	PPC-ZA	1.58	2.94	86%	Overweight
WBHO	WBO-ZA	85.37	134.00	57%	Overweight
Raubex	RBX-ZA	23.01	30.52	33%	Overweight
Invicta Holdings	IVT-ZA	16.60	22.00	33%	Overweight
Bidvest	BVT-ZA	164.57	206.00	25%	Overweight
Super Group	SPG-ZA	25.10	30.50	22%	Overweight
KAP Industrial	KAP-ZA	3.73	4.28	15%	Neutral
Nampak	NPK-ZA	2.04	2.13	4%	Neutral
Bidcorp	BID-ZA	271.79	278.00	2%	Neutral
Barloworld	BAW-ZA	98.01	99.00	1%	Neutral
Afrimat	AFT-ZA	41.65	41.00	-2%	Neutral
Cashbuild	CSB-ZA	236.13	229.00	-3%	Underweight
Imperial Logistics	IPL-ZA	41.00	35.00	-15%	Underweight
Motus Holdings	MTH-ZA	60.50	51.00	-16%	Underweight

Valuation Table

- Our forecasts and recommendations appear in the following table.

Figure 1 Valuation and Recommendation

<u>Company</u>	<u>Ticker</u>	<u>Share Price</u>	<u>Target Price</u>	<u>% Upside</u>	<u>Recommendation</u>
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Imperial Logistics	IPL-ZA	41.00	35.00	-15%	Underweight
Motus Holdings	MTH-ZA	60.50	51.00	-16%	Underweight

Source: Factset, Chronux Research

- HEPS forecasts are shown below.

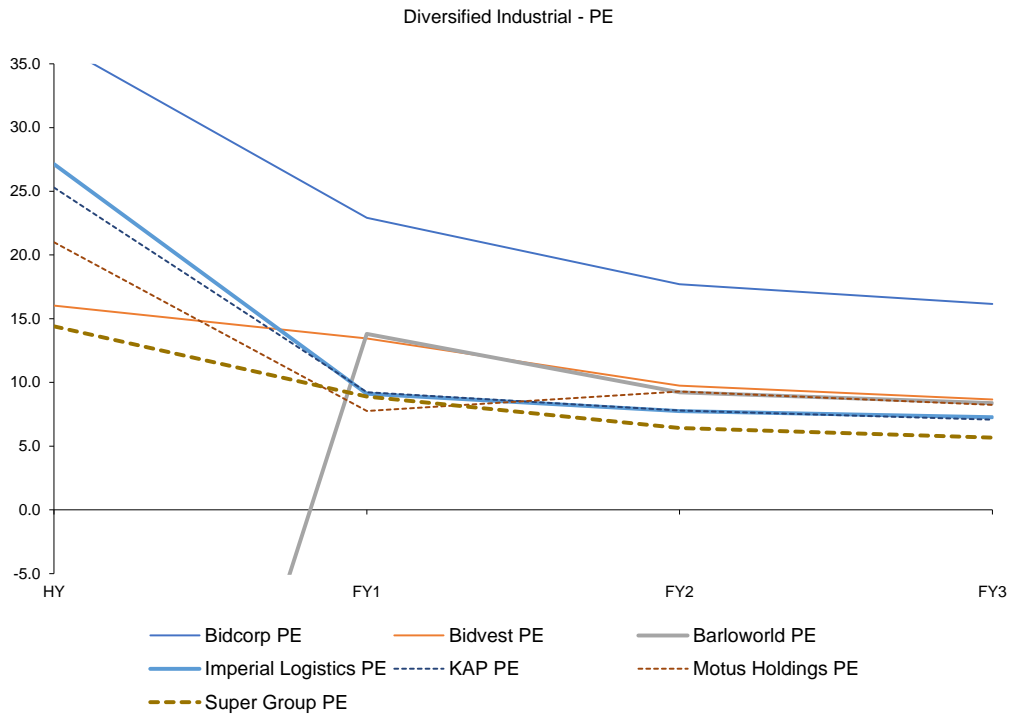
Figure 2 HEPS Forecasts

		1H FY20	2H FY20	FY20A	1H FY21	2H FY21	FY21E	1H FY22	2H FY22	FY22E
Bidcorp	HEPS	7.27	0.12	7.40	4.05	7.82	11.86	6.58	8.76	15.34
Bidvest	Normalised HEPS	6.09	4.17	10.27	6.01	6.22	12.23	9.19	7.68	16.87
Barloworld	HEPS	268	-424	-156	305	405	710	472	591	1063
Cashbuild	HEPS	762	376	1138	777	1002	1779	1090	1014	2104
Imperial Logistics	HEPS	279	(128)	151	253	197	450	333	196	529
Invicta Holdings	HEPS	1.49	(0.91)	0.58	1.72	0.92	2.64	1.73	1.59	3.32
KAP	Core HEPS	21.7	-6.9	14.7	21.3	19.1	40.4	28.6	19.3	47.9
Motus Holdings	HEPS	504	(216)	288	416	363	780	331	320	651
Nampak	HEPS	7	(84)	(77)	25	43	68	38	57	95
Super Group	Core HEPS	165	5	174	132	150	282	196	195	391
Afrimat	HEPS	180	163	344	181	261	442	102	135	237
PPC	HEPS	36	-9	27	19	11	30	24	28	52
Raubex	HEPS	58	102	161	-26	181	154	165	201	366
WBHO	HEPS	411	-1334	-923	613	728	1341	890	902	1792

Source: Factset, Chronux Research

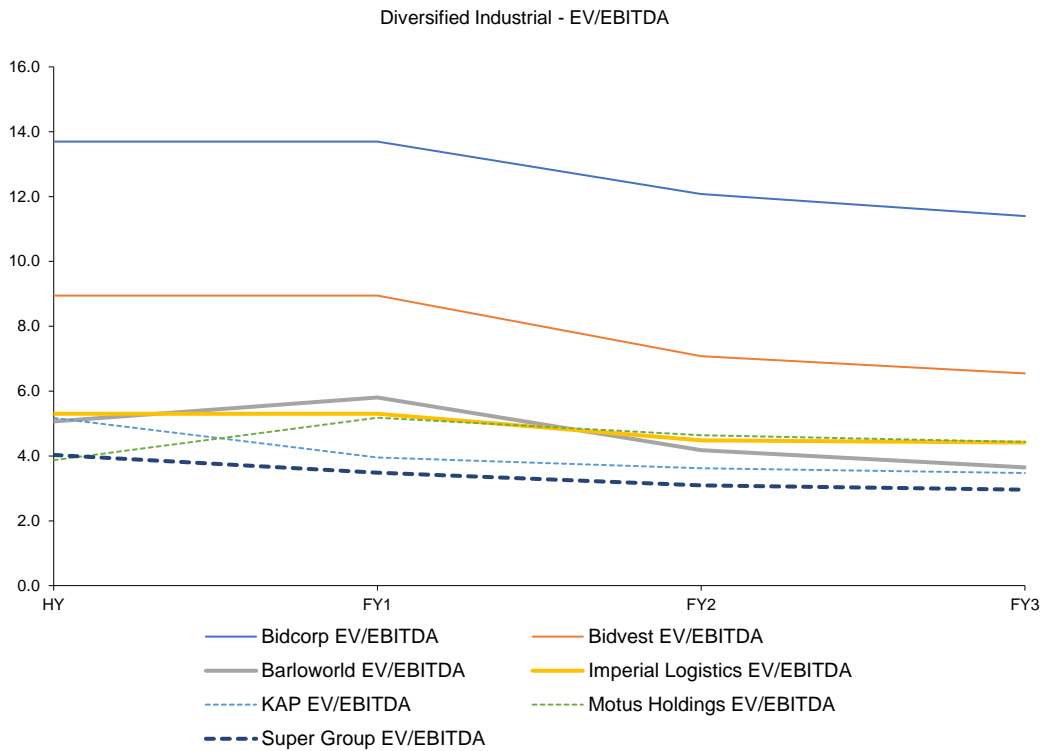
Valuation Comparison – PE and EV/EBITDA

Figure 3 Diversified Industrials - PE Multiples



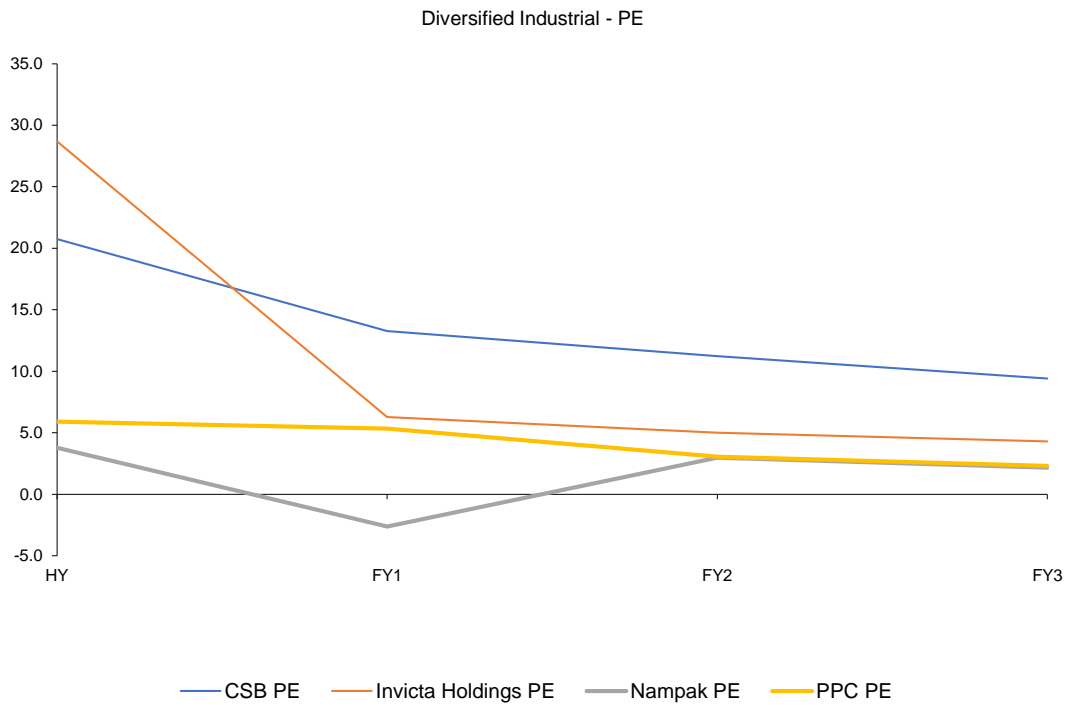
Source: Factset, Chronux Research

Figure 4 Diversified Industrials – EV/EBITDA Multiples



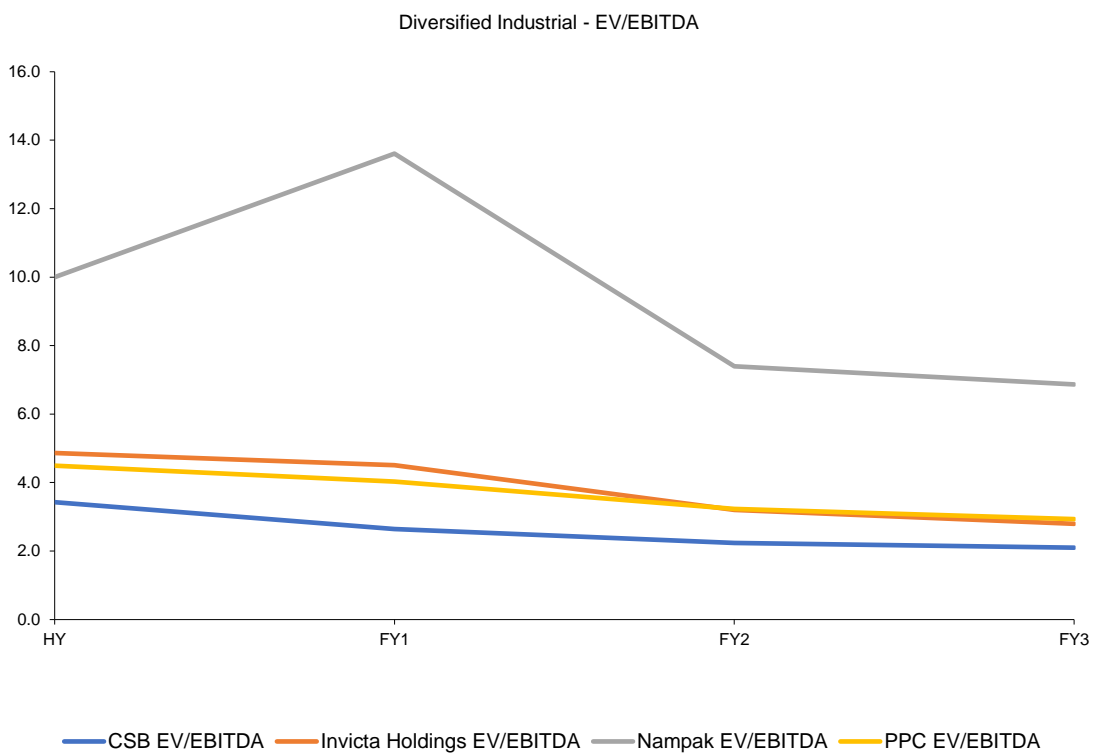
Source: Factset, Chronux Research

Figure 5 Diversified Industrials - PE Multiples



Source: Factset, Chronux Research

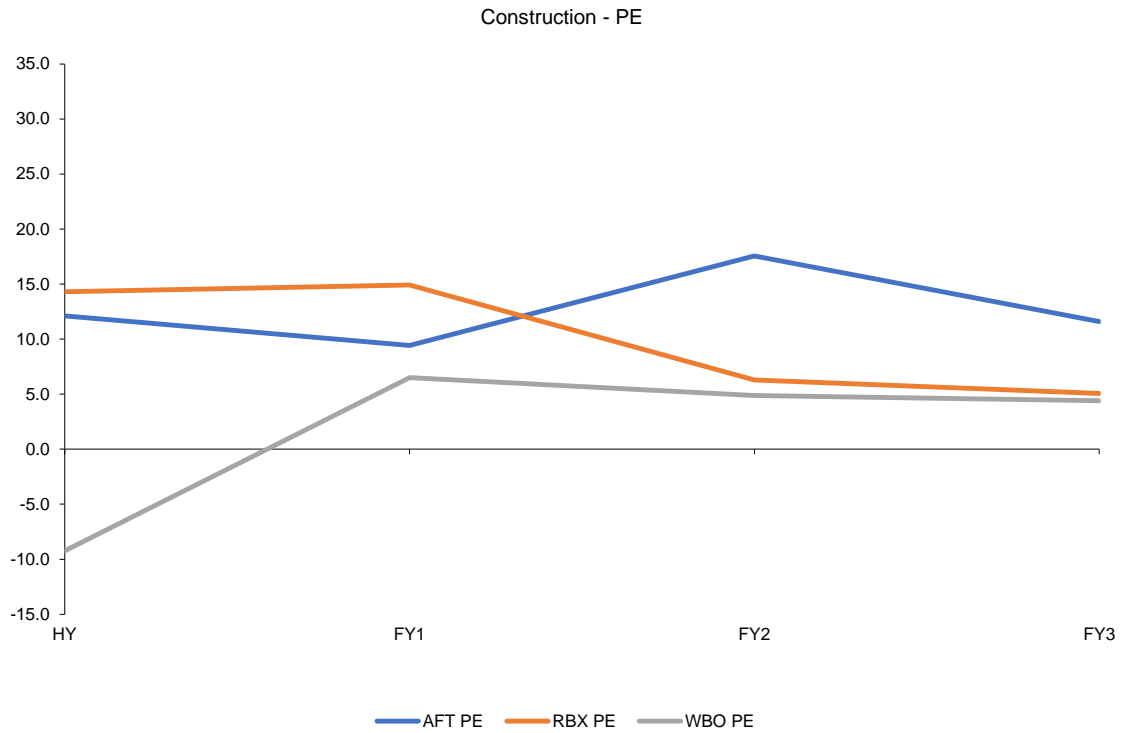
Figure 6 Diversified Industrials – EV/EBITDA Multiples



Source: Factset, Chronux Research

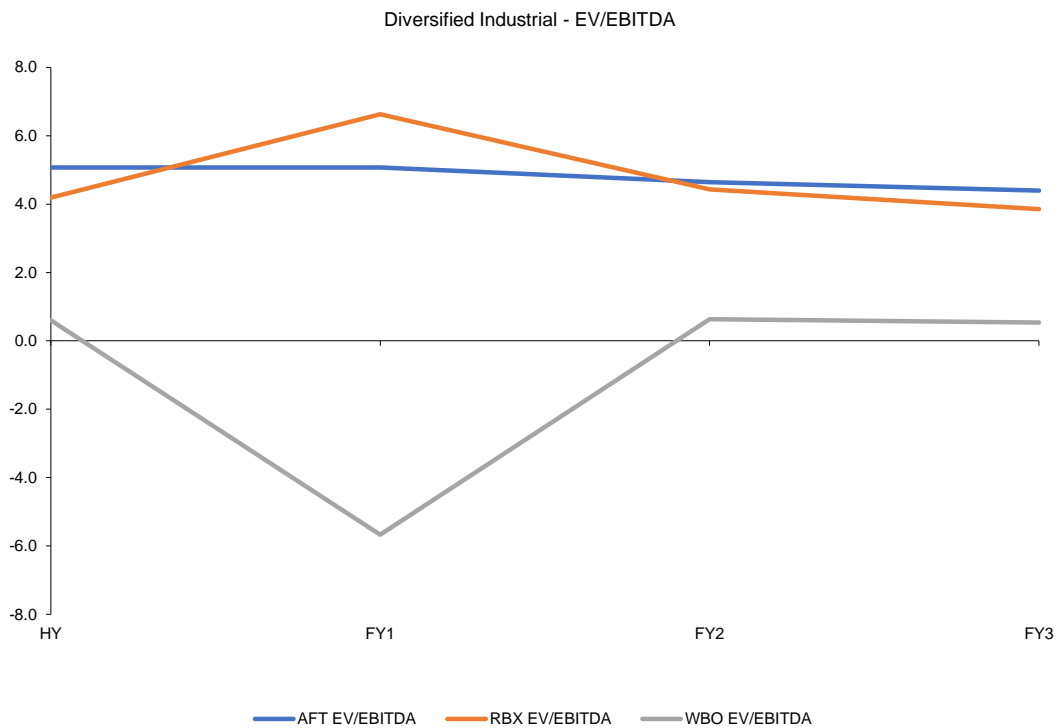
Valuation Comparison – PE and EV/EBITDA

Figure 7 Diversified Industrials - PE Multiples



Source: Factset, Chronux Research

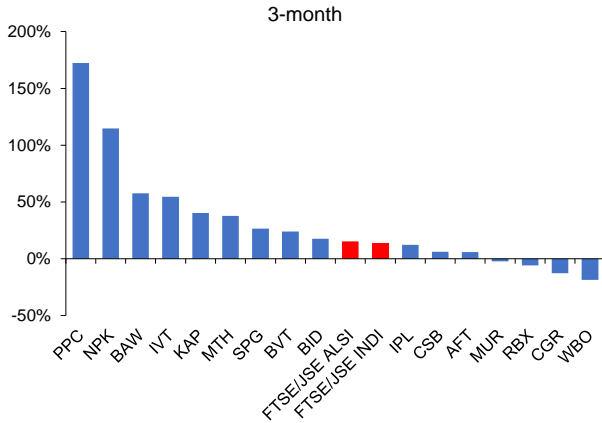
Figure 8 Diversified Industrials – EV/EBITDA Multiples



Source: Factset, Chronux Research

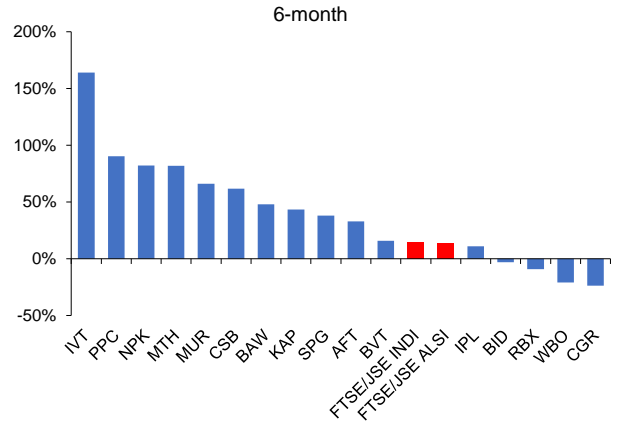
Share Price Performance

Figure 9 3-month share price performance



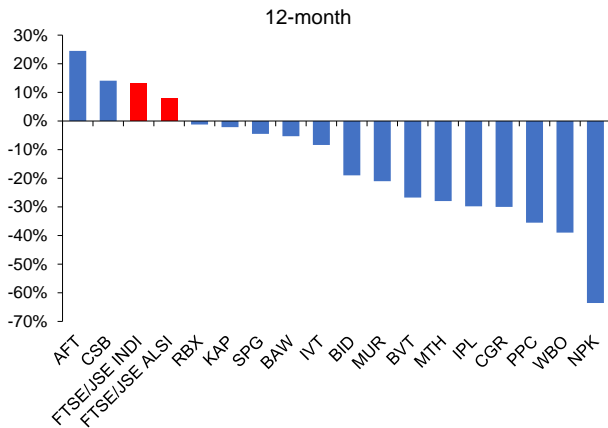
Source: Factset, Chronux Research

Figure 10 6-month share price performance



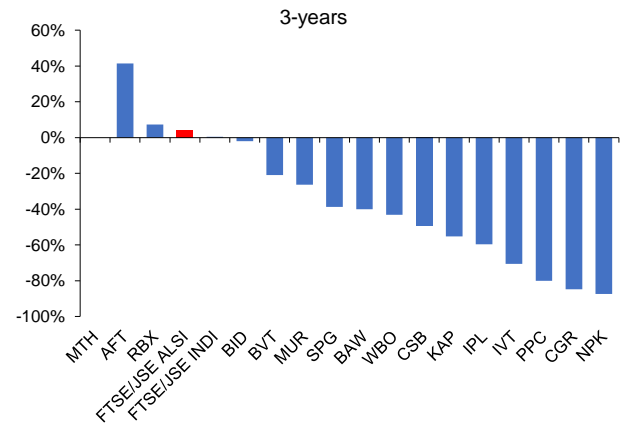
Source: Factset, Chronux Research

Figure 11 12-month share price performance



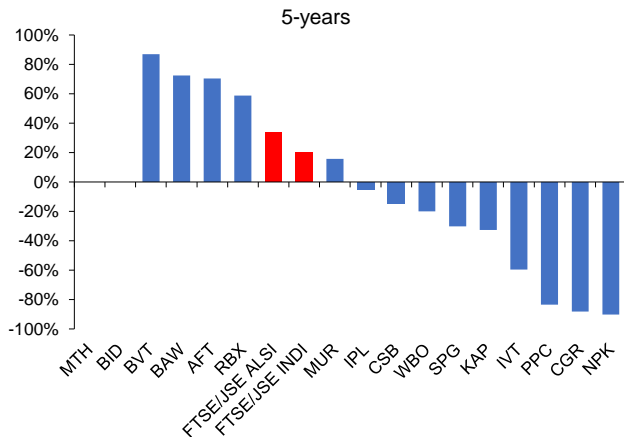
Source: Factset, Chronux Research

Figure 12 3-year share price performance



Source: Factset, Chronux Research

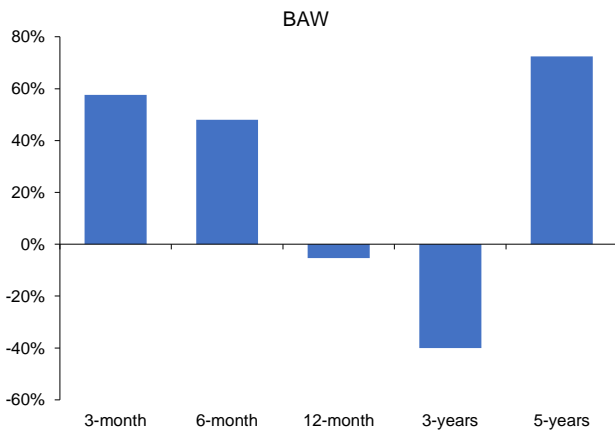
Figure 13 5-year share price performance



Source: Factset, Chronux Research

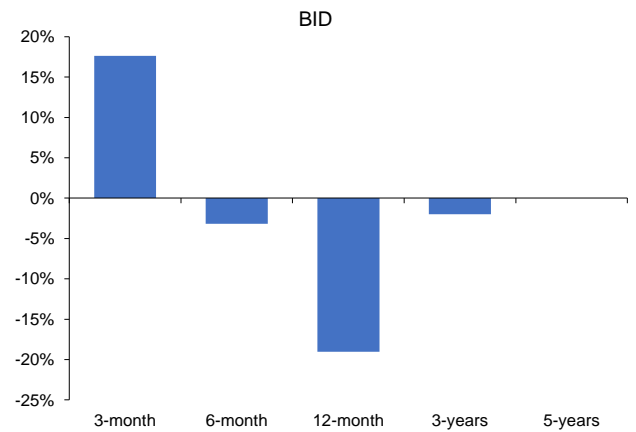
Share Price Performance

Figure 14 Barloworld – Share price performance



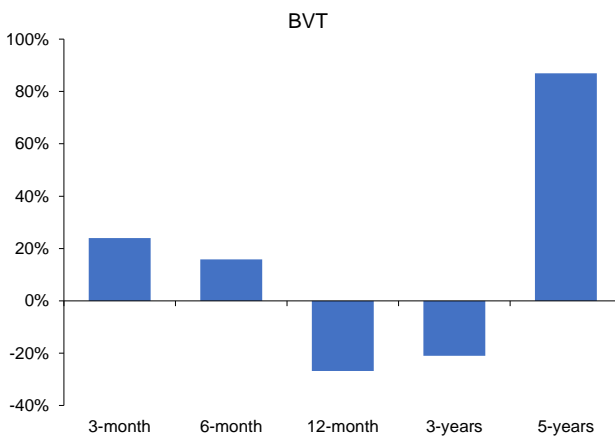
Source: Factset, Chronux Research

Figure 15 Bidcorp – Share price performance



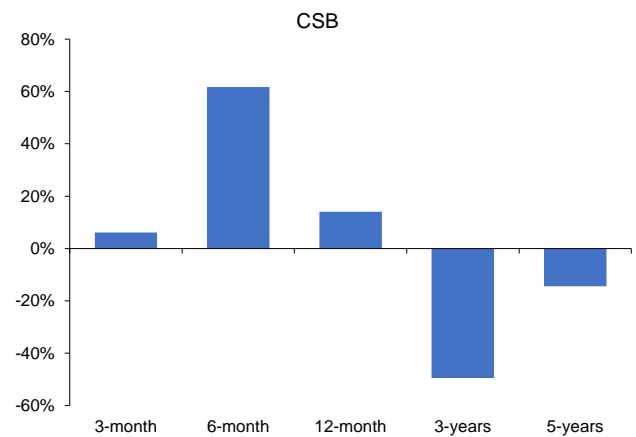
Source: Factset, Chronux Research

Figure 16 Bidvest – Share price performance



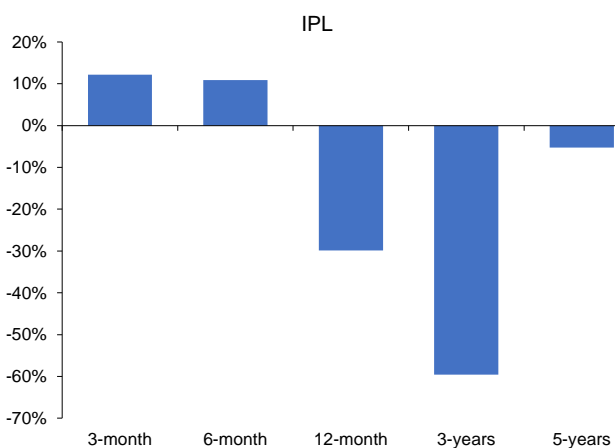
Source: Factset, Chronux Research

Figure 17 Cashbuild – Share price performance



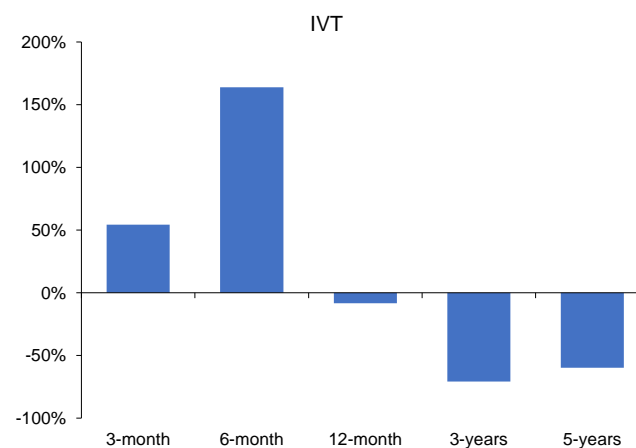
Source: Factset, Chronux Research

Figure 18 Imperial – Share price performance



Source: Factset, Chronux Research

Figure 19 Invicta – Share price performance



Source: Factset, Chronux Research

Share Price Performance

Figure 20 KAP – Share price performance

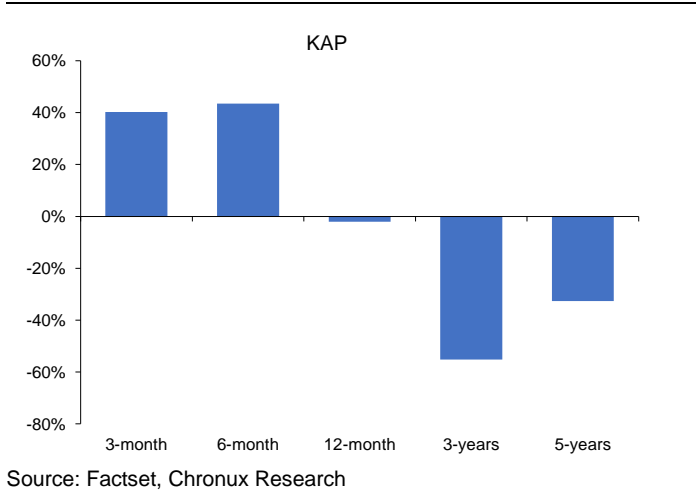


Figure 21 Motus – Share price performance

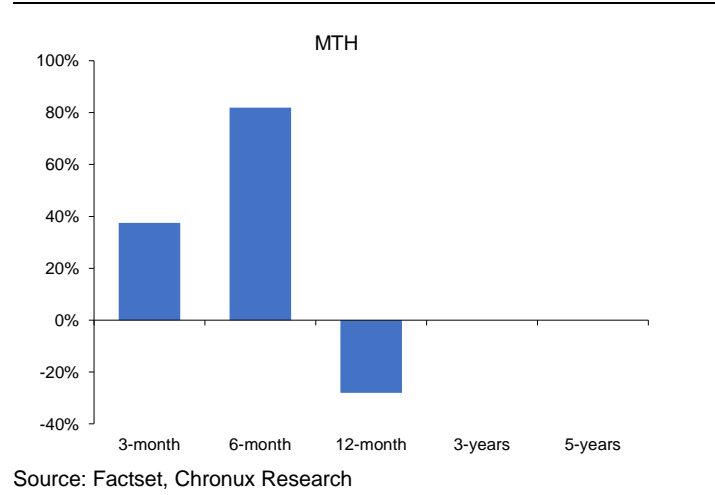


Figure 22 Nampak – Share price performance

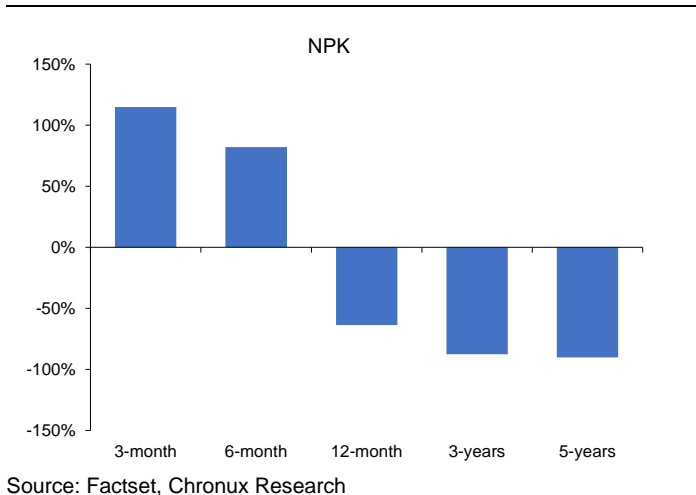


Figure 23 Super Group – Share price performance

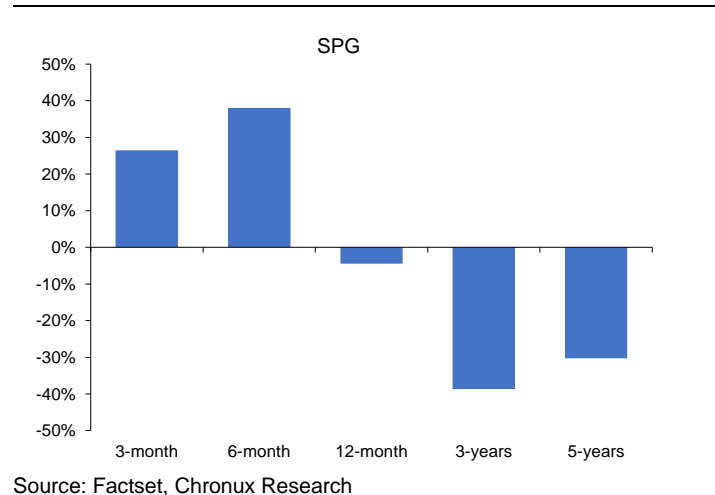


Figure 24 Afrimat – Share price performance

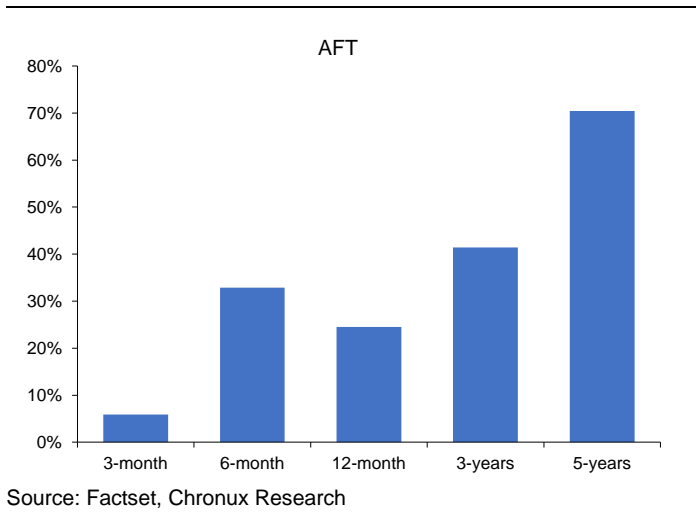
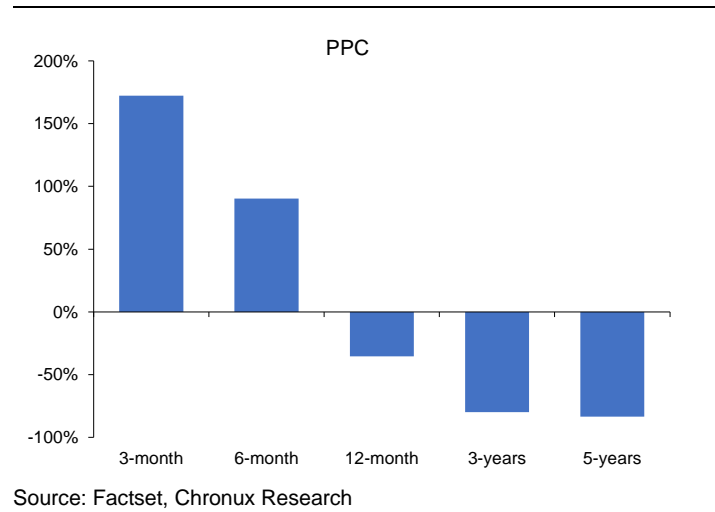
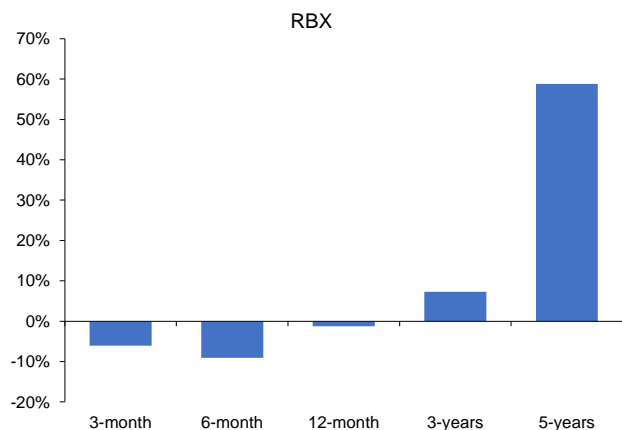


Figure 25 PPC – Share price performance



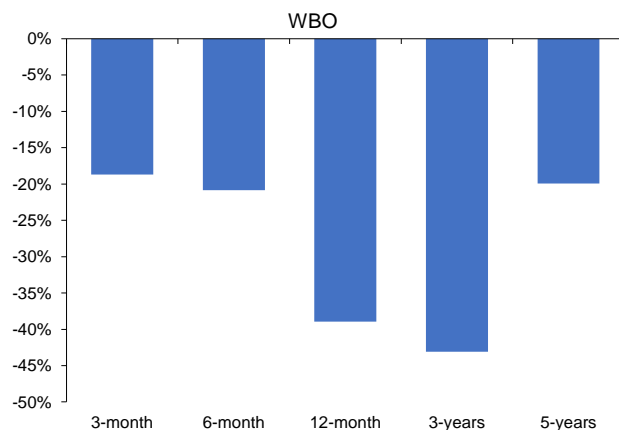
Share Price Performance

Figure 26 Raubex – Share price performance



Source: Factset, Chronux Research

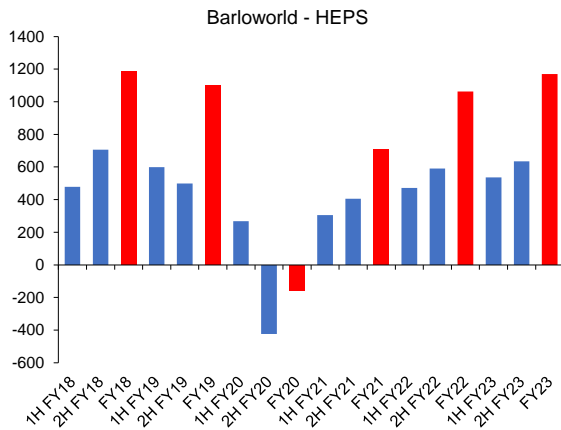
Figure 27 WBHO – Share price performance



Source: Factset, Chronux Research

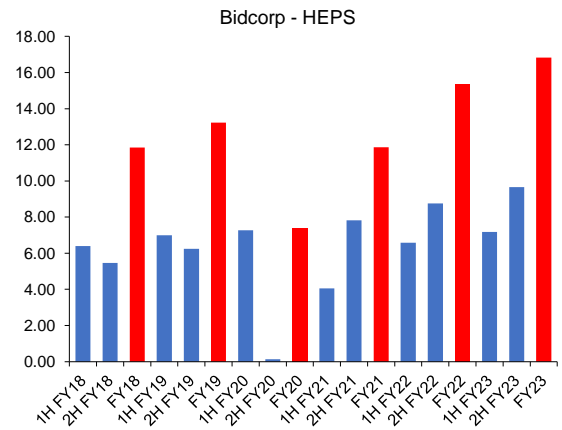
Financial Forecasts

Figure 28 Barloworld - HEPS



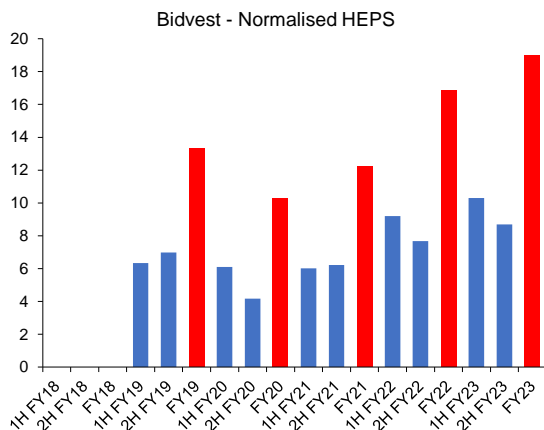
Source: Factset, Chronux Research

Figure 29 Bidcorp - HEPS



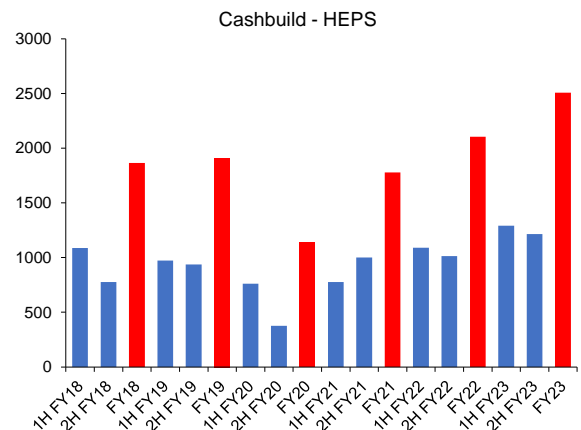
Source: Factset, Chronux Research

Figure 30 Bidvest - HEPS



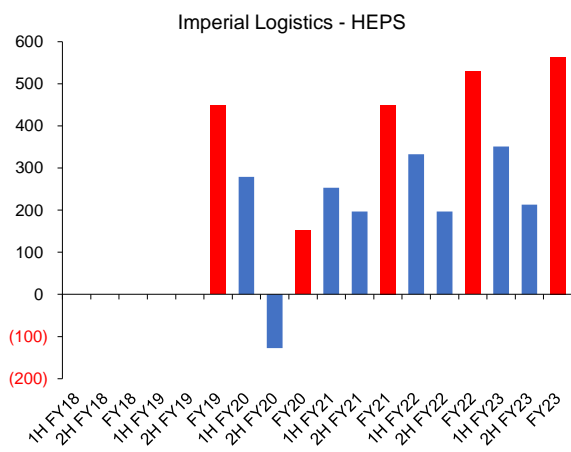
Source: Factset, Chronux Research

Figure 31 Cashbuild Holdings - HEPS



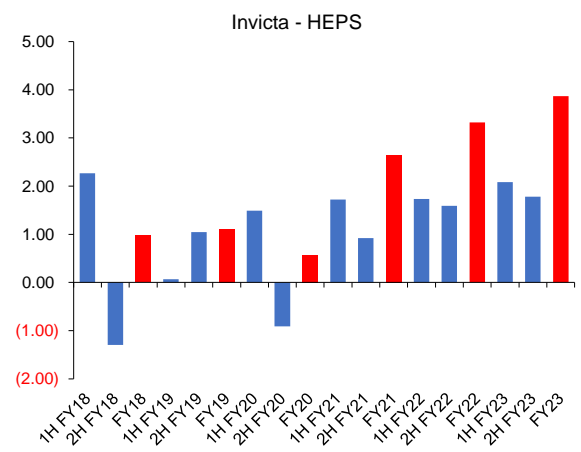
Source: Factset, Chronux Research

Figure 32 Imperial Logistics - HEPS



Source: Factset, Chronux Research

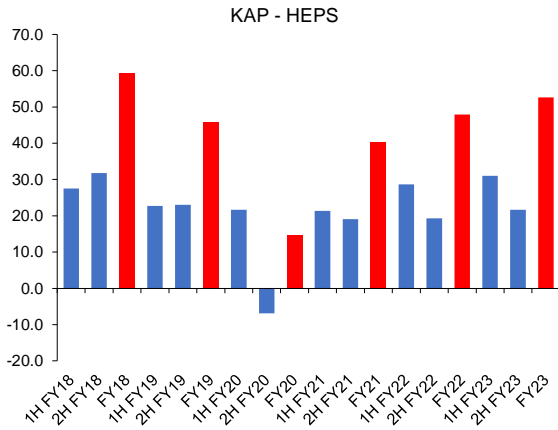
Figure 33 Invicta - HEPS



Source: Factset, Chronux Research

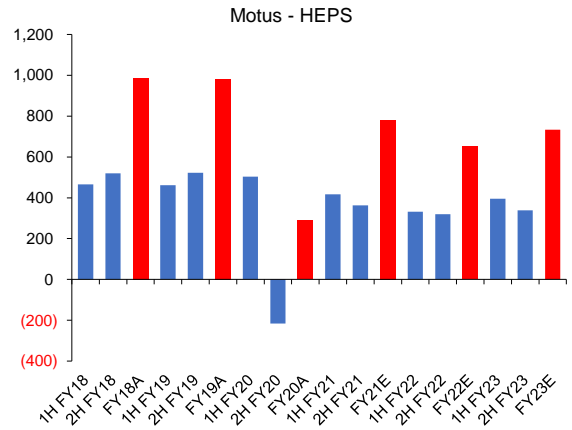
Financial Forecasts

Figure 34 KAP - HEPS



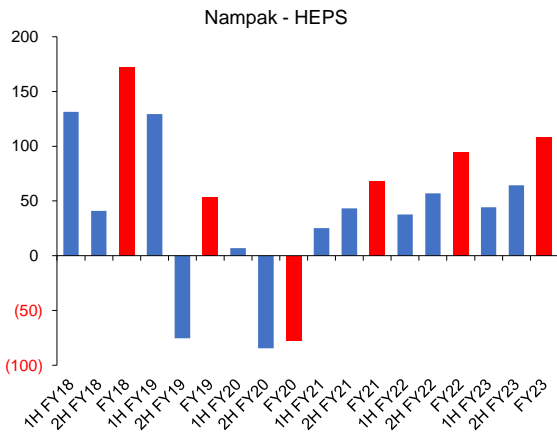
Source: Factset, Chronux Research

Figure 35 Motus - HEPS



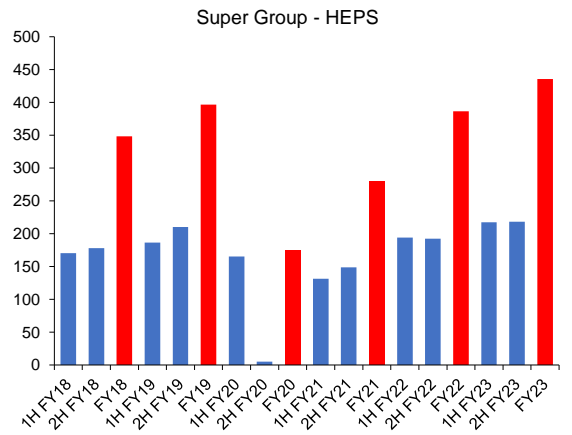
Source: Factset, Chronux Research

Figure 36 Nampak - HEPS



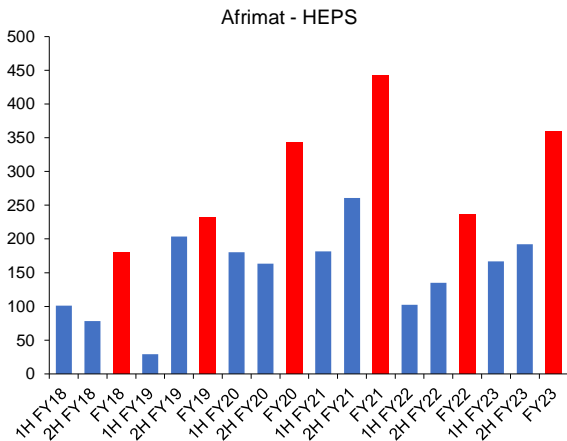
Source: Factset, Chronux Research

Figure 37 Super Group - HEPS



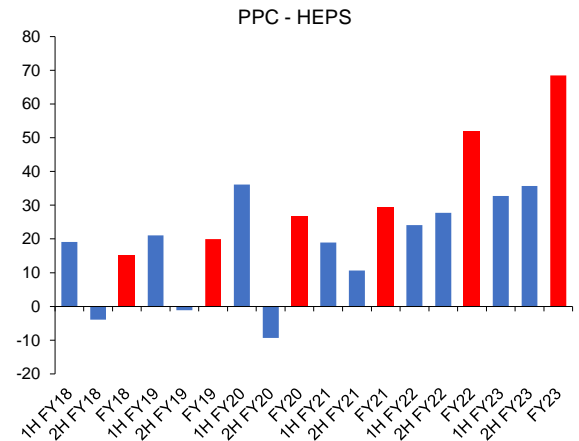
Source: Factset, Chronux Research

Figure 38 Afrimat - HEPS



Source: Factset, Chronux Research

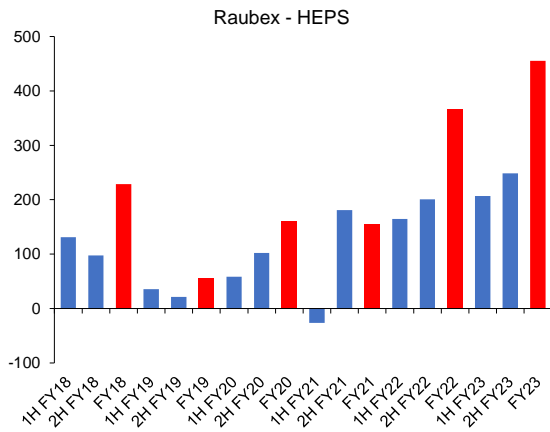
Figure 39 PPC - HEPS



Source: Factset, Chronux Research

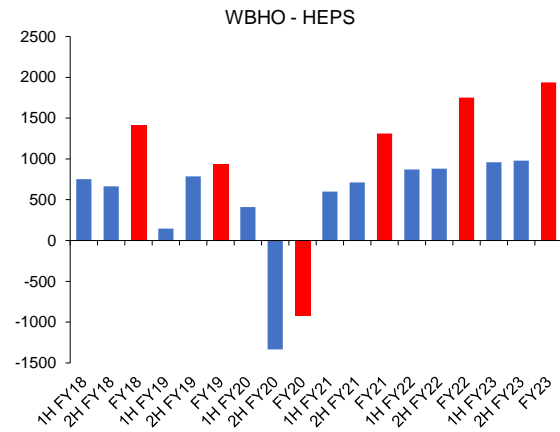
Financial Forecasts

Figure 40 Raubex - HEPS



Source: Factset, Chronux Research

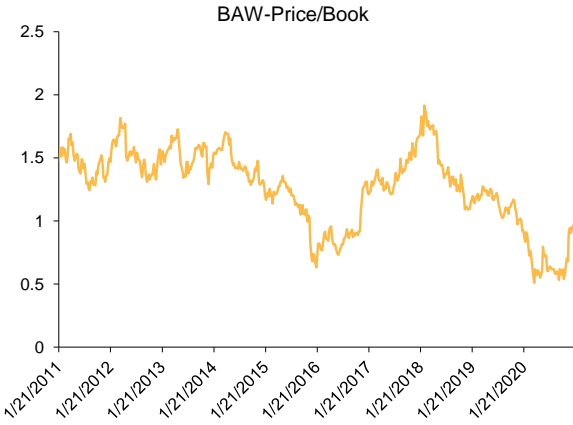
Figure 41 WBHO - HEPS



Source: Factset, Chronux Research

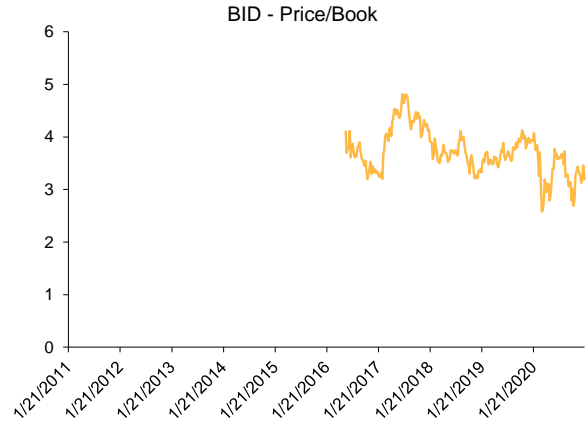
Price/Book

Figure 42 Barloworld – Price/Book



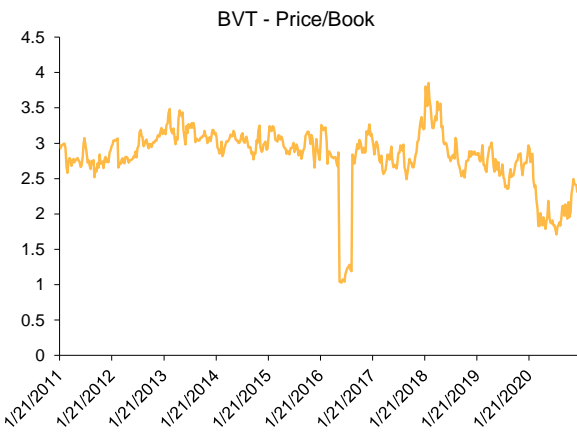
Source: Factset, Chronux Research

Figure 43 Bidcorp - Price/Book



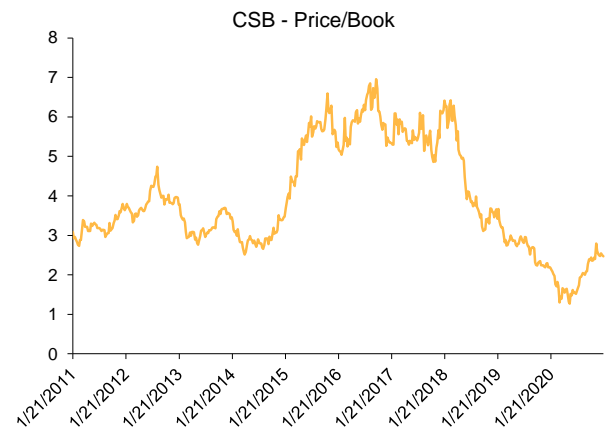
Source: Factset, Chronux Research

Figure 44 Bidvest - Price/Book



Source: Factset, Chronux Research

Figure 45 Cashbuild Holdings - Price/Book



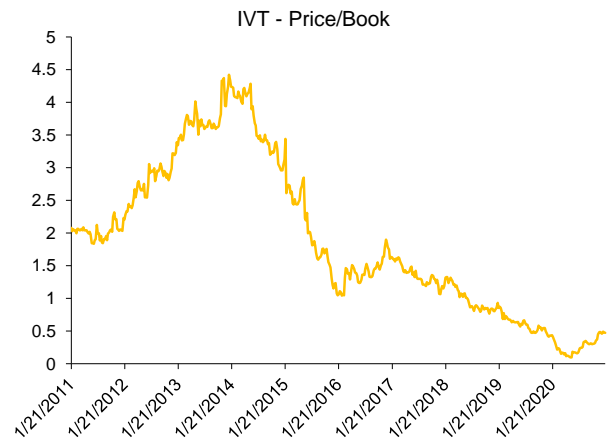
Source: Factset, Chronux Research

Figure 46 Imperial Logistics - Price/Book



Source: Factset, Chronux Research

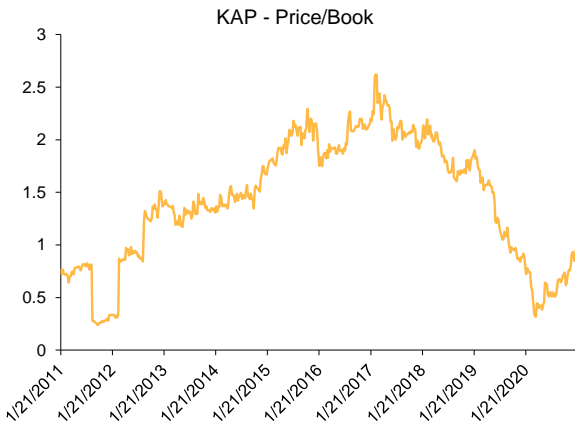
Figure 47 Invicta - Price/Book



Source: Factset, Chronux Research

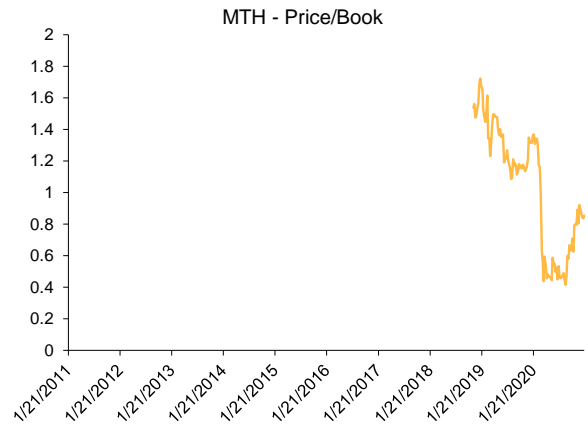
Price/Book

Figure 48 KAP - Price/Book



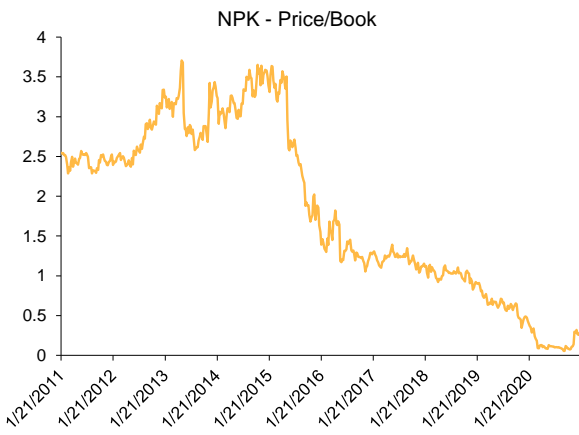
Source: Factset, Chronux Research

Figure 49 Motus - Price/Book



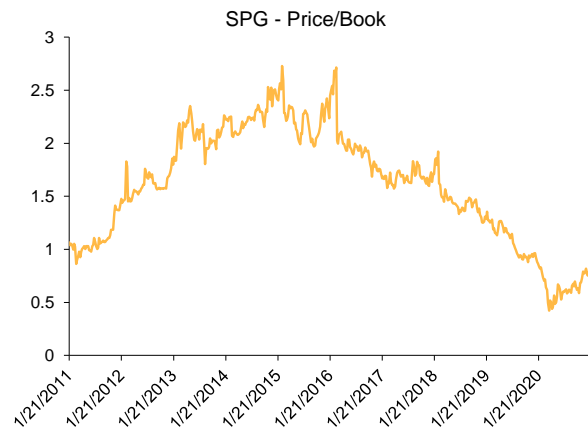
Source: Factset, Chronux Research

Figure 50 Nampak - Price/Book



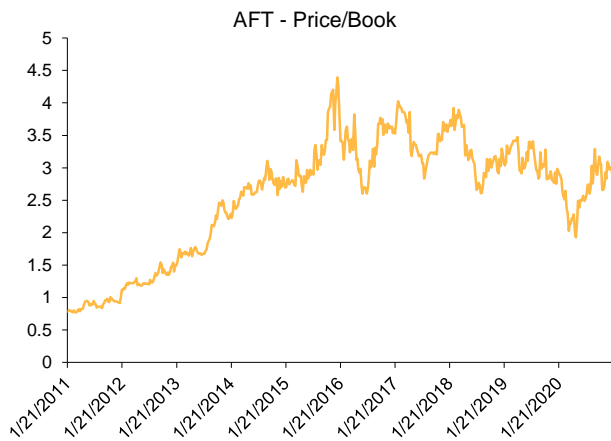
Source: Factset, Chronux Research

Figure 51 Super Group - Price/Book



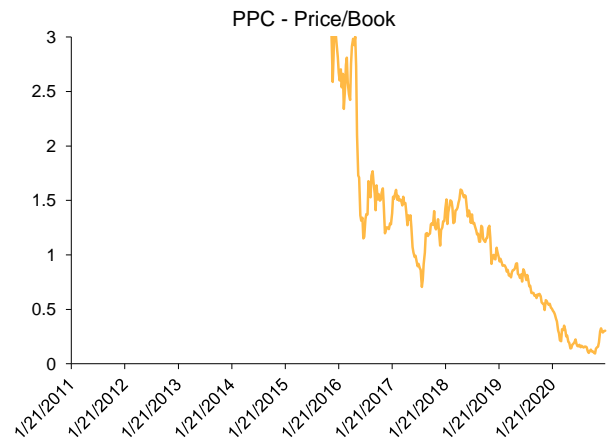
Source: Factset, Chronux Research

Figure 52 Afrimat - Price/Book



Source: Factset, Chronux Research

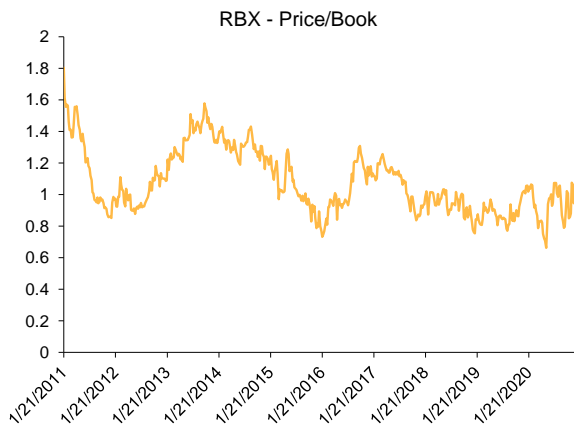
Figure 53 PPC - Price/Book



Source: Factset, Chronux Research

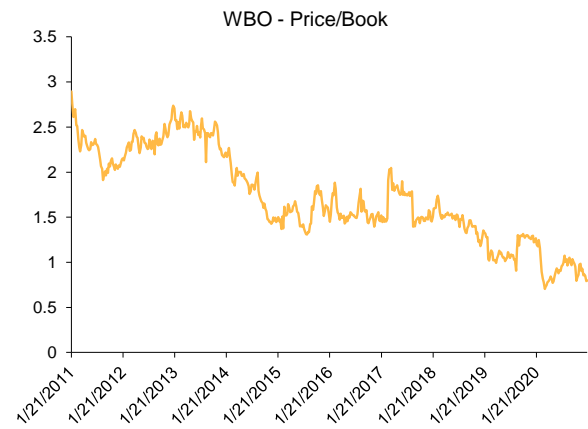
Price/Book

Figure 54 RBX - Price/Book



Source: Factset, Chronux Research

Figure 55 WBHO - Price/Book



Source: Factset, Chronux Research

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