

Small Cap

WAM Capital: Healthy Dividend Payouts

Reading Time: 5 Mins

By Team Ace Investors

Stock Code	ASX: WAM
Shares O/S	721.26 million
Closing Price	AUD 2.15
Market Cap (In AUD billion)	1.51
52 High/Low	2.37/1.92
One Year Stock Performance	-3%
Avg volume (TTM)	0.54 million
EPS (TTM)	0.25
P/E	8.32
Annual Dividend Yield	7.38%
Franking	100%
Last Dividend Ex- Date	20 April 2020
Last Dividend Pay Date	28 April 2020
DPS (AUD)	0.16
ROE %	13.30

COMPANY OVERVIEW

WAM Capital Limited ("**WAM**" or the "**Company**") provides investors with exposure to an actively managed diversified portfolio of undervalued growth companies listed on the Australian Securities Exchange.

WAM Capital also provides exposure to relative value arbitrage and market mispricing opportunities.

Top 10 holdings with portfolio weightings as at 31 December 2019

Company	%
Brickworks Limited	2.9%
SVW Seven Group Holdings	2.5%
Pengana International Equities Limited	2.1%
Kogan.com Limited	2.0%
Templeton Global Growth Fund Limited	2.0%
Austal Limited	2.0%
Service Stream Limited	2.0%
Australian Finance Group Limited	1.8%
Collins Foods Limited	1.7%
Credit Corp Group Limited	1.7%

One Year Stock Price Performance



Source: ASX

KEY FINANCIAL FIGURES

	2015	2016	2017	2018	2019
Revenue (In AUD million)	93.11	177.26	108.41	188.20	25.79
Growth %	-	90.38%	-38.84%	73.60%	-86.30%
Operating Income (In AUD million)	71.20	132.26	88.95	166.87	5.99
Margin (%)	76.47%	74.61%	82.05%	88.67%	23.23%
PAT (In AUD million)	53.99	97.99	68.91	125.40	14.53
PAT Margin (%)	57.99%	55.28%	63.56%	66.63%	56.34%
EPS (In AUD)	0.14	0.21	0.12	0.19	0.02
BALANCE SHEET FIGURES					
Shareholders Fund (In AUD million)	1,214.90	1,323.83	1,214.90	1,323.83	1,344.42
Debt (In AUD million)	43.54	9.85	13.69	20.09	10.05
Cash (In AUD million)	321.67	290.99	420.02	389.68	325.99
D/E Ratio	0.04	0.01	0.01	0.02	0.01

INVESTMENT RATIONALE/CONCERNS

- H1 FY20 Results Updates** – On 6th Feb 2020, the Company announced its result for the half year.
 - WAM Capital achieved a 168.4% increase in operating profit before tax to \$95.6 million and a 176.9% increase in operating profit after tax to \$70.4 million.
 - Declared a fully franked interim dividend of 7.75 cents per share
 - The investment portfolio increased 8.9% during the period, outperforming the S&P/ASX All Ordinaries Accumulation Index by 5.3%
 - WAM Capital provided shareholders with a total shareholder return of 15.2% in the six months to 31 December 2019, reflecting the Company's solid investment portfolio performance.
 - Some of WAM Capital's strongest performers included mining technology company Codan Limited (ASX: CDA) which went up 114.7%, payment solution provider EML Payments Ltd (ASX: EML) which went up 55.3% and mortgage broking company Australian Finance Group Ltd (ASX: AFG) which went up 73.3%.
- Strong Dividend Pay-out History** – Since inception in August 1999, WAM Capital has paid 238.5 cents per share in fully franked dividends to shareholders.
- WAM Capital's Investment Portfolio Performance**

Performance at 31 January 2020	YTD	1 yr	5 yrs	10 yrs	Since inception (Aug-99)
WAM Investment Portfolio	12.20%	23.20%	13.90%	14.20%	16.80%
S&P/ASX All Ordinaries Accumulation Index	8.40%	24.90%	9.60%	9.00%	8.80%
Investment Portfolio Outperformance	3.80%	-1.70%	4.30%	5.20%	8.00%
S&P/ASX Small Ordinaries Accumulation Index	7.40%	18.80%	11.20%	5.30%	5.80%
Investment Portfolio Outperformance	4.80%	4.40%	2.70%	8.90%	11.00%

STOCK RECOMMENDATION

The Company has been a solid performer since inception over two decades ago. The Company's well diversified portfolio helps it to outperform the S&P/ASX All Ordinaries Accumulation Index. As always, the Company has maintained its commitment of paying a stream of fully franked dividends to shareholders.

*Based on the above factors, we consider that WAM CAPITAL currently presents buying opportunity. At current levels, we would like to recommend **BUY** rating on the stock.*

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