

Trematon's value proposition, the sensible approach is probably to look past the official NAV and follow the directors' intrinsic value signals. Directors have pencilled in an intrinsic NAV of 326c/share for the interim period ending February this year.

In December last year Trematon raised R120m by placing new shares for cash at 300c/share. This was not long after signalling that the overall deal pipeline was bigger and potentially more lucrative than at any time in Trematon's history and that management was confident that benchmark returns could be achieved over the next decade. Sanlam Investment Management and Investec Asset Management participated in the fund-raising exercise along with a number of streetwise smaller investment entities.

Indeed, Trematon has already clinched one significant deal since the share placement, through its

subsidiary Arbitrage, acquiring R203m worth of properties from real estate stalwart Redefine.

But IM suggests that the biggest potential to unlock value could lie in CML.

It's worth noting government's efforts to raise the level of economic activity on the West Coast through the recent proclamation of the Saldanha Bay industrial development zone.

The zone aims to be a hub for companies offering services needed in the oil and gas fields of sub-Saharan Africa, such as marine repairs and logistics.

Notwithstanding the slippery slide in the crude oil price, CML seems perfectly poised to benefit from any increases in permanent population in a more vibrant West Coast economic zone. So does the Mykonos casino.

IM reckons Trematon is worth the current premium on a longer-term view. **IM**
Marc Hasenfuss

Cognition

The potential is in the personal details — yours

The company formally called Foneworx has rung the changes. Since bringing in Caxton as a new shareholder in 2013, it has gone on to change its name to Cognition, moved its listing from the AltX to the main board and taken holdings in three companies.

These changes are part of a broader transformation from a business that focuses on providing telecom-related services to one that uses the data it collects to build profiles of customers.

Before the change, the group was best known for entertainment services like counting the votes on SMS-based competitions and for business services like fax-to-email. It also provides secure document management and backup workspace for companies recovering from a disaster.

But in running some of these services, it realised it was

collecting a lot of information on consumers that was largely going unused. "We would gather the data but nothing would be done with it after the promotion had ended," says Cognition CEO Mark Smith.

This is changing as this kind of data is increasingly seen as an asset that can be used to drive growth. Cognition, for instance, is able to tabulate information like the location, age and gender of a consumer from various sources, and then use it to target promotions specifically for that person.

Smith says a retailer, for example, which has an oversupply of a particular garment would usually have to cut its prices by a significant and possibly loss-making amount to move the stock.

But if the retailer knew more about its clients, including where they were located, and had a means to contact them, it would

COGNITION HOLDINGS

It specialises in providing interactive telecom, switching and business services, orientated around fixed and mobile networks

<p>Financial year-end: 30 June Interim results: 31 December</p> <p>RECOMMENDATION</p> <p>RISK</p>	<table border="0"> <tr><td>Market cap</td><td>R330,2m</td></tr> <tr><td>Forward PE (FY14)</td><td>N/A</td></tr> <tr><td>Current price</td><td>240c</td></tr> <tr><td>1-year high</td><td>305c</td></tr> <tr><td>1-year low</td><td>222c</td></tr> <tr><td colspan="2">Key indicators (12-mth)</td></tr> <tr><td>Heps</td><td>10,69c</td></tr> <tr><td>Div/share</td><td>N/A</td></tr> <tr><td>PE ratio</td><td>11,42</td></tr> <tr><td colspan="2"><hr/></td></tr> <tr><td>Total revenue</td><td>R62,44m</td></tr> <tr><td>Attributable revenue</td><td>N/A</td></tr> <tr><td>Total assets</td><td>R184,7m</td></tr> <tr><td>Equity</td><td>R140,8m</td></tr> </table>	Market cap	R330,2m	Forward PE (FY14)	N/A	Current price	240c	1-year high	305c	1-year low	222c	Key indicators (12-mth)		Heps	10,69c	Div/share	N/A	PE ratio	11,42	<hr/>		Total revenue	R62,44m	Attributable revenue	N/A	Total assets	R184,7m	Equity	R140,8m
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Target price: 320c Upside: +15% I-Net Bridge analysts' consensus: N/A

PERFORMANCE

Source: FNET/IFA

be able to send a digital discount voucher specifically for this garment to consumers who were near stores where this item was overstocked. The advantage for the retailer is that it is able to preserve its margins.

The challenge for Cognition is to collect this data and still comply with the Protection of Personal Information Act, which regulates the processing of personal information. The act prevents the storing of information beyond a certain timeframe and requires consumers to give specific permission for their information to be used.

Smith makes the point that Cognition is careful in keeping within the law when it comes to how it collects and handles the profiles of 10m-15m people it has so far compiled.

To implement the changes at the group, it has created a new division, Knowledge 350. The companies it has taken holdings in — BMi Research, Livingfacts and BMi Sport — have become part of Knowledge 350 and help carry out the shift as they have expertise in analysing and collecting data.

The group also got a boost from media giant Caxton taking a 35% holding in it. These shares

were initially held by Primedia founder Issie Kirsh and his son William Kirsh but that deal fell apart and eventually led to Caxton taking their holding in May 2013.

Despite its record of producing good results, Cognition lacked the scale to attract the attention of institutional investors. Smith says this is changing as the new strategy, Caxton's involvement and the shift to the main board have attracted a little more attention from institutions.

With annual revenue now hitting R118m and a market cap of R330m, investors can no longer claim the company is too small.

It also has a habit of paying handsome dividends. It increased its annual dividend from 7c/share to 12c/share, giving it a dividend yield of 5%.

Its latest numbers show it is able to change direction without losing momentum. Though revenue was down 1,31% to R62,4m it still managed to increase profit after tax 12% to R21,2m for the six months to end December.

With a PE of 11,42 at a share price of R2,40, there is still some upside to it. **IM**
Larry Claasen