

# Yovich & Co. Market Update

29<sup>th</sup> February 2024

## Investment News

Close 29 February 2024	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
<b>Previous Month</b>	11872.10	7912.83	2788.55	7630.57	38150.30	15164.01	0.9314	0.6117	5.50%
<b>Month Close</b>	11741.47	7959.54	3015.17	7630.02	38996.39	16091.92	0.9369	0.6087	5.50%
<b>Change</b>	-1.10%	0.59%	8.13%	-0.01%	2.22%	6.12%	0.58%	-0.50%	0.00%

What an interesting month it was for markets locally and globally, with market players, economists, and investors waiting for the OCR announcement and probably more importantly, company financial reports announced throughout the month. For those of you who are new to the markets, February is known as a reporting month.

The NZX50G reduced, down 1.10% in February, mainly due to a few big names not reaching analyst expectations. The NASDAQ was the best performer for the month up 6.12%. This was driven by the increased demand for AI and semiconductors. Companies in the sector benefited from this demand; Coinbase Global (COIN.nas) up 59.57%, Nvidia (NVDA.nas) increased 30.55% and Meta Platforms (META) appreciating 27.24%.

The biggest movers of the Month ending 31 <sup>st</sup> January 2024			
Up		Down	
Gentrack (GTK.nz)	19.85%	KMD Brands (KMD.nz)	-23.53%
a2 Milk (ATM.nz)	16.13%	Ryman Healthcare (RYM.nz)	-21.63%
Westpac Bank (WBC.nz)	10.86%	Warehouse (WHS.nz)	-17.20%
ANZ Banking Group (ANZ.nz)	5.97%	Oceania Healthcare (OCA.nz)	-18.71%
Hallenstein Glasson (HLG.nz)	5.89%	Heartland Bank (HGH.nz)	-12.95%

As expected by most economists the RBNZ kept the OCR on hold at 5.5%. The positive news is that there was a dovish tone to Adrian Orr's speech. Annual consumer price index (CPI) inflation declined to 4.7% in the December 2023 quarter, off its peak of 7.3% in mid-2022 but remaining above the RBNZ's 1% to 3% target band. Positively, inflation was lower than expected in the December 2023 quarter. Both tradable (outside NZ) and non-tradables (inside NZ) inflation fell, with tradables inflation falling by more than expected. Recent drops in core inflation and business inflation expectations are encouraging, but they remain above the 2% mid-point of the Committee's target band. Due to the lag effect of monetary policy, the Committee was confident to hold off any increases in the OCR. Government expenditure is projected to decline as a share of the economy in the coming years, thus expecting reduced demand for goods and services, slowing the rate of inflation.

## Company News

### Ryman Healthcare (RYM.nz)

RYM expects FY24 underlying profit to be in the range of \$265 – \$285m. This compares to previous guidance of \$300 – \$330m provided at its interim result on 29 November 2023, and the reported FY23 underlying profit of \$301.9m.

The key drivers of the change are:

- Lower volumes on new sales of occupation right agreements (ORAs). Ryman's prior guidance assumed the sale of 273 ORAs for the second half of the financial year, whereas its current expectation is to sell closer to 218 ORAs. Serviced apartments in particular are taking longer to sell than anticipated at villages where the business is yet to complete its main buildings.

- Margins on resale of ORAs. The current mix of resales across villages and unit type is resulting in a lower average margin per unit for the second half than expected. Full year resale volumes are expected to increase by 7% on FY23. Ryman's full year results to 31 March 2024 will be released to the NZX on 27 May 2024.

**Current Share Price:** \$4.46, **Consensus Target Price:** \$7.51.

### PGG Wrightson (PGW.nz)

PGW has announced in its FY24 half year results that revenue is down 24% at \$560.9m and NPAT 40% lower at \$12.7m. Operating guidance for the full financial year ending June 2024 is to be circa \$50m, the half year is currently down 24% at \$36.6m.

A suspension of the interim dividend was decided, and the capital to be reinvested back into the business to avoid adding debt in the face of rising interest costs. It was also mentioned that the recent levels of dividends have been at the upper end of the payout ratio for the sector and are not sustainable. Current headwinds for the sector are, high inflation costs, rising interest rates on rising debt levels, reduced demand and softer returns in most of NZ key primary export commodities.

**Current Share Price:** \$2.26, **Consensus Target Price:** \$2.30.

### Summerset Group (SUM.nz)

SUM announced a new bond offering. The bond carries a coupon rate of 6.43% and is fixed for the life of the bond being 6 years. The bond will mature 8 March 2030. Interest is paid quarterly in March, June, September, and December. The minimum application amount is \$5,000.

### Upcoming ex-dividend and dividend payment dates.

Company	Ex-dividend date	Period	Gross Dividend cents per share	Payment date	Current price \$
Meridian Energy Limited (NS)	8-Mar-24	Interim	8.06	26-Mar-24	\$ 5.89
Summerset Group	8-Mar-24	Final	13.20	22-Mar-24	\$ 10.98
Turners Automotive	11-Mar-24	Final	8.33	27-Mar-24	\$ 4.79
Argosy Property Limited	12-Mar-24	Interim	1.85	27-Mar-24	\$ 1.12
Channel Infrastructure NZ Limited	13-Mar-24	Final	7.80	28-Mar-24	\$ 1.50
Mercury NZ (fully paid)	13-Mar-24	Interim	12.92	2-Apr-24	\$ 7.03
Steel & Tube Holdings Limited	13-Mar-24	Interim	5.56	28-Mar-24	\$ 1.13
The Colonial Motor Company Limited	14-Mar-24	Interim	20.83	25-Mar-24	\$ 8.25
NZX Limited	14-Mar-24	Final	4.31	28-Mar-24	\$ 1.03
Chorus Limited (NS)	18-Mar-24	Interim	19.00	16-Apr-24	\$ 7.99
Marsden Maritime Holdings Limited (NS)	18-Mar-24	Interim	8.33	28-Mar-24	\$ 4.17
Auckland International Airport Limited	19-Mar-24	Interim	9.38	5-Apr-24	\$ 8.10
Genesis Energy Limited (NS)	20-Mar-24	Interim	9.72	10-Apr-24	\$ 2.50
Spark New Zealand Limited	21-Mar-24	Interim	18.75	5-Apr-24	\$ 5.02
Tourism Holdings	21-Mar-24	Interim	6.25	5-Apr-24	\$ 3.38
Vector	27-Mar-24	Interim	9.25	9-Apr-24	\$ 3.79
Comvita Limited	3-Apr-24	Interim	1.39	24-Apr-24	\$ 2.30