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Yovich & Co WEALTH MANAGEMENT

Yovich & Co. Weekly Market Update

10th February 2025

Market News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 31st January	12995.01	8789.70	3250.60	8673.96	44544.66	19627.44	0.9076	0.5587	4.25%
Week Close 7th February	12902.19	8780.28	3303.67	8700.53	44303.40	19523.40	0.9022	0.5658	4.25%
Change	-0.71%	-0.11%	1.63%	0.31%	-0.54%	-0.53%	-0.59%	1.27%	0.00%

The NZX 50 Index declined 0.71% over the week, largely due to tariff announcements. Fisher & Paykel Healthcare dropped 6.52%, dragging down the broader index. Fisher & Paykel saw a significant decline in the company's share price due to a significant portion of their equipment being manufactured in Mexico. Meanwhile, New Zealand's unemployment rate rose to 5.1% in the December quarter, up from 4.8%, marking the highest level since September 2020. ANZ Research noted that the labour market is experiencing excess capacity, while wage growth remains on track to align with the Reserve Bank's 2% inflation target.

In Australia, the All-Ordinaries Index edged down 0.11%. Interest rate futures markets and most retail bank economists widely expect a 25-basis-point rate cut on February 18, following a softer-than-expected 2.4% headline inflation figure for the December quarter. Trimmed mean inflation, which excludes volatile items, eased to 3.2%, slightly below the Reserve Bank of Australia's November forecast of 3.4%.

In China, the Shanghai Composite Index rose 1.63%, driven by optimism surrounding DeepSeek, which boosted investor confidence. Meanwhile, China has announced a 15% border tax on imports of U.S. coal and liquefied natural gas (LNG), along with a 10% tariff on American crude oil, large-engine cars, and agricultural machinery.

In the UK, the FTSE 100 Index gained 0.31%, supported by strong performances from Anglo American and AstraZeneca. Investors are also factoring in a potential 0.25% interest rate cut by the Bank of England.

In the United States, the Dow Jones Industrial Average fell 0.54%, while the NASDAQ Composite declined 0.53%, weighed down by weak jobs data and deteriorating consumer sentiment. Inflation expectations have also risen, adding further pressure on markets.

Weekly Market Movers

The biggest movers of the Week ending 7th February 2025				
Up			**Down**	
Tower	8.59%		Manawa Energy	-7.79%
Heartland Group	5.56%		Fisher & Paykel Healthcare	-6.52%
Gentrack Group	4.56%		Serko	-6.13%
Scales Corporation	4.20%		Sanford	-4.63%
NZX	4.05%		Sky Network Television	-3.93%

Source: Iress

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Investment News

Tower limited

Insurer, Tower rose 8.59% last week after upgrading its full-year net profit guidance to \$60 million–\$70 million, up from the previous \$50 million–\$60 million range. The company has recorded only one major event this financial year—the October Dunedin flooding, which cost \$3 million. Additionally, Tower revised its gross written premium growth forecast to 7–12%, down from 10–15%, reflecting a shift toward lower-risk new house insurance and motor policies, which have reduced its average premiums.

Current Share Price: \$1.38 **Consensus Target Price:** \$1.60, **Consensus Forecast Dividend Yield:** 8.9%, **Total Return:** 24.8%

Contact Energy Limited

Contact Energy Limited remains committed to its \$1.9 billion takeover of Manawa Energy, despite concerns raised by the Commerce Commission. In a statement released on Wednesday, the Commission outlined four key areas where the merger could significantly reduce competition in the electricity sector. These concerns include the impact on the supply of hedging contracts for retailers, the merged entity's ability to influence spot electricity prices, and the risk of higher prices due to reduced market competition. While the Commission remains unconvinced by the deal, Contact Energy insists the acquisition is compelling and intends to proceed. A final decision is expected by March 31, 2025, though an extension is likely.

Current Share Price: \$9.28 **Consensus Target Price:** \$9.83, **Consensus Forecast Dividend Yield:** 5.4%, **Total Return:** 11.6%

Fisher & Paykel Healthcare Limited

Fisher & Paykel Healthcare (FPH) is facing potential cost pressures following President Trump's executive order imposing an additional 25% tariff on imports from Mexico and Canada and a 10% tariff on goods from China, effective February 4, 2025. North America accounts for approximately 43% of FPH's total revenue, while Mexico manufactures around 45% of the company's total volume, primarily consumables. Notably, about 60% of FPH's U.S. supply comes from its Mexican plant, with the U.S. transfer price representing roughly 75% of revenues. Despite the new tariffs, Mexico still offers a 15% cost advantage compared to producing the same products in New Zealand, due to lower labor and freight costs. Expanding Mexican production has been a key part of FPH's strategy to restore gross margins to 65%, up from 62% in the first half of FY25.

Current Share Price: \$34.67 **Consensus Target Price:** \$34.38, **Consensus Forecast Dividend Yield:** 1.7%, **Total Return:** 0.9%

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Spotlight on CSL Limited - A Leading Global Biopharmaceutical Company

Global Presence & Workforce

Established in Australia in 1916 as an Australian government-owned entity, CSL Limited has grown into a global biopharmaceutical leader dedicated to innovation in healthcare. Originally founded to support Australia's medical needs, CSL has pioneered advancements such as insulin, penicillin, and vaccines for influenza and polio. The company was incorporated in 1991 and listed on the Australian Securities Exchange (ASX) in 1994. CSL now earns roughly half its revenue in North America and a quarter in Europe. Headquartered in Melbourne, Australia, CSL employs over 32,000 people and delivers treatments to patients in more than 100 countries. Its unique combination of commercial strength, R&D focus, and operational excellence drives its mission to improve global health.

CSL's Three Major divisions:

- **CSL Behring:** A leader in rare and serious diseases, CSL Behring specialises in immunology, hematology, cardiovascular, respiratory, and transplant therapies. It leverages plasma fractionation, recombinant protein technology, and gene therapy to deliver life-saving treatments. Its subsidiary, CSL Plasma, manages one of the world's largest plasma collection networks.
- **CSL Seqirus:** One of the largest influenza vaccine providers worldwide, CSL Seqirus plays a crucial role in pandemic preparedness. With expertise in egg, cell, and adjuvant technologies, the division supplies a broad portfolio of vaccines in over 20 countries.
- **CSL Vifor:** A pioneer in iron deficiency and nephrology, CSL Vifor provides specialised therapies for conditions such as iron deficiency anemia, kidney disease, and heart failure. It continues to expand its presence in nephrology and iron-based treatments.

Market Position & Competitive Landscape

CSL is one of three top companies in the plasma therapy industry, operating in an oligopolistic market, benefiting from a highly consolidated industry. The availability of plasma is a key challenge, and CSL has addressed this by heavily investing in collection centers, owning about 30% worldwide.

One of CSL's biggest challenges is the rise of lab-engineered treatments, which are replacing traditional plasma-based therapies for conditions like hemophilia. Competitor Roche's Hemlibra has taken market share, slowing CSL's growth in this area. However, CSL is responding by developing its own advanced treatments to stay competitive.
A major source of revenue for CSL is its immunoglobulin products, used to treat immune system disorders. Demand for these products is growing due to better diagnosis, lower costs, and expanded uses. This segment is less affected by lab-engineered competition, but CSL and its rivals are exploring new treatments targeting the immune system.

CSL has strengthened its position by acquiring Calimmunie in 2018 and licensing a late-stage gene therapy for hemophilia B (EtranaDez from UniQure) in 2020. These moves help CSL stay ahead in the shift toward gene therapy, which could disrupt the plasma industry.

Investing in CSL

Investors can gain exposure to CSL through direct investment on the ASX (Ticker: CSL) or via Exchange-Traded Funds (ETFs), such as the BetaShares A200 or Smart Australian Top 20 ETF (OZY), which include CSL in their holdings.
For more information and to stay updated subscribe to our newsletter and consult with your Financial Adviser to tailor your investment strategy.

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Analysis:

Security Code	CSL.asx
Description	Biopharmaceutical Company
Exchange	ASX
Industry	Healthcare
Market Capitalisation (AUD)	$131.2 Billion
Index	ORX.asx
Weighting in Index	4.77%
Current Price (AUD)	$ 270.71
Target Price (AUD)	$ 327.96
Discount to Target Price	21.55%
5 Year Hist Return	-0.35%
5 Year Hist Risk (SD)	25.00%

CSL

Forecasts	6/2024A	12/2025F	12/2026F	12/2027F
PE Ratio	28.29	25.22	21.87	19.12
Dividend Yield (%)	1.56	1.75	1.97	2.27
Revenue (USD)	$14.8 Billion	$15.7 Billion	$16.9 Billion	$18 Billion
EBITDA (USD)	$4.8 Billion	$5.3 Billion	$5.9 Billion	$6.6 Billion
Net Debt (USD)	$10.5 Billion	$9.2 Billion	$7.7 Billion	$6.1 Billion
$ 245.97 Strong Buy	$ 286.97 Buy	$ 327.96 Hold	$ 368.96 Sell	$ 409.95 Strong Sell
	↑			

CSL Limited. (CSL.asx) shows a positive growth trajectory, with improving financial metrics over the forecasted years. The company's price-to-earnings (P/E) ratio is expected to decline from 28.29 in FY2024 to 19.12 in FY2027. This steady decrease suggests that CSL is becoming more attractively valued relative to its earnings growth potential, which aligns with its strong revenue and profitability projections.

CSL's revenue is forecasted to grow from $14,800 billion in FY2024 to $17,967 billion by FY2027, reflecting an aggressive growth strategy and increasing market demand for its healthcare products. The company's EBITDA is also projected to rise significantly, from $4,750 billion in FY2024 to $6,597 billion in FY2027, representing an upward trend in operational efficiency and profitability.

CSL's challenges in accessing blood and plasma collection post-COVID have weighed on its performance, contributing to the negative five-year historical return. The disruptions to plasma collection during the pandemic, coupled with increased costs and competitive pressures, have impacted CSL's profitability. While the company remains a leader in the plasma-derived therapies market, the recovery in collection volumes and margins has taken longer than initially expected.

Conclusion:
CSL Limited remains a global biopharmaceutical leader with strong long-term growth prospects, supported by its diversified divisions, innovative therapies, and strategic acquisitions. Despite short-term challenges, including plasma collection disruptions and increasing competition from lab-engineered treatments, CSL continues to expand its market position through investment in R&D and operational efficiencies. With improving financial metrics and strong revenue projections, CSL presents a compelling investment opportunity for those with a long-term horizon, though investors should remain mindful of industry risks and evolving market dynamics.