

Yovich & Co. Weekly Market Update

12th May 2025

Market News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 2 nd May	12327.89	8456.21	3279.03	8596.35	41317.43	17977.73	0.9215	0.5950	3.50%
Week Close 9 th May	12605.07	8462.63	3342.00	8554.80	41249.38	17928.92	0.9214	0.5913	3.50%
Change	2.25%	0.08%	1.92%	-0.48%	-0.16%	-0.27%	-0.01%	-0.62%	0.00%

The NZX 50 posted another solid gain last week, rising 2.25% to close at 12,605.07, with gentailers contributing to the market's upward momentum. The Global Dairy Trades (GDT) have been encouraging over the recent months and also showing promising signals (albeit early) for next season's milk. Fonterra's farm gate milk price range for 2024/2025 season is currently \$9.70-\$10.30, with a mid-point of \$10.00.

Australian markets were mute with very little change, closing at 8,462.63, same story with the NZD/AUD. Internationally: The Bank of England has cut interest rates to 4.25%, from 4.50% the lowest level in two years. A comment from the bank's governor, Andrew Bailey, was "Inflationary pressures have continued to ease so we've been able to cut rates again today." As alluded to in the global economy, the Bank is concerned that Donald Trump's global tariff war will slow economic growth. March CPI was 2.6%, still higher than the goal of 2%.

Last week, the FED held its benchmark interest rate at 4.25% Fed Chair Jerome Powell emphasised a cautious approach, stating, "We don't have to be in a hurry," highlighting the central bank's intent to carefully assess incoming data before making further policy adjustments.

The week ahead will see an increase in monthly data regarding data on card transactions, migration, prices, possibly the REINZ housing data, migration flows and in the US, CPI inflation for April.

The biggest movers of the week ending 09 May 2025			
Up		Down	
Manawa Energy	29.07%	Serko	-11.83%
Fletcher Building	7.01%	SKYCITY Entertainment Group	-7.08%
Precinct Properties NZ	6.88%	Westpac Bank	-6.50%
Fonterra Shareholders' Fund	6.76%	Tourism Holdings	-5.00%
Port of Tauranga	6.62%	Vista Group International	-4.13%

Source: Iress

Investment News

Marlin Global Limited (MLNWG.NZ)

The Marlin Global Ltd final exercise price of the Marlin warrants is \$0.96.

Investors have the following choices with their warrants:

- You can elect to exercise some or all of your warrants at the final Exercise Price of \$0.96.
- You can seek to sell or transfer your warrants.
- You can elect to not exercise any warrants and allow the warrants to lapse.

As the warrants' exercise price is higher than Marlin's current share price of \$0.92, is it considered "not in the money".

Contact Energy (CEN.NZ) & Manawa Energy (MNW.NZ) Merger

The NZ Commerce Commission has granted clearance for the Contact Energy acquisition of Manawa Energy announced in September 2024. With regulatory approval secured, the transaction now awaits shareholder and High Court approvals. Manawa Energy is expected to hold a shareholder meeting by the end of May 2025 to vote on the Scheme of Arrangement. Major shareholders Infratil and TECT, collectively holding approximately 78% of Manawa's shares, have indicated their intention to vote in favor of the scheme, subject to certain conditions.

Deal Overview

Transaction Value: Approximately NZ\$1.9 billion in cash and shares, with an additional assumption of NZ\$400m in Manawa's debt, bringing the total enterprise value to about NZ\$2.3b. Shareholder Consideration: Manawa shareholders will receive 0.5719 Contact shares and NZ\$1.16 in cash per Manawa share.

Investors responded positively to the Commerce Commission clearance as Manawa's share price increased more than 26% to \$6.12.

Current Share Price: \$9.29, **Consensus Target Price:** \$9.79. **Forecasted Gross Dividend Yield:** 4.26%.

Summerset Healthcare (SUM.NZ)

Summerset Group Holdings Limited (Summerset) announced that it is offering up to NZ\$100m (with the ability to accept up to an additional NZ\$50m of oversubscriptions) of six year, fixed rate bonds maturing on 23 May 2031 to institutional and New Zealand retail investors. The Interest Rate will be the sum of the Issue Margin plus the Base Rate, but in any case will be no less than the **minimum Interest Rate of 5.35%** per annum. The indicative Issue Margin Range for the bonds is 1.95% to 2.10% per annum. The Issue Margin and Interest Rate will be set following a bookbuild process, which is expected to be completed on 15 May 2025 and will be announced by Summerset via NZX shortly thereafter.

Please reach out to Yovich & Co if you would like to make a bid before 9am Thursday, 15 May.

Please view the Indicative term sheet [here](#).

Current Share Price: \$11.00, **Consensus Target Price:** \$14.25. **Forecasted Gross Dividend Yield:** 2.33%.

Chorus (CNU.NZ)

Chorus Limited has lodged a product disclosure statement for a NZ\$170 million offer of unsecured, subordinated, redeemable, cumulative, interest-bearing capital notes to New Zealand investors. The notes have a 31-year term, maturing on 3 June 2056, but may be redeemed early from 3 March 2031 or earlier for tax or credit rating reasons.

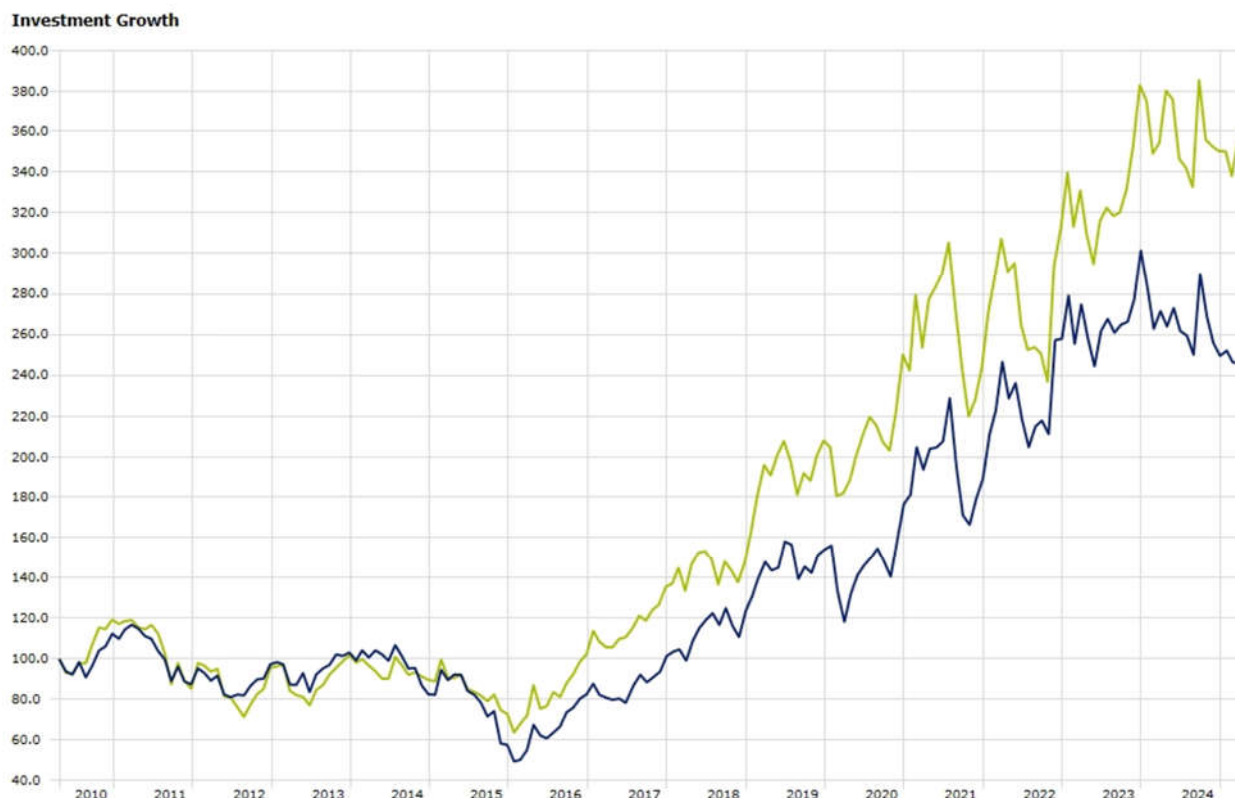
Interest will be fixed for the first 6 years, then reset every 5 years after that, unless redeemed earlier. Chorus can defer interest payments for up to 5 years. The notes are expected to be rated BB+ by S&P Global Ratings, two notches below Chorus's issuer credit rating due to their subordinated nature and deferral features. The offer is set to open on 19 May 2025, with the final interest rate and margin to be confirmed that day. It is expected to close on 22 May, with issuance on 3 June and listing on the NZX Debt Market on 4 June.

Current Share Price: \$8.265, **Consensus Target Price:** \$8.60. **Forecasted Gross Dividend Yield:** 7.18%.

Spotlight on the Giants: BHP vs Rio Tinto

BHP and Rio Tinto stand as titans in the global mining sector, both listed on the ASX and integral to Australia's economic landscape. BHP and Rio Tinto are often compared to each other due to their similar size and similar performance being two of the biggest mining companies in the world.

Growth of \$100 Investment in Rio (Dark Blue) and BHP since 2010:



Source: Morningstar

About BHP:

BHP Group Limited, headquartered in Melbourne, Australia, stands as the world's largest mining company by market capitalisation. Established in 1885 as the Broken Hill Proprietary Company, BHP has evolved into a global leader in the extraction and production of essential commodities, including iron ore, copper, and metallurgical coal, with a strategic expansion into potash underway. Operating across more than 90 locations worldwide, BHP is committed to responsibly managing a resilient portfolio of assets in highly attractive commodities, aiming to deliver long-term value and returns through the cycle.

About Rio Tinto:

Rio Tinto is a leading global mining and materials company, operating in 35 countries with a workforce of approximately 60,000 employees. Established in 1873, the company has a rich history spanning over 150 years in the mining industry. Rio Tinto's operations focus on the exploration, mining, and processing of essential commodities such as iron ore, copper, aluminium, and critical minerals vital for the global energy transition. Headquartered in both London and Melbourne.

Both companies are heavily reliant on iron ore, but their diversification strategies differ:


- BHP: Approximately 50% of its forecasted EBITDA over the next five years is attributed to iron ore, with copper contributing around 45%. The remaining earnings are expected from coal and potash.
- Rio Tinto: Iron ore is even more dominant, projected to account for about two-thirds of EBITDA, with copper and aluminium making up the rest.

Both companies have stakes in the Escondida copper mine in Chile, the world's largest, with BHP holding a 58% share and Rio Tinto 30%.

Strategic Growth and Project Pipelines

Rio Tinto is aggressively pursuing growth through projects like the Simandou iron ore development, the Oyu Tolgoi copper mine expansion, and ventures into lithium production. Analysts project a 20% increase in Rio's copper-equivalent production by 2030, with EBITDA expected to surge over 30% between 2025 and 2030. In contrast, BHP is focusing on long-term projects, particularly in Chilean copper operations. However, challenges such as declining ore grades at Escondida may impact output, with projections indicating a decrease from 2 million tonnes in FY25 to 1.6 million tonnes by FY28.

Financial Performance and Valuation Metrics

Security Code	BHP Group Limited					
Description	Resources					
Exchange	ASX					
Industry	Diversified Metals & Mining					
Market Capitalisation (AUD)	\$190 Billion					
Index	ASX 200					
Weighting in Index	7.15%					
Current Price (AUD)	\$	37.54				
Target Price (AUD)	\$	43.18				
Discount to Target Price	13.06%					
5 Year Hist Return	21.06%					
5 Year Hist Risk (SD)	26.99%					
Forecasts	6/2024A	6/2025F	6/2026F	6/2027F		
PE Ratio	8.94	11.64	11.41	11.58		
Dividend Yield (%)	6.06	4.33	4.44	4.44		
Revenue (AUD)	\$55,658 Million	\$50,492 Million	\$49,081 Million	\$48,536 Million		
EBITDA (AUD)	\$29,016 Million	\$25,795 Million	\$25,823 Million	\$25,229 Million		
Net Debt (AUD)	\$9,120 Million	\$13,524 Million	\$15,568 Million	\$16,644 Million		
\$ 32.39	\$ 37.78	\$ 43.18	\$ 48.58	\$ 53.98		
Strong Buy	Buy	Hold	Sell	Strong Sell		
	↑					


Source: Iress

BHP Group Limited has a market capitalisation of AUD \$190 billion and a dominant 7.15% weighting in the ASX 200 Index. While the current share price is AUD \$37.54, it trades at a 13.06% discount to the target price of AUD \$43.18, offering upside potential.

The company's P/E ratio is expected to rise from 8.94 in FY2024 to 11.58 by FY2027, indicating a potential moderation in earnings growth. Revenue is forecasted to decline slightly from \$55.7 billion in FY2024 to \$48.5 billion in FY2027, reflecting some softness in commodity markets.

EBITDA is similarly projected to decrease from \$29 billion to \$25.2 billion over the same period, suggesting stable but slightly compressed margins. Net debt is anticipated to rise steadily, reaching \$16.6 billion by FY2027. Despite a high historical return of 21.06% over five years, elevated historical risk (SD: 26.99%) and declining dividend yield (from 6.06% to 4.44%) signal a more cautious outlook for investors.

According to our methodology, BHP is assigned a **'BUY'** rating.

Security Code	RIO.ASX			
Description	Mining			
Exchange	ASX			
Industry	Diversified Metals & Mining			
	\$42.6 Billion (ASX Only) \$160 Billion+ Total			
Market Capitalisation (AUD)	Billion+ Total			
Index	ASX 200			
Weighting in Index	1.60%			
Current Price (AUD)	\$	114.98		
Target Price (AUD)	\$	127.50		
Discount to Target Price	9.82%			
5 Year Hist Return	37.34%			
5 Year Hist Risk (SD)	26.59%			

Forecasts	12/2024A	12/2025F	12/2026F	12/2027F
PE Ratio	11.02	11.41	11.26	10.84
Dividend Yield (%)	5.45	4.99	5.09	5.45
Revenue (AUD)	\$53,658 Million	\$52,129 Million	\$53,200 Million	\$56,131 Million
EBITDA (AUD)	\$23,314 Million	\$22,543 Million	\$23,690 Million	\$24,713 Million
Net Debt (AUD)	\$5,491 Million	\$13,497 Million	\$12,788 Million	\$11,140 Million
\$ 95.63	\$ 111.56	\$ 127.50	\$ 143.44	\$ 159.38
Strong Buy	Buy	Hold	Sell	Strong Sell
		↑		

Source: Iress

Rio Tinto has a market capitalisation of AUD \$42.6 billion and a 1.60% weighting in the ASX 200. However, the total market capitalisation of Rio Tinto is over AUD \$160 Billion due to the companies dual listing. The company has delivered a strong 5-year historical return of 37.34%, with a historical risk profile (standard deviation of 26.59%). The current share price of AUD \$114.98 presents a 9.82% discount to the target price of AUD \$127.50, indicating some upside potential.

Rio's P/E ratio is expected to remain relatively stable, easing from 11.02 in FY2024 to 10.84 in FY2027, suggesting consistent earnings expectations. Revenue is forecast to grow modestly from AUD \$53.7 billion in FY2024 to AUD \$56.1 billion by FY2027, reflecting a steady operating outlook.

EBITDA is projected to follow a similar trend, increasing from AUD \$23.3 billion to AUD \$24.7 billion, indicating resilience in margins. Net debt is expected to more than double from AUD \$5.5 billion to AUD \$11.1 billion. Dividend yields are expected to remain attractive, ranging between 4.99% and 5.45% over the forecast period.

According to our methodology, Rio Tinto is assigned a **'Hold'** rating.

For New Zealand investors, both BHP and Rio Tinto provide exposure to global commodity markets and offer attractive dividend yields. Morningstar analyst Jon Mills notes that, ignoring price, he would prefer BHP due to its "moatier assets and better management historically". According to Morningstar, both companies are currently considered to be in 'fairly valued' territory, each holding a three-star Morningstar rating.

Ultimately, the choice between these two mining giants should align with individual investment goals, risk tolerance, and market outlook. For personalised advice, please contact your financial adviser or email shares@yovich.co.nz.

Upcoming Dividends: 13th May to 13th June.

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	Pay Date
ANZ Bank	ANZ	13-May-25	14-May-25	90.16 cps	01-Jul-25
Property for Industry	PFI	15-May-25	16-May-25	2.52cps	27-May-25
Vital Healthcare	VHP	04-Jun-25	05-Jun-25	3.07cps	19-Jun-25

Source: Iress

For more information and to stay updated subscribe to our newsletter and consult with your Financial Adviser to tailor your investment strategy.