

Yovich & Co. Weekly Market Update

19th May 2025

Market News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 9 th May	12605.07	8462.63	3342.67	8559.33	41249.38	17928.92	0.9218	0.5925	3.50%
Week Close 16 th May	12786.79	8579.91	3367.46	8684.56	42654.74	19211.10	0.9186	0.5879	3.50%
Change	1.43%	1.39%	0.74%	1.46%	3.41%	7.15%	-0.35%	-0.78%	0.00%

The NZX 50 rose 1.43% this week, continuing its positive momentum over recent weeks. Key contributors to the index’s gains included Sanford, Mainfreight, Fonterra, and Auckland Airport. The rally was further supported by positive sentiment from U.S. markets, following news that the world’s two largest economies, the U.S. and China, have agreed to reduce tariffs. On the economic front, Stats NZ reported that retail spending was flat in April. Notably, electronic card spending declined, with drops seen across retail, services, repair and maintenance, and non-retail sectors compared to March. Additionally, population growth via migration fell sharply, down 74% year-on-year to March, driven by fewer arrivals and an uptick in long-term departures, particularly to Australia. Despite economic challenges, businesses appear to be refocusing on growth. BDO’s Business Wellbeing Index showed that business growth has entered the top five concerns for leaders for the first time since the survey launched in 2022.

The All-Ordinaries index posted a 1.39% gain for the week. The rally was led by strength in mining, technology, and banking sectors. The Shanghai Composite rose 0.74%, primarily due to a significant trade agreement reached in Geneva between Chinese and U.S. economic officials. The deal included substantial tariff reductions, which lifted investor sentiment. Additionally, improving economic fundamentals in China have encouraged foreign investment in Chinese equities and assets, boosting optimism for continued market gains.

The FTSE 100 climbed 1.46% this week, supported by renewed momentum in the UK economy. The Office for National Statistics reported that GDP expanded 0.7% in Q1 2025, a notable improvement from the 0.1% growth seen in the final quarter of 2024, and above economists' expectations of 0.6%.

U.S. markets surged after the U.S. and China agreed to reduce tariffs for 90 days while pursuing a broader trade deal. The temporary truce eased fears of prolonged trade tensions impacting inflation, economic growth, and corporate earnings. Investor optimism was further fuelled by cooler-than-expected inflation data. The Consumer Price Index (CPI) rose 2.3% year-over-year in April, the slowest pace since early 2021. The positive news helped markets rally throughout the week. The Dow Jones Industrial Average was up 3.41% and the Nasdaq Composite soared 7.15%. However, Friday’s post-market news introduced a note of caution. Moody’s Ratings downgraded the U.S. government’s AAA credit rating, citing concerns over persistent fiscal deficits and rising interest costs. In response, the 10-year Treasury yield rose slightly to 4.48% from 4.45%.

The biggest movers of the week ending 16 May 2025			
Up		Down	
The Warehouse Group	13.92%	NZX	-3.80%
Heartland Group	10.26%	Gentrack Group	-3.30%
Sanford	8.96%	SKYCITY Entertainment Group	-2.86%
Mainfreight	7.72%	Meridian Energy	-2.24%
Tourism Holdings	7.52%	Scales Corporation	-1.57%

Source: Iress

Investment News

Sanford (SAN.nz)

Sanford Limited reported a strong financial performance for the half-year ended March 31, 2025, with revenue rising 3.6% to NZ\$286m and net profit after tax more than doubling to NZ\$34m from NZ\$16.2m the previous year. Adjusted EBIT increased by 40.3% to NZ\$54m, while operating cash flow surged to NZ\$49.6m from NZ\$8.3m, reflecting a 497.6% increase. Net debt was reduced by 25.1% to NZ\$165m. The interim dividend was maintained at 5 cents per share. The strong results were primarily driven by robust performance in Sanford's aquaculture operations, particularly in its salmon and mussel divisions, which benefited from solid market demand and operational efficiencies. Although the wild-catch fleet faced some challenges, its impact was offset by gains in other segments. Improved product mix and pricing strategies also helped increase gross margins from 24.9% to 28.2%. Sanford expects a moderation in profitability in the second half due to seasonal factors and market price pressures.

Current Share Price: \$5.23, Consensus Target Price: \$5.35. Forecasted Gross Dividend Yield: 2.27%.

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

The notice of meeting and scheme booklet have been released for the Contact and Manawa Merger. The booklet provides important dates and information for investors. If the Scheme is approved by Manawa Shareholders and the other conditions are satisfied or (where capable) waived, Manawa Shareholders will receive \$1.12 per Manawa Share in cash plus 0.5830 New Contact Shares for every Manawa Share held on the Scheme Record Date. Based on the five-day VWAP of Contact's shares up to and including 30 April 2025, the total implied value of the Consideration is \$6.37 per Manawa Share. This represents a significant premium relative to Manawa's share price prior to the announcement in September 2024. The links are provided [here](#).

Current Share Price: \$9.09, Consensus Target Price: \$9.79. Forecasted Gross Dividend Yield: 5.80%.

Summerset Healthcare (SUM.NZ)

The Summerset Bond announced last week was heavily subscribed, the full amount of \$150m issued with a fixed coupon rate of 5.70% until 23 May 2031.

Spark (SPK.NZ)

Spark New Zealand announced a strategic network operations partnership with Nokia as part of its SPK-26 Operate Programme. Nokia will handle day-to-day monitoring and support of Spark's network, while Spark retains control over strategic functions like network planning and design. The partnership aims to enhance efficiency through AI and automation, reduce operating costs, and improve customer experience. A local Network Operations Centre will be established to maintain expertise in New Zealand. This deal completes Spark's transformation of its technology delivery model, targeting \$80–\$100 million in cost reductions for FY25 and up to \$140 million in annualised benefits by FY27.

Current Share Price: \$2.21, Consensus Target Price: \$2.96. Forecasted Gross Dividend Yield: 15.2%.

Investore Property (IPL.NZ)

Investore Property Limited delivered a strong FY25, reporting a NPAT of \$38.4m up \$105.5m from FY2, driven by positive property revaluations. Net rental income rose to \$62.3m, while distributable profit fell to \$28.4m due to tax changes. The portfolio value reached \$1.0bn with a 6.3% capitalisation rate and 99% occupancy. Strategic portfolio optimisation included divesting non-core assets and acquiring Bunnings Westgate, contributing to valuation gains. Rent reviews and turnover rent increases, particularly from Woolworths, supported stable income growth. Debt costs improved to 4.0% (pro forma) with an LVR of 38.5%. A total gross dividend of 8.49 cents per share was declared for FY25, and the company plans to maintain this level in FY26 while continuing to pursue growth.

Current Share Price: \$1.15, **Consensus Target Price:** \$1.21. **Forecasted Gross Dividend Yield:** 7.40%.

Upcoming Dividends: 20th May to 20th June.

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	Pay Date
Precinct Properties	PCT	21-May-25	22-May-25	20.53 cps	06-Jun-25
Investore Property	IPL	23-May-25	26-May-25	2.09 cps	05-Jun-25
Sanford	SAN	27-May-25	28-May-25	6.94 cps	06-Jun-25
Vital Healthcare	VHP	04-Jun-25	05-Jun-25	3.07 cps	19-Jun-25

Source: Iress

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