

# Yovich & Co. Market Update

2 September 2020

New Zealand Equities

**COVID-19 Message** Yovich & Co provide an essential service so are able to provide ongoing advice regardless of the Alert Level and place trades on market as usual.

As at 28 August	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	11835.94	6270.72	3380.68	6001.89	27930.33	11311.80	0.9137	0.6542	0.25%
Week Close	12093.52	6260.79	3403.81	5963.57	28653.87	11695.63	0.9152	0.6742	0.25%
Change	2.18%	-0.16%	0.68%	-0.64%	2.59%	3.39%	0.16%	3.06%	0.00%

In summary, last week the NZ50G saw 11 companies on the downside, 3 remained unchanged and 36 on the upside. After a disruptive week in trading last week the NZX50G still managed to be in the black, 13.9 points off the record high. Auckland dropped down a COVID alert level at 11.59pm Sunday 30 Aug, from level 3 to level 2.5, this is good news for businesses such as Sky City. The ANZ-Roy Morgan NZ Consumer Confidence eased by 4 points to 100.2, well under its historical average of around 120, and around the 2009 average. The net proportion of households who think it is a good time to buy a major household item dropped another 3 points, falling to a recessionary -3%. It looks like the bounce in retail spending after lockdown has had its time. The Federal Reserve announced that they are now focusing on inflation running at an average of 2% instead of 2% being the target it needs to hit. This means that the Fed are comfortable with inflation running higher than 2% for periods, thus requiring interest rates to be held lower for longer. The S&P 500 climbed higher on the back of this news as investors allocate money to shares to find higher returns than interest bearing assets.

The biggest movers week ending 28 August			
	Down		Up
The a2 Milk Company Limited	4.79%	Vista Group International Limited	27.74%
The New Zealand Refining Company	4.35%	Tourism Holdings Limited	19.19%
Spark New Zealand Limited	2.41%	Meridian Energy Limited	13.19%

## Investment News

### Argosy Property

Announced an unconditional sale of Auckland and Wellington properties for \$8.5m and \$25m respectively, the sales reflect premiums to book value of 16% and 1%. Settlement of the Wellington property is scheduled to occur on 15 September and the Auckland property on 23 September. Argosy is also planning to divest the Albany Lifestyle Centre in FY21, with an approximate price of \$85m. Once sold, Argosy's portfolio will be split 45% industrial, 11% large format and 44% office. A first quarter gross dividend of 1.74 cents has an ex-dividend date of 15 September and is payable 30 September. **Current Share Price: \$1.36, NTA: \$1.30, Gross dividend yield: 5.26%, Target price: \$1.43, Rating: Neutral.**

### NZK Salmon

Tax paid profit for the FY20 ending 30 June was up 58.6% at \$18m, revenue was down 10% at \$155m, EBITDA of \$25m (within guidance), net tangible assets increased from 86 to 96 cents. Sales volumes were 16% lower at 6,333mt this achieving strong pricing up 7% at \$24.54/kg. Mr Rosewarne said: "Despite these challenging times the future of the industry and our company is bright with the Government's Aquaculture strategy recognising the opportunity for the industry to grow from its current \$625 million to \$3 billion in 2035". Due to the current economic uncertainty there will be no final dividend in respect of the FY20. The payment of dividends will be reviewed next year. **Current Share Price: \$1.74, EPS: \$0.13, PE ratio: 13.42, Target price: \$1.55.**

## Spark

Tax paid profit for the FY20 ending 30 June was up 4.4% at \$427m, revenue was up 2.5% at \$3.6b, EBITDAI increased 2.1% to \$1,1b. Forecasted EBITDAI for the FY21 is \$1,090 million to \$1,130 million. Spark's mobile roaming revenue was greatly affected by the pandemic, while the mobile service revenue grew 3.9%, cloud, security and service management revenue increased 10.8%. A Final gross dividend of 17.36 cents has an ex-dividend date of 17 September and is payable 2 October 2020. **Current Share Price: \$4.82, NTA: \$0.29, Gross dividend yield: 6.70%, Target price: \$4.38, Rating: Neutral.**

## Abano Healthcare

Has entered into a new Scheme Implementation Agreement (SIA) with Adams NZ Bidco Limited (Bidco1). The revised Scheme price is at \$4.45 per Abano share and the SIA removes the right (contained in the previous SIA) for Bidco to terminate the Scheme if a 'material adverse change' occurs. Instead, the Scheme price is subject to specified price reductions, up to a maximum of 75 cents per share, if any one of a number of defined Adjustment Events occur. The Scheme price represent a 70% premium to Abano's share price of \$2.61 per share at the close of trading on Friday, 28 August 2020. Abano's Directors unanimously recommend shareholders vote in favour of the Scheme. If the Scheme does not proceed the company may likely undertake a capital raising to reduce its debt facilities and provide greater resilience to further impacts of COVID-19. For greater details see the link below details <https://www.abano.co.nz/news/2020/08/31/abano-announces-new-scheme-of-arrangement/>

**Current Share Price: \$3.74, Target price: \$4.45.**

## Stride Property Group

Has entered into an unconditional agreement to acquire an office building at 34 Shortland Street Auckland for a purchase price of \$67.5m including an allowance of between \$3-3.5m for building upgrades, with settlement to be 2 September. Yield of the acquisition is expected to be 6% after capital upgrades. Subsequent to this acquisition, Strides office portfolio will increase to 46% of directly held portfolio. First quarter gross dividend of 0.76 cents has an ex-dividend date of 4 September and is payable 14 September. **Current Share Price: \$1.98, NTA: \$1.91, EPS: \$,0.06 PE ratio: 28.57, Target price: \$2.23 Rating: Outperform.**

## Port of Tauranga

New Zealand's largest port announced a tax paid profit for the FY20 ending 30 June 2020 at \$90m down 10.5% on FY2019. Revenue decreased 3.6% at \$302m, total trade decreased 7.9% at 24.8 tonnes, container volumes were up 1.5% at 1.25 million twenty-foot equivalent units (TEUs). A final gross dividend of 8.89 cents has an ex-dividend date of 17 September and is payable 2 October 2020. Shipping companies are seeking out the lowest carbon supply chain by using larger shipping vessels, providing potential to reduce the carbon footprint by 31%. The Port of Tauranga is well situated to accommodate these larger ships. **Current Share Price: \$7.35, NTA: \$1.70, EPS: \$,0.13, PE ratio: 55.51, Gross dividend yield: 3.46%. Target price: \$5.20.**

Company	Ex dividend date	Period	Gross Dividend cents per share	Payment date	Current price \$
Seeka	3-Sep-20	Interim	13.89	30-Sep-20	\$ 4.07
Stride Property	4-Sep-20	Interim	0.76	14-Sep-20	\$ 1.98
Vital Healthcare	9-Sep-20	Final	2.19	24-Sep-20	\$ 2.95
Genesis Energy Limited	10-Sep-20	Final	11.37	25-Sep-20	\$ 3.02
Precinct Properties NZ	10-Sep-20	Final	1.64	25-Sep-20	\$ 1.70
Vector	11-Sep-20	Final	9.22	21-Sep-20	\$ 4.49
Chorus Limited	14-Sep-20	Final	19.44	12-Oct-20	\$ 8.34
Mercury NZ	14-Sep-20	Final	13.06	30-Sep-20	\$ 5.21