

# Yovich & Co. Market Update

10 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 4 September	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	12093.52	6260.79	3403.81	5963.57	28653.87	11695.63	0.9152	0.6742	0.25%
Week Close	11824.31	6108.76	3355.37	5799.08	28133.31	11313.13	0.9226	0.6721	0.25%
Change	-2.23%	-2.43%	-1.42%	-2.76%	-1.82%	-3.27%	0.81%	-0.32%	0.00%

In summary, last week the NZ50G saw 26 companies on the downside, 2 remained unchanged and 22 on the upside. Thursday saw the sell-off of many tech stocks, closing all the indices that we follow lower for the week. The NZ50G fell 2.23% last week, the biggest fall since mid-June. Exporting companies falls were softened slightly by the depreciation in the NZD/USD exchange rate. The August ANZ Business Outlook deteriorated slightly from the July results, down to negative 41.8% and 31.8% respectively. Auckland firms are broadly more downbeat compared to their peers elsewhere when it comes to the outlook as well. Economists are keeping an eye on when Auckland's Alert level reduces. Serko is to replace The NZ Refining company in the S&PNZX50 and the S&P MidCap Index on September 21, due to the rebalancing of the S&P Dow Jones Indices.

The biggest movers week ending 4 September			
	Down		Up
Pushpay Holdings Limited	11.66%	SKYCITY Entertainment Group	10.89%
Fisher & Paykel Healthcare Fisher	9.10%	Stride Property Ltd & Stride Investment	6.10%
Meridian Energy Limited	7.04%	Auckland International Airport Limited	5.90%

## Investment News

### Metlifecare

Has issued the Notice of Meeting and Scheme Booklet. The Booklet provides the key dates and activities that need to take place for the proposed acquisition of Metlifecare by Asia Pacific Village Group for a price of \$6.00 per share. The majority of directors recommend that shareholders vote in favour of the scheme in the absence of a superior proposal. Metlifecare's share price has reacted positively and is currently trading at \$5.94, 1% lower than the acquisition price. If all conditions are met and the acquisition takes place, then the payment of \$6 per share will be paid to shareholders on or around 29 October 2020. **Current Share Price: \$5.94.**

### AFT Pharmaceuticals

Makes over-the-counter and intravenous pain relievers, is upgraded to outperform from neutral by Jarden, partly reflecting higher confidence in the New Zealand company's growth prospects. Jarden says AFT Pharmaceuticals has a solid product pipeline, with its intravenous pain relief now licensed and registered in numerous European nations and registration in process for Italy and France. Jarden has raised its target price to NZ\$6.50 from NZ\$4.34. AFT Pharma shares are up 49% year to date to NZ\$5.23. AFT produced record revenue highs in FY20 of \$105m a 24% improvement on the prior year, underlying operating profit was up 87% at \$11.4m and net profit after tax of \$5.3m. FY21 is looking positive with additional cash flow used to target a net debt position of \$23-\$28m. The Board will assess potential for a dividend policy in FY22, once debt is reduced to around \$25m.

**Current Share Price: \$5.16, PE ratio: 39.57, Target price: \$6.50.**

### Briscoe Group

Tax paid profit for the half year ending 26 July 2020 was down 1.3% at \$27.9m, revenue lowered 3.5% to \$292m. While total sales pulled back 3.49% due to the pandemic, online sales grew 99.85%. Online sales now account for 22.1% of the total sales mix, a trend we are seeing with most retail stores. A gross interim dividend of 12.5 cents (an increase of 5.88% on last period) has an ex-dividend date of 21 September and is payable 1 October 2020.

**Current Share Price:** \$3.83, **Target price:** \$4.45.

### Restaurant Brands New Zealand

Tax paid profit for the FY20 half year ending 30 June 2020 was down 43% at \$11.4m, group sales down 6.7% at \$383.4m. Normally in a recession fast food restaurants hold demand as consumers wanting to eat out are price conscious and consider the top end restaurants too expensive. The pandemic is not a normal recession as all Restaurant Brand stores in NZ were shut during Alert Level 4 and restrictions were in place during Alert Level 3. On 2 September Restaurant Brands settled 69 stores (58 KFC and 11 Combined KFC and Taco Bell) acquisition in Southern California for US\$73m and US\$7.7m of store remodel/refurbishment. Positive effects of these acquisitions will start to be seen in FY21 and provide a strong base for future mainland US expansion.

**Current Share Price:** \$11.90, **EPS:** \$,0.17, **PE ratio:** 69.08, **Target price:** \$12.20, **Rating:** Neutral.

### Z Energy

Is providing monthly fuel volume data as New Zealand manages through the response to the global Covid-19 pandemic. Total group volume for August was down 18.2% versus 2019 previous corresponding period (pcp), primarily due to continued lower Jet volumes, down 72.9% versus pcp. Z Network volume for petrol and diesel was down 9.6% for the month versus 2019 pcp, while Caltex volumes were down 7.8%. Volumes for both groups reduced in August as New Zealand was placed under restricted movement again. Z Energy confirms a 1H operating profit earning guidance range of between NZ\$85 and NZ\$100m.

**Current Share Price:** \$2.70, **Target price:** \$3.93, **Rating:** Outperform.

### Sky Network Television

Reported on the FY20 ending 30 June 2020, profit decreased 74.2% to a loss of \$156.9m due to a \$177.5m impairment charge, revenue was 6% lower at \$747.6m. A continued growth in customer numbers of 990,000 resulted in a year end record. An impressive increase of 153% streaming customers to 404,000 by year end, including customers acquired through the Lightbox and RugbyPass acquisition. Sky has forecasted a positive outlook for the FY21 with Net profit at \$10-20m and revenue to be in the range of \$660-\$700m. Sky's share price has increased 18.39% this week in preparation of a positive financial report. At time of writing the share price has declined 9.04%. **Current Share Price:** \$0.15.

### Asset Plus

Has announced a \$60.2m capital raise. Comprising of a \$12.1 million underwritten Placement and a \$48.1 million underwritten pro-rata accelerated Entitlement Offer. Both the Placement and Entitlement Offer will be undertaken at a fixed price of \$0.30 per new share which represents a discount of 17.8% to the last close price of \$0.365 per share on Wednesday, 9 September 2020, and an 8.8% discount to the theoretical ex-rights price (TERP) of \$0.332. To be eligible to partake in the retail offer investors must hold shares on the record date being Monday 14 September 2020. The Retail Offer will open on Tuesday, 15 September 2020, and close on Tuesday, 29 September 2020 (unless extended). The Offer Document, containing full details of the Entitlement Offer, will be sent to Eligible Shareholders on Tuesday, 15 September 2020. **Current Share Price:** \$0.36.