

Yovich & Co. Market Update

2 November 2021

As at 29 October	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	13093.24	7726.78	3582.60	7204.55	35677.02	15090.20	0.9580	0.7159	0.50%
Week Close	13099.82	7639.07	3547.34	7237.57	35819.56	15498.39	0.9532	0.7168	0.50%
Change	0.05%	-1.14%	-0.98%	0.46%	0.40%	2.70%	-0.50%	0.13%	0.00%

In summary, the NZX50G had 19 companies on the downside, 5 remained unchanged, and 26 companies were on the upside. The NZ dollar increased against USD (0.716) but depreciated to the AUD (0.953). The expectation that the RBNZ will continue to increase the OCR is making the NZD attractive to international investors. Global Dairy Trade was up 2.2% at an average price of US\$4,061 with 27,836 MT sold. Long term deposit rates have started to increase with BNZ being the first to move, their 5-year rate is now 3%. A third successive month of record imports has pushed New Zealand to a record trade deficit. The annual trade balance for the year ended September 2021 was a deficit of \$4.1 billion. Statistics New Zealand said September imports were at \$6.6b, outstripping exports (\$4.4b) by some \$2.2b a record result. The import figure was up 30% at \$1.5b on the same month a year ago. The exports figure was \$387m higher than a year ago. The ANZ Roy Morgan NZ Consumer Confidence fell 7 points to 98 in October, with both perceptions of current conditions and expectations down sharply. A net 7% think it is a bad time to buy a major household item, unchanged and showing last month's 20-point plummet was not a rogue out-turn. This is the best retail indicator in the survey.

The biggest movers of the week ending 29 October

Down		Up	
a2Milk	8.5%	Tourism Holdings Limited	5.77%
Synlait Milk Limited	5.26%	Pushpay Holdings Limited	4.97%
Ryman Healthcare Limited	2.43%	Skellerup Holdings Limited	4.53%

Investment News

a2Milk

Investor day last week provided a comprehensive update, covering market dynamics, metrics on its brand health and a 5yr ambition to transition back to growth, albeit supported by higher investment. ATM's detailed 5 year, 3 stage plan supporting management's ambition to grow sales to be greater than NZ\$2b by FY26. What investors and analysis are concerned about is that margins are "probably to be in the teens" compared to late twenties early thirties, this effecting the bottom line. Positive news is that there is evidence of strong brands awareness in key markets (China Infant Formula). There is no material change to FY22 position (outlined in August), but noting different mix, favouring the English Label Infant Formula (IMF). ATM have partnered with Hershey Co for a co-branded reduced-fat chocolate milk launching in January 2022.

Current Share Price: \$6.61, **Target Price:** \$6.39.

Wellington Drive

Is a leading provider of Internet of Things (IoT) solutions and energy efficient motors to the retail food and beverage industry and has provided its latest trading results for the three months ended 30 September 2021 (Q3-2021). Revenue was \$15.3m compared to \$6m. US invoicing (a better indicator of activity) was US\$11.1m compared to US\$3.8m in Q3 2020 again of 190%. EBITDA was \$0.8m, an increase of \$0.9m compared to Q3-2020, cash on 30 September was \$6.3m and the Company had \$2.4m available under its trade finance facility.

Current Share Price: \$0.19.

ANZ Bank

Tax paid profit for the year ending 30 September 2021 was up 72% at NZ\$6.16b, cash profits (continuing operations) were up 65% at \$6.19b. ANZ's common equity tier 1 ratio was stronger at 12.3% (\$6b above Australian Prudential Regulation Authority). The NZ business tax paid profit was up 44% at NZ\$1.9b, Chief Executive Antonia Watson said "the results reflected record demand in the housing market, a stronger-than-expected economy and a significant reduction in provisions the bank put aside last year". The New Zealand housing market, particularly in Auckland, had a strong year of growth and prices. Home lending by ANZ NZ increased \$9.3 billion to \$99 billion over the 12 months to 30 September 2021, with one in three first home buyers borrowing from the bank. Combined with solid earnings and improving conditions, the Board determined a final dividend of 75 NZ cents per share (cps) is payable 16 December with an ex-dividend date 8 November. Taking the total dividend for 2021 to NZ\$1.51, up 86 cps on the prior year.

Current Share Price: \$29.60, Forecasted dividend yield: 5.25%, Target Price: \$31.43.

Greenfern

A Taranaki-based cannabis and hemp food company quietly listed on the NZX Thursday 21 October, via listing 84.3m shares at 25 cents each, giving it an implied market capitalisation of about \$21 million. Greenfern is a New Zealand based cannabis, therapeutics and wellness company, incorporated in 2018, and aiming to be a leading New Zealand producer and wholesale distributor of: Medicinal cannabis products, Hemp-based health beauty products, Hemp-based food and other fast-moving consumer goods.

Current Share Price: \$0.31.

Westpac

Net paid profit was up 138% at AU\$5.4b, cash earning up 105% at AU\$5.3b, earnings per share was up 102% at AU\$1.46 "The economic outlook has improved significantly since last year and given our strong capital position, the Board has decided to conduct an off-market buy-back of up to \$3.5 billion of shares. This combined with the final dividend for 2021 delivers a return to shareholders of \$5.7 billion," Mr King said. A final dividend of 62 cents (NZD) is payable 21 December and has a ex-dividend date of 5 November 2021. The total dividend for the 2021 year is now at NZ\$1.25 compared to 32 cents (NZD) in 2021.

Current Share Price: \$25.48, Forecasted dividend yield: 5.30%, Target Price: \$28.70.

The New Zealand Refining

Has focused on finalising the Terminal Services Agreements (TSAs) the key remaining step ahead of the Refining NZ Board's final investment decision. Significant progress has been made with customers on these complex fully termed agreements, and all parties remain committed to finalising the TSAs as soon as possible. Preparations for a conversion in H1 2022 remain on track.

Current Share Price: \$0.84, Target Price: \$1.11.

Upcoming Dividend Payments

Company	Ex dividend date	Period	Gross Dividend cents per share	Payment date	Current price \$
Westpac (NZD)	5-Nov-21	Final	62.83	21-Dec-21	\$ 25.53
ANZ Bank (NZD)	8-Nov-21	Final	75.39	16-Dec-21	\$ 29.40
Scott Technology	8-Nov-21	Final	4.00	22-Nov-21	\$ 3.23
The Warehouse Group	17-Nov-21	Final	24.31	3-Dec-21	\$ 3.99
Kathmandu Holdings	29-Nov-21	Final	3.00	15-Dec-21	\$ 1.56