

Yovich & Co. Market Update

14th December 2021

As at 10th December	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	12676.50	7543.63	3607.43	7122.32	34580.08	15085.47	0.9636	0.6783	0.75%
Week Close	12849.68	7667.94	3666.35	7291.78	35970.99	15630.60	0.9477	0.6796	0.75%
Change	1.37%	1.65%	1.63%	2.38%	4.02%	3.61%	-1.65%	0.19%	0.00%

Markets rebounded strongly last week, including the NZ index which gained 1.37%, with 39 of the 50 companies making price gains.

The NZD continues to hover around the 0.68 mark against the USD, while the NZD/AUD rate continues to trend down, closing at its lowest level in two months at 0.9477.

The biggest movers of the week ending 10 th December			
Up		Down	
Sky TV	38.42%	Genesis Energy	-5.68%
Fonterra Shareholders' Fund	8.45%	Napier Port Holdings	-3.50%
Serko	7.31%	Contact Energy	-2.65%

Economic News

Treasury releases its Half Year Economic and Fiscal Update on Wednesday, where it might provide some guidance on its future asset holdings. Over the Covid period, the Reserve Bank of New Zealand (RBNZ) undertook a Large-Scale Asset Purchase (LSAP) programme, where it bought government bonds, lowering their yields (and as a result market interest rates), and injecting cash into the economy via the sellers of those bonds. This is called quantitative easing (others call it simply money printing), with the purpose being to support the economy and jobs by encouraging people to spend and invest.

Now that we are experiencing inflation, the focus turns to how this money will be removed from the system to help put a lid on rising inflation. Investors will be looking for some guidance on how much money Treasury wants to keep on hand as a buffer for unexpected Covid expenses, and therefore how much money it has available to buy the bonds back from RBNZ.

Market Highlight – Sky TV Rebound

Sky TV issued an Investor Update on 7th December, where it announced a major upgrade to its FY22 earnings, reflecting the benefit of stabilising revenue and reduction in costs, mainly achieved from centralised marketing, content rationalisation and lower third-party costs. In the context of Sky's declining earnings over recent years, this news has given investors more confidence in the company's cashflow and ability to return to dividends.

On the back of the announcement, analysts' target prices have risen (consensus target price \$2.97; current price \$2.61), and the share price has risen 38.42% in the last week to 10th December.

Investment News

Ramsay Health Care (RHC.ASX) – Acquisition of Elysium

RHC has announced an agreement for a \$1.4bn acquisition in Elysium, a company that operates mainly in mental health as well as in complex care and neurology in the UK. The acquisition will make RHC one of the largest mental health providers across its three main geographies (Australia, France and UK). Elysium has grown rapidly (largely by acquisition) over the past five years, and has seen little impact from Covid apart from staff shortages.

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RHC remains one of our preferred exposures to the health care sector in Australia.

Current Share Price: \$69.57, **Consensus Target Price:** \$73.34

Scalcs Corporation (SCL.NZ) – Updated Guidance for FY2021 and Dividend Declared

A diversified agribusiness portfolio, comprising horticulture, storage & logistics, and food ingredients, Scalcs have updated their guidance for the 12 months to 31st December 2021, with underlying net profit now expected to be at the upper end of the previously advised range (\$32m-\$37m), which is mainly due to continued strong performance of the food ingredients division. The directors have declared a fully imputed interim cash dividend of 9.5 cents per share, to be paid on 14th January 2022.

Current Share Price: \$5.78, **Consensus Target Price:** \$5.15

NZ King Salmon (NZK.NZ) – Earnings Update

NZ King Salmon is the world's largest aquaculture producer of king salmon, harvesting and processing more than 6,000 MT of king salmon a year from their eight seafarms in the Marlborough Sounds. The company has provided an update on full year earnings guidance for FY22: the forecast of proforma EBITDA is in the range of \$10.5m to \$12.5m, representing an increase from the previous guidance of \$8.0m to \$10.0m. The company noted a continued improvement of fish size due to the change in their farming model.

Current Share Price: \$1.37, **Consensus Target Price:** \$1.67

Refining NZ (NZR.NZ) – Share Purchase Plan Closes Oversubscribed

NZR's \$5m Share Purchase Plan (SPP) was part of the equity raising to fund growth through private storage services. SPP applications totalled c. \$9.5m, and NZR has elected to accept all additional applications of c. \$4.5m. The new shares under the SPP will be issued at the price of \$0.83, and the settlement and allotment of the new shares is expected to occur on 17th December 2021.

Current Share Price: \$0.88, **Consensus Target Price:** \$1.14

EBOS Group (EBO.NZ) – Retail Offer Placement – Acquisition of LifeHealthcare

EBOS has announced a retail offer to eligible existing shareholders to raise up to \$105m, with the ability to accept oversubscriptions. Eligible shareholders can subscribe for up to \$50,000 of new shares, free of transaction costs, with the issue price being \$34.50 per share.

This comes after EBOS's announcement on 9th December of the acquisition of LifeHealthcare for approx. A\$1.167m. LifeHealthcare is one of the largest independent distributors of third party medical devices, consumables and capital equipment, and inhouse manufactured allograft material in Australia, New Zealand and South East Asia.

The acquisition will be fully funded via a combination of new equity capital raised, including the retail offer as above, and new term loan debt facilities.

EBOS Group is the largest and most diversified Australasian marketer, wholesaler, and distributor of healthcare, medical, and pharmaceutical products. It is also a leading Australasian animal care brand owner, product marketer and distributor.

Current Share Price: \$38.05, **Consensus Target Price:** \$36.67