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Yovich & Co WEALTH MANAGEMENT

Yovich & Co. Weekly Update

August 18th 2014

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD
Previous Week	5055.20	5429.59	2194.42	6567.36	16553.93	4370.90	0.9120	0.8462
Week Close	5078.08	5559.60	2226.73	6704.21	16662.91	4464.93	0.9106	0.8489
Change	0.45%	2.39%	1.47%	2.08%	0.66%	2.15%	-0.16%	0.33%

This Week's Themes

- Markets bounced back last week, lead by strong sentiment out of the U.S. and weakening concerns about the Russia/Ukraine conflict.
- The local market made modest gains after two weeks of losses as investors remain cautious ahead of the election in four weeks time.
- The Australian market reacted positively to the news that BHP is looking to divest their non-core assets. Investors piled back into the resource sector after a period of poor sentiment.
- Healthcare and Tech stocks helped fuel further gains in the U.S. as equities remain in favour given prolonged Central Bank stimulus and positive expectations for the economy.
- Although economic data out of Europe was not entirely positive, expectations that the ECB will continue with aggressive quantitative easing enabled markets to make gains.
- The New Zealand Dollar was relatively steady after the correction over the past three weeks.

Investment News

Contact Energy Limited (CEN.nz)

The new Te Mihi geothermal power station was commissioned in May and a one off payment of $43 million was received from the contractors due to the delay in construction. The result was positive and showed a 17.6% increase in profit from increased earnings from hydro-generation and the compensation from Te Mihi. The declared divided has been increased by 1 cent for the full year, representing a gross yield for the past 12 months of 6.6%.

Meridian Energy Limited (MELCA.nz)

Although profit fell by 22% for the full year, the result was better than what was projected in the prospectus. The 2013 result included a one time gain from the sale of the Macarther Wind Farm but in terms of operating cash flow, there was an increase of 27.8% over the last 6 months. Meridian announced a final dividend of 6.82 cents bringing the full year dividend to 11.01 cents, equating to a gross dividend yield of 11.65%. There was also a special dividend announced of 2 cents which increased the dividend yield to 13.83%.

Freightways Limited (FRE.nz)

It was a record result from Freightways with a 3% gain in full year profit helped by an organic growth strategy and well executed integration of recent acquisitions. The company's outlook for next year is also positive with expectations of further growth in freight volumes, mail volumes and Information Management revenue. An 11.25 cent final dividend along with a 1.9853 cent supplementary dividend was announced taking the total gross yield for FRE to 6.15%.

Opus International Consultants Limited (OIC.nz)

The acquisition of the Stewart Weir business in Canada contributed to an increase of revenue of 25% in the last 6 months. But reflecting the competitive environment for Engineering firms, margins have been squeezed with profit up only 6% to $9.9 million. A four cent interim dividend was announced and with a forecasted 9 cent dividend for the 2014 year, the gross yield will be 8%.

Michael Hill International Limited (MHI.nz)

Falling margins in the retail sector along with a tax settlement in Australia contributed to a fall in net profit of 22% in the recent report from Michael Hill. However, MHI are showing that their growth strategy is paying off with revenues increasing 9.9% and same store sales increasing 5%. The Canadian business is leading the way with an increase of 10.1% in revenues for the same stores compared to last year. The final dividend announced of 4 cents is the same as last years and equates to a gross yield of 5.1%.

Steel & Tube Holdings Limited (STU.nz)

Annual Profit rose 15% to $15.6 million with the acquisition of the Tata Steel (Australasia) business adding $12.9 million in Revenue. The company continues to reinvest for growth with two new facilities currently being built in Auckland. STU announced a final dividend of 9 cents per share and will take the gross yield over the past year to 7.4%.

Vital Heathcare Property Trust (VHP.nz)

This years result showed that the bottom line, net profit improved by 7.8% while the balance sheet also improved with the LVR now well below 40% at 31.4%. The lease metrics also look impressive with 99.3% occupancy and a Weighted Average Lease Term of 15.1 years. VHP also announced guidance for an eight cent per share dividend for the next 12 months which equates to a gross yield of 8.6%.

Nuplex Industries Limited (NPX.nz)

Revenue was steady over the last year with growth in the non-Australasia business being largely offset by currency movements and poor trading conditions in Australia. In constant currency terms, sales revenue increased by 0.9% with announced actual profit of $52.4 million. Their outlook for next year is positive with further cost control gains and increasing margins from the Australia/New Zealand restructure and further growth from the successful Asian and European markets. The dividend has been left unchanged at 21 cents per share and equates to a gross yield of 6.8%.

PGG Wrightson Limited (PGW.nz)

PGW beat expectations with strong earnings with growth of 28% in operational earnings, driven by the Rural Services and Seed & Grain businesses. PGW achieved operating earnings before interest, tax, depreciation and amortisation of $58.7 million, up from $45.8 million. The announcement identified that they see growth opportunities in their international business but highlight the volatility in the dairy price as a possible inhibitor for growth domestically. A final dividend of 2.5 cents per share was announced with an additional special dividend of 1 cent per share bringing the total payment for the year to 5.5 cents per year. The gross yield is very strong at 16.98%.

Infratil Limited (IFT.nz)

Infratil announced its operational report for the April quarter with revenue guidance in-line with expectations of between a 6% to 12% increase on last year. The big change was in capital investment where there has been an increase to guidance as Infratil looks to take advantage of opportunities, specifically in Australia. Infratil are currently looking to balance investor expectations for strong yield while still focussing on long term capital investment. A 12 cent forecasted dividend will result in a gross yield of 6.9%.