

# Yovich & Co. Weekly Market Update

1<sup>st</sup> July 2024

## Investment News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 21 <sup>st</sup> June	11,682.39	8,039.91	2,998.14	8,237.72	39,150.33	17,689.36	0.92	0.61	5.50%
Week Close 28 <sup>th</sup> June	11,717.43	8,013.83	2,967.40	8,164.12	39,118.86	17,732.60	0.91	0.61	5.50%
Change	0.30%	-0.32%	-1.03%	-0.89%	-0.08%	0.24%	-0.87%	-0.45%	0.00%

The NZX 50 saw a slight increase of 0.30% due to gains in telecom and tech stocks, countering losses in healthcare and real estate sectors. The market's resilience is attributed to investor optimism and recent positive earnings reports from key companies like Fisher & Paykel Healthcare and Genesis Energy.

Meanwhile, the All Ordinaries in Australia fell by 0.32% due to concerns over economic growth and rising interest rates. The Shanghai Composite dropped 1.03%, reflecting ongoing economic uncertainties and trade tensions that impacted investor sentiment.

In the U.S., the Dow and NASDAQ showed mixed results. The Dow dipped slightly by 0.08%, influenced by cautious investor sentiment following Federal Reserve policy announcements. In contrast, the NASDAQ edged up by 0.24%, supported by strong tech sector performance, notably from companies like Nvidia.

The NZD weakened against both the AUD and USD due to global market volatility and lower-than-expected economic data from New Zealand. The Reserve Bank of New Zealand maintained the Official Cash Rate at 5.50%, indicating a cautious approach amid inflation concerns.

## Weekly Market Movers: Ending 28<sup>th</sup> June 2024

The biggest movers of the Week ending 28 <sup>th</sup> June 2024			
Up		Down	
Infratil	5.26%	KMD Brands	-12.50%
Vista Group International	3.20%	Ryman Healthcare	-6.56%
Meridian Energy	3.11%	The Warehouse Group	-6.54%
Contact Energy	2.51%	Turners Automotive Group	-5.37%
Spark	2.46%	Manawa Energy	-5.07%

### Top Gainers:

**Infratil (5.26%):** Infratil experienced a significant rise this week, driven by positive investor sentiment following its announcement of an expansion in its renewable energy investments. The company revealed plans to invest heavily in new projects, which is expected to enhance future revenue streams and solidify its position in the renewable energy sector.

**Vista Group International (3.20%):** Vista Group International saw a healthy increase, likely due to its successful roll-out of new software products in the entertainment industry. Recent partnerships with major cinema chains have bolstered investor confidence in the company's growth potential.

**Meridian Energy (3.11%):** Meridian Energy's shares rose as the company announced the expansion of its Kaiwera Downs wind farm. The \$500 million investment is seen as a strong move towards increasing its renewable energy capacity, appealing to environmentally conscious investors.

**Contact Energy (2.51%):** Contact Energy's shares gained following the company's announcement of its quarterly earnings, which exceeded market expectations. The strong financial performance was attributed to higher-than-expected electricity demand and effective cost management strategies.

**Spark (2.46%):** Spark's stock climbed due to robust quarterly results and positive outlooks from analysts. The company's ongoing investments in 5G technology and digital services have positioned it well for future growth, attracting investor interest.

### Top Losers:

**KMD Brands (-12.50%):** KMD Brands suffered a significant drop, attributed to a disappointing earnings report. The company faced supply chain disruptions and increased costs, which negatively impacted its profitability, leading to a sharp decline in its stock price.

**Ryman Healthcare (-6.56%):** Ryman Healthcare's shares fell after the company issued a profit warning. The healthcare provider highlighted increased operational costs and regulatory challenges as key issues affecting its financial performance.

**The Warehouse Group (-6.54%):** The Warehouse Group saw its stock decline following the release of weak retail sales data. The company's performance was hit by lower consumer spending, which has been affected by higher living costs and economic uncertainty.

**Turners Automotive Group (-5.37%):** Turners Automotive Group experienced a downturn as it reported lower-than-expected vehicle sales for the quarter. The slowdown in the automotive market, coupled with rising interest rates, has dampened consumer demand for vehicles.

**Manawa Energy (-5.07%):** Manawa Energy's stock dropped following an announcement of increased operational expenditures and a revision of its profit forecast. The company cited higher maintenance costs and unexpected outages as primary reasons for the downward adjustment.

## KMD Brands Plunge: A Golden Buying Opportunity?

### Why Now Might Be the Best Time to Invest in KMD Brands (KMD)

KMD Brands (formerly known as Kathmandu Holdings Limited), the parent company of well-known brands Kathmandu, Rip Curl, and Oboz, experienced a significant drop of 12.50% in its share price, closing at \$0.35 on June 28th. This decline, however, presents a compelling buying opportunity for savvy investors.

### Recent Performance and Challenges

The recent drop in KMD Brands' share price is largely attributed to disappointing earnings results. For the first half of 2024, the company reported a net loss per share of NZ\$0.015, compared to a profit in the same period the previous year. This downturn was driven by a 14% decline in revenue, impacted by supply chain disruptions and increased operational costs.

However, it's important to look beyond these short-term challenges. The company has a solid foundation with a diverse portfolio of brands that are well-positioned in the outdoor and lifestyle markets.

### Analyst Optimism and Target Price

Despite current challenges, analysts remain optimistic about KMD Brands' future. The consensus target price for the stock is \$0.58 within the next year, representing a significant potential upside from the current price. This optimism persists despite the interim dividend cut for 2024, with expectations of its return in 2025. The target price reflects confidence in the company's strategic initiatives, strong brand positioning, and potential market expansion.

**Brand Strength and Market Position:** KMD Brands continues to hold a strong position in the market with its Kathmandu and Rip Curl brands. These brands have a loyal customer base and are well-regarded for their quality and innovation.

**Expansion and Growth Initiatives:** The company has been actively expanding its presence in international markets, particularly in North America and Europe. Additionally, new product lines and strategic partnerships are expected to drive future growth.

**Management and Insider Confidence:** Recent insider buying is a positive signal, indicating that those closest to the company believe in its long-term potential. For instance, significant purchases by the company's chairman and other executives demonstrate confidence in the recovery and future performance of KMD Brands.

While the recent financial results were disappointing, KMD Brands is actively addressing the challenges it faces. The company's focus on improving operational efficiency and managing supply chain issues is expected to bear fruit in the coming quarters. Moreover, the planned expansions and new product launches are likely to enhance revenue streams and profitability. Investing in KMD Brands at this juncture could prove to be a smart move for those looking to capitalise on its potential recovery and growth. The current dip in share price offers a favourable entry point, with the stock poised to rebound as the company executes its strategic initiatives.

In conclusion, while KMD Brands has faced some setbacks, the long-term outlook remains positive. With strong brand equity, strategic growth plans, and supportive insider activity, this could be an opportune moment to consider adding KMD Brands to your investment portfolio.

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### Upcoming Dividends: 2<sup>nd</sup> of July to 2<sup>nd</sup> of August

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	PayDate
MAINFREIGHT	MFT	11-Jul-24	12-Jul-24	120.8333 cps	19-Jul-24
TURNERS	TRA	17-Jul-24	18-Jul-24	10.4167 cps	26-Jul-24
BANKINV	BIT	25-Jul-24	26-Jul-24	1.3967 cps	30-Aug-24

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