

Yovich & Co. Market Update

22 June 2021

As at 18 June	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	12496.27	7543.31	3591.84	7069.04	34756.39	13814.49	0.9316	0.7216	0.25%
Week Close	12550.39	7577.24	3589.75	7134.06	34479.60	14069.42	0.9251	0.7127	0.25%
Change	0.43%	0.45%	-0.06%	0.92%	-0.80%	1.85%	-0.70%	-1.23%	0.00%

In summary, the NZX50G had 23 companies on the downside, 2 unchanged and 25 companies were on the upside. The much-anticipated GDP announcement for the 3 months to March was out last Thursday. The consensus view among economists was the economy would grow by about 0.7%, after contracting by 1% in the Dec quarter. The 1.6% increase for the March quarter surprised all. Service industries, which make up about two-thirds of the economy, rose 1.1 percent. Goods producing industries, which make up about one-fifth of the economy, rose 2.4 percent. Primary industries, which make up around 7 percent of the economy, rose 0.3 percent. Although the March quarter increased, the average annual GDP declined 2.3% through the year to March 2021. The Westpac Consumer Confidence Survey for the June quarter showed an almost 2% increase on the previous quarter. Rising from 105.2% to 107.1%, the base line being 100 and the long-term average at 110.7%. Westpac senior economist Satish Rancchod said confidence among those aged over 30 was now back around the average long-term level. Younger people - those aged 18-29 - are still pessimistic about their future, with concerns about affordable housing, job security and the inability to travel overseas due to Covid-19.

The biggest movers of the week ending 18 June			
Down		Up	
Fonterra Shareholders' Fund	8.10%	Heartland Group Holdings Limited	4.57%
SKYCITY Entertainment Group Limited	4.72%	The a2 Milk Company Limited	10.11%
Chorus Limited	3.59%	Synlait Milk Limited	13.39%

Investment News

SkyCity Entertainment

Has announced that following stronger than expected recent trading, it is now in a position to provide detailed guidance for the financial period. Due to strong performance from its local gaming businesses, particularly from electronic gaming machines, and consistent performances from both SkyCity Adelaide post opening of the expansion from December 2020 and the offshore online casino (SkyCity Malta). Group normalised EBITDA and NPAT for the FY21 is expected to be between \$247-\$253m and \$84-\$88m respectively. Based on its earnings guidance for FY21 SkyCity expects to comfortably meet its financial covenants for the 30 June 2021 testing period and pay a final dividend during September this year, consistent with the revised dividend policy announced in the 1HFY21 results. Final 2021 results to be released 25 August.

Current Share Price: \$3.31, **Forecasted Gross Dividend Yield:** 1.51%, **Target Price:** \$3.49.

Investore Property

Has announced it has entered into an unconditional agreement to sell the property in Dunedin for \$10.2m. Settlement of sale is expected 31 August 2021. The purchase price represents a 8.5% premium to the book value of the property as at 31 March 2021. **Current Share Price:** \$2.02, **Forecasted Gross Dividend Yield:** 3.81%, **Target Price:** \$1.99.

Precinct Properties

Is pleased to report a preliminary full year revaluation gain of \$284m (2020: \$66.3m devaluation) or 9.4%. This includes \$148.5 million revaluation gain which was recognised at 31 December 2020. This expected gain will increase the value of Precinct's portfolio to around \$3.3 billion at 30 June 2021. The second half revaluation gain of \$135.5 million will increase Precinct's net asset value per share by 10 cents or 7% (March 2021: \$1.40). On a like-for-like basis Auckland asset valuations increased by around 6.5% and Wellington assets recorded an uplift of 16.8%, compared with 30 June 2021 forecast book values. Precinct's weighted average capitalisation rate has firmed over the past twelve months from 5.3% to 4.8% at 30 June 2021. **Current Share Price:** \$1.55, **Forecasted Gross Dividend Yield:** 4.29%, **Target Price:** \$1.74.

Pacific Edge

Has announced that it has been informed by Kaiser Permanente that it intends to commence the commercial use of a second Cxbladder product, Cxbladder Triage, from the beginning of July 2021. The Cxbladder Triage is used for patients presenting with haematuria (blood in the urine and a key indicator of bladder cancer). Kaiser Permanente will start its commercial use of Cxbladder Triage in a single clinic comprising six urologists. This initial clinic is also using Cxbladder Monitor. Triage potential screening market is large. There is currently no widely used clinically-adopted screening test used for haematuria. The market for screening haematuria is large with some sources indicating up to 20% of people in the general population present with haematuria (though difficult to calibrate and could include micro and macrohaematuria). This is particularly at the primary physician level, with current practice typically to refer only asymptomatic patients through for secondary evaluation (i.e. to see the urologist). Since February 2018, Canterbury District Health Board has been using Cxbladder Triage as a new standard of care. The use of Triage has successfully ruled out 53% of all haematuria patients, thereby avoiding further unnecessary referral to secondary care and invasive cystoscopy testing.

Current Share Price: \$1.23, Target Price: \$1.50.

Mercury Energy

Has announced that it has entered into binding agreements with Trustpower Limited to acquire Trustpower's retail business for NZ\$441 million, payable in cash. Representing a 5.2 multiple when including forecasted synergies. The transaction is conditional on several matters, including Commerce Commission clearance, completion of the proposed restructure of Tauranga Energy Consumer Trust (TECT) and Trustpower shareholder approval. Trustpower's retail business is a leading multi-product utilities retailer selling electricity, gas, fixed and wireless broadband and mobile phone services to approximately 231,000 customers nationwide. The combined business will have approximately 780,000 connections across both energy and telco services. Mercury anticipates that these conditions will be fulfilled, and completion of the transaction will occur within CY2021.

Current Share Price: \$6.34, Forecasted Gross Dividend Yield: 3.45%, Target Price: \$6.09.

KiwiSaver

From 1 December 2021 all members (approximately 300,000 KiwiSaver members) that have not chosen their own fund (known as a default fund) will automatically change from current conservative fund to a balanced fund. As part of the change the government has regulated that the default balance fund is no longer to invest in fossil fuel production or illegal weapons. For NZ listed stocks this means New Zealand Oil & Gas and Bathurst Resources Limited have been banned from being owned by the new default KiwiSaver schemes, with Genesis Energy, NZ Refining and Z Energy still allowed. Criteria is focused on ownership of proved or probable reserves in coal, oil or gas and that derive at least 15% of their revenue from exploration and extraction of those resources.