

Yovich & Co. Market Update

21 July 2021

As at 16 July	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	12690.35	7545.25	3524.09	7121.88	34870.16	14701.92	0.9341	0.6982	0.25%
Week Close	12673.15	7630.74	3539.30	7008.09	34687.85	14427.24	0.9463	0.6996	0.25%
Change	-0.14%	1.13%	0.43%	-1.60%	-0.52%	-1.87%	1.30%	0.21%	0.00%

In summary, the NZX50G had 31 companies on the downside, 3 remained unchanged and 16 companies were on the upside. The RBNZ surprised everybody, with deciding to cease the Large-Scale Asset Purchase Programme (LSAP) from 23 July 2021 while the OCR remains at 0.25%. Most economists are now expecting OCR to increase late this year/early 2022. The latest NZ CPI report showed that annual inflation increased 3.3% (1.3% in the June quarter). In the US, indices dropped overnight on Monday as investors respond to higher inflation concerns and new outbreaks of the Delta variant around the globe. Tuesday saw investors buying the dip in cyclicals and small caps, with all major groups in the S&P 500 rallying, clawing back the losses.

The biggest movers of the week ending 16 July			
Down		Up	
Argosy Property Limited	4.14%	Pushpay Holdings Limited	7.83%
NZX Limited	4.00%	Restaurant Brands New Zealand Limited	6.26%
Napier Port Holdings Limited	3.48%	Serko Limited	3.77%

Investment News

Westpac Group

Shareholders that purchased Westpac shares between 16 December 2013 and 19 November 2019 (inclusive), would have received documentations regarding a class action. The document asks if shareholders wish to remain in the class action (do nothing) or do not want to participate (submit the optout form). At present Yovich & Co is advising clients to remain in the class action (do nothing), new information will be released when available.

Tilt Renewables

Proxy votes in support of the takeover of Tilt by Mercury and an Australian consortium received 99.7% approval at the Special Shareholders meeting. Tilt also resolved to pay a 6.5c special dividend by month's end, lowering the effective offer price from \$8.10 to \$8.035.

Current Share Price: \$7.99.

Fonterra

Has finished the first stage of its farmer consultation process, Fonterra's summary of farmer feedback says: "There's no clear preference from farmers on the future of the Fund. There have been suggestions that instead of buying back the Fund, Fonterra should consider buying back shares (in the Fonterra Shareholders' Market) to reduce the overall shares in Fonterra on issue." The next step is a more detailed proposal that aims to reflect farmers' views, to present to farmers in late September for further consultation. Importantly for investors in FSF Units, Fonterra has signalled that in August and September it intends to share more information on its long-term strategy. This will include the types of activities Fonterra will invest in, the returns it is targeting and the measures against which it will track its progress.

Current Share Price: \$3.70, **Forecasted Gross Dividend Yield:** 3.87%, **Target Price:** \$4.07.

Cannasouth

Has announced a \$6m capital raise via a priority offer to clients and a Share Purchase Plan (SPP). The SPP allows shareholders as at the record date 15 July 2021, to purchase up to \$15,000 worth of shares, with addition for every three new shares that an investor subscribes for, shareholders will be issued with one Option to acquire one additional share. The exercise price for the Option will be \$0.40, and the Option shall have a term of 24 months from the date of the issue of the Option. The Options will not be quoted on the NZX Main Board. The SPP closes 5pm, 30 Friday 2021, with shares trading 6 August 2021. Cannasouth currently has more than \$4.2 million of cash on hand, no debt, and a monthly cash burn of \$350,000. The funds raised from the SPP and the collateral capital raising initiatives will enable Cannasouth to: Buy the remaining 50% of CCL for \$3 million cash (plus 1,350,000 new Cannasouth shares at an issue price of \$0.40 per share representing \$540,000). Fund the CCL JV partners remaining share of the CCL build cost of \$2 million cash. Buy the remaining 40% of Midwest for \$1,026,000 of which \$880,000 of the purchase price shall be satisfied by the issue of 2.2 million new Cannasouth shares at an issue price of \$0.40 per share (equal to \$880,000) and the remaining \$146,000 in cash. Fund: Increased marketing spend for export flower sales, accelerate R&D and new product development, additional working capital.

Current Share Price: \$0.43.

Eroad

Announces the opening of its NZ\$16.1m non-underwritten SPP. The SPP is part of EROAD's capital raising to partially fund the proposed acquisition of Coretex Limited announced on 14 July 2021. Under the SPP, EROAD offers eligible shareholders as at 5p.m. on 13 July 2021 the opportunity to apply for up to A\$30,000 / NZ\$32,000 of new shares. The new shares will be issued at the lower of the placement price (NZ\$5.58 per new share), and the five day volume weighted average price of EROAD shares traded on the NZX Main Board during the five trading days up to, and including, the closing date of 3 August 2021.

Current Share Price: \$6.58, **Target Price:** \$6.13.

PGG Wrightson

Announced that following strong trading over the second half of the fiscal year it expects its full year to 30 June 2021 Operating EBITDA to be around \$56 million. PGW Chairman, Rodger Finlay said that "it was pleasing to be able to report that PGW has continued to perform strongly over the second half of the year following an exceptionally good first half. The Board is delighted with how the business is performing and is confident that PGW is well placed to be able to sustain such performance based upon the sound market fundamentals for New Zealand growers and primary producers." The annual results and dividend announcement will be released 17 August 2021.

Current Share Price: \$3.42, **Forecasted Gross Dividend Yield:** 5.13%, **Target Price:** \$3.35.

Steel & Tube

Advises due to strong performance it is now updating earnings guidance for the financial year ending 30 June 2021 (FY21), with EBIT of between \$20-\$22 million, this includes non-trading benefits of \$2.8 million due to property related gain. Steel & Tube's cash position remains strong, despite significant investment in inventory to support growth, and net cash was approximately \$25 million at the end of June 2021 (up from \$24 million cash at 31 December 2020). A final dividend is yet to be announced, expectations are that a payment to shareholders will be during September 2021.

Current Share Price: \$1.17, **Forecasted Gross Dividend Yield:** 2.42%, **Target Price:** \$1.04.

Sydney Airport

Expected to formally reject the Sydney Aviation Alliance \$8.25/share proposal this morning. According to Street Talk, the Sydney Airport board wants to see a bid with a "9" in front of it, even to get access to due diligence.

Current Share Price: \$7.83, **Forecasted Gross Dividend Yield:** 0.30%.