

Yovich & Co. Market Update

23 August 2021

As at 20 August	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	12764.06	7897.68	3516.30	7218.71	35515.38	14822.90	0.9551	0.7042	0.25%
Week Close	12940.49	7725.15	3427.33	7087.90	35120.08	14714.66	0.9574	0.6833	0.25%
Change	1.38%	-2.18%	-2.53%	-1.81%	-1.11%	-0.73%	0.24%	-2.96%	0.00%

In summary, the NZX50G had 25 companies on the downside, 2 remained unchanged and 23 companies were on the upside. Thursday 19 August saw the NZX50G increase 1.87% the greatest gain since January 5, 2021. Are periods of lockdown going to be the new normal, and if so, for how long? Due to the country going into lockdown a day before the RBNZ OCR announcement, the governor kept the OCR at 0.25%. He also mentioned that inflation is expected to push above 4 percent in the near-term, before returning towards the 2 percent and the midpoint of the target band from mid-2022. Medium and long-term inflation expectations remain anchored at 2 percent. At 4pm today, the government will update the level 4 lockdown status. August kicks off the reporting period for the NZX, so far, company forecasts are being met.

The biggest movers of the week ending 20 August

Down		Up	
Kathmandu Holdings Limited	8.57%	Chorus Limited	11.91%
Vista Group International Limited	8.40%	The a2 Milk Company Limited	5.79%
SKYCITY Entertainment Group Limited	5.00%	Fisher & Paykel Healthcare Corporation Limited	6.93%

Investment News

Skellerup

Tax paid profit for the year ending 30 June 2021 was up 38% at \$40m, revenue increased 11% to \$280m, EBIT up 33% at \$56.4m. The industrial and agri division both up 57% at \$32.7m and 20% at \$30.5m respectively. Net tangible assets (NTA) increased from 65 cents to 69 cents per share. Net debt down \$19.8m to \$8.7m. Skellerup is the second largest manufacturer of food grade dairy rubberware in the world. The US and NZ remain their largest markets, but Europe and Asia were the fastest growing in FY21. Skellerup were able to meet the increased demand by improving their business processes and productivity with limited capital investment. A gross dividend of 12.5 cents is payable 15 October and has an ex-dividend date of 1 October 2021.

Current Share Price: \$5.43, Target Price: \$5.80.

Auckland Airport

Reported tax paid profit for the year ending 30 June 2021 was up at \$46.4m, underlying profit fell by \$230m to a loss of \$41.8m. The first full year underlying loss in the Airports history. Revenue down 50.4% at \$281.1m, NTA increased from \$4.51 to \$5.39 per share. Earnings per share was up 107% to 31.5 cents per share, mainly due to result of investment property revaluations. Total number of passengers decreased to 6.4 million, down 58.5% on the previous financial year. International passenger numbers (including transits) were 0.6 million while domestic passenger numbers were 5.8 million. Looking ahead Auckland Airport continues to adopt more conservative planning assumptions than those of the International Air Travel Association (IATA), which is forecasting global travel to fully recover and exceed pre-pandemic levels in 2023. Mr Littlewood said a full recovery may take longer. No forecasted earning provided for the FY22 due to uncertainty stemming from the pandemic.

Current Share Price: \$7.27, Target Price: \$7.62.

Seeka NZ

Tax paid profit for the 1HFY21 ending 30 June was up 11.9% at \$20.57m, revenue up 25.6% at \$224m. NTA increased from \$5.13 to \$5.44. Seeka continues to invest in its Kiwifruit business acquiring Ōpōtiki Packing and Cool Storage Limited (OPAC) in May. Seeka also made a significant investment into Agritech, taking a cornerstone stake in the digital start-up Fruitometry, this investment will accelerate the development of smart orchard scanning technology that will help lift orchard production and realise supply chain efficiencies. Seeka has forecasted full-year net profit before tax (NPBT) to be in the range of \$20m to \$22m an increase of 23% to 35% above FY20. An interim gross dividend of 18.05 cents per share is payable 13 October and has an ex-dividend date of 17 September 2021.

Current Share Price: \$5.17, Forecasted dividend yield: 7.16%, Target Price: \$5.20. Rating: Buy.

CSL Limited

Tax paid profit for the year ending 30 June 2021 increased 13% to \$2,375m. CSL operates two business segments, Behring and Seqirus. Behring segment offers plasma therapies for the treatment of immunodeficiency, bleeding disorders, hereditary angioedema, Alpha-1 antitrypsin deficiency, and neurological disorders. This segment also conducts research on plasma and non-plasma therapies; and receives license and royalty from the commercialization of intellectual property. The Behring segments revenue was up 6% at \$8,574m while the Seqirus segment was up 30% at \$1,736m. The Seqirus segment manufactures and distributes non-plasma biotherapeutic products; and develops influenza vaccines. CSL's net profit after tax for FY22 is anticipated to be in the range of approximately \$2,150 million to \$2,250 million at constant currency. A final dividend gross dividend of A\$1.614 carrying an ex-dividend date of 2 September and is payable 30 September 2021.

Current Share Price: A\$308.60, Forecasted dividend yield: 0.97%, Target Price: A\$318.14

Chorus

Tax paid profit for the year ending 30 June 2021 was down 10% at \$47m revenue down 1% at \$947m, EBITA inline with the FY20 at \$649M. NTA increased from \$1.39 to \$1.45 per share. Active fibre connections increased from 751,000 in FY20 to 871,000, targeting 1m connections next year. A final gross dividend of 20.14 cents is payable 12 October and has an ex-dividend date 14 September.

Current Share Price: \$6.92, Forecasted dividend yield: 7.03%, Target Price: \$7.03.

Oceania Healthcare

Is considering an offer of seven year secured fixed rate bonds. Full details of the Bond offer will be released upon the offer opening, which is expected to be in the week commencing 30 August 2021. You can register your interest in the Bond offer by contacting your financial adviser at Yovich & Co. Indications of interest rates will not constitute an obligation or commitment of any kind.

Current Share Price: \$1.45, Target Price: \$1.68.

Z Energy

Has received a non-binding indicative acquisition proposal from Ampol. Z Energy has agreed for Ampol to have exclusivity while carrying out its due diligence. The offer is set at \$3.78 per share a 23.9% increase on Z Energy's last close price of \$3.05. The acquisition is subject to agreeing the binding transaction documentation, Board approval by both Z Energy and Ampol, Z Energy shareholder approval and High Court approval. Any transaction is expected to be subject to approval by both the New Zealand Commerce Commission and the New Zealand Overseas Investment Office. Shareholders do not need to take any action currently in relation to the proposal by Ampol. We will continue to keep clients informed of material developments.

Current Share Price: \$3.47, Forecasted dividend yield: 5.96%, Proposed Takeover Price \$3.78.