

Yovich & Co. Market Update

16 August 2021

As at 13 August	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	12770.00	7806.47	3458.23	7122.95	35208.51	14835.76	0.9530	0.7009	0.25%
Week Close	12764.06	7897.68	3516.30	7218.71	35515.38	14822.90	0.9551	0.7042	0.25%
Change	-0.05%	1.17%	1.68%	1.34%	0.87%	-0.09%	0.22%	0.46%	0.00%

In summary, the NZX50G had 23 companies on the downside, 4 remained unchanged and 23 companies were on the upside. The NZX50G closed the week slightly down, the New Zealand dollar has strengthened against the US and Australia as the Delta variant of Covid-19 is affecting international economies. China has rapidly shut down its cities in the process of controlling the virus, fuelling the fear that the economy will slow after results of GDP expansion of 18.3% and 7.9% in the first and second quarters of the year, compared with the same periods a year earlier. With the US second quarter earnings season drawing to a close, analysts are saying that earnings from companies in the S&P 500 increased by around 90%, compared to the second quarter in 2020 – which is well ahead of predictions. Locally the RBNZ has a meeting Wednesday, expectations are an increase of 0.25% in the OCR rate.

The biggest movers of the week ending 13 August			
Down		Up	
Synlait Milk Limited	4.38%	Vital Healthcare Property Trust	4.79%
Fisher & Paykel Healthcare Corporation	3.57%	Westpac Banking Corporation	4.50%
Scales Corporation Limited	2.57%	Ryman Healthcare Limited	4.04%

Investment News

Air New Zealand

Expects losses of about US\$700 million over two years because of the pandemic and had planned to raise new equity in the second quarter of 2021. Delaying it until September 2021, and once again delayed it until the first quarter of 2022, when New Zealand's border is expected to begin a gradual reopening. The interest rates on drawings under Tranches 1 and 2 of the Crown Standby Facility were due to step up by 1% after 29 October 2021. The Company and the Minister of Finance have agreed that this interest rate step up will no longer apply. This means that from 29 October 2021 the margin applicable to drawings under Tranche 1 will remain at 2.50% and Tranche 2 will remain at 4.00%.

Current Share Price: \$1.48, **Target Price:** \$1.33, **Rating:** Underperform.

Plexure

Has entered a binding, conditional agreement to acquire leading transaction platform provider TASK for A\$120 million, to transform Plexure into an end-to-end cloud engagement and transaction platform provider for major hospitality enterprises and grocery organisations. TASK provides a fully integrated transaction management platform for Enterprise customers including point-of-sale, online ordering, loyalty, kiosk, and mobile apps on a globally deployed and scalable single technology stack. TASK has a significant customer base of 50 global brands in the restaurant, food service, entertainment, and stadium venues sectors. Strategic benefits include the diversification of Plexure's customer base, expanded product portfolio for both companies and cross-selling opportunities.

Current Share Price: \$0.58, **Target Price:** \$1.52, **Rating:** Outperform.

Contact Energy

Tax paid profit for the year ending 30 June 2021 was up 49.8% at \$187m, revenue increased 24.1% to \$2.5b, EBITDAF was up 24% to \$553m. Underpinned by strong asset availability and a disciplined approach to managing fuel in FY20 to support the market in FY21. Contact Energy has had a big spending year, increasing stay-in-business (SIB) capital expenditure by 20% to \$61m, growth capital expenditure up 55% to \$76m and strategic investments up from \$7m to \$40m. Net tangible assets per share increased from \$3.08 to \$3.18. A dividend of 26.44 cents has a record date of 27 August and is payable 15 September 2021.

Current Share Price: \$8.29, Forecasted dividend yield: 4.30%, Target Price: \$8.51. Rating: Buy.

Vital Healthcare

Tax paid profit for the year ending 30 June 2021 was \$278m, revenue up 9.50% at \$109m, NTA increased from \$2.38 to \$2.89 per share. Net property income increased by 8.0% from FY20, reflecting contributions from the structured rent reviews within the portfolio, developments and acquisitions. Total imputed dividends paid for the FY21 was 8.875 cents per share, this being a 76.9% adjusted funds from operation (AFFO), pay-out ratio. A final dividend of 2.41 cents is payable 23 September to shareholders as of 9 September 2021. Going forward into FY22 the Board and Management are expecting AFFO to be at least 11.8 cents per share (2% above FY21) and an imputed distribution of 9.5 cents per share (80% pay-out ratio) and 5.6% above previous annualised distribution guidance.

Current Share Price: \$3.25, Forecasted dividend yield: 2.91%, Target Price: \$3.20.

Rocket Lab

Listed on the NASDAQ under the ticker VACQ.nas (Vector Acquisition Corporation), and once the transaction is completed (expected in Q3 2021) Rocket Lab will trade under the ticker RKL.B. Rocket Lab inks deal with Varda Space Industries to supply multiple photon spacecraft for Space manufacturing missions. The Rocket Lab-built and jointly operated Photon spacecraft will enable high-value products to be manufactured in space and returned to Earth. Another deal struck is the three back-to-back missions for a global monitoring provider BlackSky, from late August. The schedule is to lift off from launch New Zealand Mahia Peninsula (launch complex 1).

Current Share Price: US\$10.62

Sydney Airport

Received a revised indicative, conditional and non-binding proposal from the Sydney Aviation Alliance (the Consortium) for 100% of outstanding shares at \$8.45 an increase of 20 cents from the original offer on 15 July. The Board have unanimously concluded that the revised indicative proposal continues to undervalue Sydney Airport and is not in the best interest of shareholders.

Current Share Price: AU\$7.75, Target Price: AU\$7.93.