

# Yovich & Co. Market Update

28 September 2021

As at 24 September	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	13234.55	7702.94	3613.97	6963.64	34584.88	15043.97	0.9684	0.7041	0.25%
Week Close	13259.55	7649.31	3613.07	7051.48	34798.00	15047.70	0.9658	0.7028	0.25%
Change	0.19%	-0.70%	-0.02%	1.26%	0.62%	0.02%	-0.26%	-0.17%	0.00%

In summary, the NZX50G had 21 companies on the downside, 5 remained unchanged, and 24 companies were on the upside. The NZX50G closed the week up slightly 0.19% at 13,259.55. Little change in the NZ dollar against USD (0.70) and AUD (0.96). Conflicting views internationally with the US Federal Reserve and The Bank of England taking a hawkish outlook thus reducing monetary policy stimulus, lowering the bond buying programme by year end 2021. Peoples Bank Of China (PBOC) has a dovish approach ready to pull the stimulus card pushing real lending rates lower in the efforts to stabilise the economy as the recovery is not solid and not balanced.

The biggest movers of the week ending 24 September			
Down		Up	
Pushpay Holdings Limited	5.10%	Fonterra Shareholders' Fund	8.00%
Sky Network Television Limited	4.23%	Skellerup Holdings Limited	7.61%
Heartland Group Holdings Limited	3.38%	The a2 Milk Company Limited	5.56%

## Investment News

### Fonterra

Tax paid profit for the FY21 ending 31 July 2021 was down 9% at \$599m, revenue up 1% at \$2.1b and NTA up from \$2.77 at \$2.87 per share. Net Debt is down \$872m at \$3.8b, reducing the debt to EBITDA ratio from 3.3x to 2.7x. A final gross dividend of 15 cents is payable 15 October and has an ex-dividend date of 29 September 2021. The Board has proposed the fund (non-farmers can participate with no voting rights) is to remain but will be capped. Fonterra farmers would no longer be able to exchange economic rights (wet shares) to units in the fund (dry shares). Dry shares can still be converted to wet shares, meaning the fund may reduce further in size over time. Fonterra has a financial goal of achieving earnings per share of 55-65 cents, a gearing ratio of less than 35% and paying a dividend of between 40-50 cents per share, all this by 2030.

**Current Share Price: \$4.10, Forecasted dividend yield: 4.23%, Target Price: \$4.58.**

### Synlait Milk

Net loss after tax for the FY21, ending 31 July was down at -\$28.5m from \$74m, revenue was up 5% at \$1.3b. Ingredient sales up 29% at 126 MT, while nutritional sales were down 35% at 34,362 MT. Synlait expects its Net Profit After Tax result to return to robust profitability in FY22 based on: a return to normal trading conditions and tighter management of its Ingredient business; improved infant base powder volumes; a growing contribution from its Liquids and Consumer Foods business units; and targeted and significant cost savings from Synlait, Dairyworks and Talbot Forest Cheese. FY22 will also include a one-off gain on sale of approximately \$17 million from the sale and leaseback of the land and building at Synlait Auckland. Planned reductions in inventory at Synlait and Dairyworks will generate operating cashflows in excess of earnings. These strong cashflows will enable Synlait to complete its capital expenditure programme and reduce debt to comfortable levels over the next two years. By the end of FY23, the recovery plan will have seen Synlait return to similar levels of profitability, operating cash flows, and debt ratios as the years leading into FY21. Synlait has appointed Grant Watson as CEO, Grant has extensive dairy factor experience ranging from Miraka and Fonterra.

**Current Share Price: \$3.71, Target Price: \$3.50.**

### Z Energy

Has extended the original four-week exclusivity period with Ampol by a further two weeks to enable outstanding matters to be addressed and to determine whether key transaction terms and documentation can be agreed. There is no certainty that discussion will result in any agreement on a transaction. The Board expects to provide an update on discussions on or before 11 October 2021.

**Current Share Price:** \$3.40, **Forecasted gross dividend yield:** 5.74%, **Target Price:** \$3.78.

### Pacific Edge

Has completed its \$80m placement offer to institutional investors at a share price of NZ\$1.35. The issue price of NZ\$1.35 for the Placement was at the top of the bookbuild range and represents a 5.5% discount to the 20-trading day Volume Weighted Average Price (VWAP). Approximately 59.3 million shares were sold in the Placement. Settlement is expected to occur on 30 September 2021 for the NZX, with allotment and commencement of trading of the placement shares on both NZX and ASX expected to occur 30 September 2021. The \$20m Retail offer is open to shareholders as at 22 September 2021, allowing investors to purchase up to \$50,000 of shares at the lower of NZ\$1.35, or the 5-day VWAP of Pacific Edge's shares on the NZX closing 13 October 2021. The retail offer opens 28 September and closes 13 October with shares settling and being able to trade 20 October 2021.

**Current Share Price:** \$1.49, **Target Price:** \$1.50.

### Trust Power

Confirms that the Commerce Commission has cleared Mercury NZ Limited to acquire its retail business. The sale includes Trustpower's existing retail contract to supply electricity, gas, fixed and wireless broadband and mobile phone services. Trustpower has approximately 234,000 customers across New Zealand. The sale does not include any of Trustpower's industrial or commercial electricity customers nor any of its generation assets. The only condition that it requires is the completion of the TECT restructure, subject to a High Court hearing scheduled for mid-November 2021.

**Current Share Price:** \$7.46, **Forecasted dividend yield:** 4.56%, **Target Price:** \$7.86.

### Rua Bioscience

Has received Good Manufacturing Practice (GMP) certification from Medsafe, enabling the company to start the manufacture of its first medicinal cannabis product, a cannabinoid (CBD) oil. GMP certification is the global standard for all pharmaceuticals and certifies that Rua can manufacture a product that is consistently safe and of acceptable quality. GMP is a pre-requisite for both domestic and export sales. Rua Bioscience CEO, Rob Mitchell said "Put simply, GMP certification means we've moved a long way down the path to being allowed to manufacture products. The next stage is to submit a New Medicinal Cannabis Product Application to the Medicinal Cannabis Agency who will undertake an assessment against the Minimum Quality Standards".

**Current Share Price:** \$0.41.

### Goodman Property Trust

Has confirmed that its interim financial result will include a revaluation of around \$500m. Draft valuation reports from independent valuers indicate that GMT's property portfolio will record a first half gain of approximately \$500m (around 13%). As a result, the portfolio is expected to be valued at approximately \$4.3 billion as at 30 September 2021.

**Current Share Price:** \$2.53, **Forecasted dividend yield:** 2.19%, **Target Price:** \$2.27.