

Yovich & Co. Market Update

5 October 2021

As at 1 October	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week	13259.55	7649.31	3613.07	7051.48	34798.00	15047.70	0.9658	0.7028	0.25%
Week Close	13279.15	7486.64	3568.17	7027.07	34326.46	14566.70	0.9555	0.6951	0.25%
Change	0.15%	-2.13%	-1.24%	-0.35%	-1.36%	-3.20%	-1.07%	-1.11%	0.00%

In summary, the NZX50G had 26 companies on the downside, 1 remained unchanged, and 23 companies were on the upside. The NZX50G had a bumpy week, with the first three days in the red and the last two clawing back any losses and closing the week in the black by 0.15%. The NZ dollar weakened against USD (0.6932) and AUD (0.9545), as investors around the world flock to safer currencies increasing the demand for the US dollar. According to ANZ – Roy Morgan NZ Consumer Confidence shows that consumer confidence eased 5 points to 104.5 in September, led by a decline in the “current conditions” index. The proportion of people who believe it is a good time to buy a major household item fell 20 points to -7. Perceptions regarding next year’s economic outlook fell 8 points to -13%. The five-year outlook rose 5 points to +12%. A net 24% expect to be better off this time next year, up 2 points. The NZRB has an OCR announcement this Wednesday with the market already pricing in a 0.25% increase in rates. This week is World Investor Week, check out this link to find out more <https://www.fma.govt.nz/investors/world-investor-week/>

The biggest movers of the week ending 1 October			
Down		Up	
Sky Network Television Limited	6.37%	Synlait Milk Limited	12.72%
Goodman Property Trust	4.71%	The a2 Milk Company Limited	12.05%
Sanford Limited	4.34%	Tourism Holdings Limited	9.96%

Investment News

Hallenstein Glasson Holdings Limited

Tax paid profit for the FY21 ending 1 August 2021 was up 20% at \$33m, revenue up 21.9% at \$350m and NTA up from \$1.45 at \$1.49 per share. Sales growth experienced compared to the prior corresponding period was pleasing in an extremely challenging environment. All brands experienced strong growth as stores reopened from the 2020 lockdowns, with the Groups inventory management ensuring that our stores were well stocked with product the customers wanted. Online sales have continued to grow throughout the year and have been supported by the release of the Glassons App and the establishment of a USA website to sell direct to US based customers. The Gross Margin declined during the year due to a number of factors including unfavourable exchange rates with the US Dollar in both New Zealand and Australia as well as challenges with freight costs resulting from the ongoing global impact of COVID-19. The Directors consider it prudent to defer the declaration of the final dividend until Auckland and the Australian states of NSW and VIC have come out of their respective lockdowns and retail stores can trade again.

Current Share Price: \$6.95, **Historical Dividend Yield:** 9.39%.

Rakon Limited

Is a world leader in the provision of advanced frequency control and timing solutions, and has announced an upgrade to its earnings guidance for the year ending 31 March 2022 (FY2022). Rakon now expects to achieve Underlying EBITDA1 in the range of \$39m-\$44m in FY2022. This is higher than the guidance provided on 1 April 2021 of \$27 million-\$32 million. The key factor in Rakon’s FY2022 expected revenue and earnings is the significant orders for its TCXO2, secured as a result of an extensive chip shortage caused by a fire at a factory of AKM, the world’s largest TCXO Integrated Circuits manufacturer. There has also been a concurrent consumer device boom.

Current Share Price: \$1.37.

New Zealand King Salmon

Net loss after tax for the 1H22, ending 31 July was down 0.5% at -\$5.5m, small fish size and compensating restrictions on harvest have negatively impacted result. Sales volume increased to 3,629 tonnes compared with 2,745 tonnes in 1H21 (470t clearance). Revenue was up 19.5% at \$88m reflecting clearance of excess inventory and sales recovery (\$4.2m clearance). The effects of Covid-19 disruptions have been largely overcome with the exception of freight availability and cost. Chairman John Ryder said: "We are forecasting harvest volumes in the second half of 2022 of over 4,000 tonnes delivering the usual premium prices. We have consistently maintained prices for the core branded portfolio, even through the Covid pandemic. Excess unbranded stock, mainly whole frozen fish, continues to be sold to international customers outside of established branded channels". Omega Plus pet food range continues to show rapid growth with the launch into Animates stores around New Zealand. Annualised revenue is currently running at about \$4m pa. A hearing for the expansion of the open ocean Bleu Endeavour farm, 7kms North of Cape Lambert in the Cook Strait, is set in Blenheim the week beginning 18 October. The project has multiple benefits - an improved environmental outcome, increase in scale, reduction in operating costs, improvements in fish health and a lift in unit values. If successful, NZ King Salmon would expect a harvest in 2024.

Current Share Price: \$1.51, Target Price: \$1.66.

The Warehouse Group

Tax paid profit for the 12 months ending 1 August 2021 was up 164% at \$117.6m revenue up 7.6% at \$3.4b. Group online sales of \$393m up 5% and now making up 11.5% of total group sales. Gross profit margin has been a key driver in profitability, with gross profit margin of 36.4% compared to 32.6% in the prior year. Across the Group's brands, this was driven by better sell through rates requiring lower clearance and promotional activity alongside the continued execution of the Everyday Low Pricing (EDLP) strategy at The Warehouse. A final gross dividend of 24.31 cents per share to be paid on 3 December 2021, has been declared on the basis that New Zealand is predominantly at Level 2 or below from the end of October 2021. The ex-dividend date for this dividend is 17 November 2021.

Current Share Price: \$4.11, Forecasted dividend yield: 7.49%, Target Price: \$4.17.

Argosy Property

Is focusing on going green with at least 50% of its portfolio to be considered a green asset by year ending 2031 and reducing carbon emissions. Research from Green Building Council Australia's (GBCA) Green Star in focus report suggests industrial projects average only 0.7% of total project. Asset values have been shown to be higher than their conventional counterparts driven by higher rents, longer leases, lower operating costs and higher occupancy rates, with price premiums ranging from 0-30%. Green Star-certified buildings use 66% less electricity than average Australian buildings, produce 62% fewer greenhouse gas emissions than average Australian buildings, use 51% less potable water than if they had been built to meet minimum industry requirements. Case study of Argosy's own property (82 Wyndham Street) transformation to green show an increase in gross rents 25%, development margin 11%, savings in energy costs 30% and an internal rate of return (IRR) 8.3%.

Current Share Price: \$1.64, Forecasted dividend yield: 4.07%, Target Price: \$1.55.

AMP

Announces that it has established a small shareholding sale facility for shareholders who hold less than A\$500 of fully paid ordinary shares. The sale facility enables eligible AMP shareholders to sell their small shareholdings without incurring any brokerage costs. The sale facility is available to AMP shareholders who held between 1 and 442 AMP Shares on Friday 27 August 2021 (Record Date), based on the Australian Securities Exchange (ASX) closing price of A\$1.13 per share. Investors that fall into the above category and wish to participate in the sale facility then you are not required to do anything. If you wish to keep your shares, then your "Keep My Shares" form is required to be at the registry by 8 November 2021.

Current Share Price: AU\$1.06, Forecasted dividend yield: 0.71%, Target Price: AU\$1.18.