

Yovich & Co. Market Update

September 18th 2017

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Month	7857.81	5803.41	3331.52	7401.46	21830.31	6265.64	0.9124	0.7239	1.75%
Week Close	7762.66	5755.84	3353.62	7215.47	21674.51	6448.47	0.9109	0.7290	1.75%
Change	-1.21%	-0.82%	0.66%	-2.51%	-0.71%	2.92%	-0.16%	0.71%	0.00%

Market Themes

- As the outcome of the impending election has become more uncertain, the New Zealand Stock Market has softened slightly. My take on this is that the market is not all that concerned about who wins, as the policy differences between National and Labour are quite small. The one caveat I would put on that is, if there was to be a capital gains tax implemented by Labour that would impact on the treatment of profit on shares.
- Over the past month the best performing stock on the market has been Comvita (CVT.nz) as the company announced a return to profit and reported that the impact from Myrtle Rust will be minor. The stock price has risen 24% to \$7.55 over the past four weeks, retracing some of the fall experienced earlier in the year when Myrtle Rust was first found in a few locations around the North Island.
- Santos(STO.asx) was one of the stronger performers on the Aussie Market with their result beating census numbers by 15%. The LNG Producer is expected to start paying a dividend again in 2019 after suspending dividends in 2016.
- The Tech Sector in the US has significantly outperformed the broader market as seen by the strong performance of the NASDAQ.
- Movement in the Kiwi has been surprisingly strong against the US given the political uncertainty surrounding the election.

Investment News

Abano Healthcare (ABA.nz)

Abano Healthcare Group is a New Zealand owned company listed on the New Zealand Stock Exchange. It is an active investor in, and operator of healthcare and medical services businesses located in New Zealand, Australia and Asia. The business was established in its current form in 1999 and, since that time, has progressively evolved to be a multi-disciplinary group with services in Audiology, Dental and Diagnostics. Abano has partnerships in multiple businesses across a carefully selected portfolio of healthcare sectors. Core to Abano's strategy is assisting and growing these businesses and investing in add-on acquisitions and organic growth.

Abano has recently completed a rights issue to step up their "growth plans in the trans-Tasman dental market and respond to the increased acquisition opportunity, particularly in Australia." Their Growth Strategy focuses on the following areas and long term trends:

- Older people with better oral health and retention of natural teeth requiring dental care
- More services on offer
- Increasing demand for cosmetic/restorative services

They also identify that there is an increasing acceptance of a more corporate structure for dentists. Of the 14,000 dental practices in the Trans-Tasman Dental market, less than 10% of them are part of a Corporate Dental Model.

The consensus 12 month target price in the market is \$10.21 and with a current share price of \$9.27 this indicates a possible 10.1% discount. Forecasted dividends are also attractive for a growth company at approximately 5.2% with fully imputed dividends paid for the last 12 months of 15.4 cents in January and 20 cents in August.

Financials & Forecasts		2017	2016 - Continuing Businesses *	2016
Gross Revenue	NZ\$m	278.7	256.9	297.1
Revenue	NZ\$m	233.5	213.7	213.7
EBITDA	NZ\$m	31.4	26.6	26.6
Underlying EBITDA	NZ\$m	32.1	27.2	27.2
NPAT	NZ\$m	10.9	7.4	28.4
Underlying NPAT	NZ\$m	11.5	8.1	8.8

*Divestment of audiology business in FY16 means there were no earning contributions from this business in 2017. FY17 results assume full recovery of the receivable of approx. \$566,000 in relation to costs which are recoverable from Healthcare Partners Holdings Limited in relation to its failed partial takeover

Source: IRESS Market Data and Company Presentations

Disclaimer: This publication has been prepared for your general information. While all care has been taken in the preparation of this publication, no warranty is given as to the accuracy of the information and no responsibility is taken for any errors or omissions. This publication does not constitute financial or insurance product advice. It may not be relevant to individual circumstances. Nothing in this publication is, or should be taken as, an offer, invitation, or recommendation to buy, sell, or retain any investment in or make any deposit with any person. You should seek professional advice before taking any action in relation to the matters dealt within this publication. No part of this publication may be reproduced without prior written permission from our company. Disclosure statements relating to the financial advisers associated with this newsletter are available on request and free of charge.