

Yovich & Co. Weekly Update

July 14th 2014

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD
Previous Week	5188.91	5511.80	2059.37	6866.05	17068.26	4485.93	0.9336	0.8740
Week Close	5100.59	5474.59	2046.96	6690.17	16943.81	4415.49	0.9389	0.8816
Change	-1.70%	-0.68%	-0.60%	-2.56%	-0.73%	-1.57%	0.57%	0.87%

This Week's Themes

- Global share markets were down last week as investors reacted to news that the Portuguese Bank, Banco Espirito Santo SA had its credit rating downgraded by Moody's. The downgrade from the credit rating agency was prompted when the poor structure and low capitalisation was highlighted in their latest review.
- The NZ market fell to close the week just above the 5100 level which has been cemented as a floor for the local market. The biggest winner for the week was Oceana Gold (OGC.nz) with a rise of 6.4% after they announced a strong result for the 2nd quarter. On the other side of the ledger, Xero (XRO.nz) was the biggest loser as the tech stock continues to fall towards more compelling levels after the buying frenzy nine months ago saw the share price triple in value to over \$45.
- The Australian market also fell with poor employment figures reiterating the structural change occurring across the Tasman.
- U.S. markets fell from their all time highs as the concerns in Portugal gave investors a timely reminder that the Global economy is still working through the ripples of the Global Financial Crisis.
- Despite the fall in the local equity market, the Kiwi closed the week above 88 cents U.S. which is close to a 30 year high, confirming the strength of the local economy.

Investment News

Opus International Consultants (OIC.nz) – Added to our Preferred List:

Opus has a long history dating back to the late 19th century when they were part of the Ministry for Works and Development, since then, they have helped develop the roading network in New Zealand and in 1996 it was bought by Kinta Kellas of Malaysia. The name was changed to Opus International Consultants and OIC was eventually listed on the NZX in 2007. Today their operations are global with works in 37 countries and 40 offices in New Zealand, 18 in Australia, 12 in the UK, and 16 across Canada and the US. Opus derives 57% of their revenue from NZ, 19% from Canada, 14% from Australia and 10% from the UK and other international operations. They have recently acquired Stewart Weir in Alberta, Canada, proving their dedication to expanding their global reach and their strategy of growth in Northern America. In New Zealand their significant projects include the Avon River Precinct in Christchurch, The NZ Transport Agency Roads of National Significance projects in the Waikato and Christchurch on-going work with Port Lyttelton.

With a record high level in the NZD USD exchange rate, we like the USD exposure and the theme of investing in companies that are participating in the rebuild of Christchurch. With a Gross Yield of 7.9% and a FNZC target price of \$2.65, Opus has a strong yield and upside to the current share price of \$1.84.

Financials & Forecasts		2012A	2013A	2014F	2015F	2016F
Revenue	NZ\$m	23.4	23.8	32	33.1	34.6
Earnings Per Share Adjusted	NZ cents	15.8	15.4	21.5	22.2	23.2
Earnings per Share Growth	%	-3.4	-2.5	39.7	3.5	4.5
Price to Earnings (P/E) Ratio	Times	13.2	13.5	9.7	9.4	9
Net Dividend Per Share	NZ cents	8.9	7.9	10.5	11.5	12
Imputation	%	100	100	100	100	100
Net Dividend Yield	%	4.8	4.3	5.7	6.3	6.5
Gross Dividend Yield	%	6.7	6	7.9	8.7	9.1