

Yovich & Co. Weekly Market Update

2nd September 2024

Investment News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 23 rd August	12,529.99	8,249.13	2,854.37	8,327.78	41,175.08	17,877.79	0.92	0.62	5.25%
Week Close 30 th August	12,447.68	8,316.67	2,842.21	8,376.63	41,563.08	17,713.63	0.92	0.62	5.25%
Change	-0.66%	0.82%	-0.43%	0.59%	0.94%	-0.92%	0.71%	0.24%	0.00%

This past week saw a mix of movements across major indices, driven by various global and domestic factors. The NZX 50 fell by 0.66% to close at 12,447.68, reflecting cautious sentiment among investors as global economic uncertainties continue to weigh on the market. Specific declines in key stocks, such as those in the technology and consumer sectors, contributed to the overall dip.

However, despite the market dip, recent data from ANZ's Business Outlook has shown a significant boost in business confidence, soaring to its highest level in a decade. The surge in confidence is driven by optimism regarding future economic conditions and expectations of improved business activity, signalling a potential turnaround in market sentiment as the year progresses.

Conversely, the All Ordinaries in Australia rose by 0.82%, buoyed by strong performances in the financial and materials sectors. This uptick can be attributed to positive corporate earnings reports and a general sense of optimism in the Australian market. The Dow Jones Industrial Average also experienced a notable gain of 0.94%, reaching 41,563.08, driven by solid earnings in several blue-chip companies.

Meanwhile, the Nasdaq saw a decline of 0.92%, largely due to disappointing results from tech giants like NVIDIA, which fell short of market expectations despite strong year-over-year growth.

The NZD gained against both the AUD and USD, reflecting stronger business confidence and expectations of economic stability in the near term.

Weekly Market Movers

The biggest movers of the Week ending 30 th August 2024			
Up		Down	
Fletcher Building	6.42%	Serko	-10.56%
Vector	5.43%	Vulcan Steel	-6.25%
Freightways	3.26%	Investore Property	-5.65%
Vital Healthcare Property Trust	3.03%	The a2 Milk Company	-5.61%
Channel Infrastructure NZ	1.83%	Spark	-5.07%

Investment News:

Heartland Group Holdings (HGH.NZ): Heartland Group Holdings recently reported its FY24 results, showing a solid performance driven by growth in its core loan book, particularly in reverse mortgages and motor vehicle financing. However, the company has highlighted that higher interest rates and increased funding costs are putting pressure on margins. This has resulted in a decline in key metrics like net sales and net income. Despite this, Heartland remains optimistic about the future, citing strong demand for its niche financial products.

Heartland's strategic focus is now on digital transformation, aimed at enhancing customer experience and improving operational efficiency. This strategy is expected to help the company navigate the current economic challenges and support long-term growth. While profitability has been squeezed, Heartland's solid financial management and strategic initiatives provide a pathway for potential recovery and continued success in its niche markets.

Current Share Price: \$1.09, **Consensus Target Price:** \$1.31, **Consensus Forecast Dividend Yield:** 8.1%, **Total Return:** 28.3%

Ryman Healthcare (RYM.NZ): Ryman Healthcare has been navigating significant financial and operational challenges, leading to a drastic drop in net profit from NZ\$257 million to NZ\$4.8 million. This sharp decline is largely due to rising construction costs, delays in new village developments, and higher operating expenses outpacing revenue gains. In response, Ryman has implemented a strategic overhaul, including raising prices for new residents, suspending new construction projects until 2026, and restructuring its senior management team, with three top executives made redundant. These changes aim to stabilise finances and ensure long-term sustainability. The company is also adjusting its deferred management fee and weekly charges for new residents to better cover rising costs. Despite the current challenges, Ryman remains committed to completing ongoing projects and is positioning itself to benefit from more favourable economic conditions in the future. The outcome of these strategic initiatives will be crucial for its recovery and growth.

Current Share Price: \$4.96, **Consensus Target Price:** \$6.08, **Consensus Forecast Dividend Yield:** 0%, **Total Return:** 22.6%

Genesis Energy (GNE.NZ): Genesis Energy has recently been in the news for its commitment to transitioning away from coal by 2025, as part of its broader sustainability strategy. The company is investing heavily in renewable energy projects, including new wind and solar farms, to replace its coal-based generation. Genesis also reported strong financial results for FY24, with increased earnings from its retail segment due to higher electricity prices. However, the company faces challenges related to the volatility of energy prices and the need to balance its generation mix to ensure a reliable supply of electricity. However, the company's commitment to sustainability and its strong financial performance highlights its positive future outlook.

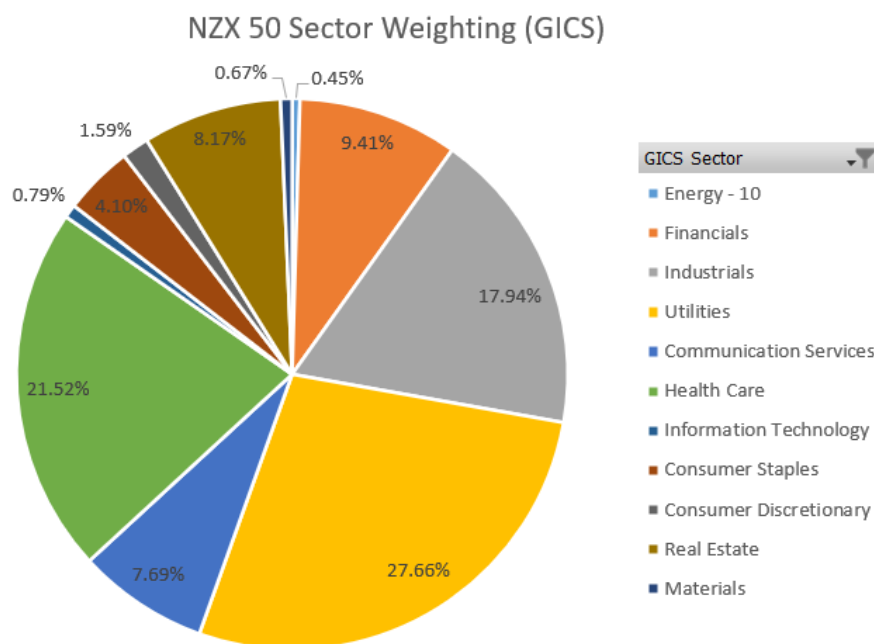
Current Share Price: \$2.23, **Consensus Target Price:** \$2.54, **Consensus Forecast Dividend Yield:** 8.6%, **Total Return:** 22.8%

Spotlight on Port of Tauranga: A Key Player in New Zealand's Industrial Growth

The industrial sector in New Zealand, particularly the companies within the NZX 50, have recently been trading at a discount. This presents significant upside potential, especially as the broader economic environment hints at recovery. This is notably true for sectors like logistics and transportation, where companies like Port of Tauranga are crucial to New Zealand’s infrastructure and economy. As expectations for lower interest rates and improved economic conditions grow, these industrial giants are well-positioned to capitalise on new opportunities and drive forward their strategic initiatives.


Company	Current Price	Consensus Target Price (1 Year)	Discount/UpSide Potential	Weightage in NZX50
Air New Zealand (AIA.NZ)	\$0.55	\$0.62	12.73%	0.43%
Auckland Airport (AIR.NZ)	\$7.50	\$8.04	7.27%	5.88%
Fletcher Building (FBU.NZ)	\$3.03	\$3.23	6.60%	1.59%
Freightways (FRW.NZ)	\$9.50	\$9.90	4.21%	1.17%
Mainfreight (MFT.NZ)	\$72.90	\$80.36	10.23%	5.18%
Port of Tauranga (POT.NZ)	\$5.53	\$5.98	8.14%	2.68%
Skellerup (SKL.NZ)	\$4.90	\$5.30	8.16%	0.68%
Tourism Holdings (THL.NZ)	\$2.05	\$3.23	57.56%	0.32%

GICS Sector: Industrials; NZX 50 Companies; Sources: IRESS, Yovich & Co. Wealth Management



Company Profile: Port of Tauranga, New Zealand's largest port, released its annual financial report on August 23, 2024, demonstrating resilience in a challenging economic environment. The company remains a key player in New Zealand's logistics and infrastructure, with ongoing investments in capacity and technological upgrades.

Fundamental Analysis

Security Code	POT				
Description	Port of Tauranga				
Exchange	NZX				
Industry	Industrials				
Market Capitalisation (NZD)	\$3,795.89 million				
Index	NZX 50				
Weighting in Index	2.68%				
Current Price (NZD)	\$5.53				
Target Price (NZD)	\$5.98				
Discount to Target Price	8.14%				
5 Year Hist Return (Annualised)	-3.01%				
5 Year Hist Risk (SD) (Annualised)	24.95%				
Forecasts	6/2024A	6/2025F	6/2026F	6/2027F	
PE Ratio	37.38	32.51	28.08	25.26	
Dividend Yield (%)	4.26	2.72	2.99	3.3	
Revenue (NZD)	\$417 Million	\$441 Million	\$479 Million	\$514 Million	
EBITDA (NZD)	\$204 Million	\$220 Million	\$248 Million	\$272 Million	
Net Debt (NZD)	\$451 Million	\$479 Million	\$525 Million	\$548 Million	
\$	4.46	\$ 5.22	\$ 5.98	\$ 6.74	\$ 7.50
Strong Buy	Buy	Hold	Sell	Strong Sell	
		↑			

Port of Tauranga reported a revenue of NZD 417 million for FY2024, with a forecasted growth of 5.77% in FY2025. Despite the global economic uncertainties, the port's EBITDA margin remains strong at 47.03%, highlighting operational efficiency. However, the growth rates in key financial metrics show some declines, with Net Sales Growth at -0.84%, EBITDA Growth at -5.65%, and Net Income Growth at -22.44%. These figures reflect the impact of the challenging economic conditions but also set a new base for potential recovery as market conditions improve.

Profitability and Margins

Port of Tauranga maintains robust profitability metrics, with a Return on Equity (ROE) of 4.21% and a Return on Assets (ROA) of 3.39%. These figures, although modest, are expected to improve as the company leverages its strategic investments in infrastructure. The port's EBIT Margin stands at a healthy 37.14%, and its Net Profit Margin is 21.77%, indicating strong profitability despite the downturn.

Capital Structure and Debt Management

The port's capital structure is conservative, with a Total Debt to Equity Ratio of 0.24 and Net Debt to EBITDA at 2.59, reflecting a strong balance sheet and manageable leverage. The Interest Cover Ratio (EBIT) is 6.75, indicating that the company comfortably meets its interest obligations. This conservative approach to debt positions Port of Tauranga well for future growth, allowing it to invest in expansion without compromising financial stability.

Recent Developments and Strategic Initiatives

Port of Tauranga has completed several significant projects, including dredging operations to accommodate larger vessels and the expansion of inland freight hubs. These initiatives are designed to enhance the port's capacity and efficiency, ensuring it remains competitive on a global scale. The port's recent focus on automation and technological upgrades is expected to drive long-term cost savings and operational improvements.

Analysts have maintained a positive outlook on Port of Tauranga, with the company's strategic initiatives expected to drive future growth. The port's shares are currently trading on a 12-month forward PE of 36.65x, with a forecasted dividend yield of 2.77%. The company's robust cash flow and strategic investments make it an attractive option for investors looking for stable returns in the infrastructure sector.

In conclusion, while Port of Tauranga has faced some challenges in FY2024, its strong profitability, conservative capital structure, and strategic investments position it well for recovery and growth. As global trade stabilises and demand for New Zealand's exports continues, the port is expected to remain a critical player in the country's economic landscape.

Current Share Price: \$5.53, Consensus Target Price: \$5.98, Consensus Forecast Dividend Yield: 3.8%, Total Return: 11.94%

Upcoming Dividends: 3rd September to 3rd October.

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	Pay Date
AIRNZ	AIR	12-Sep-24	13-Sep-24	1.5 cps	26-Sep-24
ARGOSY	ARG	10-Sep-24	11-Sep-24	1.9765 cps	25-Sep-24
AUCKAIR	AIA	18-Sep-24	19-Sep-24	9.0278 cps	4-Oct-24
BARRAMUNDI	BRM	4-Sep-24	5-Sep-24	1.7345 cps	27-Sep-24
CHANINF	CHI	5-Sep-24	6-Sep-24	4.4 cps	20-Sep-24
CHORUS	CNU	16-Sep-24	17-Sep-24	28.5 cps	8-Oct-24
COLMOTOR	CMO	26-Sep-24	27-Sep-24	27.7778 cps	7-Oct-24
DELEGATS	DGL	3-Oct-24	4-Oct-24	27.7778 cps	18-Oct-24
DOWNEREDI	DOW	13-Sep-24	16-Sep-24	11.9592 cps	15-Oct-24
FREIGHTWAY	FRW	12-Sep-24	13-Sep-24	26.3889 cps	1-Oct-24
GENESISENRGY	GNE	25-Sep-24	26-Sep-24	9.7222 cps	11-Oct-24
GOODMANPROP	GMT	4-Sep-24	5-Sep-24	1.625 cps	19-Sep-24
Heartland	HGH	5-Sep-24	6-Sep-24	4.1667 cps	20-Sep-24
KINGFISH	KFL	4-Sep-24	5-Sep-24	2.8433 cps	27-Sep-24
KiwiProperty	KPG	5-Sep-24	6-Sep-24	1.6429 cps	20-Sep-24
MARLIN	MLN	4-Sep-24	5-Sep-24	2.5299 cps	27-Sep-24
Marsden	MMH	20-Sep-24	23-Sep-24	7.9861 cps	30-Sep-24
MERCURY	MCY	11-Sep-24	12-Sep-24	19.4444 cps	30-Sep-24
MERIDIAN	MEL	4-Sep-24	5-Sep-24	19.47 cps	20-Sep-24
NZ Land	NZL	19-Sep-24	20-Sep-24	1.46 cps	18-Oct-24
NZME	NZM	12-Sep-24	13-Sep-24	4.1667 cps	25-Sep-24
NZX	NZX	18-Sep-24	19-Sep-24	4.1667 cps	3-Oct-24
PORTTAUR	POT	19-Sep-24	20-Sep-24	12.0833 cps	4-Oct-24

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PRECINCT	PCT	5-Sep-24	6-Sep-24	1.697 cps	20-Sep-24
SKELLERUP	SKL	3-Oct-24	4-Oct-24	18.5139 cps	18-Oct-24
SKTTV	SKT	5-Sep-24	6-Sep-24	16.6667 cps	20-Sep-24
SOLUTION	SDL	10-Sep-24	11-Sep-24	3.4722 cps	27-Sep-24
Spark	SPK	12-Sep-24	13-Sep-24	19.4444 cps	4-Oct-24
STEELTUBE	STU	5-Sep-24	6-Sep-24	2.7778 cps	27-Sep-24
Stride	SPG	4-Sep-24	5-Sep-24	2.4977 cps	12-Sep-24
Summerset	SUM	6-Sep-24	9-Sep-24	11.3 cps	20-Sep-24
TOURHOLD	THL	19-Sep-24	20-Sep-24	6.9444 cps	4-Oct-24
VECTOR	VCT	5-Sep-24	6-Sep-24	14.75 cps	16-Sep-24
VITALHEALTH	VHP	4-Sep-24	5-Sep-24	2.4375 cps	19-Sep-24
Vulcan Steel	VSL	26-Sep-24	27-Sep-24	13.4 cps	10-Oct-24

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