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Yovich & Co. 2024 Year in Review & Market Update

18th December 2022

A Year of Growth and Gratitude at Yovich & Co. Wealth Management

From all of us at Yovich & Co, we wish you a Merry Christmas and a prosperous New Year! Thank you for your continued trust and partnership throughout 2024. Please note that our office will close at 12.00pm on Tuesday, 24th December, and reopen on 6th January 2025.

We hope this holiday season brings you joy, relaxation, and cherished moments with your loved ones. We look forward to supporting your financial journey in the year ahead.

Leadership and Team Updates

This year marked a significant milestone as Yovich & Co transitioned to new leadership under Jarrod and Angela Goodall, as Directors and now sole owners of the company. Taking on the legacy built by Walter Yovich (Wally) since 1967, they bring a renewed vision while honouring the strong foundations of the business.

Jarrod had worked closely with Wally for 12 years, gaining invaluable experience as a Financial Adviser, building lasting client relationships and developing the current Personalised Portfolio Management services. Angela, who joined the firm three years ago, has brought fresh perspectives and expertise, streamlining back-office administration and managing compliance obligations. Both are dedicated to elevating your client experience while guiding Yovich & Co into a new era.

This year, we welcomed Rajat Vats and Daniel Butzbach to our Financial Adviser team. They bring enthusiasm and expertise that will help to better serve our clients. Nathanael McDonald continues to build his reputation as an experienced Financial Adviser, serving a growing client base. Learn more about Nathanael, Rajat and Daniel by visiting their profiles on our website.

We would also like to take this opportunity to introduce and thank our administration team of Racheal Morgan, Julie Coles and Sharon Sands. We are sure many of you have had interactions with these amazing ladies over the course of the year – they are always eager to assist and are a wonderful support to our Financial Advisers.

Year in Review: Strategic Updates and Achievements

In mid-2024, following a strategic review in partnership with Jarden, we adopted an updated Strategic Asset Allocation across our investment models, including Conservative, Balanced, and Growth portfolios. This shift increased allocations to international equities, providing greater diversification and capturing global opportunities. The results have been highly rewarding, delivering strong performance across client portfolios. By capitalising on global equity growth and maintaining a disciplined risk-management approach, we remain focused on maximising outcomes for our clients.

For our managed clients, we have successfully transitioned to the new NZX Wealth Technologies platform, which has offered improved reporting and enhancements to our portfolio review processes. These improvements have enabled us to grow our funds under management and administration to over $250 million with increased efficiency.

Looking Ahead to 2025

As we enter the new year, we are excited to explore offering a Discretionary Investment Management Service (DIMS). This service will allow us to make timely investment decisions on behalf of clients within agreed-upon mandates, ensuring greater efficiency, tailored portfolio management, and faster responses to market changes.

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Additionally, we are investigating an enhancement to our KiwiSaver services, with the intention of offering more tailored guidance to help clients achieve their retirement goals. To further improve our Personalised Portfolio Management (PPM) service, we will introduce a primary and secondary adviser model. This structure ensures consistent communication, availability, and a consensus-driven strategy to deliver the best possible client experience.

These milestones reflect a year of growth, progress, and dedication at Yovich & Co. As we look to 2025, we are excited to continue delivering personalised service and value to help you achieve your financial goals.

Thank you for your trust and support. Again, we wish you a joyful holiday season and a happy New Year!

Warm regards,
Jarrod, Angela & the Team at Yovich & Co. Wealth Management

Market News – Year in Review

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
As of 29th Dec 2023	11770.49	7829.49	2974.93	7733.24	37689.54	15011.35	0.9274	0.6320	5.50%
As of 13th Dec 2024	12754.26	8550.33	3391.88	8300.33	43828.06	19926.72	0.9066	0.5761	4.25%
Change	8.36%	9.21%	14.02%	7.33%	16.29%	32.74%	-2.25%	-8.85%	-1.25%

This year, interest rates around the globe have decreased, with some financial economies experiencing faster and greater reductions than others—a significant shift from 2023. While the impact of these lower interest rates has not yet been fully felt by the economy, the market has started to price in the changes and is showing signs of further positive momentum for listed companies.

Locally, the OCR has decreased from 5.50% to the current level of 4.25%, with further cuts expected in 2025. Some banks are predicting a 50-basis-point cut in February. This is welcome news for mortgage holders but less favourable for investors relying on income from fixed-interest instruments (TD/Bonds). The easing of monetary policy throughout the year, expected to continue into 2025, should lead to an increase in retail and non-essential spending, benefiting the consumer discretionary sector.

Across the ditch, the RBA has maintained the official cash rate at 4.35%, primarily due to its relatively lower peak interest rate, the strong employment market, and elevated core inflation.

In the United States, a change in the Presidency has coincided with notable market movements. The Nasdaq and Dow rose by 6.03% and 5.88%, respectively, before experiencing a small pullback and then continuing their upward trajectories. The Nasdaq has reached all-time highs, while the Dow recently experienced some retraction. Debate persists over whether Trump's presidency is ultimately good or bad for America. Economists and analysts suggest that Republican policies provide an economic stimulus that benefits businesses but also exerts upward pressure on inflation. The Federal Reserve is closely monitoring this, having already reduced the official cash rate as inflation continues to decline.

Overall, 2024 has seen a decline in inflation rates, paving the way for monetary policy easing, which bodes well for asset prices.

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Yearly Market Movers (Including Dividends)

The biggest movers of the Year ending 16th December 2024				
Up			**Down**	
Tower	119.67%		KMD Brands	-46.67%
Gentrack Group	98.94%		Tourism Holdings	-46.44%
Vista Group International	86.06%		Fletcher Building	-39.55%
Fonterra Shareholders' Fund	67.05%		Spark	-36.64%
Fisher & Paykel Healthcare	64.76%		The Warehouse Group	-32.95%

Tower Limited (TWR.NZ):

The company's share price has risen by over 119.67% in the past year, driven by strong FY24 results and continuous operational improvements. The company rebounded significantly into profitability, supported by fewer disaster claims, higher premium income, and disciplined cost management.

Key highlights for the year ended September (compared to the previous year):

- Net profit: $74.3m (vs. $1m loss)
- Underlying profit: $83.5m (vs. $7.1m)
- Gross written premium: $595m (vs. $527m)
- Final dividend: 9.5 cents per share (vs. none)

The New Zealand-owned insurer also benefited from the absence of major claims and plans to return $45m of surplus capital to shareholders via a mandatory share buyback. Chief Executive Blair Turnbull attributed the strong performance to the company's strategic focus on simplifying operations and leveraging digital processes. Looking ahead, Tower has forecast an underlying profit of $50 million to $60 million for the coming year and has allocated $50 million to cover potential major disaster claims.

Current Share Price: $1.32 **Consensus Target Price:** $1.60, **Consensus Forecast Dividend Yield:** 8.7%, **Total Return:** 29.9%

Gentrack Group's (GTK.NZ):

Gentrack Group's share price has increased 98.94% over the past year, driven by strong financial performance, improved earnings guidance, and growth across its key business segments.

Strong Financial Performance (12 months ending 30 September 2024):

- Revenue increased 25.5% year-on-year to NZ$213.2 million, reflecting robust growth across its business operations.
- EBITDA showed a slight uptick to NZ$23.6 million.
- Statutory net profit after tax declined 5% to NZ$9.5 million, while the company's cash balance rose significantly by NZ$17.5 million to reach NZ$66.7 million.

Gentrack raised its full-year operating earnings guidance to a range of NZ$23.5 million to NZ$26.5 million, up from the previous forecast of NZ$20.5 million to NZ$25.5 million, signalling improved profitability expectations. Gentrack's Veovo segment has experienced a strong recovery, with revenue growing 49.4% in the first half of 2023. The company secured new contracts in the UK and the Middle East, leading to a 45.5% increase in Veovo's revenue compared to the prior period. Analysts anticipate continued revenue growth and EBITDA improvement in FY25 across both the utilities and Veovo businesses.

Current Share Price: $13.20 **Consensus Target Price:** $11.62, **Consensus Forecast Dividend Yield:** 0.00%, **Total Return:** -12.0%

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Vista Group International (VGL.NZ):

Vista Group's share price has surged 86.06% this year, driven by several key factors. The company delivered a strong performance in its FY24 annual results, with EBITDA increasing by 188% to $7.2 million, up $4.7 million compared to FY23. While revenue remained in line with the prior corresponding period, the company significantly reduced its loss for the period to $2.7 million, representing a 68% improvement on the previous period.

A major driver of this growth is Vista's post-COVID recovery, as moviegoers return to theatres, supported by high-grossing blockbuster releases. The company's largest reporting segment, 'Cinema,' which accounts for 80% of total revenue, has performed particularly well, benefitting from the global resurgence in the cinema industry.
Current Share Price: $3.05 **Consensus Target Price:** $2.98, **Consensus Forecast Dividend Yield:** 0.00%, **Total Return:** -2.3%

Fonterra Shareholders Fund (FSF.NZ):

The Fonterra Shareholders Fund has seen a 67.05% increase in its share price this year, driven by strong FY24 results and attractive dividend payouts. The full-year dividend yielded approximately 15% for farmers and 12% for investors. This growth is also supported by Fonterra's solid demand from key importing regions. Furthermore, the company recently raised its FY25 earnings guidance, boosted by a higher farmgate milk price, following a rebound in global dairy trade prices and tighter milk supply in key production regions.
Fonterra's FY24 Annual Results – Key Highlights:

- Profit after tax: NZ$1,168 million
- Continuing operations EBIT: NZ$1,560 million
- Earnings per share from continuing operations: 70 cents
- Return on capital: 11.3%
- Total dividend: 55 cents per share
- Full-year milk collections: 1,471 million kgMS
- Farmgate milk price for the 2023/24 season: NZ$7.83 per kgMS

Current Share Price: $5.25 **Consensus Target Price:** $5.17, **Consensus Forecast Dividend Yield:** 6.4%, **Total Return:** 4.9%

Fisher & Paykel Healthcare (FPH.NZ):

The company's share price has surged by approximately 60.38% over the past year, driven by strong financial performance and a rising demand for healthcare products.
Key highlights from their Interim FY25 results include:

- Operating revenue increased by 18%, reaching $951.2 million.
- NPAT rose by 43%, totalling $153.2 million.
- Interim dividend of 18.5cps, up 3% compared to the same period last year.
- Hospital revenue grew by 21%, reaching $591.4 million.
- Homecare revenue saw a 14% increase, reaching $359.4 million.

Fisher & Paykel also reported significant progress in their research and development efforts, achieving key milestones across their product groups during the first half of the financial year.
Current Share Price: $38.24 **Consensus Target Price:** $33.45, **Consensus Forecast Dividend Yield:** 1.5%, **Total Return:** -11.0%

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Kathmandu Holdings Limited (KMD.NZ):

A leading retailer of outdoor apparel and equipment, faced significant headwinds in 2023, resulting in a 47% year-on-year decline in share price. While (KMD) faced significant challenges in 2023, there are clear opportunities for recovery in 2024. Easing monetary policy, improved consumer sentiment and continued growth in the travel sector could support a rebound. However, effective cost management, digital transformation, and leveraging its sustainability focus will be essential for Kathmandu to navigate risks and regain investor confidence.

- **Group Sales**: Reported at $979.4m, an 11.2% decrease from the previous year.
- **Underlying EBITDA**: Dropped by 52.8%, totalling $50m.
- **Net Profit After Tax (NPAT)**: The company reported a statutory NPAT loss of $36.8m, indicating significant financial challenges during the period.
- **Gross Margin**: Improved by 20 basis points, attributed to better channel mix, wholesale pricing, and reduced international freight costs, which helped offset currency headwinds.

Current Share Price: $0.42 **Consensus Target Price:** $0.56, **Consensus Forecast Dividend Yield:** 1.2%, **Total Return:** 36.1%

Tourism Holdings Limited (THL.NZ):

A leading provider of recreational vehicle (RV) rentals and sales, has demonstrated significant financial recovery in the fiscal year ending June 30, 2023 (FY23), following the challenges posed by the COVID-19 pandemic.

- **Revenue:** Reported an increase in revenue to NZ$921.73m, up from NZ$663.84m in the previous year, marking a growth of approximately 38.9%.
- **Net Profit After Tax (NPAT):** The company achieved a net profit of NZ$49.9m, or NZ$0.261 per share, a significant turnaround from a net loss of NZ$2.9m in FY22.
- **Earnings Before Interest and Tax (EBIT):** Improved markedly to NZ$1.57m, compared to a loss in the prior year, indicating enhanced operational efficiency.
- **Earnings Per Share (EPS):** Rose to NZ$0.18, reflecting the company's return to profitability.
- **Total Assets:** Increased to NZ$1.97b, up from NZ$1.56b in FY22, indicating strategic investments and business expansion.
- **Dividend:** Declared a dividend of NZ$0.12 per share, reinstating shareholder returns after suspending dividends during the pandemic period.

Current Share Price: $1.94 **Consensus Target Price:** $3.18, **Consensus Forecast Dividend Yield:** 7.5%, **Total Return:** 71.4%

Fletcher Building (FBU.NZ):

Shares have decreased by about 41.04% year-on-year. The decline is due to challenges in the construction sector, including project delays and increased costs.

- **Revenue**: Reported revenue of NZ$8.47b, relatively flat year-on-year. Growth in residential and infrastructure segments helped offset weakness in building products and Australian operations.
- **Net Profit After Tax (NPAT):** Dropped to NZ$235m compared to NZ$432m in FY2022.Significant impairments and legacy project costs contributed to this decline.
- **EBIT (Earnings Before Interest and Tax): D**ecreased to NZ$412m, compared to NZ$756m in the previous year. Margins were compressed due to project delays, rising construction costs, and competitive pricing pressures.
- **Debt and Balance Sheet:** Net debt increased to NZ$1.6b, from NZ$1.3b reflecting capital expenditures and cash flow pressures. The gearing ratio rose to 28.3%, signalling a modest increase in leverage.

Current Share Price: $2.84 **Consensus Target Price:** $3.04, **Consensus Forecast Dividend Yield:** 0.00%, **Total Return:** 7.2%

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Spark New Zealand Limited (SPK.NZ):

Saw a drop in share price by 36.64% over the 2024 calendar year. Spark faced a deterioration in enterprise demand, leading to a revised earnings outlook. As part of its strategy, Spark is divesting non-core assets, including a stake in its mobile tower business Connexa, and focusing on mobile and digital service growth.

- **Revenue:** Reported revenues of NZ$3.86 billion, representing a 1.2% decline on an adjusted basis and a 14% decline on a reported basis compared to the previous year.
- **Net Profit After Tax (NPAT):** The company achieved an NPAT of NZ$316 million, reflecting a 72% decrease from FY23.
- **Mobile Service Revenue:** Notably, mobile service revenue surpassed NZ$1 billion for the first time, indicating growth in this segment.
- **Dividend:** Spark maintained its dividend policy, reflecting confidence in its long-term strategy and financial stability. However, due to the overall decline in earnings, Spark's guidance on future dividends remains under careful review.

Current Share Price: $2.88 **Consensus Target Price:** $3.90, **Consensus Forecast Dividend Yield:** 12.1%, **Total Return:** 47.5%

The Warehouse Group (WHS.NZ):

Much Like KMD the WHS has struggled with persistent inflation and high interest rates put significant pressure on household budgets, leading to a decline in discretionary spending. Consumers have prioritised essential goods over general merchandise, which forms a large part of The Warehouse Group's product offering. Due to the above, the share price has fallen by approximately 40.94% over the past year.

- **Net Profit After Tax (NPAT):** Reported NPAT was $29.8m, a significant decline from $89.3m in FY22.
- **Adjusted NPAT:** Stood at $37.5m, representing a 56.2% decrease compared to the previous year.
- **Gross Profit Margin:** Experienced a decline, primarily due to increased cost of goods sold and competitive pricing pressures.
- **Operating Expenses:** Saw an uptick, influenced by rising inflation, higher logistics costs, and increased wage expenses.

Current Share Price: $1.01 **Consensus Target Price:** $1.03, **Consensus Forecast Dividend Yield:** 2.0%, **Total Return:** 6.0%

Upcoming Dividends: 19th December to 19th January.

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	Pay Date
Seeka Limited	SEK	19-Dec-24	20-Dec-24	13.89cps	20-Jan-25
Templeton Emerging Markets	TEM	19-Dec-24	20-Dec-24	4.4cps	31-Jan-25
FCIT Trust	FCIT	31-Dec-24	03-Jan-25	7.74cps	03-Feb-25
Scales Corp	SCL	06-Jan-25	07-Jan-25	10.07cps	17-Jan-25
Turners Automotive	TRA	09-Jan-25	10-Jan-25	9.72cps	29-Jan-25
Tower	TWR	15-Jan-25	16-Jan-25	6.5cps	30-Jan-25

Source: Iress

For more information and to stay updated subscribe to our newsletter and consult with your Financial Adviser to tailor your investment strategy.