

Yovich & Co. Weekly Market Update

28th January 2025

Market News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 17th January	13130.43	8557.43	3241.82	8505.22	43487.83	19630.20	0.9022	0.5585	4.25%
Week Close 24th January	13024.70	8660.43	3252.63	8502.35	44424.25	19954.30	0.9046	0.5703	4.25%
Change	-0.81%	1.20%	0.33%	-0.03%	2.15%	1.65%	0.27%	2.11%	0.00%

The NZX 50 Index experienced a modest decline of 0.81%. Notable gainers included Genesis Energy, Kathmandu Holdings (KMD), and Oceania Healthcare (OCA). Conversely, NZX Limited, Scales Corporation (SCL), and Fisher & Paykel Healthcare (FPH) saw declines.

The Australia's All Ordinaries Index rose by 1.20%, primarily driven by strength in the retail sector. There was some volatility with commodities due to Donald trump's announcement for Tariffs which is expected to be implemented in February.

In China, the Shanghai Composite Index edged up by 0.33%. Although share market movements were relatively flat for the week, China announced their directive for major state insurers and commercial insurance funds to boost investments in A-shares, with the aim of reducing market volatility. It is estimated that state-owned investors could inject around US\$230 billion into the market. Furthermore, the securities regulator committed to strengthening efforts to promote cross-border investment and financing.

The UK's FTSE 100 Index remained relatively flat, posting a slight decrease of 0.03% for the week.

In the United States, the Dow Jones Industrial Average advanced by 2.15%, while the NASDAQ Composite increased by 1.65%. Housing market data surpassed expectations, indicating robust activity. However, an S&P Global survey revealed that business activity slowed to a nine-month low in January amid rising prices. Despite this, firms reported increased hiring, supporting the Federal Reserve's cautious approach to monetary policy this year.

Weekly Market Movers

The biggest movers of the Week ending 24 th January 2025			
Up		Down	
Genesis Energy	6.02%	Vector	-6.76%
Sanford	5.42%	Scales Corporation	-4.24%
Sky Network Television	5.28%	Kiwi Property Group	-4.23%
Oceania Healthcare	5.19%	Precinct Properties NZ	-3.60%
ANZ Bank	4.53%	Spark	-3.33%

Source: Iress

Investment News

Genesis Energy Limited

Genesis Energy Limited experienced a strong performance last week, with its share price rising by 6.02% following the release of its second-quarter FY25 results. The company reported an estimated EBITDA of NZ\$100 million for the quarter, approximately NZ\$30 million higher than the same period last year, aligning with positive market expectations. Operating statistics suggest a first-half FY25 EBITDA of approximately NZ\$259 million, marking a notable increase of NZ\$57 million compared to NZ\$202 million in the prior corresponding period. Research from Jarden highlighted this as a positive development, especially considering Genesis' earlier decision to secure additional Methanex gas from mid-August. Although declining wholesale prices initially made it challenging to capitalize on this investment, the latest results indicate that Genesis is on track to exceed its FY25 EBITDA guidance of NZ\$460 million.

Current Share Price: \$2.24 **Consensus Target Price:** \$2.57, **Consensus Forecast Dividend Yield:** 8.6%, **Total Return:** 23.3%

Contact Energy Limited

Contact Energy has entered into a supply agreement with Austrian oil and gas company OMV for natural gas sourced from the Pohokura field in Taranaki, where OMV holds a 74% ownership stake. The contract, spanning January 2026 to December 2032, is subject to the Minister's approval under section 41B of the Crown Minerals Act 1991. For the first 12 months, the supplier's forecasted volume is approximately 3.5 petajoules (PJ), with annual volumes expected to gradually decline over the course of the agreement. This new supply will support Contact Energy's planned operation of its two gas peaking units at Stratford, as well as provide gas to its retail customers.

Current Share Price: \$9.49 **Consensus Target Price:** \$9.79, **Consensus Forecast Dividend Yield:** 5.5%, **Total Return:** 8.70%

Synlait Milk Limited

On 24th of January, Synlait Milk announced its return to profitability, providing HY25 guidance and reaffirming its financial commitment to securing milk supply. The company expects EBITDA for the six months ending 31 January, 2025, to be between \$58 million and \$63 million—significantly higher than the \$19.9 million reported in the same period last year.

This impressive turnaround is attributed to new business developments in advanced nutrition products, strong performance in the ingredients division driven by improved foreign exchange management and an optimised product mix, as well as ongoing cost control measures. Following the announcement, Synlait Milk's share price surged by over 16%.

Current Share Price: \$0.65 **Consensus Target Price:** \$0.39, **Consensus Forecast Dividend Yield:** 0.0%, **Total Return:** -40.00%

Spotlight on AMD Limited - From Silicon Valley Startup to Semiconductor Powerhouse

AMD, founded in 1969 as a Silicon Valley startup, began its journey by creating cutting-edge semiconductor products. Over the decades, AMD has grown into a global powerhouse, setting benchmarks for modern computing. Its diverse product portfolio includes microprocessors, graphics cards, motherboard chipsets, and advanced software tools.

At the helm of this company is Dr. Lisa Su, Chair and Chief Executive Officer, who has been instrumental in transforming AMD into a leader in high-performance and adaptive computing. Under her leadership, AMD has delivered next-generation computing and AI solutions.

When Dr. Su joined AMD in 2014, the company was burdened with debt and on the brink of bankruptcy. Through visionary leadership and strategic execution, she orchestrated one of Silicon Valley's most celebrated turnarounds. Over the span of less than a decade, AMD's stock price soared nearly 30-fold, positioning the company as a pivotal player in the semiconductor sector. AMD's market capitalisation now surpasses that of Intel.

In recognition of her extraordinary leadership, Dr. Su was named *Time* magazine's 2024 CEO of the Year. Her achievements have solidified AMD's place as an industry trailblazer and a driving force behind innovation in the semiconductor industry.

AMD focuses on several key areas of innovation:

AMD Ryzen Threadripper Pro Processors: These processors are designed to offer a comprehensive set of features tailored for modern businesses, enabling high performance and efficiency. The product line continues to gain significant market share across various industries.

Radeon GPUs: AMD's Radeon GPUs are built to meet the demands of artificial intelligence (AI) applications and high-performance computing, offering cutting-edge performance for advanced workloads.

Vivado Software: This software empowers hardware designers by reducing compile times and streamlining design iterations, enhancing productivity in complex hardware development.

GPUOpen: A robust, open-source graphics software stack fully supported on Linux (operating system), providing developers with tools and resources to create innovative solutions.

For retail investors seeking exposure to these high-growth sectors, AMD may present a compelling opportunity.

Latest news:

Chinese startup DeepSeek has introduced a groundbreaking AI model that it claims rivals or even surpasses leading U.S. models like ChatGPT, all while operating at a fraction of the cost. The DeepSeek V3, in particular, demands far less GPU computing power than counterparts like ChatGPT and Llama (Meta), posing a potential challenge to the existing technology landscape. This shift could impact the revenue streams of chip manufacturers, especially in the AI sector, as more advanced software solutions may require less GPU processing power. US stocks dropped sharply on the 27th of January, with Nvidia losing nearly \$600 billion in market value, which is over a 16% fall to the companies share price. AMD was less impacted but still saw over a 5% decline to the companies share price.

DeepSeek has launched the R1 model, which shares capabilities similar to those of ChatGPT but operates at a significantly lower cost. The company reported spending only \$5.6 million on computing resources for its base model—dramatically less than the hundreds of millions or even billions spent by U.S. tech giants like OpenAI, Google, and Meta on their AI systems.

This development could negatively impact both AMD and Nvidia’s AI revenue and future growth prospects in the industry. AMD’s current AI sales forecast stands at \$5 billion, but the shift towards more efficient AI models—requiring less computing power—may reduce the demand for high-performance GPUs, potentially affecting their revenue streams. As these advanced AI models require fewer computational resources, the need for extensive GPU processing power could diminish.


AI Development and Data Centres

AMD has been aggressively expanding its presence in the AI and data center markets. The introduction of the Instinct MI300X accelerator and the latest fifth-generation EPYC server processors have been pivotal in this growth. These products are designed to meet the increasing demand for high-performance computing solutions in AI applications. Despite Nvidia's dominance in the AI accelerator market, holding over 80% market share, AMD's strategic initiatives aim to increase its share from the current 5–7% to 10% by the end of 2026, potentially generating an additional \$5 billion in sales.

AMD faces stiff competition from Nvidia and Intel in the AI and data center sectors. Nvidia currently holds a commanding position in the AI data center market, but AMD is making significant strides with its MI325X and upcoming MI350 series accelerators. These developments have garnered substantial customer interest, indicating potential for market share gains.

Analysis:

Security Code	AMD.NAS			
Description	Advanced Micro Devices Inc			
Exchange	NASDAQ			
Industry	Semiconductors			
Market Capitalisation (USD)	\$199.3 Billion			
Index	NASDAQ-100			
Weighting in Index	3.50%			
Current Price (USD)	\$		122.84	
Target Price (USD)	\$		173.45	
Discount to Target Price	41.20%			
5 Year Hist Return	36.26%			
5 Year Hist Risk (SD)	51.62%			



Forecasts	12/2023A	12/2024F	12/2025F	12/2026F
PE Ratio	46.35	36.98	24.69	17.75
Dividend Yield (%)	0	0	0	0
Revenue (USD)	\$22.68 Billion	\$25.655 Billion	\$32.227 billion	\$39.768 Billion
EBITDA (USD)	\$5.723 Billion	\$5.561 Billion	\$9.002 Billion	\$11.463 Billion
Net Debt (USD)	\$-3.305 Billion	\$-4.730 Billion	\$-8.447 Billion	\$-13.033 Billion
\$ 130.09	\$ 151.77	\$ 173.45	\$ 195.13	\$ 216.81
Strong Buy	Buy	Hold	Sell	Strong Sell

Advanced Micro Devices Inc. (AMD) shows a positive growth trajectory, with improving financial metrics over the forecasted years. The company's price-to-earnings (P/E) ratio is expected to decline from 46.35 in FY2023 to 17.75 in FY2026. This steady decrease suggests that AMD is becoming more attractively valued relative to its earnings growth potential, which aligns with its strong revenue and profitability projections.

AMD's revenue is forecasted to grow from \$22.68 billion in FY2023 to \$39.77 billion by FY2026, reflecting an aggressive expansion strategy and increasing market demand for its semiconductor products. The company's EBITDA is also projected to rise significantly, from \$5.723 billion in FY2023 to \$11.463 billion in FY2026, representing an upward trend in operational efficiency and profitability.

On the balance sheet side, AMD maintains a strong financial position with a net cash balance of \$3.305 billion in FY2023, which is expected to grow to \$13.033 billion by FY2026. This increasing net cash position highlights the company's financial discipline and capacity to invest in future growth opportunities.

Currently, AMD is trading at \$122.84, representing a 41.20% discount to its consensus target price of \$173.45. This substantial discount suggests potential upside for investors if the company meets its projected growth expectations.

According to our methodology, Advanced Micro Devices Inc. is assigned a '**Strong Buy**' rating.

Conclusion:

AMD's remarkable transformation under Dr. Lisa Su's leadership has positioned the company as a major force in the semiconductor industry, particularly in the high-performance computing and AI sectors. With its innovative product suite, including Ryzen processors, Radeon GPUs, and cutting-edge software solutions, AMD continues to expand its market share and drive technological advancements. While challenges remain, particularly with AI technological advancement like DeepSeek and the dominance of Nvidia in the AI accelerator market, AMD's strategic initiatives, such as its aggressive push into the data center and AI markets, are expected to yield significant growth.

With its strong financial outlook, improving profitability, and attractive valuation, AMD presents a compelling opportunity for investors looking to tap into the rapidly growing semiconductor and AI markets. Despite competition and market risks, AMD's innovative products and disciplined financial strategy make it a standout in the semiconductor space. Investors should watch closely as AMD seeks to further capture market share and solidify its position as a leader in next-generation computing technologies.

Upcoming Dividends: 29th January to 29th February.

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	Pay Date
HFAREAST	HFL	30-Jan-25	31-Jan-25	13.57cps	28-Feb-25
AUSTFOUND	AFI	03-Feb-25	04-Feb-25	13.27cps	25-Feb-25

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