

Yovich & Co. Weekly Market Update

22nd July 2024

Investment News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 12 th July	12,134.97	8,206.15	2,971.30	8,252.91	40,000.90	18,398.45	0.9019	0.6119	5.50%
Week Close 19 th July	12,325.60	8,209.17	2,982.31	8,155.72	40,287.53	17,726.94	0.8990	0.6009	5.50%
Change	1.57%	0.04%	0.37%	-1.18%	0.72%	-3.65%	-0.32%	-1.80%	0.00%

The NZX 50 increased by 1.57% this week, closing at 12,325.60. This positive movement was driven by investor optimism following lower-than-expected inflation data for Q2 2024. The CPI came in at 3.3% year-over-year, below the consensus and RBNZ expectations. ASB now anticipates that headline inflation will fall below 3% in H2 2024 and expects the RBNZ to implement a **25-basis** point rate cut in October, followed by another **25-basis** point cut in November. This has led the market to price in potential OCR cuts, particularly evident in the reduction of the one-year swap rate.

The All Ordinaries in Australia saw a marginal increase of 0.04% to 8,209.17, reflecting mixed investor sentiment amid ongoing economic concerns. Meanwhile, the Shanghai Composite rose by 0.37% to 2,982.31, supported by government stimulus measures aimed at bolstering economic growth.

In contrast, the FTSE 100 declined by 1.18%, closing at 8,155.72. This drop was primarily driven by weaker performance in the energy and financial sectors due to global economic uncertainties.

In the US, the Dow Jones Industrial Average rose by 0.72% to 40,287.53, supported by strong corporate earnings, while the NASDAQ fell by 3.65% to 17,726.94 due to a significant rotation away from tech stocks.

The NZD weakened against both the AUD and USD, falling by 0.32% to 0.8990 and by 1.80% to 0.6009, respectively. This depreciation reflects global market volatility and lower-than-expected economic data from New Zealand.

The overall market movements highlight the dynamic responses to economic data and central bank policies. Investors are particularly focused on sectors that could benefit from potential OCR cuts, including real estate, consumer discretionary, and financials.

Weekly Market Movers

The biggest movers of the Week ending 19 th July 2024			
Up		Down	
The Warehouse Group	17.17%	Auckland International Airport	-1.77%
Tourism Holdings	11.86%	Hallenstein Glasson	-1.27%
Oceania Healthcare	9.09%	Scales Corporation	-1.16%
Sky Network Television	8.80%	Infratil	-1.09%
Serko	8.68%	Fonterra Shareholders' Fund	-0.77%

Top Gainers:

1. **The Warehouse Group (17.17%):** The Warehouse Group's shares surged following a strong quarterly earnings report that exceeded market expectations. The company benefited from increased consumer spending and effective cost management strategies.
2. **Tourism Holdings (11.86%):** Tourism Holdings saw significant gains due to a rebound in tourism activities and higher booking rates for campervans and rental vehicles. Positive news about New Zealand's tourism sector recovery added to investor optimism.
3. **Oceania Healthcare (9.09%):** Oceania Healthcare's stock rose on the back of favorable demographic trends and strong occupancy rates in its aged care facilities. The company's expansion plans and strategic initiatives have also been well-received by investors.
4. **Sky Network Television (8.80%):** Sky Network Television experienced an uptick due to new content partnerships and improved subscriber numbers. The company's focus on digital transformation and streaming services has started to pay off.
5. **Serko (8.68%):** Serko's shares increased following the announcement of new corporate travel management contracts and positive earnings guidance. The recovery in corporate travel has significantly boosted the company's outlook.

Top Losers:

1. **Auckland International Airport (-1.77%):** Auckland International Airport faced a decline due to ongoing concerns about international travel restrictions and slower-than-expected recovery in passenger traffic.
2. **Hallenstein Glasson (-1.27%):** Hallenstein Glasson's shares dropped as the company reported weaker-than-expected retail sales. The challenging retail environment and increased competition have impacted its performance.
3. **Scales Corporation (-1.16%):** Scales Corporation saw a slight decrease as market participants reacted to lower export volumes and challenges in the agricultural sector. Adverse weather conditions have affected crop yields, impacting the company's revenue.
4. **Infratil (-1.09%):** Infratil experienced a decline due to profit-taking after a strong performance in previous weeks. Short-term market volatility and concerns about global economic conditions influenced investor sentiment.
5. **Fonterra Shareholders' Fund (-0.77%):** Fonterra's shares fell slightly following weaker global dairy prices and concerns about trade tensions affecting export markets. The company's cautious outlook on milk production also weighed on the stock.

Summary

This week's market movements highlight significant gains in the retail, tourism, and healthcare sectors, while transportation and agricultural sectors faced challenges. Investors should stay informed on economic indicators and sector-specific developments to navigate the market effectively.

Spotlight on Arvida and the Retirement Village Sector

Arvida Group Limited, a prominent player in New Zealand's retirement village sector, has announced a significant development that could reshape the landscape of the industry. Arvida has entered into a Scheme Implementation Agreement (SIA) with Stonepeak Alps BidCo Limited (Stonepeak BidCo), which would see Stonepeak BidCo acquire all of the shares in Arvida at NZ\$1.70 per share. This represents a 65% premium to Arvida's share price of NZ\$1.03 per share as of 19 July 2024.

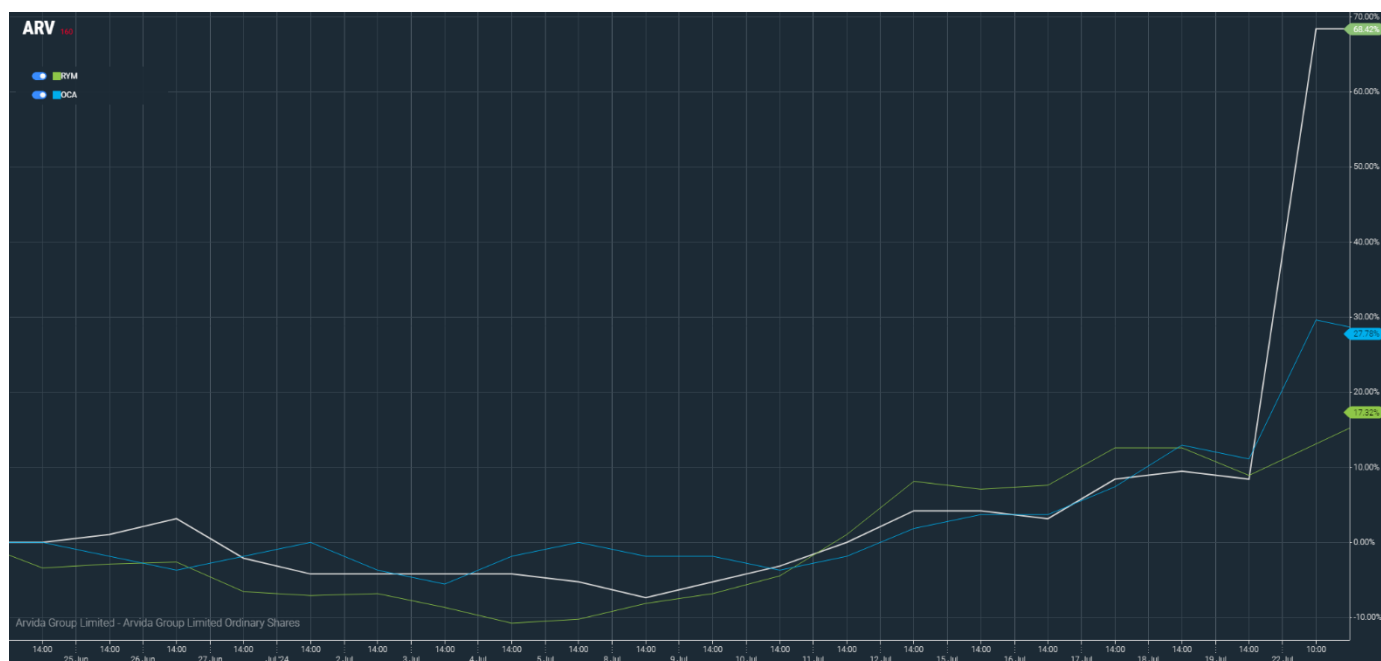
Key Highlights:

- **Acquisition Agreement:** Stonepeak BidCo will acquire 100% of Arvida shares at NZ\$1.70 per share in cash through a scheme of arrangement.
- **Premium Offer:** The offer represents a 65% premium to Arvida's share price and an 82% premium to its volume-weighted average share price over the 30 trading days prior to the announcement.
- **Valuation Metrics:** The acquisition multiple is 0.83x based on FY24 Net Tangible Assets of NZ\$2.05 per share, with an implied equity value of approximately NZ\$1.2 billion.

The Arvida Board unanimously recommends that shareholders vote in favor of the Scheme, provided the offer is within or above the independent adviser's valuation range and no superior proposals are received. Grant Samuel has been appointed as the Independent Adviser to assist shareholders in evaluating the merits of the Scheme.

Industry Context:

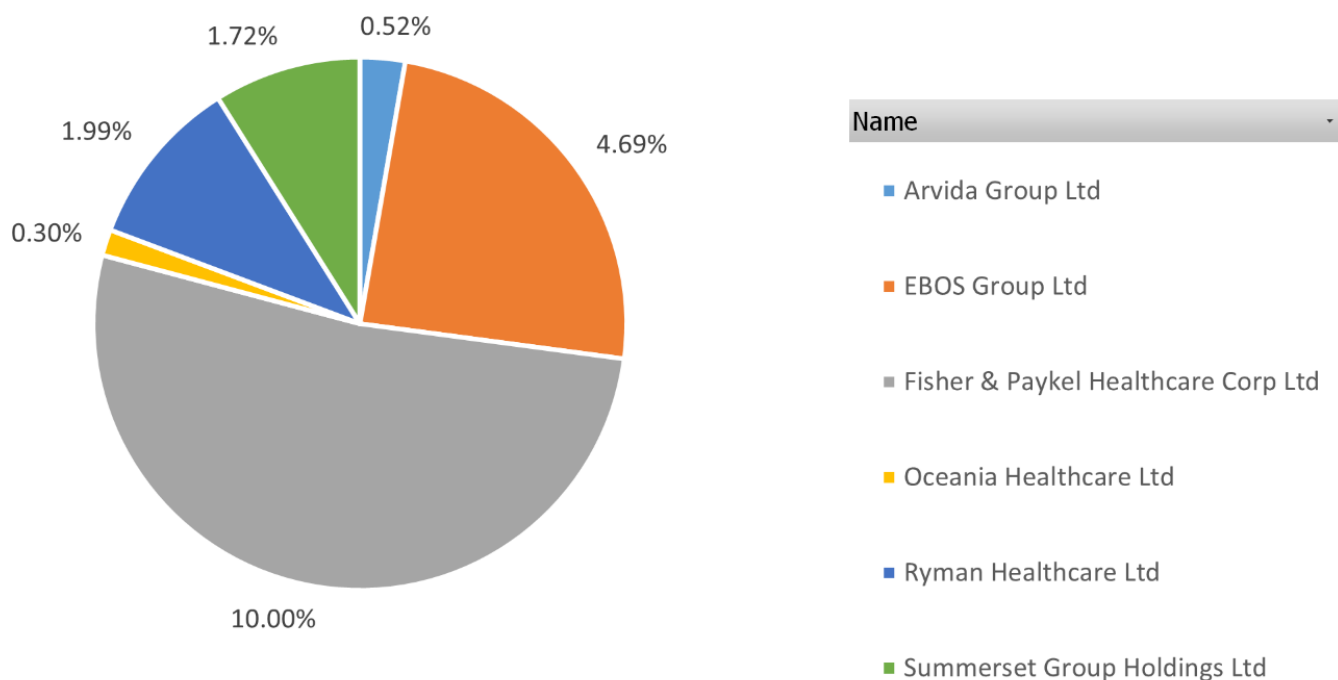
The retirement village sector in New Zealand has been growing steadily, driven by an aging population and increasing demand for quality retirement living options. Companies like Arvida, Ryman Healthcare, and Oceania Healthcare are leading the charge with their comprehensive care facilities and expansive village networks.



Source: Iress

Percentage change over 1 month for Ryman, Arvida & Oceania

Healthcare Sector companies in New Zealand weightage in NZX50



Source: Yovich & Co Wealth Management

*Based on Market Capitalisation on 22nd July, 2024

The sector's resilience and growth potential have made it attractive to investors, as evidenced by Stonepeak BidCo's substantial premium offer for Arvida. The sector's outlook remains positive, with continued investments in new developments and upgrades to existing facilities to meet the growing demand.

Impact of OCR Cut:

Moreover, the anticipated OCR cut is further enhancing positive sentiment towards the retirement village sector. Lower interest rates can lead to increased property investments and reduced financing costs for new developments. This creates an attractive environment for retirement village operators like Arvida, who can benefit from lower borrowing costs and increased investor interest.

Implications for Shareholders:

Shareholders are encouraged to carefully review the forthcoming Scheme Booklet, which will provide detailed information on the Scheme, the reasons for the Independent Directors' unanimous recommendation, and the Independent Adviser's Report. The voting on the Scheme is expected to take place in Q4 2024, with implementation anticipated later in the same quarter, pending all necessary approvals.

Arvida's commitment to providing quality care and its strategic growth initiatives have positioned it as a valuable asset within the retirement village sector. The proposed acquisition by Stonepeak BidCo underscores the sector's attractiveness and the potential for continued growth and consolidation.

Conclusion

The retirement village sector remains a robust and growing market in New Zealand. Arvida's proposed acquisition by Stonepeak BidCo highlights the sector's investment appeal and the potential for shareholders to realise significant value. As the industry continues to evolve, investments in quality care and strategic expansions will be key drivers of success.

Upcoming Dividends: 23rd of July to 23rd of August

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	PayDate
BANKINV	BIT	25-Jul-24	26-Jul-24	1.4391 cps	30-Aug-24
HFAREAST	HFL	25-Jul-24	26-Jul-24	13.277 cps	30-Aug-24

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