

# Yovich & Co. Weekly Market Update

19<sup>th</sup> August 2024

## Investment News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 09 <sup>th</sup> August	12243.46	7990.73	2862.19	8168.10	39497.54	16745.30	0.9127	0.5999	5.50%
Week Close 16 <sup>th</sup> August	12727.75	8189.87	2879.43	8311.41	40659.76	17631.72	0.9077	0.6052	5.25%
Change	3.96%	2.49%	0.60%	1.75%	2.94%	5.29%	-0.55%	0.89%	-0.25%

The NZX 50G index surged by 3.96% this week, marking its largest gain since April 2020. Of the 50 companies within the index, only two experienced losses, highlighting strong investor optimism. This positive sentiment followed an unexpected 25 basis point rate cut by the Reserve Bank of New Zealand, the first reduction in four years, bringing the Official Cash Rate (OCR) down to 5.25%. In response to the announcement, major banks swiftly lowered both fixed and variable home lending rates. The rate cut was driven by annual inflation returning to the target range of 1-3%. ASB's chief economist, Nick Tuffley, noted in his latest RBNZ August Monetary Policy Statement that we can anticipate steady 25bps cuts until the end of 2025, with the possibility of even larger reductions.

In a declining interest rate environment, term deposit rates are likely to decrease, and yields on newly issued bonds will also be lower. As a result, existing bonds may become more attractive, potentially trading at a premium.

In the US, the Dow Jones Industrial Average rose by 2.94%, finishing at 40,659.76. This was driven by stronger-than-expected economic data, which helped alleviate concerns about a potential recession. Specifically, retail sales came in much stronger than forecasted, and weekly initial unemployment claims were lower than expected. The NASDAQ surged by 5.29% to close at 17,631.72, reflecting a strong recovery in the technology sector, which had been under pressure due to volatility in the previous week.

As a result of this optimism the Australian All-Ordinaries index rose by 2.49%, ending the week at 8,189.87, the Shanghai Composite index in China saw a modest increase of 0.60%, closing at 2,879.43, and the FTSE 100 in the UK gained 1.75%, closing at 8,311.41.

On the currency front, the NZD/AUD pair fell by 0.55%, closing at 0.9077, while the NZD/USD pair rose by 0.89% to finish at 0.6052.

## Weekly Market Movers

The biggest movers of the Week ending 16th August 2024			
Up		Down	
KMD Brands	18.75%	Sanford	-2.91%
Fletcher Building	11.94%	Manawa Energy	-1.48%
Vulcan Steel	9.56%		
Skellerup Holdings	8.95%		
Investore Property	8.62%		

## Investment News:

**Synlait Milk's** share price jumped by 30.00%, driven by A2 Milk's announcement of a conditional settlement deed with Synlait over the manufacturing and supply of infant formula. This resolution ends a nearly year-long dispute and appears to be favorable for both parties. Additionally, A2 Milk has committed to supporting Synlait's upcoming equity raise.

**Fletcher Building's** share price surged by 11.94% last week, driven by several positive developments. The company agreed to sell its Tradelink business for AUD \$170 million and made key additions to its executive team, appointing Will Wright as CFO and Haydn Wong as Group General Counsel and Company Secretary. Will Wright previously served as CFO and GM of Corporate Services at Summerset, while Haydn Wong joined from Bell Gully, one of New Zealand's leading corporate law firms. Additionally, Fletcher Building announced that its Golden Bay Cement transport ship, MVAC, which had been experiencing mechanical issues, returned to service ahead of schedule after a successful repair.

**Skellerup Holding's** share price rose by 8.95% last week, following the announcement of a higher dividend compared to last year, resulting in a dividend yield of 4.6%, which pleased shareholders. The company also posted positive FY24 results, demonstrating resilience in a challenging environment.

**Contact Energy's** share price increased by 5.97% after the company confirmed it would proceed with the Kowhai Park Solar Farm at Christchurch Airport, a joint venture with Lightsource BP. With construction set to begin later this year, the farm will feature around 300,000 solar panels across 230 hectares, making it one of New Zealand's largest solar projects. Furthermore, Contact Energy reported a strong full-year performance, with revenue growth of 35% and net profit up 85% compared to the previous year.

## Spotlight on NZX Limited.

### Company Profile:

NZX Limited (NZX.NZ) is New Zealand's stock exchange operator and a pivotal player in the country's financial markets. NZX began as a number of regional stock exchanges during the gold rush of the 1860s and amalgamated to the national stock exchange in 1983. NZX facilitates the buying and selling of equities, debt securities, derivatives, and other financial products across its platforms. Beyond traditional exchange services, NZX also owns and operates a range of financial and regulatory services, including market data distribution, clearing and settlement services, and energy market platforms. The company is headquartered in Wellington and plays a crucial role in the development and growth of New Zealand's capital markets.


NZX owns several key subsidiaries and businesses that extend its influence across the financial landscape, including Smartshares, a leading fund management company in New Zealand with over \$10 Billion in funds under management. Smartshares, which also owns Superlife, manages over \$1.6 billion in assets and serves more than 177,000 investors through a variety of exchange-traded funds (ETFs) and KiwiSaver products. Additionally, Superlife offers a range of diversified and sector-specific investment funds.

### NZX Wealth Technologies:

NZX Wealth Technologies is a significant arm of NZX, providing a comprehensive platform for wealth management services. The platform offers investment administration and custodial services tailored to the needs of financial advisers, fund managers, and institutions. It supports portfolio management, reporting, and transaction processing,

with a focus on scalability and efficiency. This service aims to enhance operational capabilities and client service for wealth management businesses across New Zealand and Australia. By integrating technology with financial services, NZX Wealth Technologies helps clients streamline their operations and provide better service to their investors. There is over \$10 billion in Funds Under Administration. NZX Wealth Technologies provides our portfolio management and administration platform.

<b>Security Code</b>	NZX			
<b>Description</b>	NZX Limited			
<b>Exchange</b>	NZX			
<b>Industry</b>	Financial Exchange			
<b>Market Capitalisation (NZD)</b>	\$433 Million			
<b>Index</b>	NZX 50			
<b>Weighting in Index</b>	0.30%			
<b>Current Price (NZD)</b>	\$		1.37	
<b>Target Price (NZD)</b>	\$		1.48	
<b>Discount to Target Price</b>	7.43%			
<b>5 Year Hist Return</b>	5.45%			
<b>5 Year Hist Risk (SD)</b>	24.37%			



**NEW ZEALAND'S EXCHANGE**

Forecasts	12/2023A	12/2024F	12/2025F	12/2026F
PE Ratio	30.39	29.56	25.09	22.54
Dividend Yield (%)	4.49	4.59	4.66	4.85
Revenue (NZD)	\$108 Million	\$116 Million	\$123 Million	\$130 Million
EBITDA (NZD)	\$40.11 Million	\$43.47 Million	\$48.12 Million	\$52.55 Million
Net Debt (NZD)	\$-20 Million	\$44.9 Million	\$43.07 Million	\$33.52 Million
<b>\$ 1.12</b>	<b>\$ 1.30</b>	<b>\$ 1.48</b>	<b>\$ 1.66</b>	<b>\$ 1.84</b>
<b>Strong Buy</b>	<b>Buy</b>	<b>Hold</b>	<b>Sell</b>	<b>Strong Sell</b>

### Fundamental Analysis:

NZX Limited's projected P/E ratio decline from 29.56 in 2024 to 22.54 by the end of 2026 suggests that the company is becoming more attractive from a valuation perspective. This reduction in P/E, coupled with anticipated revenue and EBITDA growth, highlights the company's robust business fundamentals and operational strength. The forecasted increase in revenue from NZD 116 million in 2024 to NZD 130 million by 2026 and the corresponding EBITDA growth from NZD 43.47 million to NZD 52.55 million further solidify this outlook. NZX is forecasted to reduce debt by 2026, reflecting an improvement to their balance sheet. Additionally, the forecasted rise in dividend yield is expected to reach 4.85% by 2026.

NZX Limited is currently trading at \$1.33 which is a 7.43% discount to the consensus target price of \$1.48. According to our methodology, NZX Limited is assigned a 'hold' rating, despite trading at a discount to the target price.

### Upcoming Dividends: 20<sup>th</sup> of August to 20<sup>th</sup> of September.

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	PayDate
Contact Energy	CEN	27-Aug-24	28-Aug-24	27.0 cps	27-Sep-24
Vital Healthcare	VHP	04-Sep-24	05-Sep-24	2.44 cps	19-Sep-24
Argosy	ARG	10-Sep-24	11-Sep-24	1.97 cps	25-Sep-24

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