

Yovich & Co. Weekly Market Update

29th October 2024

Market News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 18 th October	12823.89	8551.19	3261.56	8358.25	43275.91	18489.55	0.9054	0.6072	4.75%
Week Close 25 th October	12771.61	8467.30	3299.70	8248.84	42114.40	18518.61	0.9045	0.5985	4.75%
Change	-0.41%	-0.98%	1.17%	-1.31%	-2.68%	0.16%	-0.10%	-1.43%	0.00%

This past week saw mixed movements across global markets. The NZX 50 slipped by 0.41%, likely impacted by cautious investor sentiment as the latest New Zealand trade data highlighted continued trade deficits, pressuring economic outlooks. Meanwhile, ANZ's monthly consumer confidence report showed a pessimistic to modest outlook in sentiment, despite falling interest rates and lower inflation. Employment prospects remain very weak and that's likely to weigh heavily on households as we see job security fears rise.

The U.S. markets, including the Dow and NASDAQ, experienced declines with concerns over corporate earnings and potential inflationary pressures, while Shanghai posted a gain of 1.17%, showing resilience despite broader global economic pressures.

On the currency front, the New Zealand Dollar (NZD) experienced declines against the Australian Dollar (AUD) and U.S. Dollar (USD), down by 0.10% and 1.43%, respectively. This decline was influenced by recent global shifts in interest rate expectations and local economic data. New Zealand's trade data showed a drop in exports, particularly in dairy and meat products, impacting the NZD.

Market Drivers and Upcoming Events: With the U.S. presidential election around the corner, financial market volatility could increase as the election approaches. While the week ahead is relatively calm for New Zealand, the global economic calendar is busy. Key events include the Bank of Japan's policy meeting, and crucial U.S. data on inflation, GDP, and employment. Additionally, Australia will release its latest inflation figures, providing further insights into the economic outlook.

Weekly Market Movers

The biggest movers of the Week ending 18 th October 2024			
Up		Down	
Tourism Holdings	17.49%	Gentrack Group	-7.58%
Skellerup Holdings	6.59%	Tower	-7.14%
Infratil	5.16%	Vulcan Steel	-7.11%
Hallenstein Glasson	3.98%	KMD Brands	-6.25%
Vital Healthcare Property Trust	3.37%	Vista Group International	-5.84%

Source: Iress

Investment News

Spark NZ: A potential Value Opportunity Amid Data Center Expansion and Market Shifts

Spark New Zealand Limited (SPK), a telecommunications and digital services leader, presents a potential value opportunity amid market changes. Spark is expanding in the data center sector with plans to reach 38MW capacity by FY27, positioning itself for growth in New Zealand’s digital infrastructure.

However, Spark faces challenges, notably its upcoming removal from the MSCI Global Standard Index on November 30, 2024, which may impact institutional support. Additionally, Spark may revise its dividend policy to better align with cash flows. For investors, Spark offers promising exposure to digital infrastructure but requires consideration of both growth potential and these emerging risks. Spark New Zealand (SPK) currently presents a potential value opportunity, trading at \$3.05, a 43% discount to its consensus target of \$4.36, with a analysts forecasted dividend yield of 13%. This investment requires a balanced consideration of both growth prospects in digital infrastructure and the emerging risks.


ResMed (RMD.AX): Strong Growth Driven by Device Expansion and Efficient Cost Management

ResMed, a leading provider of sleep apnea and respiratory care devices, continues to impress with strong financial performance. In its recent 1Q25 report, ResMed posted a remarkable 34.9% growth in non-GAAP Net profit after tax, surpassing analyst expectations. Device sales surged by 11%, highlighting the company’s expansion success. Despite elevated freight costs, ResMed maintained a solid gross margin of 59.2%, in line with its FY25 guidance. Analysts remain optimistic, setting a consensus target price of A\$38.36, reflecting confidence in ResMed’s growth trajectory and operational efficiency.

Spotlight on Skellerup Holdings Limited: An Industrial Leader with Global Reach

Skellerup Holdings Limited, a New Zealand-based company specialising in precision-engineered products, has carved a niche in both the industrial and agricultural sectors. With 80% of its revenue sourced internationally, Skellerup has established itself as a global player, particularly strong in the US market. CEO Graham Leaming reinforced Skellerup’s focused approach at the recent AGM, highlighting that the company targets select, high-value applications rather than “chasing every rainbow.”

Fundamental Analysis

Security Code	SKL.NZ			
Description	Skellerup Holdings Limited			
Exchange	NZ			
Industry	Industrial Machinery & Supplies & Components			
Market Capitalisation (NZD)	\$950.95 Million			
Index	NZX 50			
Weighting in Index	0.65%			
Current Price (NZD)	\$	4.90		
Target Price (NZD)	\$	5.33		
Discount to Target Price	8.78%			
5 Year Hist Return (EAR)	22.25%			
5 Year Hist Risk (SD)	33.00%			
				
Forecasts	6/2024A	6/2025F	6/2026F	6/2027F
PE Ratio	19.29	17.34	15.83	14.56
Dividend Yield (%)	4.9	5.1	5.36	5.82
Revenue (NZD)	\$331 Million	\$346 Million	\$373 Million	\$396 Million
EBITDA (NZD)	88520000T	94055510T	101M	107M
Net Debt (NZD)	15371T	10393T	7348T	2240T
\$	4.26	\$ 4.80	\$ 5.33	\$ 5.86
	Strong Buy	Buy	Hold	Sell
				Strong Sell

For FY2024, Skellerup reported robust profitability, with a gross margin of 43.34% and a return on equity of 20.62%. The company has demonstrated consistent growth, boasting a three-year EBITDA growth rate of 9.72%. This growth trend is reflected in its five-year annualised effective return of 22.5%, underscoring strong performance and investor confidence. Most of Skellerup's shareholders are institutional investors, adding stability to its shareholder base.

Skellerup's industrial segment continues to show positive momentum, while the agricultural division has rebounded from previous destocking challenges. The company's FY2025 NPAT guidance of NZ\$52-57 million aligns with analysts' projections, positioning it for continued growth. Trading at a forward P/E of 16x, Skellerup remains attractively valued compared to peers. With a consensus target price of \$5.33, Skellerup is well-positioned for investors seeking exposure to high-quality, globally diversified industrial assets.

Upcoming Dividends: 29th October to 29th November.

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	Pay Date
Scott Technology Limited	SCT	5-Nov-24	6-Nov-24	3.58 cps	20-Nov-24

Source: Iress

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