

# Yovich & Co. Weekly Market Update

2<sup>nd</sup> December 2024

## Market News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 22 <sup>nd</sup> November	13041.90	8633.06	3267.19	8262.08	44296.51	19003.65	0.8954	0.5855	4.75%
Week Close 29 <sup>th</sup> November	13066.92	8699.09	3326.46	8287.30	44910.65	19218.17	0.9092	0.5920	4.25%
Change	0.19%	0.76%	1.81%	0.31%	1.39%	1.13%	1.54%	1.11%	0.50%

The New Zealand NZX50 index posted a modest gain of 0.19% over the week. The Reserve Bank of New Zealand (RBNZ) delivered a widely anticipated 0.50% reduction in the Official Cash Rate (OCR). Economists predict further reductions in 2025, with a potential 0.25% to 0.50% cut in the February announcement, followed by incremental 0.25% cuts throughout the year. These monetary policy adjustments are expected to support the broader economy amid evolving financial conditions.

The Australian All Ordinaries Index also rose by about 0.76% last week, with Australian mining giants finishing strong after mixed trading on Friday.

The Shanghai Composite Index was up 1.81% this week amid expectations for greater economic support at the upcoming key policy meeting in December. There is speculation in the market that further stimulus measures will be provided.

The FTSE rose slightly by 0.31%. Across the Atlantic in the U.S., the Dow Jones Industrial Average increased by 1.39%, and the NASDAQ rose by 1.13%, marking a strong finish for November, which became the best-performing month of the year for both indices. U.S. equity markets also recorded historic inflows of \$141 billion for the month, reflecting robust investor confidence. The yield on 10 year-treasury yields declined by nine basis points.

## Weekly Market Movers

The biggest movers of the Week ending 29 <sup>th</sup> November 2024			
Up		Down	
Gentrack Group	28.90%	Ryman Healthcare	-7.92%
Turners Automotive Group	13.03%	Serko	-5.63%
Tourism Holdings	8.47%	Spark	-4.87%
Skellerup Holdings	6.06%	Freightways	-2.83%
Meridian Energy	5.61%	Sky Network Television	-2.78%

Source: Iress

**New Fixed Interest Offers:** More information on these offers will be sent out to all recipients of the newsletter tomorrow.

- Kiwi Property Group Limited (KPG) has announced an offer of up to NZ\$100 million with the option to accept up to \$25 million in oversubscriptions at KPG's discretion.
- Kiwibank Limited (KWBL) has announced an offer of up to NZ\$100 million unsecured, unsubordinated fixed rate medium term notes with the ability to accept unlimited oversubscriptions at Kiwibank Limited's discretion.

### **Ryman Healthcare**

Ryman Healthcare has released its half-year FY25 results, reporting a 50% decline in net profit due to rising operating costs and deferred tax expenses. Revenue grew by 10%, driven by higher care and village fees. However, the opening of three new buildings, combined with efforts to fill care beds and sell serviced apartments, significantly increased costs and impacted profitability.

Executive Chair Dean Hamilton acknowledged the challenges but highlighted steps to improve performance, including a new pricing model and efforts to enhance operational efficiency. Ryman currently has nine new sites under construction, with two expected to be completed in the second half of FY25. Hamilton noted that the second half of FY25 will remain challenging.

The company's share price dropped 7.92% last week, reflecting market concerns over profitability and cost pressures. No dividend will be paid for the period, underscoring Ryman's focus on stabilising its operations amidst these difficulties.

**Current Share Price:** \$4.62 **Consensus Target Price:** \$6.25, **Consensus Forecast Dividend Yield:** 0.00%, **Total Return:** 35.3%

### **Gentrack Limited**

Gentrack's share price surged by over 30% last week following the release of its better-than-expected half-year results. Key highlights included a 26% increase in revenue compared to FY2023, reaching NZ\$213.2 million, which exceeded analyst expectations by 4.6%.

Despite the strong revenue performance, net income dropped by 5% year-over-year, and profit margins also declined. The reduction in margins was attributed to increased operating expenses. However, the positive revenue growth and outperformance of market expectations drove investor confidence, fuelling the significant share price rally.

**Current Share Price:** \$14.25 **Consensus Target Price:** \$11.62, **Consensus Forecast Dividend Yield:** 0.00%, **Total Return:** -30.3%

### **Stride Property**

Stride Property Group reported its interim results for the six months ending 30 September 2024, delivering solid performance. Net income rose to \$36.0 million, a 3.5% increase compared to HY24, reflecting steady growth in its operations. Profit after income tax surged to \$18.5 million, representing a significant turnaround of \$68.0 million from the previous period.

During this period, Stride entered into \$75 million of forward-starting interest rate hedging, ensuring financial stability in a volatile rate environment. As of 30 September 2024, 73% of the group's drawn debt was hedged, showcasing a prudent approach to managing interest rate risks and strengthening its financial position.

**Current Share Price:** \$1.35 **Consensus Target Price:** \$1.42, **Consensus Forecast Dividend Yield:** 5.60%, **Total Return:** 13.3%

## Market Spotlight: Channel Infrastructure – Transforming New Zealand’s Energy Landscape

Channel Infrastructure, formerly known as the Marsden Point Refinery, has undergone a significant transformation, evolving from a refining operation into New Zealand's largest fuel import and storage hub. The facility now plays a critical role in the nation's energy infrastructure, handling 40% of New Zealand's fuel supply, including 80% of the country's jet fuel.

The site has over 290 million litres of storage capacity and is equipped with a 170-kilometre pipeline that delivers fuel directly to Auckland. This strategic shift enables Channel Infrastructure to efficiently store and distribute fuel across New Zealand, solidifying its position as a vital link in the nation's energy supply chain.

### Upcoming share offer for existing shareholders:

Channel Infrastructure is currently undertaking a \$50 million capital raise through a share offer. Existing shareholders are being given the opportunity to purchase one new share for every 12.12 shares they currently hold, at a discounted price of \$1.60 per share.

The funds from this raise will primarily support planned capital projects over the next two years, including the development of a bitumen imports terminal in partnership with Higgins, a subsidiary of Fletcher Building. This project is expected to require \$55-\$65 million in capital investment, reflecting Channel Infrastructure's focus on expanding and diversifying its operations to meet growing demand.

### Biorefinery Partnership with Seadra Energy

In collaboration with Seadra Energy and an international consortium, Channel is exploring a biorefinery project at its Marsden Point site. This initiative aims to repurpose former refinery assets to produce biofuels and biochemicals. If successful, the project could unlock significant revenue streams through the sale and leasing of repurposed assets, while positioning Channel as a leader in New Zealand's transition to low-carbon energy solutions.

### Sustainable Aviation Fuel (SAF) with Fortescue

Channel Infrastructure is also exploring opportunities in the production of e-Sustainable Aviation Fuel (eSAF) through a partnership with Fortescue. Leveraging its proximity to Auckland and its role as a critical supplier of jet fuel, Channel is well-placed to support the renewable aviation fuel transition. Fortescue is investigating the development of an eSAF manufacturing facility at Marsden Point, capable of producing approximately 60 million litres annually. This volume could account for over 3% of New Zealand's annual jet fuel demand, providing a meaningful contribution to reducing aviation emissions, particularly for medium- and long-haul travel.


### Research from Jarden

Channel Infrastructure (CHI.NZ) has announced plans to build terminal facilities to handle imported bitumen for its new customer, Higgins, a leading road construction company. This 15-year deal, starting in the second half of FY2026, could generate NZD \$45 million in revenue during the initial term, with options to extend for another ten years. The project will require a capital investment of \$17-\$21 million over FY25-FY26 to build storage, jetty upgrades, and truck-loading infrastructure. Importantly, the agreement offers CHI stable, capacity-based income with no risk tied to fluctuations in product volume or pricing.

This initiative aligns with CHI’s broader strategy to grow its revenue streams and explore sustainable fuel projects like bioSAF (biofuel for aviation). The company’s long-term value could rise significantly depending on the outcome of these projects, alongside additional government diesel storage mandates. Jarden has raised its valuation target to \$1.96 per share and upgraded its stock rating to “Overweight,” reflecting its strong growth potential despite near-term risks like cost pressures.

### Fundamental Analysis

<b>Security Code</b>	CHI.NZ			
<b>Description</b>	Channel Infrastructure			
<b>Exchange</b>	NZ			
<b>Industry</b>	Storage & Transformation			
<b>Market Capitalisation (NZD)</b>	\$674.1 Million			
<b>Index</b>	NZX 50			
<b>Weighting in Index</b>	0.17%			
<b>Current Price (NZD)</b>	\$	1.79		
<b>Target Price (NZD)</b>	\$	2.01		
<b>Discount to Target Price</b>	12.29%			
<b>5 Year Hist Return</b>	3.59%			
<b>5 Year Hist Risk (SD)</b>	32.87%			



Forecasts	3/2024A	3/2025F	3/2026F	3/2027F
<b>PE Ratio</b>	23.31	26.99	24.07	20.51
<b>Dividend Yield (%)</b>	6.7	6.13	6.44	7.07
<b>Revenue (NZD)</b>	\$138 Million	\$137 Million	\$137 Million	\$143 Million
<b>EBITDA (NZD)</b>	\$87.1 Million	\$95 Million	\$93.8 Million	\$98.9 Million
<b>Net Debt (NZD)</b>	\$315 Million	\$300 Million	\$266 Million	\$274 Million
<b>\$</b>	1.61	1.81	2.01	2.21
<b>Strong Buy</b>	<b>Buy</b>	<b>Hold</b>	<b>Sell</b>	<b>Strong Sell</b>
	↑			

Revenue is expected to remain stable, ranging from NZD \$137 million in FY2025 to \$143 million by FY2027, showcasing steady demand for its core services. EBITDA, a key measure of operational efficiency, is forecasted to grow from NZD \$87.1 million in FY2024 to \$98.9 million in FY2027, signifying a 13.6% improvement over three years. This reflects the company’s continued focus on cost efficiencies and revenue optimisation.

The balance sheet demonstrates a gradual reduction in net debt, projected to decline from NZD \$315 million in FY2024 to \$274 million by FY2027. The company’s current share price of NZD \$1.79 represents a 12.29% discount to the target price of \$2.01, indicating upside potential for investors. With an increasing dividend yield from 6.7% in FY2024 to an anticipated 7.07% in FY2027, Channel Infrastructure offers attractive returns, making it appealing to income-focused investors.

The forecasted P/E ratio declines from 23.31 in FY2024 to 20.51 in FY2027, suggesting improved valuation metrics as the company strengthens its profitability. These metrics align with Channel Infrastructure’s strategic pivot towards sustainable energy and biofuel projects, such as its partnership with Seadra Energy, which leverages its Marsden Point assets for future-oriented initiatives.

According to our methodology, Channel Infrastructure is rated as a ‘Buy’, which is supported by its strong dividend yield, and long-term potential in sustainable energy.

## Conclusion

Channel Infrastructure's strategic pivot to energy storage and sustainable fuels underscores its adaptability in a dynamic market. Strong financials, innovative partnerships, and commitment to sustainability make it a compelling player in New Zealand's energy landscape. With its growth-focused initiatives, Channel is well-positioned to capitalise on emerging energy opportunities while delivering consistent shareholder returns.

## Upcoming Dividends: 3<sup>rd</sup> December to 3<sup>rd</sup> January.

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	Pay Date
Argosy	ARG	03-Dec-24	04-Dec-24	1.91cps	18-Dec-24
Barramundi	BRM	04-Dec-24	05-Dec-24	1.56cps	20-Dec-24
Greencross Health	GXH	04-Dec-24	05-Dec-24	3.47cps	18-Dec-24
Kingfish	KFL	04-Dec-24	05-Dec-24	3.12cps	20-Dec-24
Marlin	MLN	04-Dec-24	05-Dec-24	1.98cps	20-Dec-24
Radius Care	RAD	04-Dec-24	05-Dec-24	0.90cps	19-Dec-24
Stride Property	SPG	04-Dec-24	05-Dec-24	2.67cps	17-Dec-24
Fisher & Paykel	FPH	05-Dec-24	06-Dec-24	25.69cps	18-Dec-24
Hallenstein Glasson	HLG	05-Dec-24	06-Dec-24	34.29cps	13-Dec-24
Kiwi Property	KPG	05-Dec-24	06-Dec-24	1.72cps	20-Dec-24
Napier Port	NPH	05-Dec-24	06-Dec-24	8.33cps	18-Dec-24
Mainfreight	MFT	12-Dec-24	13-Dec-24	118.06cps	20-Dec-24
Seeka	SEK	19-Dec-24	20-Dec-24	13.89cps	20-Jan-25
FCIT Trust	FCIT	31-Dec-24	03-Jan-25	7.74cps	03-Feb-25

Source: Iress

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