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Yovich & Co. Weekly Market Update

3rd March 2025

Market News

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
Previous Week 21st February	12752.58	8570.93	3379.11	8659.37	43428.02	19524.01	0.9022	0.5744	3.75%
Week Close 28th February	12601.42	8403.87	3320.90	8809.74	43840.91	18847.28	0.9028	0.5602	3.75%
Change	-1.19%	-1.95%	-1.72%	1.74%	0.95%	-3.47%	0.07%	-2.47%	0.00%

The NZX 50 Index declined by 1.19% over the past week, closing at 12,601.42. The index was impacted by Ryman's capital raise, which had a flow-on effect on all listed companies with exposure to the retirement sector. Summerset's share price dropped 80 cents (6.25%), while Oceania Healthcare Limited also saw its share price decrease by 4 cents (5.41%).

The Australian All Ordinaries Index declined by 1.95% for the week, driven by underperformance in the financial, technology, and mining sectors.

The UK FTSE 100 Index rebounded sharply, rising 1.74% for the week. This upward movement was primarily driven by strong corporate earnings from key companies such as Rolls-Royce and the London Stock Exchange Group. Additionally, investor optimism surrounding the UK's potential to avoid new US tariffs and secure a swift trade deal with the US contributed to the FTSE 100's resilience. This sentiment was further bolstered by Prime Minister Keir Starmer's successful visit to the White House.

The US continues to experience persistent inflationary pressures, reigniting fears that the Federal Reserve may maintain higher interest rates for longer. Recent economic data, such as the CPI, edged up to 3% in January 2025 from 2.9% in December 2024, slightly exceeding market forecasts. Stubborn inflation has dampened investor confidence in potential rate cuts. Tech stocks, which are highly sensitive to interest rate expectations due to increased borrowing costs and discounted future earnings, were particularly affected, leading to a 3.47% decline in the NASDAQ.

The announced tariffs of 25% on Mexican and Canadian goods, set to commence on March 4, along with a 10% tariff on Chinese imports, have heightened concerns about a potential global trade war. This led to a sell-off in risk-sensitive currencies like the NZD, resulting in a 2.47% depreciation to 56 cents. While this decline benefits New Zealand exporters, it is less favourable for importers facing higher costs for overseas goods

Weekly Market Movers

The biggest movers of the Week ending 28th February 2025				
Up			**Down**	
Vista Group International	17.96%		Ryman Healthcare	-22.98%
The a2 Milk Company	3.88%		Vulcan Steel	-9.94%
Westpac Bank	3.39%		Oceania Healthcare	-9.46%
Vector	2.28%		Mercury NZ	-7.43%
Port of Tauranga	2.24%		Hallenstein Glasson	-6.65%

Source: Iress

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Investment News

Port of Tauranga (POT.NZ)

Port of Tauranga delivered strong financial results in its first-half 2025 performance, with operating revenue rising to $225m from $200m in pcp, and net profit after tax (NPAT) increasing to $60.2m from $47.3m. However, log exports declined to 3.2m tonnes, down 10.5%, offset by a 71% rise in kiwifruit export volumes and steady growth in other forestry and dairy products. Total trade volumes increased to 12.4m tonnes, up 6.9%, while container throughput grew to 591,934 TEUs, a 10.2% lift. Operating costs rose to $113.9m, up 7.2%, while EBITDA improved to $114.3m, a 17.9% increase. The Board declared a gross dividend of 12.08 cents per share. Despite economic challenges, Port of Tauranga has raised its full-year profit guidance to a range of $115m to $125m, up from $102.7m in FY24. The company also announced a strategic move to acquire minority shares in Marsden Maritime Holdings, aiming to integrate operations with Northport and enhance its presence in the Northland region. Strong trade volumes, strategic investments, and diversification efforts continue to support Port of Tauranga's long-term growth and resilience.

Current Share Price: $6.78, **Consensus Target Price:** $6.45, **Consensus Forecast Dividend Yield:** 3.4%, **Total Return:**0.8%.

Marsden Maritime Holdings Limited (MMH.NZ)

Marsden Maritime Holdings (MMH) has entered into a Scheme Implementation Agreement with a consortium comprising Port of Tauranga, Northland Regional Council, and Tupu Tonu. The consortium proposes to acquire all MMH shares not already held by Northland Regional Council at a cash price of NZ$5.60 per share, representing a 73% premium to MMH's share price of NZ$3.24 before the announcement. Following the news, MMH's share price surged by over 60%, closing near the offer price as investors reacted positively to the proposal. The MMH Board has unanimously supported the scheme, with a shareholder vote expected in May 2025. If approved, the acquisition will result in MMH being delisted from the NZX, streamlining its ownership structure and aligning its strategic direction with Northport's long-term development.

Current Share Price: $5.23, **Scheme Implementation Agreement Price**: $5.60.

Summerset (SUM.NZ)

Summerset Group delivered strong financial results for the year ended 31 December 2024, with underlying profit rising to NZ$190.3m, up 11% from the previous year, while net profit after tax (IFRS) surged 62.1% to NZ$436.3m. Total settlements increased to 1,238, a 12% rise, including 643 new sales and 595 resales. Development margin improved to 31.6%, up from 29.7% in FY23, reflecting strong demand for new units. Total assets grew to NZ$6.9b, an 18.9% increase. The company declared a final dividend of 13.2 cents per share, bringing the total FY24 dividend to 24.5 cps, up 9.9%. Summerset expanded its portfolio with two new sites in New Zealand and delivered its first Australian homes at Cranbourne North. Looking ahead, the company plans to deliver 675 - 725 homes in 2025, including its first multi-level village in St Johns, Auckland. Despite economic headwinds, Summerset's strong development pipeline and continued demand for retirement living support its long-term growth outlook.

Current Share Price: $12.37, **Consensus Target Price:** $14.46, **Consensus Forecast Dividend Yield:** 2%, **Total Return:** 18.8%.

Hallenstein Glasson Holdings (HLG.NZ)

Hallenstein Glasson Holdings reported unaudited total group sales of $240.0 million for the six months ended 1 February 2025, up 7.7% from the prior period. Gross margin declined slightly to 58.4% due to the challenging New Zealand retail environment. Unaudited net profit after tax (NPAT) is expected to be between $21.0 million and $21.3 million, in line with last year's record $21.1 million. The company maintains a strong balance sheet with solid cash reserves and well-managed stock levels. Full financial results, including a dividend declaration, will be released on 28 March 2025.

Current Share Price: $8.07, **Consensus Target Price:** $9.38, **Consensus Forecast Dividend Yield:** 9.8%, **Total Return:**26.0%.

Spark Limited (SPK.NZ)

Spark New Zealand has completed the sale of its remaining ~17% stake in Connexa to CDPQ for ~$311 million, following regulatory approvals. The transaction values Connexa in line with previous New Zealand mobile tower EBITDAI multiples, with Spark expecting a ~$69 million gain on sale in reported EBITDAI. Ontario Teachers' Pension Plan also sold 33% of its shareholding, resulting in CDPQ and Ontario Teachers' each holding 50% of Connexa. Spark remains a key customer, retaining control over network development and core assets like radio equipment and spectrum.
Current Share Price: $2.27, **Consensus Target Price:** $3.10, **Consensus Forecast Dividend Yield:** 15.3%
Total Return: 52.5%.

Property for Industry Limited (PFI.NZ)

Announced today that it is offering up to $100,000,000 (with the ability to accept oversubscriptions of up to an additional $50,000,000) of 5.5-year, senior secured fixed rate bonds (Bonds) to New Zealand retail and institutional investors and Australian institutional investors. The Interest Rate for the Bonds will be equal to the sum of the Base Rate plus the Issue Margin, subject to a minimum Interest Rate of 5.15% per annum. The indicative Issue Margin range for the Bonds is 1.65% to 1.75%. An announcement of the actual Issue Margin (which may be within, above or below the indicative Issue Margin range) and Interest Rate is expected to be made via NZX on 6 March 2025 following a bookbuild process. The Bonds are expected to be issued on 13 March 2025.
Current Share Price: $2.12, **Consensus Target Price:** $2.24, **Consensus Forecast Dividend Yield:** 4.5%, **Total Return:**10.1%.

Spotlight on Ryman Healthcare – A Leading Provider of Retirement Living and Aged Care

Company Profile

Established in Christchurch, New Zealand, in 1984, Ryman Healthcare has grown into a prominent operator of retirement villages and aged care facilities across New Zealand and Australia. The company's mission is to enhance freedom, connection, and well-being for older individuals, guided by the principle that "everything we do must be good enough for Mum—and Dad."
Ryman operates 49 retirement villages, providing care and support to over 14,000 residents.

Recent Capital Raising Initiatives; Rights Issue

On 24th February 2025, Ryman Healthcare announced a NZ$1 billion equity raising initiative aimed at strengthening its financial position. The raise consists of:

- Underwritten institutional placement: NZ$313 million
- Pro-rata accelerated non-renounceable entitlement offer: NZ$688 million

The primary objective of this capital raise is to reduce Ryman's net interest-bearing debt from NZ$2.56 billion to NZ$1.59 billion, effectively lowering its gearing ratio from 37.3% to 23.1%. This move aims to reset the balance sheet, enhance financial stability, and provide a solid foundation for future growth.

Structure of the Rights Issue

The new shares are being offered at NZ$3.05 per share, representing a 29% discount to Ryman's closing price of NZ$4.31 on 21 February 2025. Eligible shareholders can subscribe for 1 new share for every 3.05 existing shares.
As of the latest market close, Ryman's share price stands at NZ$3.05, meaning there is no immediate discount to the offer price but a 21.79% discount to the TERP of $3.90.

Analysis, Key Insights & Strategic Guidance – Investing in Ryman Healthcare for NZ Investors

Risk & Portfolio Considerations
Investors considering the rights issue should evaluate how additional exposure to Ryman impacts portfolio diversification and risk tolerance. While higher risk is generally associated with higher returns, understanding volatility and potential downside is crucial.

If Ryman were the only stock in your portfolio:
• Five-year price volatility: 37%, indicating high risk.
• Effective annual return (excluding dividends): -19%.
• Current price discount: 22% below TERP, suggesting a potential value opportunity.
However, portfolio diversification can significantly reduce risk. For example:
A 50% allocation to an NZX50 index fund alongside 50% in Ryman lowers volatility from 37% to 22.74%, demonstrating how diversification helps manage risk.
Investors concerned about single-stock concentration should consider broader portfolio diversification strategies.
To assess your personal risk tolerance—both behaviourally and financially—completing a risk profiling assessment is recommended: Risk Profiler – Yovich & Co.

Gearing & Financial Stability
The primary objective of Ryman's capital raise is to strengthen its balance sheet by reducing net interest-bearing debt from NZ$2.56 billion to NZ$1.59 billion. This is expected to lower the gearing ratio from 37.3% to 23.1%.
While reducing debt enhances financial resilience, potential investors should also consider:
• Market conditions and how they affect the aged care sector.
• Operational performance, including Ryman's ability to maintain profitability and expansion.
• Future interest rate movements, as lower debt makes the company less exposed to interest rate risks
Thorough due diligence and financial advice are recommended before making investment decisions.
Valuation Insights – Ryman Healthcare

Ryman Healthcare's capital raise at $3.05 per share represents a 22% discount to the theoretical ex-rights price (TERP) of $3.90, making it an attractive entry point for investors. The company is currently trading at a P/NTA of 0.73x, indicating that the market values Ryman at 73% of its net tangible asset (NTA) per share. Given this the fair value estimate per share is $4.18 which is 27% discount to fair value.

This suggests a potential undervaluation, especially if operational improvements and debt reduction translate into stronger financial performance.
Near-term earnings dilution from the capital raise and a reduced development outlook for FY26 and FY27 may limit immediate upside. However, with a discounted share price, improved gearing, and strong long-term demand drivers, including New Zealand's aging population and the need for ~25,000 additional retirement village units over the next decade. Additionally, large villages with established care facilities are in stronger position to render the services required compared to smaller counterparts.

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Strategic Financial Management

Ryman's leadership has emphasised that this capital raise is part of a broader transformation strategy. Over the past year, the company has:

- Refreshed its board and management team to strengthen leadership.
- Updated its pricing model to better reflect market conditions.
- Shifted to a functional organisational structure to improve efficiency.

These changes, along with the capital raised, aim to enhance operational performance and position Ryman for sustainable long-term growth. According to press release, it is expected to achieve the annualised cash improvements of NZ$100-150 million through revenue enhancements and cost efficiencies.

Conclusion

Ryman Healthcare's proactive approach to improving its financial stability through this capital raise demonstrates its commitment to sustainable growth and operational excellence.

The company's strong market position, ongoing transformation efforts, and demographic tailwinds (an aging population in New Zealand and Australia) make it an attractive long-term investment opportunity.

However, investors should closely monitor execution risks, financial discipline, and broader market conditions to ensure the investment aligns with their strategy.

Upcoming Dividends: 4th March to 4th April.

Description	Security	ExDivDate	BooksClose	Gross Dividend Amount	Pay Date
BARRAMUNDI	BRM	5-Mar-25	6-Mar-25	1.53 cps	28-Mar-25
KINGFISH	KFL	5-Mar-25	6-Mar-25	3.04 cps	28-Mar-25
MERCURY	MCY	5-Mar-25	6-Mar-25	13.33 cps	1-Apr-25
MARLIN	MLN	5-Mar-25	6-Mar-25	2.05 cps	28-Mar-25
VITALHEALTH	VHP	5-Mar-25	6-Mar-25	2.93 cps	20-Mar-25
AIRNZ	AIR	6-Mar-25	7-Mar-25	1.25 cps	19-Mar-25
FREIGHTWAY	FRW	6-Mar-25	7-Mar-25	26.38 cps	1-Apr-25
Heartland	HGH	6-Mar-25	7-Mar-25	2.77 cps	21-Mar-25
MERIDIAN	MEL	6-Mar-25	7-Mar-25	8.18 cps	25-Mar-25
PRECINCT	PCT	6-Mar-25	7-Mar-25	1.73 cps	21-Mar-25
PORTTAUR	POT	6-Mar-25	7-Mar-25	9.72 cps	21-Mar-25
SKELLERUP	SKL	6-Mar-25	7-Mar-25	10.75 cps	20-Mar-25
SKTTV	SKT	6-Mar-25	7-Mar-25	11.8 cps	21-Mar-25
ARGOSY	ARG	11-Mar-25	12-Mar-25	1.86 cps	26-Mar-25
CHANINF	CHI	12-Mar-25	13-Mar-25	6.6 cps	27-Mar-25
Summerset	SUM	13-Mar-25	14-Mar-25	13.2 cps	27-Mar-25
Vulcan Steel	VSL	13-Mar-25	14-Mar-25	2.69 cps	27-Mar-25
CHORUS	CNU	17-Mar-25	18-Mar-25	23 cps	15-Apr-25
NZME	NZM	18-Mar-25	19-Mar-25	8.33 cps	31-Mar-25

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NZX	NZX	18-Mar-25	19-Mar-25	4.3 cps	2-Apr-25
AUCKAIR	AIA	19-Mar-25	20-Mar-25	8.68 cps	4-Apr-25
GENESISENRGY	GNE	19-Mar-25	20-Mar-25	9.9 cps	10-Apr-25
SEEKA	SEK	19-Mar-25	20-Mar-25	6.94 cps	15-Apr-25
a2 Milk	ATM	20-Mar-25	21-Mar-25	11.8 cps	4-Apr-25
COLMOTOR	CMO	20-Mar-25	21-Mar-25	20.83 cps	31-Mar-25
Spark	SPK	20-Mar-25	21-Mar-25	16.14 cps	4-Apr-25
TOURHOLD	THL	20-Mar-25	21-Mar-25	3.47 cps	4-Apr-25
VECTOR	VCT	20-Mar-25	21-Mar-25	12 cps	31-Mar-25
NZ Land	NZL	24-Mar-25	25-Mar-25	2.54 cps	22-Apr-25
PGGWRIGHT	PGW	25-Mar-25	26-Mar-25	3.47 cps	3-Apr-25

Source: Iress

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