

# Equity Strategy

## Virus Virtually Vanquished

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We expect New Zealand to move to Alert Level 1 next week, which would mean the Government is confident that COVID-19 has been eliminated domestically; therefore, restrictions on businesses and consumers would be largely removed. The only major exception being border controls, which will continue to impact travel, tourism and airfreight markets. There is just one active case in New Zealand and the last new confirmed case was almost two weeks ago. Key listed beneficiaries of the move from Alert Level 2 to 1 include SKYCITY (SKC), and building sector stocks Fletcher Building (FBU), Steel & Tube (STU), and Metro Performance Glass (MPG).

### Health first approach

The Government has taken a health first approach to managing COVID-19. This has come at the expense of the economy, which has been more severely impacted than other OECD countries, including Australia. While consumer demand has been robust in recent weeks, we are wary that some of this is pent-up with headwinds developing given rising unemployment levels, and likely business failures, particularly as the government's wage subsidy scheme partially unwinds over the next four weeks.

### Border controls remain

Alert Level 1 restrictions are largely limited to border controls. Notwithstanding some easing of restrictions at other Alert Levels under the weight of pressure from business and consumer groups, we expect the Government to maintain a health first approach to the border. This may mean trans-Tasman, Pacific Islands or other 'air-bridge' bubbles opening up but only if the risk of importing new cases is deemed somewhere between negligible and zero. In order to satisfy this level of risk tolerance, health related border measures (COVID-19 tests, medical passports, quarantine etc.) may dampen the rate of recovery in travel demand.

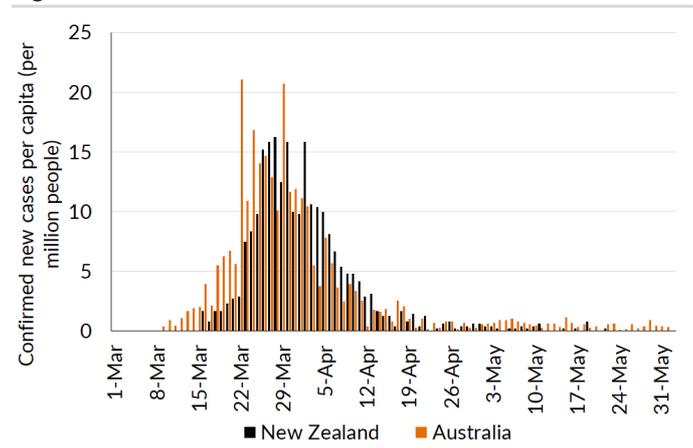
**Figure 1. Impact on companies at each Alert Level**

Company exposure (10 - massive/little revenue/loss making, 0 no impact or benefit). Excludes cyclical economic impact on each company.

	Level 4	Level 3	Level 2	Level 1
Auckland Airport	9	9	8	7
Air New Zealand	10	10	7	6
Tourism Holdings	10	10	7	6
Refining NZ	7	7	6	5
SKYCITY	10	10	6	2
Sky TV	6	6	4	2
Z Energy	8	6	3	2
NZME	8	7	2	2
Infratil	4	4	2	1
Spark NZ	2	2	1	1
Fletcher Building	10	4	4	0
Metro Performance Glass	10	4	4	0
Steel & Tube Holdings	10	4	4	0
NZ King Salmon	5	5	3	0
Abano Healthcare Group	10	10	2	0
Michael Hill Intl	10	9	2	0
Kathmandu Holdings	10	8	2	0
The Warehouse Group	10	8	2	0
Briscoe Group	10	8	2	0
Asset Plus	5	4	2	0
Kiwi Property Group	5	4	2	0
Stride Property	5	4	2	0
Sanford	4	4	2	0
Metlifecare	4	3	2	0
Summerset Group	4	3	2	0

Source: Forsyth Barr analysis NOTE: list limited to those most impacted by Alert Levels 1 & 2

**Figure 2. COVID elimination in New Zealand**



Source: WHO, Forsyth Barr analysis

**Figure 3. Key beneficiaries of Alert Level changes**

Alert Level 2 to 1		Alert Level 1 to no alert	
SKYCITY	4	Auckland Airport	7
Fletcher Building	4	Air New Zealand	6
Metro Performance Glass	4	Tourism Holdings	6
Steel & Tube Holdings	4	Refining NZ	5

Source: Forsyth Barr analysis

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