

# Wealth Weekly

## COVID-19 Now a Known Unknown

**WEALTH MANAGEMENT RESEARCH**

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The pace at which events have developed over the past month has been extreme. COVID-19 rapidly shifted from an outbreak in China to a global pandemic. Many countries, such as New Zealand, are in lockdown. More will follow. The impact on economies and businesses will be immense. Governments and central banks have responded with massive stimulus and liquidity commitments. Whilst the ultimate impact of the virus remains highly uncertain, we expect the pace of market-influencing news flow will slow. COVID-19 has shifted from an 'unknown unknown' to a 'known unknown'. In the near-term we are watching whether lockdown measures stem the virus's spread in Europe. If successful, it would prove containment measures are workable outside of Asia's more authoritarian regimes.

**Australia doles out more stimulus**

Last week the Australian Treasurer announced the Government's second fiscal stimulus package in an effort to help deal with the economic fallout from COVID-19. The stimulus measures are largely directed to those that have the highest propensity to consume.

We had conference calls with some of the companies in our Australian Executable Model Portfolio: APA Group, CSL, Qube Holdings and Scentre Group. **We came away comfortable that all four companies have the ability to successfully navigate the near-term pain** brought on by COVID-19. Additionally, we are attracted to the longer-term prospects of each company and believe the significant share price declines they have experienced provide attractive entry or top-up opportunities for long-term investors.

**Themes of the week**

**Economic data is only beginning to highlight the impact on the economy. United States weekly jobless claims skyrocketed to 3.3 million in the week** versus previous highs in the 600ks during the 1982 recession and Global Financial Crisis. Apparently it could be higher, but the claims website kept crashing because of overloading.

**Policymakers, governments and central banks continue to make clear there is little limiting the stimulus they are willing to provide to navigate the crisis.** Governments have promised US\$5 trillion in fiscal stimulus (and we expect more is to come), and central banks have committed to provide US\$7 trillion of liquidity. Effective implementation of fiscal support will be key, particularly preserving jobs and protecting small and medium-sized (SME) businesses, which generally have less access to financial resources than larger corporates.

**Cases of COVID-19 continue to climb around the globe.** There are early signs that the pace of the virus's spread may be peaking in some parts of Europe. In other countries, including the United States, that have been less vigilant to date, the spread is accelerating.

**Despite the bad economic news, equities and bonds bounced strongly last week.** In our view, rather than increased investor optimism, this reflects a reduction in the acute liquidity squeeze (need for cash) of some market participants which forced broad selling of all assets the week before.

**Looking ahead**

Economic data and company news flow is generally not relevant at the moment. We all know the economy is largely shut down. An exception will be companies raising equity to recapitalise balance sheets. We will watch whether COVID-19 containment measures continue to be successful in Asia, and start to show signs of effectiveness in Europe and New Zealand. We expect other countries will tighten containment measures as the virus spreads.

## Australian Equities

### Government attempts to bolster economy

Last week the Australian Treasurer announced the Government's second fiscal stimulus package in an effort to help deal with the economic fallout from COVID-19. The direct stimulus parts of the packages amount to around 3.5% of GDP and almost 3 percentage points of this is expected to come through in the current calendar year. There were also several measures announced which won't cost the government much in the near term (like accessing superannuation early), but should also help fill the economic void that is currently developing. The stimulus measures are largely directed to those that have the highest propensity to consume current and future welfare recipients. The stimulus package is unlikely to be the last, given the level of viral infection continues to rise and the proportion of the economy in shut-down continues to increase.

### Reiterating key ideas from our Australian Executable Model Portfolio

During the week we had conference calls with some of the companies in our Australian Executable Model Portfolio: APA Group, CSL, Qube Holdings and Scentre Group. We came away comfortable that all four companies have the ability to successfully navigate the near-term pain brought on by COVID-19. Additionally, we are attracted to the longer-term prospects of each company and believe the significant share price declines they have experienced provide attractive entry or top-up opportunities for long-term investors.

#### APA Group (APA)

APA's operations have been deemed essential given the need to meet ongoing demand for energy across its customer base. Energy demand is expected to be robust, particularly if resource exports pick up as Chinese demand looks set to recover. Whilst APA has a relatively high level of net debt at ~A\$8bn, it is backed by a stable revenue outlook (90% of revenues are secured 80% by take-or-pay contracts and 10% by regulation). Additionally, debt with near-term maturities will likely be re-financed at materially lower rates, providing support to earnings.

#### CSL (CSL)

CSL's key operations, Blood Plasma (CSL Behring) and Vaccine (Seqirus), are fully operational and deemed essential services. We expect CSL will be able to adapt to most unforeseen short term stresses on its business, both operationally and financially. CSL operates in a favourable competitive landscape, with some scope for price recovery if costs (blood plasma collection) stay elevated longer than anticipated. Additionally, COVID-19 will raise awareness around pandemic prevention which will likely benefit CSL's influenza vaccine business, Seqirus.

#### Qube Holdings (QUB)

Almost all of QUB's activities have been considered essential, to keep supply chains operating. We feel that QUB's operations should prove to be reasonably resilient, and with Chinese ports having been reopened there could be an increase in demand for Australian bulk-port exports, and sourcing of imported product out of China. QUB also has the ability, if needed, to take further costs out of its business. Although QUB has a reasonable amount of debt, it has plenty of headroom on covenants, and all of its USPP debt (~A \$220m) is hedged back to AUD, thus mitigating currency conversion risk.

#### Scentre Group (SCG)

Although Scentre Group screens as having relatively high demand risk as a result of COVID-19, its current share price implies a ~40% valuation downgrade across its portfolio, which we view as unreasonable. In Australia shopping malls have been deemed essential, albeit businesses within malls that encourage mass gatherings have been forced to close (movie theatres, gyms, pubs etc.). In NZ, only certain shops within shopping malls are deemed essential (e.g. supermarkets and pharmacies). Clearly activity in the malls will drop significantly and SCG is going to have to provide some rent relief to help tenants that have been forced to close. SCG has the ability to manage capital and opex costs lower. SCG is deferring capital projects, has suspended its buyback, may suspend dividends, and is planning to make sure it has enough liquidity to ride out the worst case scenario (SCG had \$1.8bn in liquidity as at the end of 2019).

### Assessing stock specific COVID-19 impacts

We have screened companies within our Australian Model Portfolio for COVID-19 risks – both negative and positive (see Figures 1 & 2). We have attempted to be as consistent as possible in our approach, but advise an element of caution in reviewing these tables as they are subjective. Those most impacted will likely experience impacts to profitability, and may require additional balance sheet support (Webjet has already indicated a probable capital raise). At the other end of the spectrum there are companies in the internet, healthcare and utilities/infrastructure sectors that should be relatively less affected.

**Figure 1. Demand risk scores – Most exposed**

Company	Total negative demand risk	Total positive demand risk	Total demand risk
Webjet	96	10	86
Aristocrat Leisure	84	6	78
Sydney Airport	71	0	71
Scentre Group	66	0	66
Santos	48	0	48
James Hardie	47	0	47
ANZ	45	0	45
NAB	45	0	45
Lendlease	44	0	44
Viva Energy	39	0	39
BHP Group	34	0	34

Source: Forsyth Barr analysis. NOTE: A high positive Net Demand Risk score denotes significant net downside risk. The total risk score is derived from applying weightings to each risk component. The negative risks are all weighted three and the positive risks are all weighted two.

**Figure 2. Demand risk scores – Least exposed**

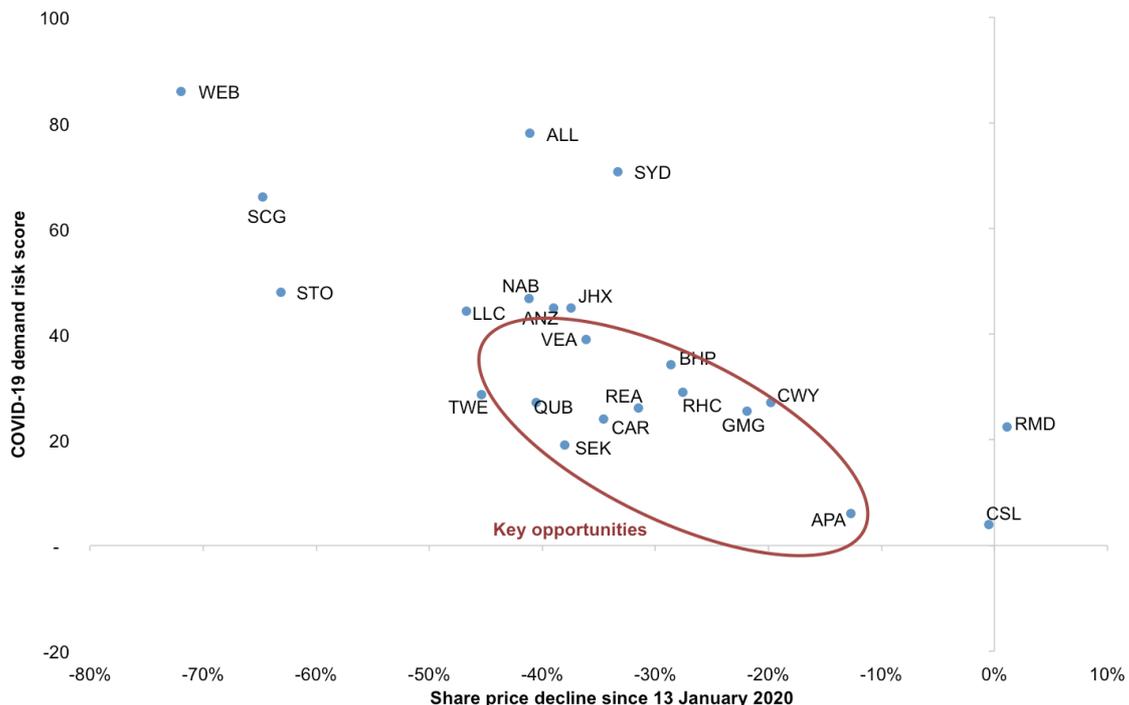
Company	Total negative demand risk	Total positive demand risk	Total demand risk
CSL	24	20	4
APA Group	6	0	6
Seek	33	14	19
ResMed	32	10	22
Carsales.com	36	12	24
Goodman Group	26	0	26
REA Group	36	10	26
Qube Holdings	27	0	27
Cleanaway	27	0	27
Treasury Wines	35	6	29
Ramsay Healthcare	45	16	29

Source: Forsyth Barr analysis. NOTE: A negative Net Demand Risk score denotes net upside demand potential. The total risk score is derived from applying weightings to each risk component. The negative risks are all weighted three and the positive risks are all weighted two.

### Demand risk vs share price performance thus far

In Figure 3 we show the subjective COVID-19 demand risk scores relative to share price performance since 13 January 2020. While we recognise the market peaked on 21 February 2020, we are conscious that companies with primary exposure (i.e. travel and tourism in particular) to COVID-19 had already fallen materially by that stage. Key lower risk investment opportunities exist in the bottom centre of the chart circled in red, where companies have a neutral demand impact from COVID-19, yet their share prices have been hit.

**Figure 3. Share price performance since 13 January 2020 vs COVID-19 demand risk score**



Source: Forsyth Barr analysis

### Diving into the detail – drivers of demand risk from COVID-19

We apply subjective screens for COVID-19 related factors, specifically (1) travel and tourism exposure, (2) economic cycle risk, (3) social distancing (including lock-down) risk, (4) at risk demographic exposure, and (5) reliance on international or domestic freight. The last factor may be mitigated for essential services. We equally weight these factors in formulating a negative demand risk score for each company. Some companies will benefit from COVID-19, and therefore negative demand risk may be partially or fully offset by health and well-being related benefits and/or ecommerce.

**Figure 4. Total demand risk: subjective analysis of companies under coverage of risk to COVID-19**

Company	Negative demand					Positive demand			Total demand risk			
	Travel/Tourism exposure (0 Not exposed; 10 Highly exposed)	Economic cycle risk (0 Fully regulated; 10 Highly cyclical)	Social distancing risk (0 Zero; 10 Customers in close contact)	At risk demographic exposure (0; 10 Elderly client base)	General supply chain risk [A] (0 None; 10 Freight business)	Essential services [B] (0 Yes; 10 No)	Overall supply chain risk [=AxB/10] (0 No; 10 Very high)	Total negative demand risk		Healthcare/wellbeing related beneficiary (0 Non-healthcare; 10 Key beneficiary)	Ecommerce/other (0 None; 10 100% Ecommerce)	Total positive demand risk
Webjet	10	8	4	5	5	10	5	96	0	5	10	86
Aristocrat Leisure	7	5	7	4	5	10	5	84	0	3	6	78
Sydney Airport	8	4	6	2	6	6	4	71	0	0	0	71
Scentre Group	4	7	7	2	4	5	2	66	0	0	0	66
Santos	4	7	3	1	5	2	1	48	0	0	0	48
James Hardie	2	7	5	0	4	4	2	47	0	0	0	47
ANZ	3	6	4	2	2	0	0	45	0	0	0	45
NAB	3	6	4	2	2	0	0	45	0	0	0	45
Lendlease	2	5	5	1	3	6	2	44	0	0	0	44
Viva Energy	3	3	5	2	8	0	0	39	0	0	0	39
BHP Group	0	7	3	0	7	2	1	34	0	0	0	34
Ramsay Healthcare	0	3	6	6	5	0	0	45	8	0	16	29
Treasury Wines	1	4	3	2	5	3	2	35	0	3	6	29
Qube Holdings	0	6	3	0	10	0	0	27	0	0	0	27
Cleanaway	2	4	3	0	10	0	0	27	0	0	0	27
REA Group	2	7	3	0	0	6	0	36	0	5	10	26
Goodman Group	0	3	4	0	3	5	2	26	0	0	0	26
Carsales.com	1	9	2	0	0	10	0	36	0	6	12	24
ResMed	0	1	5	3	6	3	2	32	5	0	10	22
Seek	4	7	0	0	0	6	0	33	0	7	14	19
APA Group	0	2	0	0	5	0	0	6	0	0	0	6
CSL	0	1	5	2	5	0	0	24	10	0	20	4

Source: Forsyth Barr analysis

### Additional risks – operating leverage and gearing

Demand risk can be exaggerated for companies with high levels of fixed overheads. Moreover, companies with elevated gearing heading into this crisis are more exposed from a balance sheet perspective than those with lower gearing. We provide further heat maps for all companies under coverage to outline these additional risks in Figures 5 and 6.

**Figure 5. Operating leverage**

Company	Total demand risk	Cost flexibility to respond cost base; 10 costs entirely variable)
Webjet	86	5
Aristocrat Leisure	78	5
Sydney Airport	71	4
Scentre Group	66	3
Santos	48	5
James Hardie	47	4
ANZ	45	4
NAB	45	4
Lendlease	44	3
Viva Energy	39	5
BHP Group	34	5
Ramsay Healthcare	29	3
Treasury Wines	29	4
Qube Holdings	27	4
Cleanaway	27	5
REA Group	26	5
Goodman Group	26	3
Carsales.com	24	5
ResMed	22	5
Seek	19	4
APA Group	6	3
CSL	4	6

Source: Forsyth Barr analysis

**Figure 6. Gearing**

Company	Total demand risk	Gearing going into COVID 19 (0 Over-capitalised; 10 Elevated gearing)
Webjet	86	4
Aristocrat Leisure	78	3
Sydney Airport	71	7
Scentre Group	66	5
Santos	48	7
James Hardie	47	3
ANZ	45	7
NAB	45	7
Lendlease	44	5
Viva Energy	39	3
BHP Group	34	2
Ramsay Healthcare	29	2
Treasury Wines	29	0
Qube Holdings	27	5
Cleanaway	27	2
REA Group	26	2
Goodman Group	26	4
Carsales.com	24	3
ResMed	22	2
Seek	19	4
APA Group	6	3
CSL	4	2

Source: Forsyth Barr analysis

## Themes of the Week

### Macro Snapshot

#### The COVID-19 Panic

The COVID-19 pandemic raises the question of how to balance the priorities of stemming both a viral outbreak and the associated economic shock. The pandemic containment strategies governments are pursuing are having significant social, economic and market impacts. But at a national and global level, these costs pale in comparison to the human toll of doing too little, too late.

The more widespread, stringent, strictly enforced, and effective that containment is, the faster the return to normality and the less severe the human and economic impact will ultimately be. Increasing numbers of governments are acting aggressively to contain the virus, and they and central banks have learned lessons over the last decade that should help limit the risk of economic policy errors.

#### Darkest before dawn

Infection rates are still rising exponentially in western countries; the US President continues to drag his heels on getting the virus under control out of a misguided impression that ignoring it, denying it and lying about it will make it go away; the worst economic impacts are yet to be seen; the length of containment strategies and depth of economic impacts remain uncertain; and until last Tuesday markets were still falling.

While equities have fallen from peak levels into bear market territory (-20% or more) at the quickest pace in history, they are still a long way from the largest historical drawdowns, particularly when compared to the past bear markets when an unexpected shock was accompanied by a recession. High frequency indicators such as commodity prices (copper and oil), freight loadings, and earnings outlooks continue to plunge, which indicate we may have some way to go before markets stabilise.

But there are glimmers of hope:

- China, Japan, Korea, Taiwan and Singapore have shown it is possible to relatively quickly bring domestic disease outbreaks under control.
- There have been early signs that infection rates may be starting to slow in some of the worst affected parts of Europe (Italy, France and Spain), although a few more days of data are required to confirm a trend.
- Other governments, including New Zealand's and the UK's, are now taking appropriate measures to limit the pandemic.
- The global financial crisis (GFC) a decade ago left central banks well-equipped to provide support to banks and financial markets in times of panic (and for better or worse also throughout the following decade), and they are showing themselves eager to do everything it takes to limit the fallout from the current market uncertainty.
- Most governments, having learned lessons from the misguided austerity policies of the US, UK and Eurozone in the early years of the GFC, have got their chequebooks out to limit the economic pain from the pandemic and associated containment measures.
- If history is anything to go by, equity markets could have more downside, but they have already fallen more than in average bear markets, and (looking beyond short-term earnings impacts) equities appear to be at historically attractive valuations relative to bonds which are historically expensive.

#### Short-term uncertainty, long-term hunt for yield

For now there remains uncertainty about when and how life, economies and industries will return to normal, and therefore about which companies will survive and thrive. This makes analysts' forecasts for the next one or two years of company earnings almost irrelevant in the short-term.

With bond yields converging towards zero, once the epidemic is perceived to be under control, and financial market conditions stabilise, investors will be compelled to look at equities again as the optimal asset class for relative returns. Currencies will also need to find a new equilibrium after some big downward moves, particularly in the Australian dollar and the NZ dollar.

## Fixed Interest

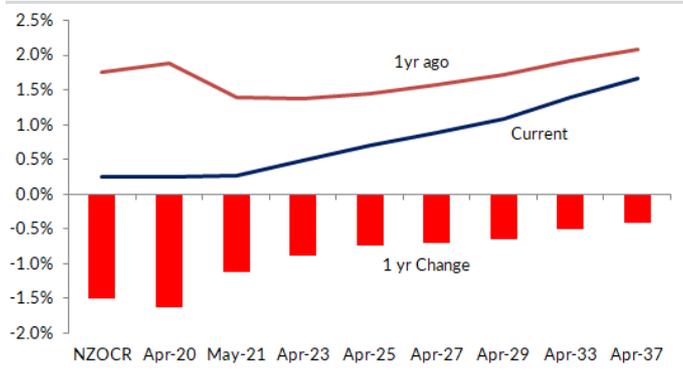
### What a week!

While much of the world works from home whilst lockdowns occur, the world's financial markets tried to make sense of it all, first by pricing in a severe recession almost immediately. This was followed by some extraordinary measures from central banks and governments who have not only thrown the kitchen sink at the issue but the whole kitchen.

In the US, Congress approved a **US\$2 trillion** relief package to accompany the US Federal Reserve's move to provide as much liquidity as the market needs to operate, including an historic move to buy investment grade bonds. The European Central Bank (ECB) is doing similar operations.

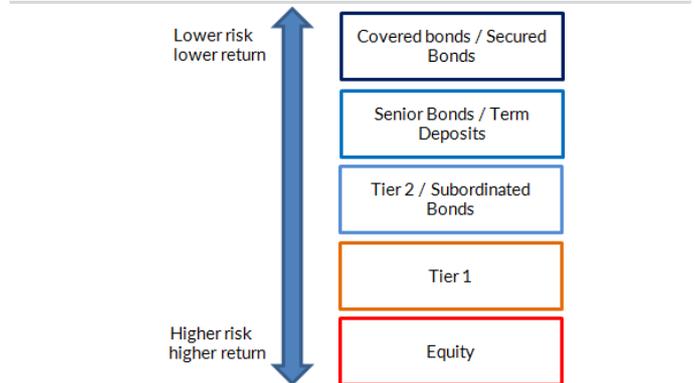
With all of this market intervention and a drive to lower borrowing costs to unprecedented levels, fixed income investors have an opportunity to buy debt that has been impacted by the current COVID-19 situation. As discussed in last week's edition, underlying interest rates have been slashed around the globe, including in New Zealand. However, credit spreads have widened significantly as risk is re-priced. If the current volatile situation dissipates as quickly as it escalated then taking advantage of these times may prove fruitful.

**Figure 7. NZ Government bond curve**



Source: Forsyth Barr analysis, Thomson Reuters

**Figure 8. Capital structure**



Source: Forsyth Barr analysis

### NZ Spreads improving, albeit slowly

Data for New Zealand credit spreads is often hampered by liquidity issues but as Figure 8 highlights, there has been somewhat of a sharp reversal in the US in the high yield sector. This sector is one of the few sectors not to have any intervention. Therefore, if that sector can improve without any intervention, all the other markets will likely to improve further if the recent good news keep coming.

The recent widening of credit spreads (re-pricing of risk) does reinforce the need for fixed income investors to be cognisant of where in the capital structure of a company the debt sits. The closer the debt is to common equity, the more the price of the debt will behave like the equity – i.e. volatile. This has been the case with subordinated debt and in particular bank subordinated debt being sold off as equity prices came under pressure.

## Equities

### **NZ Listed Property – Not immune to COVID-19**

Last week we published a review of the Listed Property Vehicles (LPVs) following the recent de-rating of the property sector.

Although the impacts from COVID-19 aren't yet known, the sector is in better shape than it was heading into the Global Financial Crisis (GFC). The sector has less office properties (which fare poorly in recessions as firms downsize), lower gearing levels, and longer lease terms.

This time around we expect that the LPVs with retail assets will face the toughest test as tenants battle to stay in business throughout the government enforced lockdown and uncertain economic environment post COVID-19.

We will also be keeping a close eye on upcoming property valuations, as significant downward revisions could rebase how the market thinks about certain LPVs; although history has shown that valuers are likely to wait for market evidence rather than taking preemptive action.

Following our review of the sector, our preferred exposures are Vital Healthcare (VHP), Property for Industry (PFI) and Investore (IPL).

#### **Vital Healthcare (VHP.NZ)**

VHP has strongly defensive portfolio characteristics and is well managed on the ground in NZ and Australia. It is relatively fully geared at ~35% versus a sector average of ~31% but this is offset by its portfolio qualities of strong tenants, low lease expiry profile, structured rental growth and resilience to the economic cycle. VHP also has a relatively low dividend pay-out ratio which is helpful. Sentiment towards manager NorthWest remains a risk factor. We have not changed our forecasts or NZ\$2.76 target price. **OUTPERFORM.**

#### **Property For Industry (PFI.NZ)**

PFI has a strong track record and is well managed, and has an appealing internal management structure. Its relatively smaller asset size helps with managing liquidity if needed and it successfully did this through the GFC period, without raising new capital. It has a defensive asset base, essentially being prime and secondary Auckland industrial assets. PFI has occupancy of 99% and a weighted average lease term of 5.4 years. A deep occupier market and change of use optionality over the medium term provide defensive attributes for the industrial market. PFI is geared to 28% versus a sector average of ~31% and has recently renegotiated its debt facilities. We have not changed our forecasts or NZ\$2.15 target price. **OUTPERFORM.**

#### **Investore (IPL.NZ)**

IPL's portfolio is essentially 100% large format retail, most of which are supermarkets. It has broadened its investment mandate lately but is yet to fully execute that, but we expect that it should remain relatively resilient. While IPL has the highest gearing level in the sector at ~40%, it's far from breaching its 65% covenant, and has long leases and structured rents. Reducing tenant concentration remains a key medium to longer term objective. **OUTPERFORM.**

#### **Kiwi Property Group (KPG.NZ)**

We downgraded Kiwi Property Group (KPG) to NEUTRAL from OUTPERFORM. While KPG has already been significantly re-rated down by the market, the near term news flow will remain problematic and there are large uncertainties for the retail outlook, the impact on specialty rents in particular, and rent relief to retain tenants.

## Research Worth Reading

### New Zealand research

#### **Food for Thought – Feeding the Country Essential**

The supply of food and beverages has been deemed an 'essential' business and is therefore exempt from the domestic lockdown. Whilst demand for food products is likely to remain strong, access to and cost of supply chain capacity will be a hurdle. In this uncertain environment we are attracted to the staple nature of food production. Our preferred exposure is The a2 Milk Company (ATM).

#### **Electricity Sector – COVID-19's Modest Electric Shock**

The Electricity Sector is resilient and we expect it to weather the COVID-19 storm well. Whilst electricity demand during the lockdown is between -10% and -15% lower, we expect demand to rebound once the lockdown is over. The earnings impact should be relatively minor, sector balance sheets are strong and we aren't expecting dividend cuts. NZAS closure risks are overdone. The best value is in Contact Energy, Genesis Energy, Tilt Renewables and Trustpower (OUTPERFORM ratings). However, NEUTRAL-rated Mercury NZ and Meridian Energy are also offering attractive entry points for companies with the best generation assets in the country.

#### **Fletcher Building (FBU.NZ) – Likely Be Relatively Resilient; Up to NEUTRAL**

Fletcher Building (FBU) has unsurprisingly withdrawn guidance and cancelled its interim dividend. We believe construction activity is likely to recover more quickly than other sectors after the lockdown. FBU's balance sheet is in a strong position to navigate the crisis. The stock is trading materially below our assessment of fundamental value and we have upgraded our rating to NEUTRAL.

#### **Gentrack – Serial Offender Severely Punished; Upgrade to OUTPERFORM**

We upgrade Gentrack (GTK) to OUTPERFORM from UNDERPERFORM on valuation grounds. The share price has fallen substantially since January 2020. GTK remains a viable business. It trades at just ~1x forward revenue.

#### **SKYCITY (SKC.NZ) – Recalibrating For Shutdown**

We continue to believe SKYCITY (SKC) can navigate COVID-19 – admittedly with some battle scars – with its asset base and long-term casino licences providing some value well above current market pricing. OUTPERFORM.

#### **Z Energy (ZEL.NZ) – Flock of Black Swans Take Out Jet**

Our analysis of ZEL's earnings outlook and balance sheet strength suggests it will likely withstand the current environment. However, we expect the 2H20 final dividend and 1H21 interim dividend to be casualties of the need to preserve cash. That said, we believe the share price reaction has been overdone and we are retaining our OUTPERFORM rating.

### Australian research

#### **China Infant Formula Sector – Chinese brands remain resilient**

Citi continues to have BUY ratings on The a2 Milk Company and Bubs. The read-throughs from the H&H, Feihe and Clover results suggest minimal COVID-19-related disruptions to the sector. At this point, other international brands have been more impacted and a2 and Bubs have been somewhat immune, likely due to their lower market shares and niche category focus. (Published by Citi)

#### **Australian Banks – A Transitory Shock: Framing the Impact of COVID-19**

Bank share prices have endured a ~45% selloff, with many trading below book value. However, COVID-19 remains a transitory economic shock, which is not expected to develop into an existential threat. Citi's revised order of preference is ANZ, Westpac, National Australia Bank, Commonwealth Bank of Australia, Bendigo & Adelaide Bank and Bank of Queensland. (Published by Citi)

#### **Aristocrat Leisure (ALL.AX) – The Australian Poker Machine Industry Goes Dark**

Citi has downgraded its FY20 earnings forecast for ALL on the assumption that Australian pubs, clubs and casinos will be shut for three months; each month of closures represents a -3% impact on NPATA. That impact is partly offset by the depreciation of AUD against USD. BUY. (Published by Citi)

**CSL (CSL.AX) US–Mexico border closure and plasma collections**

Plasma collection has been deemed to be part of the US critical infrastructure. With the economic challenges for the broader population becoming apparent, there should be no shortage of potential donors given that CSL is able to make cash payments to donors in the US. HOLD. (Published by Ord Minnett).

**Cochlear (COH.AX) Cochlear raises equity, 8% EPS dilutive. Maintain Neutral**

This week's capital raising by COH highlights that the extraordinary market conditions are creating pressure on even the most defensive of businesses. Cochlear has raised \$990m in a placement and share purchase plan to reinforce its balance sheet and fund the coronavirus impact and a penalty from a patent case it lost in the US. NEUTRAL. (Published by Citi)

**Origin Energy (ORG.AX) Deep value despite the outlook on oil and Energy Markets**

Origin is trading at 4.0x FY20e EV/EBITDA, which UBS considers unjustifiably low given historically it has traded at ~8.3x. Investors should also not ignore the ~\$1.1bn in free cashflow that UBS forecasts Origin will generate in FY21e, nor its balance sheet resilience. BUY for medium-term deep value. (Published by UBS)

**Nufarm (NUF.AX) Demand outlook positive, Omega 3 commercialisation on track**

Notwithstanding COVID-19 concerns, NUF is seeing stronger demand driven by improved seasonal conditions and Chinese supply (of active ingredients) coming back on-line. Proceeds from its LATAM business sale will restore NUF's balance sheet. With commercialisation of Omega 3 on track and US FDA approval imminent, Citi reiterated its BUY rating. (Published by Citi)

**Qube Holdings (QUB.AX) When the going gets tough, the freight keeps going**

Port volumes are on the front line of supply disruptions with trading partners. Ord Minnett has applied FY09-FY10 trade conditions to the 50% QUB-owned Patrick stevedoring business and rolled through a referred impact to domestic transport volumes. Qube has a full, albeit manageable debt position with no major refinance due until 2022. Ords sees the cyclically low 1.2x price/book valuation as an attractive long-term entry point to strategic and high-quality assets. BUY. (Published by Ord Minnett)

**REA Group (REA.AX) Valuation review, upgrade to Accumulate**

Ord Minnett has upgraded its recommendation on REA Group (REA) to Accumulate from Lighten, as it sees the current valuation as an attractive entry point for one of the top companies in its coverage universe due to its strong network effect and the unique real estate advertising structure in Australia. ACCUMULATE. (Published by Ord Minnett)

## International research

**US Healthcare – Oversold and Under-appreciated: Assessing Impact of COVID-19 Across Healthcare**

In this report Citi aggregates thoughts, considerations, and sensitivity across healthcare sub-sectors, and provides a selection of stable/strong companies that exhibit many of defensive characteristics that should drive outperformance given current backdrop. Preferred sectors at this point include Pharma, Biotech, Managed Care, and Retail Pharmacy. (Published by Citi)

**Alibaba Group (BABA.US) – Taobao Live-Streaming Shopping Festival Boosts Sales**

In order to stimulate consumer demand and help boost sales for merchants, BABA launched its first Taobao Live-Streaming Shopping Festival from Mar 21st–27th for a total seven-day period. Over the past month, in light of the COVID-19 pandemic, more than 50% of Tmall merchants have leveraged live-streaming tools to reach out to consumers to help offset sales declines due to store closures. BUY. (Published by Citi)

**Comcast (CMCSA.US) – Recalibrating Estimates for Risk of Future Economic Weakness**

Citi has updated its industry outlook for communication services to reflect the direct and economic risks associated with the spread of COVID-19. Citi maintains its Buy rating given CMCSA's well-positioned cable assets and longer-term opportunities to extract value from its media assets, Sky Plc, and balance sheet flexibility. BUY. (Published by Citi)

**Nike (NKE.US) – With Such a Strong Brand, Making the Best of a Tough Situation**

Despite disruptions due to COVID-19 in China, NKE delivered a respectable quarter. While business is going to get much tougher in the quarters ahead in other regions due to COVID-19, NKE is showing it has a playbook (and a brand in high demand) which helps hit the curveballs COVID-19 brought its way. Buy. (Published by Citi)

## Calendar

**Figure 9. Description**

Date	New Zealand	Australia	International
30-Mar			
31-Mar	Building Consents (Feb) ANZ Business Confidence (Mar) NBNZ Own Activity (Mar) APL: SSM NZX: AGM VHP: SSM	Private Sector Credit (Feb)	CH: Manufacturing PMI (Mar) UK: GDP (Q4) GY: Unemployment (Mar) EZ: Consumer Price Index (Mar)
1-Apr		AIG Manufacturing Index (Mar) Building Approvals (Feb)	US: CB Consumer Confidence (Mar) JP: Tankan Large Manufacturers Index (Mar) CH: Caixin Manufacturing PMI (Mar) GY: Manufacturing PMI (Mar) UK: Manufacturing PMI (Mar)
2-Apr			US: ADP Nonfarm Employment (Mar) US: ISM Manufacturing PMI (Mar)
3-Apr	KMD: 1H20 result	AU: Retail Sales (Feb)	US: Initial Jobless Claims
4-Apr			US: Nonfarm Payrolls (Mar) US: Unemployment Rate (Mar) US: ISM Non-Manufacturing PMI (Mar)

Source: Bloomberg

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