

Wealth Weekly

Inspirational Transformational Digitalisation

WEALTH MANAGEMENT RESEARCH

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Equity markets globally danced in a one step forward, half step back fashion last week, as leadership by growth and defensive stocks on one day alternated with value and cyclical stocks the next. Recent data largely confirmed that economic activity around the world is recovering, the political stalemate over the extension of US COVID-19 stimulus spending continued, while the US-China relationship remained a sideshow. The discovery of community transmission of COVID-19 in Auckland sent a brief shiver through the local market on Wednesday, but since then the NZX 50 index has fully recovered.

Investing in the next leg of digitalisation

Over the last 30 years, many companies have thrived from the digitalisation of business models. Many of these leaders are already well represented in client portfolios, such as: Alibaba, Alphabet, Apple, Facebook, Microsoft, Nvidia, Salesforce and Tesla. **The catalyst for the next step in digitalisation is 5G – the fifth generation technology standard for cellular networks.** 5G offers new levels of wireless telecommunications performance. The key areas where 5G will affect growth are in artificial intelligence, industrial automation/robotics, and material sciences. Which companies are the drivers and innovators that will benefit from this next step in this digitalisation process? We looked at around 80 international companies and selected five stocks that we believe are particularly well positioned: **Deere & Co, Qualcomm, Schneider Electric, ServiceNow, and Taiwan Semiconductor.**

Themes of the week

The return of community transmission of COVID-19 in New Zealand has likely dented business and consumer confidence. We expect that most New Zealand businesses will be at least temporarily impacted by the increased level of restrictions that are required to bring the outbreak under control, or by the associated temporary slowing of general economic activity.

The companies whose earnings are most exposed to the higher COVID-19 Alert Levels include SKYCITY, Fletcher Building, Steel & Tube, domestic retailers Briscoe Group and The Warehouse Group, and dental services group Abano Healthcare. Air New Zealand and Auckland Airport had already been operating at greatly reduced levels due to the closed border. Freightways, Z Energy and shopping centre owner Kiwi Property will feel the effects of a temporary slowing in economic activity. The aged care operators will likely face higher operating costs, slower construction and a temporary halt in sales and cash flows, which will draw attention to rising debt levels. The experience after the last lockdown points towards a good rebound in activity after a return to Alert Level 2/1.

Last week's Monetary Policy Statement from **the Reserve Bank of New Zealand again raised the spectre of a negative Official Cash Rate (OCR) being introduced in New Zealand from next year** – the purpose being to flog the banks into lending out more money to customers amid a COVID-19-constrained economy. Whether borrowers would have the desire and capacity to take on more debt is one of the open questions the central bank may need to answer before going down this path.

A number of our Model Portfolio companies reported earnings as the Australian reporting season got into full swing last week. After reviewing companies that delivered results, **we have decided to remove Seek from our Australian Model Portfolio** given the difficult operating conditions the company faces, and the uncertain outlook for near-term growth. Among other companies that reported we **retain James Hardie, Telstra and Goodman Group in our Model Portfolio.**

Looking ahead

Alibaba and Nvidia are among the stragglers that are expected to report results this week as the Northern Hemisphere earnings season winds down. Things are ramping up closer to home, with results expected this week from heavyweights including Mercury Energy, A2 Milk, Auckland Airport, EBOS and Genesis Energy. Across the ditch we have results from Lendlease, BHP, Westpac, ANZ, CSL, Origin Energy and Santos to look forward to, among many others.

The Digital Revolution has Only Just Begun

Get Inspired by Companies Due to Benefit from Digital Transformation

In a report which will be published today, we highlight five international companies that we believe will benefit from new digital innovations that: i) help to transform these businesses, and/or ii) will improve the productivity and competitive advantages of their customers. The companies we have selected complement the existing global leaders like Alphabet, Amazon, Apple, Facebook, Microsoft and Nvidia, which many clients already hold in their portfolios.

We searched through 80 inspiring companies from around the world to identify a short list that meets our investment criteria:

- Have supporting research from our affiliates
- Are already profitable and well advanced to deliver above average growth in earnings per share over the medium term
- Have a minimum market capitalisation of US\$5bn
- Are offering good value for risk.

Our five new inspiring companies are Deere & Co, Qualcomm, Schneider Electric, ServiceNow, and Taiwan Semiconductor (aka TSMC). In Figure 1 below we outline the next wave of digitalisation themes that these companies are exposed to.

Figure 1. Thematic exposures of our five preferred inspiring companies

	Description	Deere	Qualcomm	Schneider Electric	ServiceNow	TSMC
5G	The next generation of mobile connectivity, with faster speeds, lower latency and ability to connect to more devices.		X			X
Industrial Automation and Robotics	Using smart technology to increase the productivity of manufacturing companies.	X				X
Material Science	These companies help create the building blocks of technology. Advancements in this field enable and enhance others.		X			X
AI and Data Analytics	'Big Data' and rapidly increasing computing power is enabling a smart and intelligent world which can provide valuable insights.	X		X	X	

Source: Forsyth Barr analysis

The companies

Deere & Company (DE.N) is an American agricultural heavy equipment manufacturer. Following the acquisition of Blue River Technology in 2017, DE has incorporated leading-edge technology into its products. The DE harvester now comes equipped with auto-track GPS which uses satellite imaging to harvest crops without the need for a human operator, and is accurate to within 1 inch. This technology directly benefits the bottom line of farmers by lowering input costs by 5–6%. The kind of innovation that Deere is demonstrating is particularly relevant as the global population increases and the acreage that is suitable for farming is decreasing.

Qualcomm (QCOM.O) is an American 'fabless' semiconductor company. QCOM's business strategy has been to invest in fundamental technologies that enable industries and then scale it worldwide. Its investment in intellectual property related to 5G positions it to be one of the biggest beneficiaries from the global rollout of 5G telecommunications infrastructure and devices. QCOM designs its own semiconductors, then contracts a foundry (TSMC) to make the chips to a specified design. Those chips power QCOM's mobile processors, cellular modems, Wi-Fi modems and Bluetooth connectivity, which QCOM supplies to the device manufacturing companies: Apple, Samsung Electronics, OPPO and Foxconn to name a few. A quarter of QCOM's revenue comes from the licensing business, which collects royalties for the use of QCOM's intellectual property.

Schneider Electric (SCHN.PA) is a French multinational that provides energy and automation solutions for buildings. SCHN has been in the energy business since 1981, but a re-focus in 2015 toward automation, artificial intelligence (AI) and internet of things (IoT) has propelled SU into the modern age. It uses an IoT-enabled architecture platform called Ecostruxure to assist with construction of buildings ranging from homes to data centres and power plants. Ecostruxure has been shown to decrease engineering costs and time by up to 80%, save around 75% of maintenance costs and help reduce the carbon footprint of a building by 50%. We believe SCHN is positioned to benefit from post-COVID-19 stimulus directed at green construction, especially in Europe.

ServiceNow (NOW.N) is an American Platform-as-a-Service (PaaS) provider that enables global companies to improve work flow and worker productivity and outsource their information technology and human resources departments. We believe the transition

of companies away from legacy patchworks of software systems will accelerate demand for NOW's platform. NOW bills its customers annually or monthly depending on the offering. In 2019, NOW had 6200+ customers, of which 892 had an active contract value of greater than US\$1m p.a. NOW boasts an impressive 97% customer renewal rate, indicating a "sticky" customer base and reflecting lack of competing products.

Taiwan Semiconductor Manufacturing Company (2330.TW / TSM.N) is a semiconductor foundry (chip manufacturer) that dominates the semiconductor industry with 56% share of the global market. TSMC is leading in the race to manufacture the smallest semiconductor. It was the first company to produce the 16nm, 10nm, 7nm and 5nm semiconductors (each smaller than the last) and is on track to pioneer the 3nm, as well as being the first company to commercialise Extreme Ultraviolet (EU) lithography in high volumes. Foundries such as TSM are set to gain from the transition to 5G. TSMC's major customers are Qualcomm, Apple, NVIDIA, AMD, STMicroelectronics, Google and possibly soon Intel.

Themes of the Week

Macro Snapshot

V-shaped rebound

A lot of data is indicating a sharp rebound in activity in various economies around the world. Purchasing Manager Indices have jumped well above the 50 level that separates expansion from contraction, including in New Zealand, the US, and Europe. House sales data has also been very strong.

One indicator that appears to be lagging is employment. US manufacturing employment hasn't rebounded in line with overall activity. It could be that – coming off a low level of capacity utilisation – factories are able to produce more without having to increase labour inputs at this stage.

US dollar weakness reflects Fed's increasingly aggressive stance on suppressing real yields

The US Federal Reserve's aggressive response to COVID-19 relative to other major central banks has seen US real (inflation-adjusted) bond yields fall over the last few months. Differentials between real interest rates are key drivers of relative currency performance, and the reduction of US real yields relative to those of Germany to levels last seen in 2014 has contributed to the fall in the US dollar and the rebound in the euro.

Borrowers looking central bank gift horses in the mouth

Central banks have provided plenty of liquidity for businesses to access, but from all accounts the take up of concessionary loans has been low, both here and in the US.

This could be because debt ratios are already high, while borrowers' cash flows have been impinged by the pandemic, which impedes their ability to service an increase in debt. US mega bankruptcies are on the rise, with 30 companies with liabilities exceeding US\$1 billion having filed for Chapter 11 protection this year, and a similar number predicted to follow by the end of the year based on one commonly used debt metric.

Major banks have also tightened lending standards (more so for some industries than others), which contributes to money going around the economy at a slower pace – no matter how cheap credit is and no matter how strong demand for credit would be. The net result is likely to be reduced capital investment and other spending over the next year or so, despite central banks' best efforts.

Fixed Interest

Is a negative Official Cash Rate on the way in 2021?

The term "negative OCR" was again back in the spotlight last week after the Reserve Bank of New Zealand's (RBNZ) Monetary Policy Statement. To recap, the RBNZ has stated that it will leave the Official Cash Rate (OCR) at the current 0.25% level until at least March 2021. This timeframe is to provide the retail banks enough time to get their respective systems in order to be able to handle a negative OCR and possibly other interest rate securities that may have a negative yield attached to them.

What does this all mean for the retail fixed income investor? There are a number of conclusions that we can draw from the latest release from the RBNZ: First, we have confirmation (not that any was needed) that interest rates are going to remain low (and likely lower) for some time yet. Second, the RBNZ is going to throw everything it possibly can to help the economy through this COVID-19 pandemic. This could mean a combination of a number of tools, of which a negative OCR is just one.

However, does it mean that mortgage holders are suddenly going to start to get paid to borrow money? Not a chance! A negative OCR is more likely to be a situation between retail banks and the RBNZ via its daily settlement requirements. Lower term deposit rates and mortgage rates should still occur but are highly likely to still be positive.

The main idea of a negative OCR is to get banks to lend and potential borrowers to borrow. But is there much appetite to borrow? New Zealand and the world have been on a debt binge since the Global Financial Crisis and if businesses and individuals are facing an uncertain time in regards to business outlook and employment prospects, are they likely to increase their debt burden?

Figure 2. 2025 NZGB Inflation linked bond


Source: Forsyth Barr analysis, Bloomberg

Figure 3. Senior bank yield (5yr)


Source: Forsyth Barr analysis, Thomson Reuters, BNZ140

NZ Equities

Back into lockdown we go

We expect most New Zealand businesses will be impacted by last week's COVID-19 Alert Level changes to varying degrees. Given the heightened uncertainty, business and consumer confidence will take a hit. Those NZX listed companies that we expect will be hit the hardest include:

- **SKYCITY (SKC)** – its Auckland casino will be closed during Alert Level 3, and will face material restrictions for its Hamilton and Queenstown properties under Alert Level 2.
- Building sector companies **Fletcher Building (FBU)** and **Steel & Tube (STU)** – additional social distancing measures at Alert Level 3 and 2 will likely have a material productivity impact.
- Retailers – those with NZ only footprints will be more impacted: **Warehouse Group (WHS)** and **Briscoe Group (BGP)**.
- **Abano Healthcare (ABA)** – dental practises will be closed for all but emergency procedures under Alert Level 3.

Stocks that may not have a direct impact but that will feel the effect of a temporary slowdown in general economic activity include **Freightways (FRE)**, **Z Energy (ZEL)** and **Kiwi Property (KPG)**.

While travel and tourism related companies like **Air New Zealand (AIR)** and **Auckland Airport (AIA)** will be impacted by heightened restrictions, their businesses are already suffering significantly from border closures, so the incremental impact from the current step up in Alert Levels is less than for the companies listed above, in our opinion.

The five listed Aged Care operators – **Arvida (ARV)**, **Metlifecare (MET)**, **Oceania Health Care (OCA)**, **Ryman Healthcare (RYM)** and **Summerset Group (SUM)** – will face higher operating costs, slower construction, and minimal sales in the near term as the whole sector is effectively in full lockdown. Investors will focus on the recent increase in leverage across the sector; with no meaningful sales for two weeks (at least), cash flow will deteriorate. Beyond that short-term impact, company feedback and sales numbers since the last lockdown indicate that overall demand is unencumbered. If anything, the lockdown experience reinforced the value proposition that the aged care operators offer.

Australian & International Equities

Updates on Model Portfolio companies

Last week we had results from a number of our Model Portfolio companies as international reporting season wound down and Australian reporting season got into full swing. We also received news that CSL (CSL.AX) is in the running to manufacture a COVID-19 vaccine for Australia. After reviewing companies that delivered results, we have decided to remove Seek (SEK.AX) from our Australian Model Portfolio given the difficult operating conditions the company faces, and the uncertain outlook for near-term growth. We retain James Hardie (JHX.AX), CSL, Telstra (TLS.AX), and Goodman Group (GMG.AX) in our Australian Model Portfolio, and Tencent (700.HK) in our International Model Portfolio.

James Hardie (JHX.AX) 1Q21 result – reinvesting for growth

James Hardie's (JHX) 1Q21 result was in line with our research affiliates' estimates at the group level, but the composition of the result was stronger than expected. The key earnings drivers of the business North American Fiber Cement (NAFC) and Asia Pacific Fiber Cement generated EBIT margins that exceeded forecasts, clearly benefiting from the swift cost actions management took at the outset of the pandemic. With demand running stronger than expected, there is a clear intent to ramp up sales, general & administrative costs again to support volume and revenue growth over the next year. The increased focus on building customer relationships is also paying off; primary demand growth (PDG, i.e. growth above the market for NAFC exteriors) has strengthened from +7% in FY20 to +10% in the last quarter. Management expects this will continue into 2Q21. With the exception of Europe Building Products, the business remains operationally and financially strong.

SEEK (SEK.AX) FY20 result company outlines dire illustrative scenario

Seek's (SEK) FY20 result was broadly in-line with forecasts and guidance. Our affiliates have revised their FY21 forecasts a bit above the fairly dire illustrative scenario outlined by the company. SEK is on track with implementing its variable pricing model, which should prove a significant long term driver of yield, although the uplift is not expected to start to come through until 2H22. The company's longer term growth opportunity remains in place, but the short term remains very uncertain and the share price has held up remarkably well given the tough near term backdrop. Our affiliates believe there is a decent likelihood of a buying opportunity in the stock at lower levels. Given the difficult current conditions, and the uncertain outlook for near-term growth, we have removed SEK from our Australian Model Portfolio.

Telstra (TLS.AX) FY20 sell-off overdone

Our affiliate believes the TLS share price has massively over-reacted to the change in a previous overly optimistic 10% return on invested capital (ROIC) target that no-one ever believed or included in forecasts, and which wasn't in the share price. In our affiliate's view nothing much has changed: if mobile earnings grow then Group EBITDA will improve and the dividend will be fine; if mobile doesn't grow then the dividend will be cut. That was the case before the company's full year result and is still the case now. Our affiliate notes the A\$7.5bn EBITDA required to sustain a 16cps dividend can be achieved and it requires an ROIC of only 7.4%. Our affiliate believes the dividend will be maintained, and the share price over-reaction has created a good buying opportunity.

Goodman Group (GMG.AX) inline result, guidance well ahead of market

Goodman Group delivered its FY20 result in line with market expectations, and provided strong FY21 guidance that was well ahead of consensus. Management expects EPS growth of +9% vs consensus of +5%. Our affiliate is of the view that guidance appears to be conservative (as is often the case with GMG). The stronger results were driven to a large extent by the big jump in GMG's development pipeline. Work in Progress (WIP) increased to A\$6.5bn, from A\$4.3bn at Dec-19. The increase in development reflects a mix of increased demand from e-commerce operators (like Amazon) and for data storage facilities. GMG has decided to hold its dividend flat at FY20 levels, as the Group is retaining capital to fund its share of capital contributions for development.

CSL (CSL.AX) in-line to manufacture COVID-19 vaccine for Australia

Media and comments before the Senate's COVID-19 enquiry suggest the Australian Government is poised to secure a licensing deal for the Oxford University/AstraZeneca COVID-19 vaccine. The vaccine will be potentially manufactured by CSL in Australia. Commentary by the Health Minister includes that Australia is in very advanced commercially sensitive negotiations, there will be further announcements shortly, it would take just weeks to begin production, and Australia would ideally manufacture any potential candidate onshore through domestic vaccine manufacturer CSL (whose Melbourne facility was labelled an exceptionally important national asset). Our affiliates expect CSL to play down the materiality to earnings, however, a cost-plus toll manufacturing arrangement or even cost recovery/reserving payment to ensure continuing viability of CSL capacity is likely. The contract could be ongoing depending on the effectiveness of the antibody duration (some suggest ~6months) and COVID-19 prevalence.

Tencent (700.HK) a new normal in gaming

Tencent (700.HK) delivered strong 2Q20 results against high expectations. Total revenues grew +29% yoy, while smartphone games revenue was up +62% yoy. Management noted a new trend of users spending more time and money on games, and increased monetisation in international markets. Tencent also saw a solid recovery of commercial payment transactions and signed some major cloud contracts during the quarter. Thanks to disciplined spending, margins improved vs last year. Our research affiliate thinks the softness of media ads might have bottomed and Tencent's new integrated ad platform on Weixin could drive increasing demand from a broader group of advertisers, but advertising will still largely depend on the macro environment.

Research Worth Reading

New Zealand

Equity Strategy – Recovery Heat Map; On Cusp of Inflection Point

Our COVID-19 real-time data heatmap shows a robust start to August, with improvements across a number of indicators relative to the prior week. However, with the re-emergence of COVID-19 community transmission in Auckland and corresponding Alert Level changes to 3 in Auckland and 2 elsewhere, we expect modest regression over the coming weeks, particularly in consumer centric indicators. (Published by Forsyth Barr)

Aged Care Sector – Lockdown Blues

The return of COVID-19 community transmission in New Zealand will cause more short term disruption for the five listed Aged Care operators. The Aged Care sector was one of the worst performing sectors as NZ moved to Alert Level 4 on March 23. What have we learnt since then and how should we think about the aged care sector as we are moving up the Alert Levels again? (1) consistent feedback from the aged care operators, supported by reported sales numbers is that overall demand is unencumbered, (2) that said, the direct, short-term impact is meaningful. The aged care sector as a whole is effectively in full lockdown as of noon Wednesday and we expect minimal sales in the near term, and (3) short term we believe focus will increase on the recent increase in leverage across the sector. With no meaningful sales, cash-flow will deteriorate meaningfully. (Published by Forsyth Barr)

Contact Energy – Dividend Decision Deferred – FY20 Result

Investors are being left to estimate CEN's sustainable dividend themselves, as CEN turned down the opportunity to provide the market any guidance given ongoing NZAS uncertainty. We maintain our 32cps estimate, with news that Transpower has brought forward by one year the completion date of the lower South Island transmission upgrade project, providing more confidence. CEN continues to offer good value and we retain our OUTPERFORM rating. (Published by Forsyth Barr)

NZX – Exchanging Uncertainty for Increasing Stability

NZX reported a strong 1H20 result driven predominantly by a standout performance by the Secondary Markets division as a result of exceptional trading volumes. This was driven by consistently high market volatility. The company is well hedged to benefit from both market volatility during a downturn and also to any improvement in macroeconomic conditions given the exposure to domestic and international equities through the Funds Management business. OUTPERFORM. (Published by Forsyth Barr)

SKYCITY (SKC) – COVID-19 Restrictions Return

SKC is one of the key NZX listed companies impacted by the return of COVID-19 community transmission in New Zealand. The current Alert Level restrictions mean SKC's primary earnings driver, the Auckland casino, is closed, while Hamilton and Queenstown have material restrictions which will weigh on visitation. This presents another challenge (and more battle scars) for SKC; however, following the recent capital raise it has reasonable liquidity, balance sheet headroom and near-term covenant relief to weather another period of temporary closure. OUTPERFORM. (Published by Forsyth Barr)

The a2 Milk Company (ATM) – Channel Checking

We have undertaken a mosaic of channel checks across an array of data sources, industry contracts and market participants to look for key takeaways of relevance to ATM. We appreciate it will never provide a perfect picture, albeit our key conclusions are (1) mixed revenue signals; (2) margin drivers positively skewed; (3) structural trends reinforce ATM is (mostly) well positioned. ATM also appointed David Bortolussi as CEO, to start in early 2021, highlighting his "significant skill guiding businesses through periods of significant growth while effectively managing change". OUTPERFORM. (Published by Forsyth Barr)

Vital Healthcare (VHP) – FY20 Result – Operation Goes to Plan

VHP delivered a solid underlying FY20 result ahead of our expectations, largely due to better than expected COVID-19 abatement outcomes. While no guidance was given on Adjusted Funds From Operations (AFFO – a performance measure), VHP did provide FY21 dividend guidance of at least 8.75cps, flat on FY20. We believe this reflects management being cautious given the uncertain operating environment. OUTPERFORM. (Published by Forsyth Barr)

Australia

Goodman Group (GMG.AX) – FY20 result review

GMG reported an FY20 operating profit of \$1.06 billion or 57.5c per share, up +11.4% on FY19. The result highlight was the +58% growth in development work in progress (WIP) to \$6.5 billion, including +35% in the fourth quarter. GMG guided to +9% growth in FY21 (we estimate +11%); essentially all of which will come from development. GMG can manage the timing of development earnings and begins FY21 in a strong position. The stock is priced on very full multiples, but should continue to deliver strong earnings growth with significant development and performance fee profits built up. BUY. (Published by Ord Minnett)

National Australia Bank (NAB.AX) – 3Q20 Trading Update: Balance Sheet is the priority

NAB's 3Q was boosted by a rebound in trading income. The soft underlying result was expected. NAB reiterated that its focus remains its balance sheet rather than near term earnings, which is prudent given the environment. With an experienced management team and a strong balance sheet, NAB is well prepared for the downturn. However, it is overweight high net worth customers, SMEs and Victoria, which is likely to present challenges. UBS expects further top-ups to economic overlays with its FY20E result and credit charges to rise in FY21E. However, on a 0.9x price/book multiple, UBS sees upside in NAB as the outlook improves. BUY. (Published by UBS)

Newcrest Mining (NCM.AX) – Lihir Still a Difficult Asset

NCM's guidance was weaker than the market expected, driven by Lihir. Production there is still being impacted by clay in the mining sequence. This issue is guided to impact both FY21 and early FY22. The rest of guidance was inline or better than expected. Lihir is a difficult asset. UBS thinks NCM has a strong bench of growth projects which will diversify the company away from Lihir. UBS maintains a Buy rating on valuation grounds, with the share trading at a discount to NPV and further upside possible from de-risking Havieron and Red Chris. BUY. (Published by UBS)

Sydney Airport (SYD.AX) – Raising eases credit pressure, but revenue headwinds remain

SYD announced a A\$2 billion equity issuance at \$4.56 per share, -15% below the last close and -13% below the ex-rights price. Along with the raising, SYD pre-announced 1H20 results. The raising was not surprising. While management highlighted uncertainty on the shape and pace of recovery in passengers, Citi believes credit rating pressure could have played a part. Citi believes the equity raising provides headroom on the credit metrics. However, downside risks could emerge if recovery in passengers is slower than expected. NEUTRAL. (Published by Citi)

Xero Limited (XRO.AX) – UBS SnapShot: AGM update

XRO's subscriber growth over the first 4 months of FY21 (+96k) is tracking well ahead of UBS's expectations for FY21 (+14k). This is a strong outcome in the context of the COVID-19 environment and further evidence of the strength of XRO's cloud-based solution. However UBS highlights that the impact of COVID-19 on net business formation may not yet be apparent, and sees risks as fiscal policy support unwinds. SELL. (Published by UBS)

International

Tencent (0700.HK) – 2Q20 earnings review: fundamentals strong but geopolitical uncertainty is a near term overhang

Tencent is one of UBS's long term top picks but the main risks are geopolitical and regulatory. UBS sees the risk/reward improving as we get closer to US elections. Fundamentally, UBS sees positive near and long term trends across key businesses. In mobile gaming, improving engagement and monetisation, international expansion and new games drive potential upside especially in 2021. Fintech competition is more rational, and UBS sees gradual improvements in monetisation there. In advertising, macro conditions are a headwind but Weixin has multiple long term drivers and the ad network is another catalyst. In media, video growth is improving in 3Q, and China Literature and TME growth are also accelerating in 2021. BUY. (Published by UBS)

Calendar

Figure 4. Calendar

Date	New Zealand	Australia	International
17-Aug	Refining NZ 1H20 Summerset 1H20	Altium FY20 JB Hi-Fi FY20 Viva Energy 1H20	JP: GDP (Q2)
18-Aug	RBNZ Offshore Holdings (Jul) Mercury Energy FY20 PGG Wrightson FY20	RBA Meeting Minutes BHP Group FY20 Coles Group FY20 Lendlease FY20 Service Stream FY20 Westpac Banking 3Q20 Sales	
19-Aug	GlobalDairyTrade Price Index PPI Input & Output (Q2) The a2 Milk Company FY20 Fletcher Building FY20 Michael Hill Intl FY20 Serko AGM	MI Leading Index ANZ Bank 3Q20 Sales Brambles FY20 Corporate Travel Management FY20 CSL FY20 Dominoes Pizza FY20 McMillan Shakespeare FY20 Northern Star FY20 OZ Minerals 1H20 SmartGroup 1H20 Tassal Group FY20 Webjet FY20	US: Building Permits (Jul) UK: CPI (Jul) EU: CPI (Jul)
20-Aug	Auckland International Airport FY20 EBOS Group FY20 Genesis Energy FY20	Charter Hall Group FY20 IRESS 1H20 Origin Energy FY20 Santos 1H20 Senex Energy FY20 South32 FY20 Wesfarmers FY20	US: Crude Oil Inventories US: FOMC Meeting Minutes CH: PBoC Loan Prime Rate EU: ECB Monetary Policy Meeting Minutes NVIDIA 2Q21 Alibaba Group 1Q21 Estee Lauder 4Q20
21-Aug	Credit Card Spending Metro Performance Glass AGM Skellerup FY20	Manufacturing PMI Services PMI oOh!media 1H20 Suncorp Group FY20 Super Retail Group FY20	US: Initial Jobless Claims US: Philadelphia Fed Manufacturing Index (Aug) UK: Retail Sales (Jul) UK: Composite PMI UK: Manufacturing PMI UK: Services PMI EU: German Manufacturing PMI (Aug)
22-Aug	CFTC NZD Speculative Net Positions	CFTC AUD Speculative Net Positions	US: Existing Home Sales (Jul)

Source: Forsyth Barr analysis

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