

New Zealand Equity Monthly August 2021

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Taking stock of New Zealand's corporate performance during the pandemic

With the reporting season in full swing, this month we turn our attention to New Zealand's corporate results and announcements. In particular we focus on the COVID-19 pandemic and its effect on such results and highlight how changing demographics have provided opportunities for certain sectors.

Air New Zealand's latest results underlined the impact of the travel restrictions enacted under the pandemic, with the flag carrier's operating revenue for the 12 months through June 2021 dropping 48% to New Zealand dollar (NZD) 2.5 billion. Air New Zealand's cargo revenue did go up 71% thanks the New Zealand and Australian governments' airfreight support schemes. The company's cash burn benefitted in the second half of the financial year on the travel bubbles New Zealand had established with Australia and the Cook Islands. The travel bubbles, however, were subsequently closed as New Zealand went into a nation-wide lockdown in August to contain the spread of the COVID-19 Delta variant.

Pushpay, a New Zealand-based software business that provides digital donation and management systems to US customers, announced the purchase of Texas-based Resi Media, which provides streaming services to houses of worship in the US. Pushpay can be described as a covert beneficiary of the pandemic. Its primary customer base is US evangelical churches, and the closure of places of worship during the pandemic created strong demand last year for Pushpay's digital donation systems when physical monetary giving was not possible.

Heartland Group Holdings announced strong results despite the pandemic, with the bank reporting a net profit for the 12 months through June 2021. During the pandemic New Zealand banks have had to become very conservative to ensure adequate provisions for bad debts, and regulators also placed restrictions on dividend payments. However capital strength and good economic outcomes have provided tailwinds to the sector.

Retirement village operator **Summerset Holdings** reported an after-tax profit of NZD 263.8 million in the first six months of 2021, up from NZD 1 million in the same period in 2020 thanks in large part to a reversal of last year's COVID-19-induced negative valuations. Summerset's total assets also increased during 1H 2021 on a similar reversal in valuations, a strong housing market and subsequent rise in unit prices. New Zealand's aging population and a broader acceptance of retirement village living have been supportive for retirement village operators.

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