



Flickers of growth in low light

The Deloitte South Island Index

A review of the performance of South Island listed companies during the quarter ending 31 March 2018

April 2018

41th Edition

Introduction

Welcome to the 41st edition of the Deloitte South Island Index.

In this edition we reflect on the performance of South Island listed companies during the most recent quarter to 31 March 2018.

The March 2018 quarter failed to continue its previous four quarters of growth, as the Deloitte South Island Index fell \$342.1 million (1.5%), in what was a subdued start to the 2018 year.

Movements in March 2018

The Deloitte South Island Index increased by 0.9% for the month of March, of the other indices tracked the Dow Jones was the only other to increase (up 0.7%). The ASX All Ords took the biggest hit and decreased 4.1%, followed by the S&P/NZX 50 Capital Index which recorded a 1.7% decrease for the month of March.

Quarterly movements – Q1 2018

The Deloitte South Island Index market capitalisation fell by \$342.1 million (1.5%) in the first quarter of 2018. The result was driven by declines in four out of the seven sectors. The biggest fall was in the

Other Sector, which on a percentage term basis, fell 7.8% in the quarter. Growth was seen in both the Retail and Primary sectors, up 7.2% and 3.9% respectively.

Annual movements – March 2017 to March 2018

The Deloitte South Island Index grew by \$2,863.0 million (14.6%) during the twelve months to 31 March 2018. Comparatively, it was only outperformed by the Dow Jones' 16.6% growth. In the local Australasian markets, the Deloitte South Island Index outperformed the S&P/NZX 50 Capital Index and ASX All Ords, which gained 11.5% and declined 0.6% respectively over the 12 month period.



Executive summary

The Deloitte South Island Index's performance for the first quarter for 2018 was softened by a number of participants' results, resulting in a decline for the start of 2018.

Key points for the first quarter of 2018 include:

- The Deloitte South Island Index decreased by \$342.1 million (1.5%) during the quarter to 31 March 2018. All other indices tracked also recorded declines over the same period with the ASX All Ords recording the largest fall, decreasing by 4.8%. This was followed by the Dow Jones falling by 2.6% and the S&P/NZX 50 Capital Index market capitalisation decreasing by 2.0%.
- Heartland Bank was the fifth company on the Deloitte South Island Index to achieve market capitalisation greater than \$1,000 million during the December 2017 quarter. The first quarter of 2018 saw Heartland Bank drop out of this group as they finished the quarter with a market capitalisation of \$980.6 million, down \$178.2 million (15.4%).
- The collective decline of the four companies whose market capitalisation is greater than \$1,000.0 million (the Top Four companies) was \$57.6 million (0.3%).
- Synlait Milk was the only participant in the Top Four Companies who recorded growth in market capitalisation for the March 2018 quarter, increasing by \$213.3 million (16.5%). Ryman Healthcare recorded no change in market capitalisation for the quarter, where both Meridian Energy and EBOS Group recorded declines of \$179.4 million (2.4%) and \$91.5 million (3.2%) respectively.
- The smallest 10 companies collectively showed glimmers of growth for the March 2018 quarter, recording a \$6.1 million (6.4%) increase in market capitalisation.
- Outside of the Top Five, the Index's best performers (in percentage terms) were Energy Mad, whose market capitalisation increased 150.0% (\$0.9 million) during the March quarter, followed by Windflow Technology increasing their market capitalisation by 125.0% (\$0.5 million).
- The most significant declines in the Index this quarter were led by Silver Fern Farms, who dropped 38.6% (\$29.1 million), followed by Smiths City Group who fell by 16.8% (\$5.3 million) and SeaDragon who dropped 16.6% (\$4.5 million).
- Three of the seven sectors posted positive movements in the quarter to 31 March 2018. The Retail sector led the way with a gain of 7.2%, followed by the Primary sector increasing by 3.9%.

Key points for the 12 months to March 2018 include:

- Over the twelve months to 31 March 2018 the top performers, in percentage terms, were Synlait Milk (up 141.9%), Windflow Technology (up 138.5%) and Connexionz (up 90.0%). In dollar terms the list looks different with Ryman Healthcare topping the table with growth of \$1,090.0 million over the past twelve months, followed by Synlait Milk (up \$881.9 million) and

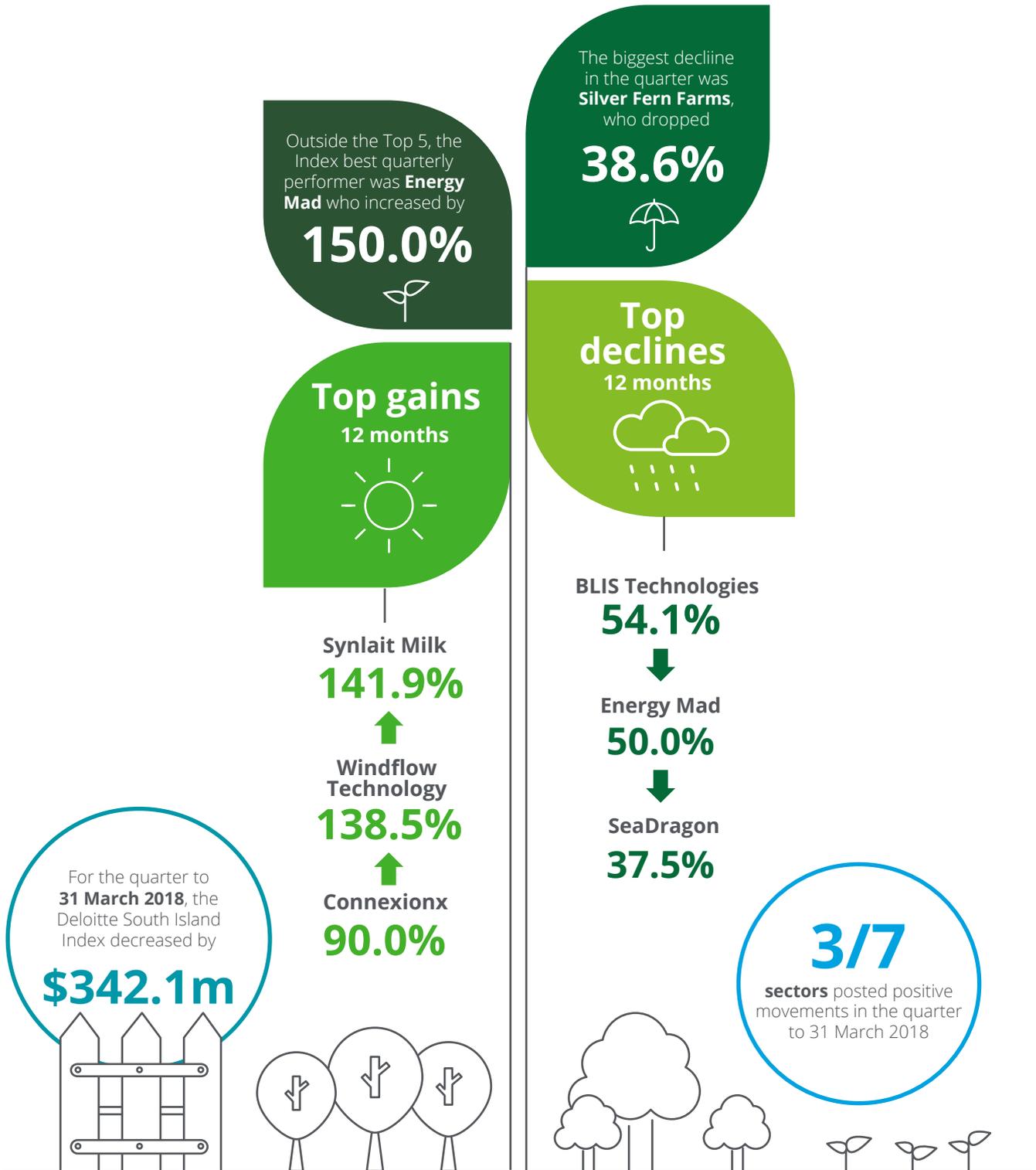
Scales Corporation (up \$148.7 million).

- The largest declines over the 12 months, in percentage terms, were BLIS Technologies (down 54.1%), Energy Mad (down 50.0%) and SeaDragon (down 37.5%). In dollar terms Pacific Edge fell by \$52.0 million followed by EBOS Group (down \$34.4 million) and BLIS Technologies (down \$22.2 million).

Synlait Milk was the only participant in the Top Four Companies who recorded growth in market capitalisation for the March 2018 quarter, increasing by \$213.3 million (16.5%).

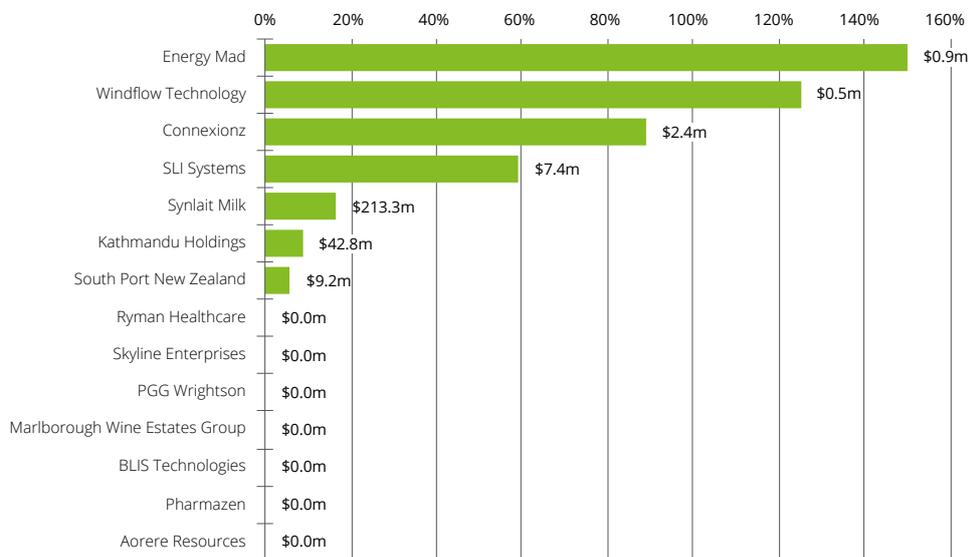
South Island Index – first quarter 2018

At a glance



Quarter to 31 March 2018

Growth in Market Capitalisation (%) in Quarter



Increases in Market Capitalisation

There were seven participants that recorded growth in market capitalisation for the March 2018 quarter. Seven participants recorded no movement in market capitalisation and the remaining seventeen participants recorded a decline.

Energy Mad has followed its prior quarter's result recording the largest percentage increase (150.0%) in market capitalisation for the March 2018 quarter. The large percentage change in market capitalisation growth is distorted by the minimal share price which increased from \$0.004 to \$0.010 during the quarter. During the March quarter Energy Mad proposed a transaction with Paysauce Ltd, a provider of cloud-based, software-as-a-service payroll solutions.

Windflow Technology finished the March 2018 quarter with a 125.0% increase in market capitalisation. The increase was driven by issuing 53,521,737 shares

as part of a financial and operational restructure which saw the sale of Windflow UK Ltd to shareholder, David Iles; conversion of all outstanding redeemable convertible preference shares; and the cancellation of the liabilities to pay outstanding preferential dividends.

Connexionz recorded their highest share price since joining the index (in April 2011), resulting in an increase in market capitalisation of 88.9% over the March quarter. This lift in share price was positively impacted as a result of winning a number of contracts in the U.S, including the iTransitNW contract (which links seven transit agencies in Washington State with real-time bus arrival information, with the potential to scale and link up to 18 separate transport operators across Washington, Oregon, and Idaho).

There were seven participants that recorded growth in market capitalisation for the March 2018 quarter. Seven participants recorded no movement in market capitalisation and the remaining seventeen participants recorded a decline.

Decline in Market Capitalisation (%) in Quarter



Declines in Market Capitalisation

Silver Fern Farms recorded the largest decline in market capitalisation on a percentage basis, falling 38.6%. This was a result of a \$0.29 cent share price reduction (finishing on \$0.46 per share). Uncertainty was in the air for the shareholders as two of their directors, Rob Hewett and Fiona Hancox retire by rotation at the Silver Fern Farms annual meeting in April and face competition for re-election, with nominations also received for Chris Allen and Conor English.

Smiths City Group finished the March quarter behind Silver Fern Farms, with

a decrease in market capitalisation for the quarter of 16.8%. In a press release to the NZX, Smith City Group announced a share buyback facility. Board chairman, Craig Boyce said “Directors have agreed to a limited programme of tactical buybacks aimed at overcoming the short-term share price distortions caused by low-volume trades in the company’s shares”.

SeaDragon also recorded a decline in market capitalisation for the quarter, with a 16.6% decrease during the quarter. This was a \$0.001 reduction in share price from the previous quarter.

Silver Fern Farms recorded the largest decline in market capitalisation on a percentage basis, falling 38.6%.



Sector movements

Quarter to 31 March 2018

Growth was lightly sprinkled throughout the Index with three out of the seven sectors recording growth for the first quarter of 2018.

In percentage terms, the growth of the Index was led by the Retail sector which grew by 7.2%. Kathmandu's strong quarterly performance saw its \$42.8 million (8.7%) increase more than offset Smith City Group's \$5.3 million (16.8%) decline.

The Primary sector grew \$117.2 million (3.9%) led solely by Synlait Milk, who continued to build on their strong 2017 recorded results finishing the first quarter of 2018 up \$213.3 million (16.5%). Marlborough Wine Estate and PGG Wrightson recorded no growth during the quarter. The biggest decline on a percentage basis was recorded by Silver Fern Farms down 38.6% (\$29.1 million), however on a

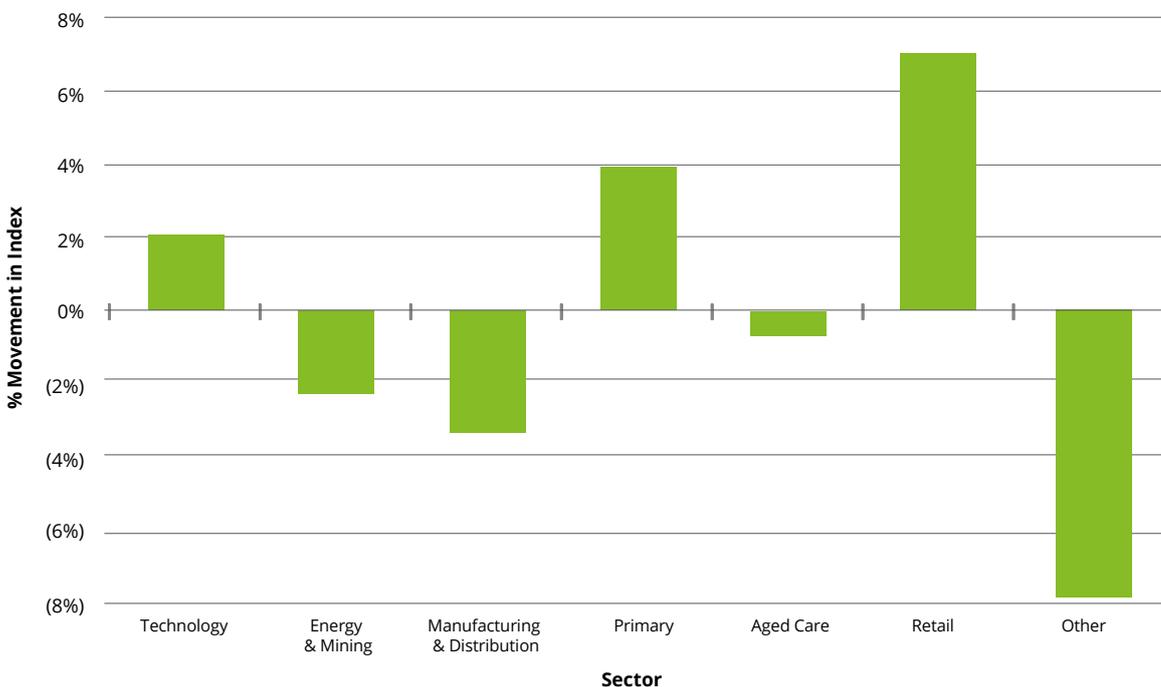
dollar basis Scales Corporation led the charge falling \$37.9 million (5.6%).

The Technology sector achieved a 2.0% increase in market capitalisation for the quarter. Connexionz and SLI Systems were the only participants in the sector to record an increase in market capitalisation, up 88.9% and 59.2% respectively. Pharmazen and BLIS Technologies recorded no change during the quarter. Syft Technologies Limited and Pacific Edge held back the sector, both recording declines of 1.7% and 1.3% respectively.

The Other Sector recorded the largest percentage decline in market capitalisation for the quarter, falling 7.8% (down \$171.2 million). On a dollar and percentage basis the biggest loss came from Heartland Bank who declined \$178.2 million (15.4%). Moa Group also finished the March 2018 quarter down \$2.2 million (7.9%). Skyline Enterprises recorded no change, while South Port grew \$9.2 million (5.8%).

The Technology sector achieved a 2.0% increase in market capitalisation for the quarter. Connexionz and SLI Systems were the only participants in the sector to record an increase in market capitalisation, up 88.9% and 59.25% respectively.

Movement in Sector Indices - Quarter to March 2018



Industry	Number of Companies	31 Mar 2018 \$ million	31 Dec 2017 \$ million	Mvmt in Quarter \$ million	% change in Mkt Cap during quarter	% of Index
Technology	6	\$313.4	\$307.4	\$6.0	2.0%	1.4%
Energy & Mining	4	\$7,326.0	\$7,505.0	\$(179.0)	(2.4)%	32.6%
Manufacturing & Distribution	4	\$3,340.0	\$3,455.3	\$(115.3)	(3.3)%	14.9%
Primary	9	\$3,122.1	\$3,004.9	\$117.2	3.9%	13.9%
Aged Care	2	\$5,783.2	\$5,820.5	\$(37.3)	(0.6)%	25.7%
Retail	2	\$560.4	\$522.9	\$37.5	7.2%	2.5%
Other	4	\$2,024.1	\$2,195.3	\$(171.2)	(7.8)%	9.0%
TOTAL	31	\$22,469.2	\$22,811.3	\$(342.1)	(1.5)%	100.0%



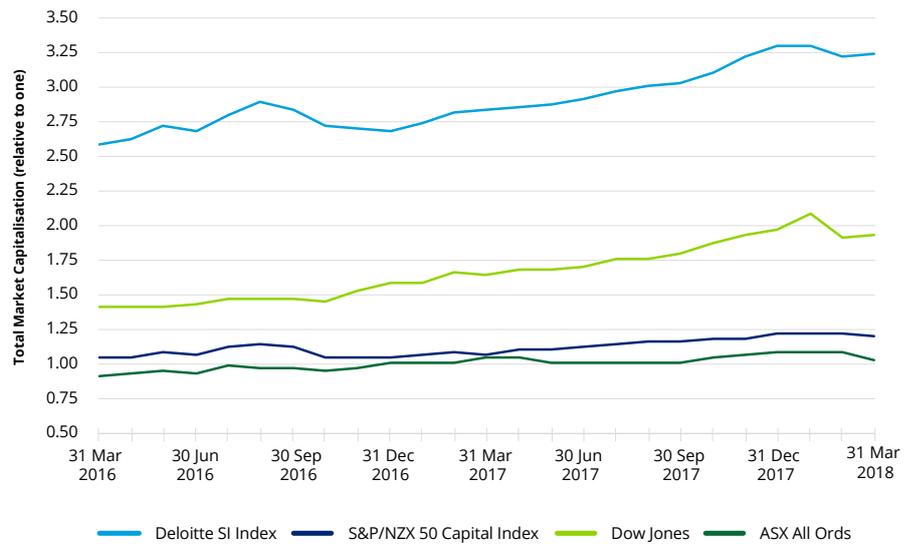
Benchmarking

Quarterly comparison of the Deloitte South Island Index and other indices

The Deloitte South Island Index started the first quarter of 2018 down 1.5%, however March saw a small amount of growth, with the Index up 0.9% for the month.

It was an identical story for the Dow Jones Index, down for the March quarter (2.6%) with small growth recorded in March (up 0.7%). Of the other indices tracked, the ASX All Ords recorded a loss for the quarter, down 4.8%, followed by the S&P/NZX 50 Capital Index, which was down by 2.0%.

Performance of Deloitte South Island Index vs Major Indices



Base period - December 2006 = 1.00



The Deloitte South Island Index started the first quarter of 2018 down 1.5%, however March saw a small amount of growth, with the Index up 0.9% for the month.

Deloitte South Island Index – March 2018

Of the 31 companies currently listed on the Deloitte South Island Index, 7 (23%) experienced a rise in market capitalisation during the quarter to 31 March 2018, 17 declined and 7 remained unchanged.

The full Deloitte South Island Index for the quarter ended 31 March 2018, ranked by market capitalisation, is set out in the table below.

	Mar 2018 Rank	Dec 2017 Rank	Ticker	Company	Sector	Mcap Mar 2018 (\$m)	Mcap Dec 2017 (\$m)	Change in Mcap (\$m) in Quarter	Change in Mcap (%) in Quarter	Share Price 31 Mar 2018
→	1	1	MEL	Meridian Energy	Energy & Mining	\$7,317.4	\$7,496.8	\$(179.4)	(2.4)%	\$2.855
→	2	2	RYM	Ryman Healthcare	Aged Care	\$5,295.0	\$5,295.0	\$0.0	0.0%	\$10.590
→	3	3	EBO	EBOS Group	Manufacturing & Distribution	\$2,738.1	\$2,829.6	\$(91.5)	(3.2)%	\$17.950
→	4	4	SML	Synlait Milk	Primary	\$1,503.7	\$1,290.4	\$213.3	16.5%	\$8.390
→	5	5	HBL	Heartland Bank	Other	\$980.6	\$1,158.8	\$(178.2)	(15.4)%	\$1.760
→	6	6	SKYLINE	Skyline Enterprises	Other	\$851.2	\$851.2	\$0.0	0.0%	\$25.000
→	7	7	SCL	Scales Corporation	Primary	\$633.7	\$671.6	\$(37.9)	(5.6)%	\$4.510
↓	9	8	KMD	Kathmandu Holdings	Retail	\$534.1	\$491.3	\$42.8	8.7%	\$2.420
↑	8	10	ARV	Arvida Group	Aged Care	\$488.2	\$525.5	\$(37.3)	(7.1)%	\$1.180
↓	10	9	PGW	PGG Wrightson	Primary	\$452.9	\$452.9	\$0.0	0.0%	\$0.600
→	11	11	SKL	Skellerup Holdings	Manufacturing & Distribution	\$350.9	\$356.7	\$(5.8)	(1.6)%	\$1.820
→	12	12	NZK	New Zealand King Salmon Investments	Primary	\$296.3	\$319.9	\$(23.6)	(7.4)%	\$2.140
→	13	13	SCT	Scott Technology	Manufacturing & Distribution	\$249.5	\$268.4	\$(18.9)	(7.0)%	\$3.310
→	14	14	PEB	Pacific Edge	Technology	\$179.5	\$181.9	\$(2.4)	(1.3)%	\$0.385
→	15	15	SPN	South Port New Zealand	Other	\$166.6	\$157.4	\$9.2	5.8%	\$6.350
→	16	16	SYF	Syft Technologies	Technology	\$80.5	\$81.9	\$(1.4)	(1.7)%	\$1.130
→	17	17	FFW	Foley Family Wines	Primary	\$77.8	\$78.3	\$(0.5)	(0.6)%	\$1.490
↑	18	19	MWE	Marlborough Wine Estates Group	Primary	\$73.3	\$73.3	\$0.0	0.0%	\$0.250
↓	19	18	SFF	Silver Fern Farms	Primary	\$46.2	\$75.3	\$(29.1)	(38.6)%	\$0.460
→	20	20	SCY	Smiths City Group	Retail	\$26.3	\$31.6	\$(5.3)	(16.8)%	\$0.500
→	21	21	MOA	Moa Group	Other	\$25.7	\$27.9	\$(2.2)	(7.9)%	\$0.470
→	22	22	SEA	SeaDragon	Primary	\$22.6	\$27.1	\$(4.5)	(16.6)%	\$0.005
↑	23	25	SLI	SLI Systems	Technology	\$19.9	\$12.5	\$7.4	59.2%	\$0.320
↓	24	23	BLT	BLIS Technologies	Technology	\$18.8	\$18.8	\$0.0	0.0%	\$0.017
↓	25	24	BLUESKY	Blue Sky Meats	Primary	\$15.6	\$16.1	\$(0.5)	(3.1)%	\$1.350
→	26	26	PAZ	Pharmazen	Technology	\$9.6	\$9.6	\$0.0	0.0%	\$0.060
→	27	27	CRP	Chatham Rock Phosphate	Energy & Mining	\$6.2	\$6.3	\$(0.1)	(1.6)%	\$0.350
→	28	28	CNX	Connexionz	Technology	\$5.1	\$2.7	\$2.4	88.9%	\$0.095
→	29	29	AOR	Aorere Resources	Energy & Mining	\$1.5	\$1.5	\$0.0	0.0%	\$0.001
→	30	30	MAD	Energy Mad	Manufacturing & Distribution	\$1.5	\$0.6	\$0.9	150.0%	\$0.010
→	31	31	WTL	Windflow Technology	Energy & Mining	\$0.9	\$0.4	\$0.5	125.0%	\$0.010
	31	31		TOTAL		\$22,469.2	\$22,811.3	\$(342.1)	(1.5)%	

The Deloitte South Island Index ('the Index') is compiled from information provided by the NZX, and Unlisted on the market capitalisation of each South-Island based listed company. Broadly, a company is included in the Index where its registered office is in the South Island and/or a substantial portion of its operations are focused in the South Island. The information on South Island listed companies is extracted and totalled to provide a cumulative market capitalisation for all South Island listed companies.

The base period of the Deloitte South Island Index is 31 December 2006 and for the purposes of the Index this data is given a notional value of one. All subsequent quarterly cumulative market capitalisation totals are divided by the totals for the December 2006 quarter to obtain a relative movement. Market capitalisation will move as a result of capital injections, payments of dividends and capital returns. If a new South Island based company lists on the NZX or Unlisted they will be reflected in the Index as though they were present in the base period. Accordingly, the Index will only reflect changes in market capitalisation subsequent to listing. If a company is suspended or delisted during a quarter, no data will be included for the company, including any historical data, until the company is re-listed or the suspension lifted.

For the purposes of the sector analysis some sector segments have been grouped to provide a more meaningful analysis.

Information

Deloitte Corporate Finance is the firm's specialist corporate finance practice. For information regarding the Deloitte South Island Index or any of the services that we offer please contact any of our selected South Island based team below.

Christchurch

Scott McClay

Partner | Corporate Finance
+64 (03) 363 3834
smcclay@deloitte.co.nz

Kyle Callow

Director | Corporate Finance
+64 (03) 363 3832
kcallow@deloitte.co.nz

Mike Hoshek

Partner | Audit
Direct : +64 (03) 363 3744
mhoshek@deloitte.co.nz

Richard Bailey

Partner | Corporate Finance
+64 (03) 363 3828
richardbailey@deloitte.co.nz

Aaron Thorn

Partner | Tax & Private
+64 (03) 363 3813
athorn@deloitte.co.nz

Steve Law

Partner | Consulting
Direct : +64 (03) 363 3872
stelaw@deloitte.co.nz

Rob McDonald

Director | Corporate Finance
+64 (03) 363 3836
robmcdonald@deloitte.co.nz

Shari Carter

Partner | Tax & Private
Direct : +64 (03) 363 3849
sharicarter@deloitte.co.nz

Dunedin

Mike Hawken

Partner | Audit
Direct : +64 (03) 474 8684
mhawken@deloitte.co.nz

Mike Horne

Partner | Tax & Private
Direct : +64 (03) 474 8647
mhorne@deloitte.co.nz

Kyle Cameron

Partner | Tax & Private
Direct : +64 (03) 474 8674
kycameron@deloitte.co.nz

Phil Stevenson

Partner | Tax & Private
Direct : +64 (03) 474 8665
p Stevenson@deloitte.co.nz

Queenstown

Daniel Hellyer

Partner | Tax & Private
Direct : +64 (03) 901 0573
dhellyer@deloitte.co.nz

Christchurch

151 Cambridge Terrace,
Christchurch 8013
PO Box 248, Christchurch 8140
New Zealand
Tel: +64 (0) 3 379 7010
Fax: +64 (0) 3 366 6539
www.deloitte.co.nz

Dunedin

Otago House, 481 Moray Place,
Dunedin 9016
PO Box 1245, Dunedin 9054
New Zealand
Tel: +64 (0) 3 474 8630
Fax: +64 (0) 3 474 8650
www.deloitte.co.nz

Queenstown

Level 2, 10 Memorial Street
PO Box 794,
Queenstown 9348
New Zealand
Tel: +64 (0) 3 901 0570
Fax: +64 (0) 3 901 0571
www.deloitte.co.nz

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 245,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

Deloitte New Zealand brings together more than 1200 specialist professionals providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Hamilton, Rotorua, Wellington, Christchurch, Queenstown and Dunedin serving clients that range from New Zealand's largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website www.deloitte.co.nz.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.