



Progression from the South The Deloitte South Island Index

A review of the performance of South Island listed companies during the quarter ending 30 September 2018

November 2018

43rd Edition

Introduction

Welcome to the 43rd edition of the Deloitte South Island Index.

In this edition we look back on the performance of South Island listed companies during the most recent quarter to 30 September 2018.

The September 2018 quarter built on second quarter growth as the Deloitte South Island Index recorded growth of \$2,190.8 million (8.8%), after a subdued first quarter and strong second quarter of the 2018 year.

Movements in September 2018

For the month ended 30 September 2018 the Deloitte South Island Index recorded a decline of 0.4%, as did the S&P/NZX 50 Capital Index down 0.5% and the ASX All Ords down 1.6%. The Dow Jones was the only index tracked that recorded growth for the month ended 30 September 2018, up 1.9%.

Quarterly movements – Q3 2018

The third quarter of 2018 saw the Deloitte South Island Index increase its market capitalisation by \$2,190.8 million (8.8%). The increase was driven by five out of the seven sectors tracked. The Manufacturing

& Distribution sector recorded the highest growth in terms of market capitalisation increasing 20.3% and at the other end of the scale the Primary Sector recorded the largest decline for the quarter, falling 1.6%.

Annual movements – September 2017 to September 2018

The Deloitte South Island Index grew by \$6,028.5 million (28.8%) during the twelve months to 30 September 2018. Growth was also recorded by all the other indices tracked. The Deloitte South Island Index's closest rival in terms of market capitalisation growth was the Dow Jones, up 28.1% for the year to 30 September 2018. At the other end of the scale the index tracked with the smallest recorded growth was the ASX All Ords, growing 10.1% over the twelve months to 30 September 2018.



Executive summary

The Deloitte South Island Index has continued to build on its second quarter performance driven by The Top Four Companies.

Key points for the third quarter of 2018 include:

- The Deloitte South Island Index increased by \$2,190.8 million (8.8%) during the quarter to 30 September 2018. All other indices tracked recorded increases over the same period with the Dow Jones finishing ahead of the Deloitte South Island Index, increasing by 9.0%. This was followed by the S&P/NZX 50 Capital Index increasing by 3.4% and the ASX All Ords increasing by 0.6% in terms of market capitalisation.
- There has been movement in the companies that have a market capitalisation of greater than \$1.0 billion again this quarter. Skyline Enterprises was the fifth company on the Deloitte South Island Index to achieve market capitalisation greater than \$1.0 billion during the 30 June 2018 quarter. However during the 30 September 2018 quarter a 4.3% decline resulted in them falling below the \$1.0 billion benchmark and therefore falling out of the 'Top Five' Companies.
- The collective increase of the four companies whose market capitalisation is greater than \$1.0 billion (the Top Four companies) was \$2.02 billion (10.8%).
- Ryman Healthcare recorded the largest increase in market capitalisation, increasing by \$1,015.0 million (17.0%), followed by EBOS Group \$687.9 million (21.5%). Meridian Energy recorded a \$422.9 million (5.3%) increase for the September quarter. Synlait Milk's golden run paused during the September 2018 quarter as they suffered the largest decline (in dollar terms), falling by \$105.7 million (5.2%).
- The smallest 10 companies collectively grew, recording a \$2.1 million (2.3%) increase in market capitalisation.
- Outside of the Top Four, the Index's best performers (in percentage terms) were Energy Mad whose market capitalisation increased 114.3% (\$1.6 million) during the September quarter followed by BLIS Technologies who increased their market capitalisation by 38.2% (\$5.5 million).
- Significant declines in the Index this quarter were led by SeaDragon, who dropped 33.3% (\$4.5 million), followed by Smiths City Group who fell by a 22.9% (\$4.7 million) and Scott Technology who dropped 12.6% (\$33.4 million).

Key points for the 12 months to September 2018 include:

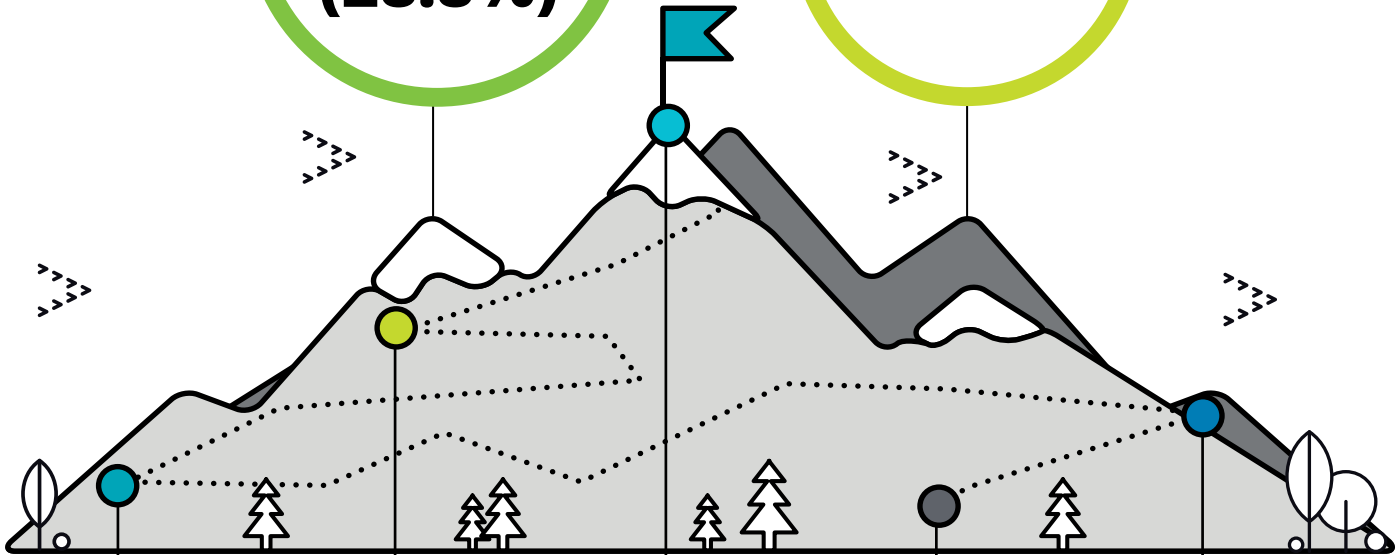
- Over the twelve months to 30 September 2018 the top performers, in percentage terms, were some of the smaller players, Energy Mad (up 913.7%), Windflow Technology (up 156.8%) and Connexionz (up 110.0%). In dollar terms the list looks different with Ryman Healthcare topping the table with growth of \$2,365.0 million over the past twelve months, followed by Meridian Energy (up \$1,127.7 million) and EBOS Group (up \$813.0 million).
- The largest declines over the 12 months in percentage terms were SeaDragon (down 66.7%), Smiths City Group (down 53.1%) and BLIS Technologies (down 37.9%). In dollar terms the largest declines were Pacific Edge (down \$35.9 million), Syft Technologies (down \$28.3 million) and SeaDragon (down \$18.1 million).

The Deloitte South Island Index over the last 12 months grew by

\$6.0bn (28.8%)

Top performing company over 12 months, **Energy Mad** grew by:

913.7%



2/7 Sectors

sectors record declines during the September 2018 quarter

Primary **1.6%**



Other **0.9%**



Top gains
September 2018 quarter

Energy Mad 114.3%



BLIS Technologies 38.2%



Windflow Technologies 30.0%



The Top 4 companies
September 2018 quarter

Ryman Healthcare 17.0%



EBOS Group 21.5%



Meridian Energy 5.3%



Snylait Milk 5.2%



Top declines
September 2018 quarter

SeaDragon 33.3%



Smiths City Group 22.9%



Scott Technology 12.6%



5/7 Sectors

record growth during September 2018 quarter

Manufacturing & Distribution sector 20.3%



Aged Care sector 16.0%



Retail sector 12.9%



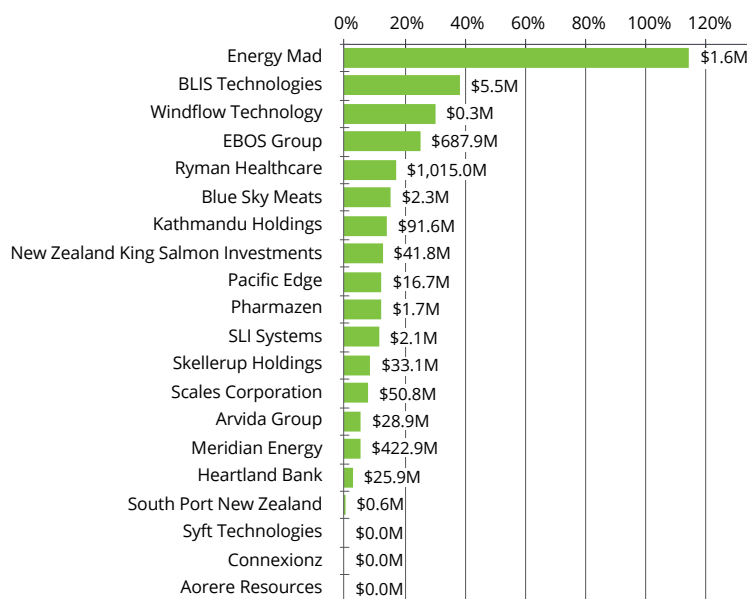
Technology sector 10.6%



Energy & Mining sector 5.3%

Quarter to 30 September 2018

Growth in Market Capitalisation (%) in Quarter



Increases in Market Capitalisation

In percentage terms there were seventeen participants that recorded growth in market capitalisation for the September 2018 quarter. Three participants recorded no movement in market capitalisation and the remaining eleven participants recorded a decline.

Energy Mad recorded the largest percentage increase (114.3%) in market capitalisation for the September 2018 quarter. During the quarter EnergyMad advised they had signed a binding transaction agreement with the shareholders of PaySauce Ltd (and others) to proceed with a transaction where Energy Mad acquires all the shares in PaySauce Ltd.

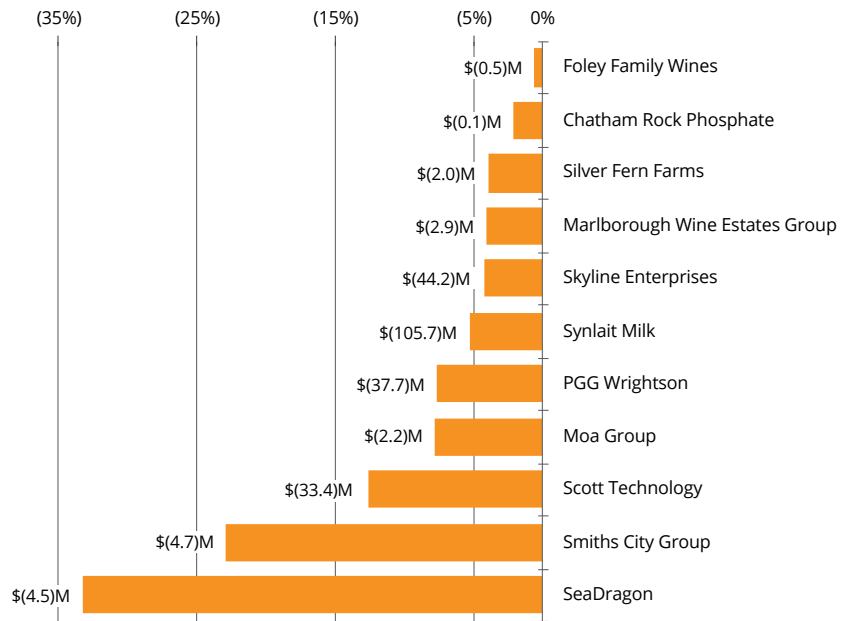
BLIS Technologies had a strong September 2018 quarter up 38.2% in market capitalisation. BLIS Technologies released their unaudited interim financial results (Q1 FY19) which saw large improvements on its

Q1 FY18 reported results. Also during the quarter BLIS Technologies announced "it has entered into a distribution agreement with iNova Pharmaceuticals (Singapore) Pte Ltd for the distribution of BLIS branded products. iNova Pharmaceuticals is a multinational pharmaceutical and consumer health care company."

Windflow Technology increased its market capitalisation by 30.0% during the September 2018 quarter. During the quarter Windflow Technology released their 2018 Annual Report which noted it was a year dominated by financial and operational restructure. The Directors report notes "in the year to 30 June 2018, a gross profit of \$0.1 million was earned by the Windflow Group on revenue of \$0.9 million. Below this top-line result, other revenue was dominated by discontinued operations and the sale of Windflow UK Ltd."

In percentage terms there were seventeen participants that recorded growth in market capitalisation for the September 2018 quarter.

Decline in Market Capitalisation (%) in Quarter



Declines in Market Capitalisation

SeaDragon recorded the largest decline in market capitalisation on a percentage term basis, falling 33.3%. However this was a \$0.001 reduction in share price from the previous quarter. It was announced during the quarter that SeaDragon will initiate a rights offer to shareholders to raise additional capital to facilitate growth and meet working capital, operational expenditure and capital expenditure needs.

Smiths City Group recorded the second largest decline in market capitalisation on a percentage basis, falling 22.9%. During the quarter Smith City Group

held their Annual Meeting where it was acknowledged The Group had a difficult trading year with various challenges, intense competition and soft demand. The Group also had achievements in their transformation programme, including store refurbishments and closures and relaunching their online store.

Scott Technology finished the quarter down 12.6%. During the quarter it was noted that construction is due to begin at the beginning of October at their Kaikorai Valley headquarters in Dunedin, in a \$4 million project which will double the available space and is likely to be finished early next year.

SeaDragon recorded the largest decline in market capitalisation on a percentage term basis, falling 33.3%.



Sector movements

Quarter to 30 September 2018

In percentage terms, the growth of the Index was led by the Manufacturing & Distribution sector which grew by 20.3%. Energy Mad's quarterly performance which saw it increase by \$1.6 million (114.3%) was followed by EBOS Group who increased their market capitalisation by 25.1%. Skellerup Holdings was also up 8.6% after increasing their shares on issue by 1.9 million during the quarter. Scott Technology was the only sector participant to decline, falling 12.6% for the September 2018 quarter.

Aged Care had a strong September quarter with Ryman Healthcare out performing Arvida Group to increase their market capitalisations by 17.0% and 5.5% respectively during the quarter. Arvida Group announced an unconditional agreement to acquire land in Kerikeri to build a new retirement village.

Retail had a mixed bag of results, with Kathmandu experiencing a strong quarter finishing with an increase of

14.0%. During the quarter Kathmandu released their annual financial results for the 12 months ending 31 July 2018, with revenues up 11.7% and net profit attributable to shareholders up 32.8%. On the flip side Smith City recorded a decline in market capitalisation, down 22.9%.

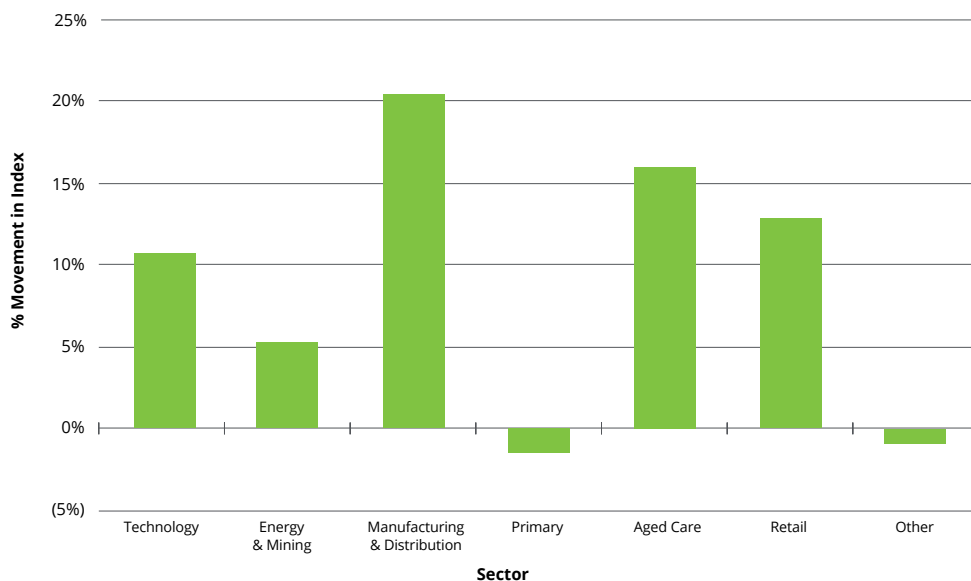
The Technology sector was one of the two sectors where no participants recorded declines, growing 10.6% (26.0m) in market capitalisation during the quarter. BLIS Technologies took the lead and recorded a 38.2% increase in market capitalisation (\$5.5m). Both Syft Technologies Limited and Connexionz recorded no change in market capitalisation for the September 2018 quarter.

Energy & Mining was up 5.3% for the September 2018 quarter. Windflow Technology took out first place with the highest percentage growth of 30.0% (\$0.3m). Meridian Energy increased its market capitalisation by 5.3% for the quarter (\$422.9m), Aorere Resources recorded no change

in market capitalisation and Chatham Rock Phosphate fell 2.1% (\$0.1m) as it continues during this quarter to bid for a marine consent from the Environmental Protection Authority (EPA) to mine off the South Island's east coast.

The Primary Sector recorded the largest decline in percentage terms for the quarter, with six out of the nine participants recording declines. SeaDragon and PGG Wrightson had the largest percentage declines, falling 33.3% and 7.6% respectively. Growth was seen in Blue Sky Meats, New Zealand King Salmon and Scales Corporation, increasing 15.3%, 12.6% and 7.8% respectively. Blue Sky Meats saw a significant improvement in performance during their financial year with their annual results released during the quarter reporting a net operating profit of \$3.75 million compared to a \$2.25 million loss the previous year.

Movement in Sector Indices - Quarter to September 2018



Industry	Number of Companies	30 Sept 2018 \$ million	30 June 2018 \$ million	Mvmt in Quarter \$ million	% change in Mkt Cap during quarter	% of Index
Technology	6	\$270.6	\$244.6	\$26.0	10.6%	1.0%
Energy & Mining	4	\$8,427.0	\$8,003.9	\$423.1	5.3%	31.3%
Manufacturing & Distribution	4	\$4,078.1	\$3,388.9	\$689.2	20.3%	15.1%
Primary	9	\$3,702.2	\$3,760.6	\$(58.4)	(1.6)%	13.7%
Aged Care	2	\$7,558.8	\$6,514.9	\$1,043.9	16.0%	28.0%
Retail	2	\$763.1	\$676.2	\$86.9	12.9%	2.8%
Other	4	\$2,165.5	\$2,185.4	\$(19.9)	(0.9)%	8.0%
TOTAL	31	\$26,965.3	\$24,774.5	\$2,190.8	8.8%	100.0%



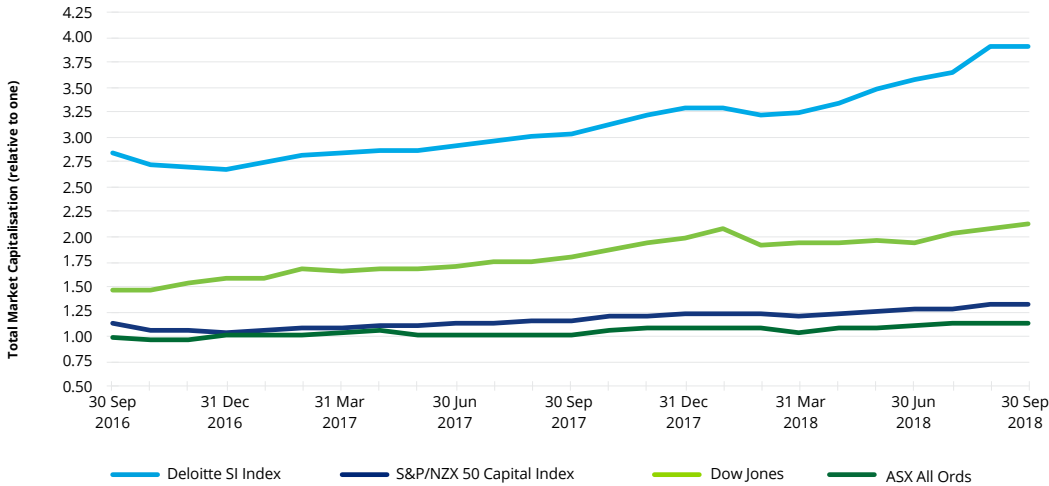
Benchmarking

The Deloitte South Island Index started 2018 down 1.5%, the second quarter saw a brighter pace with the Index up 10.3% and the third quarter saw the Deloitte South Island Index grow at a softer pace, but still up 8.8%.

The other indices tracked also experienced positive third quarters with the Dow Jones outperforming the Deloitte South Island Index increasing 9.0% during the quarter. The S&P/NZX 50 Capital Index also had a strong quarter up 3.4%. The ASX All Ords recorded the lowest growth percentage for the quarter, up 0.6%.

The Deloitte South Island Index started 2018 down 1.5%, the second quarter saw a brighter pace with the Index up 10.3% and the third quarter saw the Deloitte South Island Index grow at a softer pace, but still up 8.8%.

Performance of Deloitte South Island Index vs Major Indices



Base period - December 2006 = 1.00



Deloitte South Island Index – September 2018

Of the 31 companies currently listed on the Deloitte South Island Index, 17 (55%) experienced a rise in market capitalisation during the quarter to 30 September 2018, 11 declined and 3 remained unchanged.

The full Deloitte South Island Index for the quarter ended 30 September 2018, ranked by market capitalisation, is set out in the table below.

	Sept 2018 Rank	June 2018 Rank	Ticker	Company	Sector	Mcap Sept 2018 (\$m)	Mcap June 2018 (\$m)	Change in Mcap (\$m) in Quarter	Change in Mcap (%) in Quarter	Share Price 30 Jun 2018
→	1	1	MEL	Meridian Energy	Energy & Mining	\$8,419.5	\$7,996.6	\$422.9	5.3%	\$3.285
→	2	2	RYM	Ryman Healthcare	Aged Care	\$7,000.0	\$5,985.0	\$1,015.0	17.0%	\$14.000
→	3	3	EBO	EBOS Group	Manufacturing & Distribution	\$3,426.0	\$2,738.1	\$687.9	25.1%	\$22.460
→	4	4	SML	Synlait Milk	Primary	\$1,944.6	\$2,050.3	\$(105.7)	(5.2)%	\$10.850
↑	5	6	HBL	Heartland Bank	Other	\$978.2	\$952.3	\$25.9	2.7%	\$1.730
↓	6	5	SKYLINE	Skyline Enterprises	Other	\$977.2	\$1,021.4	\$(44.2)	(4.3)%	\$28.700
→	7	7	KMD	Kathmandu Holdings	Retail	\$747.3	\$655.7	\$91.6	14.0%	\$3.310
→	8	8	SCL	Scales Corporation	Primary	\$705.5	\$654.7	\$50.8	7.8%	\$5.000
→	9	9	ARV	Arvida Group	Aged Care	\$558.8	\$529.9	\$28.9	5.5%	\$1.350
→	10	10	PGW	PGG Wrightson	Primary	\$460.5	\$498.2	\$(37.7)	(7.6)%	\$0.610
→	11	11	SKL	Skellerup Holdings	Manufacturing & Distribution	\$416.8	\$383.7	\$33.1	8.6%	\$2.140
→	12	12	NZK	New Zealand King Salmon Investments	Primary	\$372.8	\$331.0	\$41.8	12.6%	\$2.690
→	13	13	SCT	Scott Technology	Manufacturing & Distribution	\$232.3	\$265.7	\$(33.4)	(12.6)%	\$3.060
→	14	14	SPN	South Port New Zealand	Other	\$184.2	\$183.6	\$0.6	0.3%	\$7.020
→	15	15	PEB	Pacific Edge	Technology	\$151.9	\$135.2	\$16.7	12.4%	\$0.320
→	16	16	FFW	Foley Family Wines	Primary	\$76.8	\$77.3	\$(0.5)	(0.6)%	\$1.450
→	17	17	MWE	Marlborough Wine Estates Group	Primary	\$67.5	\$70.4	\$(2.9)	(4.1)%	\$0.230
→	18	18	SYF	Syft Technologies	Technology	\$57.0	\$57.0	\$0.0	0.0%	\$0.800
→	19	19	SFF	Silver Fern Farms	Primary	\$48.2	\$50.2	\$(2.0)	(4.0)%	\$0.480
→	20	20	MOA	Moa Group	Other	\$25.9	\$28.1	\$(2.2)	(7.8)%	\$0.430
↑	21	22	SLI	SLI Systems	Technology	\$20.5	\$18.4	\$2.1	11.4%	\$0.330
↑	22	24	BLT	BLIS Technologies	Technology	\$19.9	\$14.4	\$5.5	38.2%	\$0.018
→	23	23	BLUESKY	Blue Sky Meats	Primary	\$17.3	\$15.0	\$2.3	15.3%	\$1.500
↓	24	21	SCY	Smiths City Group	Retail	\$15.8	\$20.5	\$(4.7)	(22.9)%	\$0.300
→	25	25	PAZ	Pharmazen	Technology	\$15.6	\$13.9	\$1.7	12.2%	\$0.071
→	26	26	SEA	SeaDragon	Primary	\$9.0	\$13.5	\$(4.5)	(33.3)%	\$0.002
→	27	27	CNX	Connexionz	Technology	\$5.7	\$5.7	\$0.0	0.0%	\$0.105
→	28	28	CRP	Chatham Rock Phosphate	Energy & Mining	\$4.7	\$4.8	\$(0.1)	(2.1)%	\$0.265
↑	29	30	MAD	Energy Mad	Manufacturing & Distribution	\$3.0	\$1.4	\$1.6	114.3%	\$0.017
↓	30	29	AOR	Aorere Resources	Energy & Mining	\$1.5	\$1.5	\$0.0	0.0%	\$0.001
→	31	31	WTL	Windflow Technology	Energy & Mining	\$1.3	\$1.0	\$0.3	30.0%	\$0.014
	31	31		TOTAL		\$26,965.3	\$24,774.5	\$2,190.8	8.8%	

Compilation of the Deloitte South Island Index

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.

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