

Rising Above
The Deloitte
South Island Index

A review of the performance of South Island
listed companies during the quarter to 30 September 2013



Introduction

Welcome to the 23rd 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 30 September 2013.

Over the past quarter the Deloitte South Island Index rocketed upwards, gaining an astonishing \$1.6 billion (22.7%) to the quarter ended 30 September 2013. This result propelled the Index to even greater heights continuing the trend of the previous four quarters by recording a new highest point since its inception in 2007.

Movements in September 2013

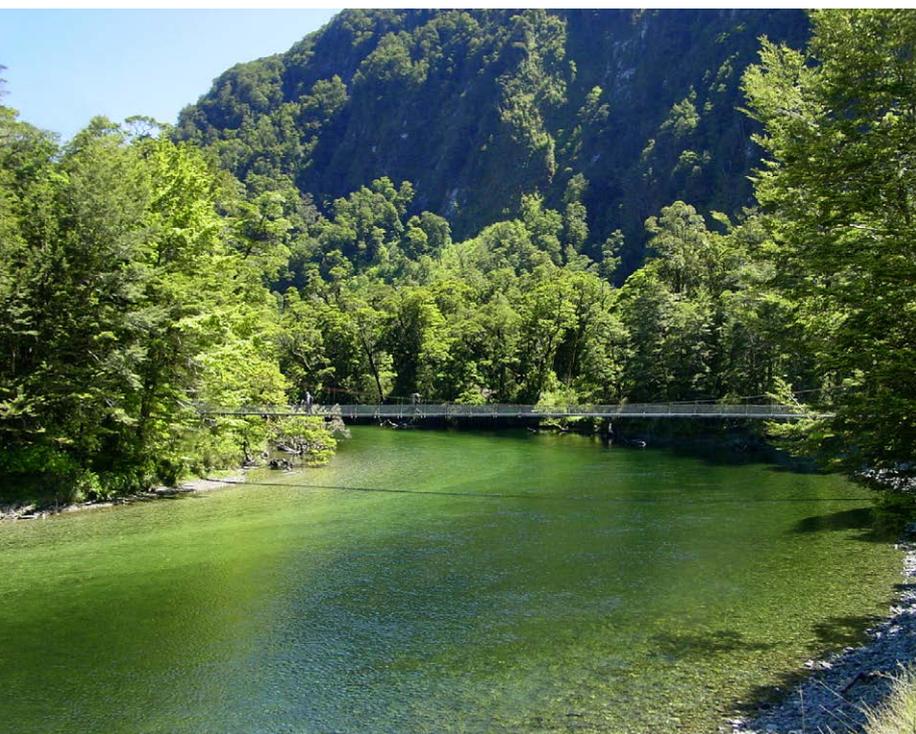
The month of September resulted in a slight increase of 3.3% in the Deloitte South Island Index's performance. Over the same period all the indices tracked had similar results, with the NZX 50 gaining a slightly larger 4.3%, and the Dow Jones and the ASX All Ords increasing by 2.2% and 1.8% respectively.

Quarterly movements – Q3 2013

Despite a minor dip in August, the Deloitte South Island Index had another impressive quarter – gaining \$1.6 billion (22.7%) in market capitalisation since 30 June 2013. This result was mainly attributable to a formidable quarter for the Manufacturing & Distribution sector which gained \$912.5 million in market capitalisation, supported by the Retail sector increasing by \$150.5 million.

Annual movements – Sep 2012 – Sep 2013

The Deloitte South Island Index increased by \$3.02 billion (53.6%) during the year to 30 September 2013 – outperforming increases in the NZX 50 of 23.5%, the ASX All Ords of 18.4% and the Dow Jones of 12.6%.



Executive Summary

Quarter to 30 September 2013

The third quarter of the 2013 year continued the Deloitte South Island Index's run of successive positive quarters to five in a row, as well as recording its greatest quarterly percentage increase since the inception of the Index. The key aspect of this quarter's growth lies in the encouraging appetite of investors for new issuances of shares in companies on the Index.

The number of companies in the Deloitte South Island Index increased to 32 after the successful listing of Rakaia based Synlait Milk Limited on the NZX in July 2013. Synlait Milk joins its sibling company Synlait Farms on the Deloitte South Island Index.

Key points for the third quarter of 2013 include:

- The Deloitte South Island Index increased by \$1,601 million (22.7%) during the quarter to 30 September 2013 – recording its highest quarterly growth percentage since the inception of the Index. In comparison, over the same period, the ASX All Ords achieved respectable growth of 9.3% while the NZX 50 Index and Dow Jones achieved modest growth of 6.7% and 1.5% respectively. The top performers in the quarter include EBOS Group (up \$855 million), Ryman Healthcare (up \$290 million), Kathmandu Holdings (up \$154 million) and Synlait Milk (up \$146 million).
- The phenomenal growth for the quarter is largely due to the increase in market capitalisation of EBOS Group following its share issue in July. After stripping out the EBOS Group share issuance the Deloitte South Island Index grew by 11.0% – still outperforming the other indices tracked.
- Six of the eight industry sectors posted positive movements in the quarter to 30 September 2013 – the exceptions being the Biotechnology and Port sectors, which experienced declines in market capitalisation of 8.0% and 7.1% respectively. The Manufacturing & Distribution sector was the leading performer – gaining 92.1% from the closing 30 June 2013 position to end the September 2013 quarter almost double in size from its previous highest point. This growth is predominantly attributable to the issuance of new shares in July by EBOS Group after finalising the acquisition of the Symbion Group, the leading Australian pharmaceutical wholesaler and distributor by revenue, and a leading veterinary wholesaler in Australia.

- The Retail sector was another top performer achieving growth of 27.5% in the current quarter, on the back of a strong performance from Kathmandu Holdings which grew its market capitalisation by \$154.2 million (30.4%) in the quarter. The majority of Kathmandu Holdings' increase occurred in late September after the announcement of record sales and profit in their annual results.
- The Primary sector also had an excellent quarter growing \$235.0 million (31.8%) lead by the duo of Synlait Milk and Synlait Farms. There was strong interest in Synlait Milk in the first month after its listing on the NZX. PGG Wrightson was also a significant contributor to the positive result, gaining \$67.9 million (31.0%) in the quarter. The result pushed the Primary sector to its highest point in five years.

Over the 12 months to 30 September 2013, the Deloitte South Island Index has increased by \$3.02 billion (53.6%). The majority of this increase in market capitalisation is attributable to the increase of Ryman Healthcare and EBOS Group, growing \$1.43 billion and \$1.06 billion respectively in the year to 30 September 2013. On a percentage basis the greatest climbers for the past 12 months were EBOS Group (247.7%), BLIS Technologies (164.8%), Kathmandu Holdings (88.6%) and Pacific Edge (80.5%).

The Deloitte South Island Index increased by \$1,601 million (22.7%) during the quarter to 30 September 2013 – recording its highest quarterly growth percentage since the inception of the Index.



Over the 12 months to 30 September 2013, the Deloitte South Island Index has increased by \$3.02 billion (53.6%).

The Quarter to 30 September 2013

Growth in Market Capitalisation

The story of the quarter is the phenomenal growth of EBOS Group which increased its market capitalisation by 135.8% over the quarter, following the issuance of just over 81 million shares after finalising the acquisition of the Symbion Group in July. On the day of the share issue the market capitalisation of EBOS Group grew by \$770.9 million – more than doubling its size. This significant move by EBOS Group cements its position in second place on the Deloitte South Island Index. EBOS Group's share price also contributed to its growth over the quarter to September 2013 increasing by \$0.52 (5.4%) per share.

Ryman Healthcare share price continued its climb increasing another \$0.58 (9.1%) over the quarter; however the share price growth has plateaued over the last couple of months after an exceptional period of growth over the past two years. Kathmandu Holdings grew its market capitalisation by \$154.2 million (30.4%) in the quarter after its share price increased \$0.77 to \$3.30 per share. The majority of Kathmandu Holdings' increase occurred in late September after the announcement of record sales and profit in its annual results.

Synlait Milk had a good start to its public listing, gaining \$1.00 (45.5%) per share in its inaugural quarter in the Deloitte South Island Index. There was substantial interest in the company with the share price rising \$0.54 (24.5%) on its first day of trading on the NZX in July 2013 as investors scrambled to grab a share in the New Zealand dairy industry. The company stated in the release of its annual results in September that it had achieved "revenue of \$420 million in FY2013, an increase of 11.5% compared to \$377 [million] for FY2012 driven largely by increased sales volumes".

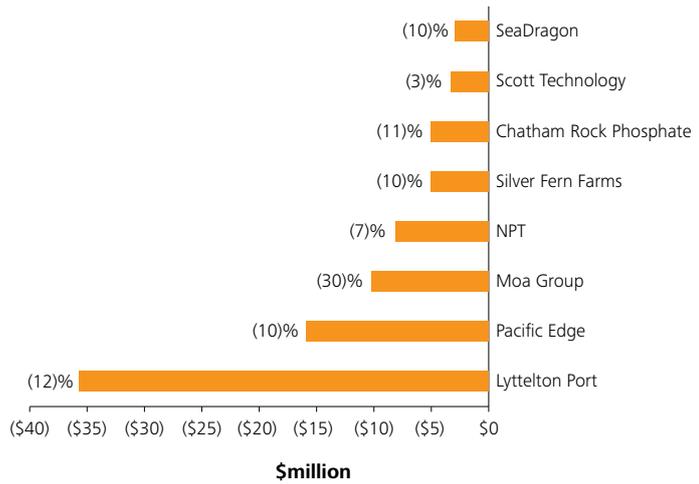


Declines in Market Capitalisation

After having a stellar second quarter of the year, Lyttelton Port suffered a reversal of fortunes as its share price dropped \$0.35 (12.3%) in the quarter to 30 September 2013. During the quarter the company announced its annual results which noted the continual challenges that it faces regarding its earthquake insurance claims which are now three years old.

Pacific Edge’s market capitalisation shrunk during the quarter by \$15.9 million after its share price dropped \$0.06 (10.2%) per share. This is the second quarter in a row that the share price of Pacific Edge has fallen after its extraordinary growth of 248.7% over the preceding three quarters. The consecutive drops have reduced Pacific Edge’s market capitalisation to be slightly less than at the end of 2012.

Moa Group suffered a drastic decline in mid-August after announcing that its distributor had advised it did not expect to meet the agreed FY14 sales volume target. Moa Group estimated that this would result in a shortfall of approximately 30% on the total company sales targets. The share price dropped \$0.31 (26.3%) after the announcement. Over the quarter to 30 September 2013, Moa Group lost market capitalisation of \$10.2 million or 29.7% of its value. The company has recently announced that it has commenced sales under a new distribution model.



Sector Movements

Quarter to 30 September 2013

Six of the eight industry sectors posted positive movements in the quarter to 30 September 2013 – the exceptions being the Biotechnology and Port sectors.

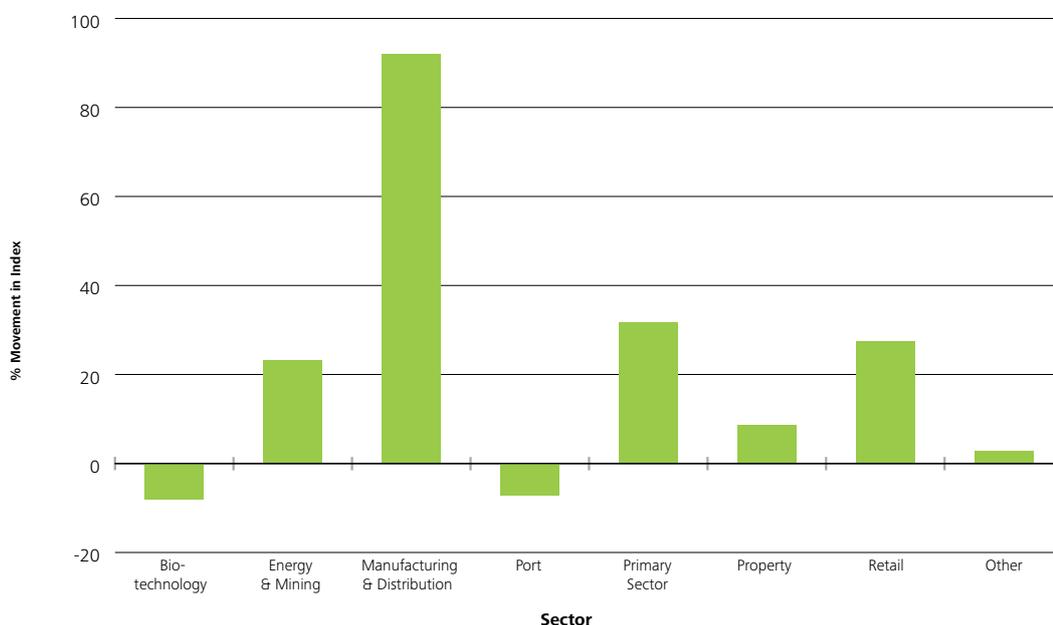
The Manufacturing and Distribution sector had an exceptional quarter, gaining 92.1% on the back of EBOS Group more than doubling in size following finalisation of the acquisition of the Symbion Group. However, it was not the only company in the sector to achieve growth as Skellerup Holdings also had a positive result, gaining \$0.32 (24.2%) per share over the quarter. It seems the catalyst for the increase in share price in late August was Skellerup Holdings' announcement of higher earnings than previously forecast following a late across-the-board pickup in activity.

The Primary sector turned around its poor performance from the previous two quarters to record its greatest quarterly percentage increase (31.8%) since the inception of the Deloitte South Island Index. Four of the eight companies in the sector posted double figure percentage growth rates, led by the dairy duo of Synlait Farms and Synlait Milk gaining 60.0% and 45.4% respectively. PGG Wrightson also posted positive results increasing its share price by \$0.09 (31.0%) to regain the losses from the previous quarter. The fourth company in the sector to have a good result for the quarter was Foley Family Wines with a gain of \$0.15 (11.1%) per share.

The Manufacturing and Distribution sector had an exceptional quarter, gaining 92.1% on the back of EBOS Group more than doubling in size.

The Retail sector also had a strong result gaining 27.5% in the quarter, once again held up by Kathmandu Holdings which grew its market capitalisation by \$154.2 million (30.4%) in the quarter. The other two companies in the sector had disappointing quarters as Postie Plus Group sunk to a third of its closing price on 30 June 2013 (a fall of \$2.2 million) after sales were lower than expected due to difficulties with stock distribution, and Smiths City Group decreased by \$1.5 million (4.4%).

Movement in Sector Indices – Quarter to September 2013



Reversing the previous quarters' results was the Energy & Mining sector, finally posting a positive result after three consecutive quarterly declines. The gain in the quarter to 30 September 2013 of 23.4% was achieved solely by the reversal of fortunes for Bathurst Resources which grew its market capitalisation by \$46.9 million (51.6%). Bathurst Resources received positive news from the Supreme Court in September as the appeal regarding climate change was dismissed. Bathurst managing director, Hamish Bohannan said, "We are delighted by the Court's decision and now await the final consent from the Environment Court so we can commence the development of the Escarpment Project."

Moa Group was the only company to have a negative performance for the quarter in the Other sector, with the sector increasing by 2.9% overall. SLI Systems was the strongest performer of the sector gaining \$11.9 million in market capitalisation (11.4%) with the company delivering on its IPO forecasts. The other notable contributor to the Other sector was Skyline Enterprises which also had a good quarter with its share price increasing by \$0.50 (5.6%), gaining \$17.1 million in market capitalisation.

The Property sector continued its upwards march on the back of Ryman Healthcare (up 9.1%), increasing 8.6% over the quarter. However the other company in the sector, NPT experienced a decline of \$8.1 million (7.5%) for the quarter to 30 September 2013 after posting gains in recent quarters.

The two sectors that underwent a decline during the quarter were the Port and Biotechnology sectors, decreasing 7.1% and 8.0% respectively. The Port sector was dragged down by the poor performance of Lyttelton Port (down 12.3%), which negated the positive gains made by South Port New Zealand (up 11.3%) after confirming a record net profit of \$6.5 million in the June 2013 year. Meanwhile, the Biotechnology sector suffered a second consecutive fall due to the disappointing performances of Pacific Edge (down 9.7%) and Pharmazen (down 8.3%) for the quarter to 30 September 2013.

The table below sets out market capitalisation by sector as at 30 September 2013 and provides a comparison against the position as at 30 June 2013.

Industry	Number of Companies	30 Sep 2013 \$ million	30 Jun 2013 \$ million	Mvmt in Quarter \$ million	% change in Mkt Cap during quarter	% of Index
Biotechnology	3	\$166.3	\$180.8	\$(14.5)	(8.0%)	1.9%
Energy & Mining	5	\$205.7	\$166.7	\$39.0	23.4%	2.4%
Manufacturing & Distribution	4	\$1,903.7	\$991.2	\$912.5	92.1%	22.0%
Other	5	\$794.1	\$771.4	\$22.7	2.9%	9.2%
Port	2	\$346.2	\$372.7	\$(26.5)	(7.1%)	4.0%
Primary	8	\$974.9	\$739.9	\$235.0	31.8%	11.3%
Property	2	\$3,575.4	\$3,293.5	\$281.9	8.6%	41.3%
Retail	3	\$697.8	\$547.3	\$150.5	27.5%	8.1%
TOTAL	32	\$8,664.1	\$7,063.5	\$1,600.6	22.7%	100.0%



The Primary sector turned around its poor performance from the previous two quarters to record its greatest quarterly percentage increase (31.8%) since the inception of the Deloitte South Island Index.

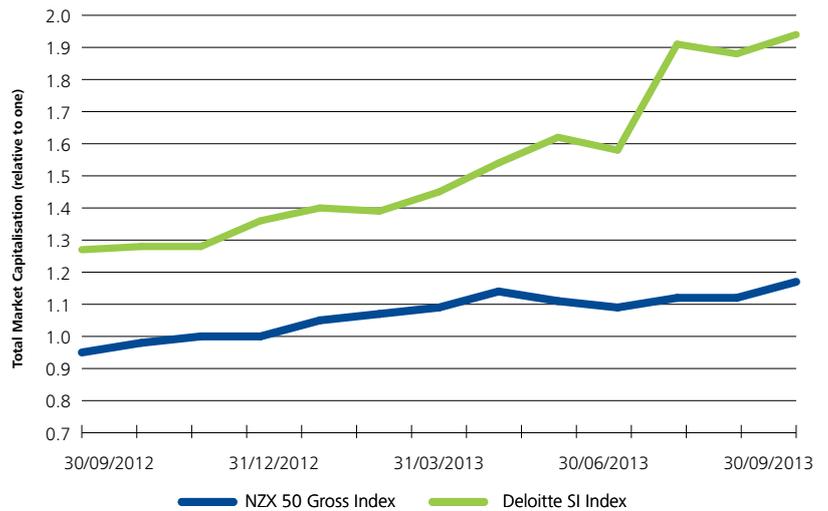
Benchmarking

Quarterly Comparison of the Deloitte South Island Index and the NZX 50

After the strong performances of the previous quarters, the Deloitte South Island Index surpassed itself by recording its highest quarterly growth percentage since the inception of the Index – gaining 22.7% (\$1.6 billion) in market capitalisation in the quarter to 30 September 2013.

In comparison, the NZX 50 had a reasonable performance over the quarter to 30 September 2013, gaining 6.7% from the 30 June 2013 closing position.

Performance of Deloitte South Island Index vs NZX 50



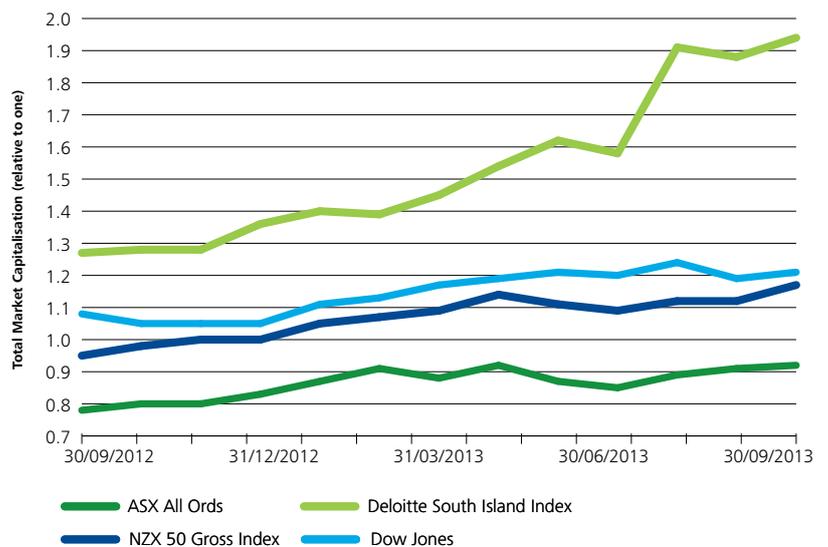
Base period – December 2006 = 1.00

Comparison of Deloitte South Island Index and Other Indices

The Deloitte South Island Index continued to distance itself from the other indices tracked by significantly outperforming them in the quarter to 30 September 2013, with the three indices achieving low to moderate gains.

Behind the Deloitte South Island Index at 22.7%, the ASX All Ords had the greatest growth of the indices over the quarter gaining a pleasing 9.3%. Meanwhile, the NZX 50's satisfactory performance of 6.7% surpassed the faint 1.5% growth of the Dow Jones.

Performance of Deloitte South Island Index against major indices



Base period – December 2006 = 1.00

Deloitte South Island Index

September 2013

Of the 32 companies currently listed on the Deloitte South Island Index, 14 (44%) experienced a rise in market capitalisation during the quarter to 30 September 2013, 15 declined and three remained unchanged.

The full Deloitte South Island Index for the 30 September 2013 quarter, ranked by market capitalisation, is set out in the table below:

	Sep 2013 Rank	Jun 2013 Rank	Ticker	Company	Sector	Mcap Sep 2013 (\$m)	Mcap Jun 2012 (\$m)	Change in Mcap (\$m) in Quarter	Change in Mcap (%) in Quarter	Share Price 30 Sep 2013
➔	1	1	RYM	Ryman Healthcare	Property	\$3,475.0	\$3,185.0	\$290.0	9.1%	\$6.95
➔	2	2	EBO	EBOS Group	Manufacturing & Distribution	\$1,483.7	\$629.2	\$854.5	135.8%	\$10.12
➔	3	3	KMD	Kathmandu Holdings	Retail	\$660.7	\$506.5	\$154.2	30.4%	\$3.30
⬆	4	5	SML	Synlait Milk	Primary	\$468.3	\$322.0	\$146.3	45.4%	\$3.20
⬆	5	4	HNZ	Heartland New Zealand	Other	\$326.5	\$322.6	\$3.9	1.2%	\$0.84
➔	6	6	SKYLINE	Skyline Enterprises	Other	\$323.5	\$306.4	\$17.1	5.6%	\$9.50
⬆	7	8	SKL	Skellerup Holdings	Manufacturing & Distribution	\$316.2	\$254.5	\$61.7	24.2%	\$1.64
⬆	8	9	PGW	PGG Wrightson	Primary	\$286.8	\$218.9	\$67.9	31.0%	\$0.38
⬆	9	7	LPC	Lyttelton Port	Port	\$255.7	\$291.4	\$(35.7)	(12.3)%	\$2.50
➔	10	10	PEB	Pacific Edge	Biotechnology	\$148.6	\$164.5	\$(15.9)	(9.7)%	\$0.53
⬆	11	14	BRL	Bathurst Resources	Energy & Mining	\$137.8	\$90.9	\$46.9	51.6%	\$0.17
➔	12	12	SLI	SLI Systems	Other	\$116.5	\$104.6	\$11.9	11.4%	\$1.96
⬆	13	11	NPT	NPT	Property	\$100.4	\$108.5	\$(8.1)	(7.5)%	\$0.62
⬆	14	13	SCT	Scott Technology	Manufacturing & Distribution	\$91.3	\$94.6	\$(3.3)	(3.5)%	\$2.22
➔	15	15	SPN	South Port New Zealand	Port	\$90.5	\$81.3	\$9.2	11.3%	\$3.45
⬆	16	19	SNLF	Synlait Farms	Primary	\$65.3	\$40.8	\$24.5	60.0%	\$1.60
⬆	17	16	FFW	Foley Family Wines	Primary	\$65.1	\$58.6	\$6.5	11.1%	\$1.50
⬆	18	17	SFF	Silver Fern Farms	Primary	\$45.2	\$50.2	\$(5.0)	(10.0)%	\$0.45
⬆	19	18	CRP	Chatham Rock Phosphate	Energy & Mining	\$39.7	\$44.7	\$(5.0)	(11.2)%	\$0.28
⬆	20	21	SCY	Smiths City Group	Retail	\$32.7	\$34.2	\$(1.5)	(4.4)%	\$0.62
⬆	21	22	SEA	SeaDragon	Primary	\$26.7	\$29.6	\$(2.9)	(9.8)%	\$0.02
⬆	22	20	MOA	Moa Group	Other	\$24.1	\$34.3	\$(10.2)	(29.7)%	\$0.80
➔	23	23	NWF	NZ Windfarms	Energy & Mining	\$20.5	\$22.5	\$(2.0)	(8.9)%	\$0.07
➔	24	24	BLUESKY	Blue Sky Meats	Primary	\$13.8	\$16.1	\$(2.3)	(14.3)%	\$1.20
➔	25	25	MAD	Energy Mad	Manufacturing & Distribution	\$12.5	\$12.9	\$(0.4)	(3.1)%	\$0.29
⬆	26	27	BLT	BLIS Technologies	Biotechnology	\$8.9	\$6.7	\$2.2	32.8%	\$0.01
⬆	27	26	PAZ	Pharmazen	Biotechnology	\$8.8	\$9.6	\$(0.8)	(8.3)%	\$0.06
➔	28	28	PPG	Postie Plus Group	Retail	\$4.4	\$6.6	\$(2.2)	(33.3)%	\$0.11
⬆	29	30	WTL	Windflow Technology	Energy & Mining	\$4.1	\$4.1	\$0.0	0.0%	\$0.20
⬆	30	31	WEL	Wool Equities	Primary	\$3.7	\$3.7	\$0.0	0.0%	\$0.12
⬆	31	29	AOR	Aorere Resources	Energy & Mining	\$3.6	\$4.5	\$(0.9)	(20.0)%	\$0.01
➔	32	32	CNX	Connexionz	Other	\$3.5	\$3.5	\$0.0	0.0%	\$0.07
	32	32		TOTAL		\$8,664.1	\$7,063.5	\$1,600.6	22.7%	

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.

Information

Deloitte Corporate Finance is the firm's specialist corporate finance practice. For information regarding the Deloitte South Island Index or any of the Financial Advisory services that we offer please contact any of our South Island Corporate Finance Team:

Paul Munro

Partner

Direct: +64 (0) 3 363 3856

pmunro@deloitte.co.nz

Brett Chambers

Partner

Direct: +64 (0) 3 363 3810

bchambers@deloitte.co.nz

Rob McDonald

Associate Director

Direct: +64 (0) 3 363 3836

robmcdonald@deloitte.co.nz

Tim Burnside

Associate Director

Direct: +64 (0) 3 363 3758

tburnside@deloitte.co.nz

Richard Bailey

Associate Director

Direct: +64 (0) 3 363 3828

richardbailey@deloitte.co.nz

Scott McClay

Associate Director

Direct: +64 (0) 3 363 3834

smcclay@deloitte.co.nz

Kyle Callow

Associate Director

Direct: +64 (0) 3 363 3832

kcallow@deloitte.co.nz

Penny Thomson

Associate Director

Direct: +64 (0) 3 363 3861

pethomson@deloitte.co.nz

Steven Paul

Manager

Direct: +64 (0) 3 363 3818

stevenpaul@deloitte.co.nz

Jamie Clapperton

Senior Analyst

Direct: +64 (0) 3 363 3740

jclapperton@deloitte.co.nz

Christchurch

50 Hazeldean Road, Christchurch 8024

PO Box 248, Christchurch 8140

New Zealand

Tel: +64 (0) 3 379 7010

Fax: +64 (0) 3 366 6539

www.deloitte.co.nz

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/nz/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

Deloitte New Zealand brings together more than 900 specialists 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 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 publication, 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 publication.

© 2013. For information, contact Deloitte Touche Tohmatsu Limited.