

**ISSUE 23 – December 2016**

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## Welcome to our December Newsletter!

Merry Christmas and Happy Holidays from the Unlisted team!

In our last newsletter for the year we present the highlights of 2016 for the Unlisted market and its issuers and provide a trading review for the period 1 October 2016 to 30 November 2016. We also note the new class exemption under the Takeovers Code which will reduce compliance costs for small Code companies and may positively impact Unlisted issuers. You're welcome to share and comment on our social media pages (Facebook, LinkedIn and Twitter) - we always value feedback and suggestions.



## Highlights of 2016

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2016 has been a successful year for Unlisted. We broke the \$2 billion aggregate market capitalisation barrier for the first time in September, added two new issuers and are on the verge of launching our new website and trading platform in conjunction with a brand refresh.

Below we provide a review of 2016 market activity, a summary of notable announcements by issuers and an overview of the articles in earlier 2016 newsletter issues.

## Market Activity

Unlisted will end 2016 with 14 issuers, the same number as 2015. Through the year, two new issuers were added while two existing issuers delisted. Zespri Group listed on in February, with an initial capitalisation of \$205m. Since listing, Zespri's market price has increased by 83%, to its last closing price being \$3.20 compared with an initial trade price of \$1.75. Speirs Group listed on 1 August 2016 and first traded in September 2016 at 8 cents, an initial market capitalisation of approximately \$1m.

Emerald Gisborne Property Trust and MTS Energy delisted in July and August 2016, respectively. Neither of these delistings had a large impact on the Unlisted market as their combined market capitalisation was only \$11 million. MTS Energy had been in trading halt since October 2014.

The total volume and value traded in 2016 (to 12 December) was 14.8 million shares worth \$17.6 million. This is almost double the volume and value traded over the same period in 2015.

## Significant Announcements

2016 has been an active year for a number of Unlisted issuers, with many companies undertaking significant new ventures.

Three companies announced new CEO's this year. Todd Grave was appointed as the new CEO of Blue Sky Meats in September, replacing general manager Ricky Larsen. Rhod Pickavance replaced Roger Carruthers as CEO of Connexionz in October. Skyline advised that following the resignation of Jeff Staniland in October, Mark Quickfall would act as Executive Chairman pending appointment of a replacement.

The most notable news for Silver Fern Farms in 2016 was its consummation of the partnership with Shanghai Maling. In September, the Overseas Investment Office approved the application by Shanghai Maling to invest \$261 million into the company to create a 50/50 partnership. On 6 December 2016, this investment was officially completed. In addition, New Zealand Merino acquired Silver Fern Farms' share of Alpine Origin Merino Limited in September, which was previously jointly owned. Silver Fern Farms also confirmed closures of the Wairoa Mutton and Mossburn Venison processing sites.

Blue Sky Meats received a takeover offer from NZ Binxi (Oamaru) Foods Limited in early November. It has advised shareholders to wait and take no action in respect of Binxi's offer until the board provides further guidance in January 2017. The board has stated that they asked Binxi to delay its offer, in order to provide further time to work on the strategic plan which had recently been commenced by the new management and board of directors. Binxi refused this request.

In September, ProTen arranged with Baiada Poultry to develop between 56 to 64 new contract chicken sheds in Tamworth, New South Wales. Once complete, the farm will have an annual production of up to 19m chickens, taking ProTen's total annual production to approximately 87m chickens.

Skyline announced that it will be investing \$60 million into a significant upgrade and expansion of its Queenstown leisure, dining and entertaining complex. This will be one of the most significant investments the company has undertaken since its installation of the current gondola in 1987.

As part of its capital management strategy, in August Rural Equities announced a share buyback offer for 1 million shares at a price of \$4.40, a premium in excess of 8% to the then 30-day weighted average market price. In November, Rural Equities announced that it has entered into an unconditional agreement for the sale of Clifton, a sheep and beef property in North Canterbury for \$6.53 million.

Terra Vitae Vineyards harvested a record crop in 2016, both in volume and value. This translated to a 25% increase in 2016 revenue compared to 2015.

Zespri announced the release of further Gold3 licences in 2017 and that it will be investing over \$40 million to build a new head

office in Mount Maunganui. Zespri noted that the building will be a hub for the New Zealand kiwifruit industry.

## Articles

In April, Bevan addressed the issue of risk mitigation in the agricultural sector. He argued that the financial risk in the sector is the highest it has been in a decade and that fresh equity will be required to provide an enduring solution to current woes.

In June, the Zespri profile addressed how reforms that the company made in the late 1990's set it up to become a global leader. The decision to set up a dedicated, grower-owned marketing entity to sell and promote New Zealand kiwifruit has driven the company's growth substantially, to the point that it now accounts for approximately 30 percent of globally traded kiwifruit by value.

In August Bevan wrote about the success of Unlisted issuers, highlighting Skyline which has demonstrated many years of superior performance which has translated into spectacular investment returns.

Finally, in October, Bevan discussed the important effect that capital structure has on a company's success. Without the capital necessary to support their business plan, companies not only compromise their ability to pursue valuable strategies but also risk failure.

## Trading Review

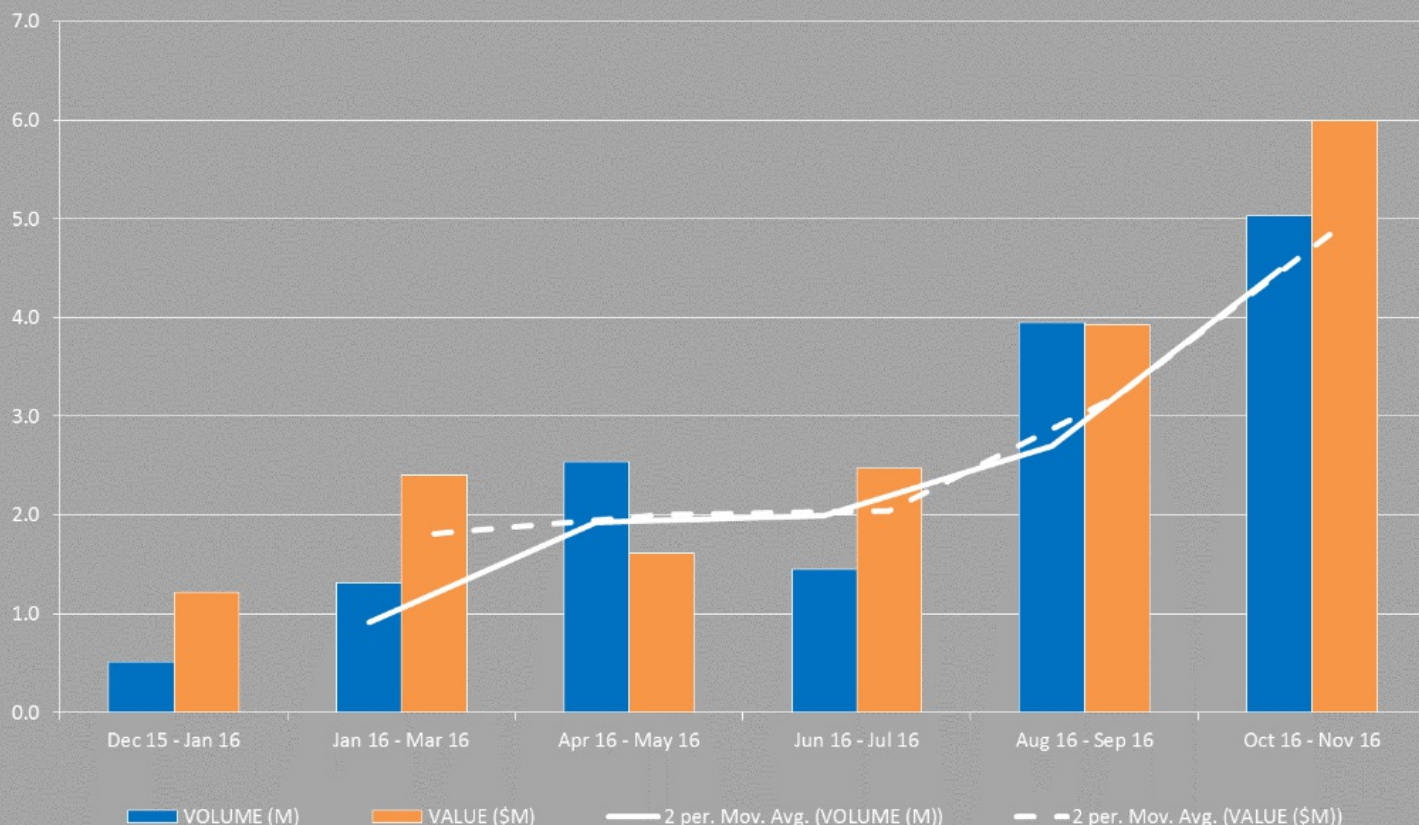
### October 2016 – November 2016

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#### TRADE SUMMARY

In the two months of trading from 1 October 2016 to 30 November 2016, Unlisted has facilitated 157 trades of 5 million shares worth \$6 million, at a monthly average of 79 trades of collectively 2.5 million shares worth \$3 million. This compares with 167 trades and 4 million shares worth \$3.9 million over the previous two-month period to 30 September 2016. In total 664 trades of 14.79 million shares worth \$17.64 million were completed in the 12 months to 30 November 2016.

## BI-MONTHLY VOLUME AND VALUE COMPARISONS



During the two-month period the most trades were in Skyline at 42 (28% of all trades) followed by Silver Fern Farms at 36 (24% of all trades) then Zespri at 33 trades (22% of all trades). The majority of the value was traded was in Skyline and Zespri. Skyline traded \$2.68 million (45% of total value traded) followed by Zespri Group at \$1.81 million (36% of total value traded).

In the two months leading to 30 November 2016, there were 5 positive price movements and 3 negative price movements. Pharmazen and ProTen both appreciated significantly, by 28% (2 cents) and 13.3% (20 cents) respectively, closing at \$0.09 and \$0.20. The next largest gains in this period were by Rural Equities which increased by 33 cents (8%) to close at \$4.46, and Terra Vitae Vineyards which gained 3 cents (6.7%) to close at \$0.48. Zespri experienced a price increase of 13 cents (4.1%), closing at \$3.33.

Silver Fern Farms, Skyline and King Country Energy all experienced price decreases over the two month review period. Silver Fern Farms had an 18.3% (20 cents) price decrease to close at \$0.89. Skyline and King Country Energy depreciated by 4% (\$1.00) and 0.2% (1 cent) respectively, closing at \$24.00 and \$4.40. All other stocks remained unchanged over the period.

### ISSUER ACTIVITY

There were no listings or delistings during the review period.

Blue Sky Meats was placed in a trading halt on 4 November 2016 following a takeover offer received from Binxi (Oamaru) Foods. The trading halt was lifted on 23 November 2016. Blue Sky Meats has advised shareholders to take no action in response to the takeover offer.

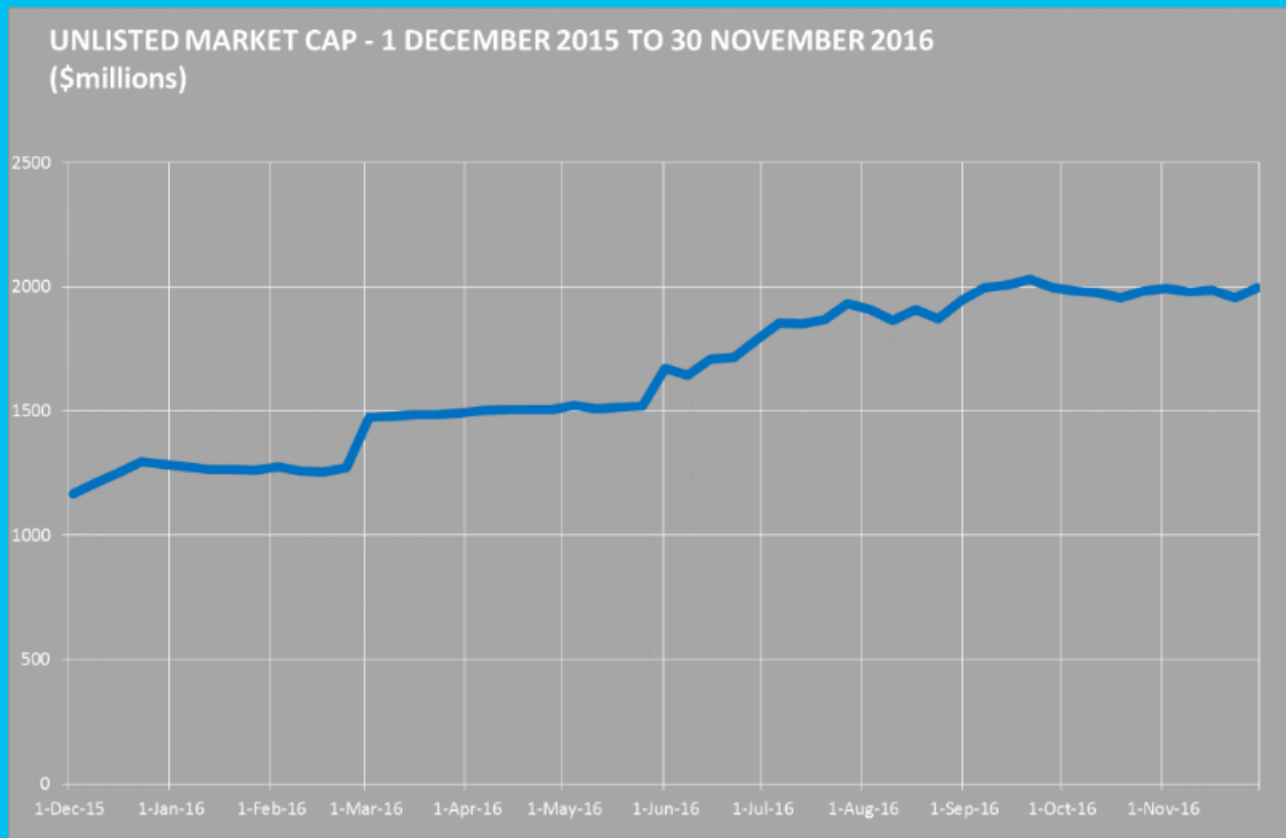
Zespri was placed in a trading halt on 22 November 2016 pending market disclosure on the terms of the 2017 Gold3 licence tender process. This trading halt was lifted on 25 November 2016.

### MARKET METRICS

As at 30 November 2016 the aggregate market capitalisation of all stocks was \$1,996 million, largely unchanged from 30 September 2016. ProTen, Zespri and Rural Equities all experienced solid gains in market capitalization of \$22.9 million, \$15.7 million and \$11 million respectively. Including gains by Pharmazen and Terra Vitae Vineyards of \$3.2 million and \$1.2 million, these five issuers contributed to a gain in market capitalisation of \$54 million.

However, these gains were fully offset by losses in Skyline and Silver Fern Farms, for which the market capitalisation decreased by \$34.1 million and \$20.1 million over the review period. Both Speirs Group and King Country Energy also experienced a decrease in market capitalisation.

Overall, the net effect on Unlisted market capitalisation was a decrease of \$600k.



## ISSUER PROFILES

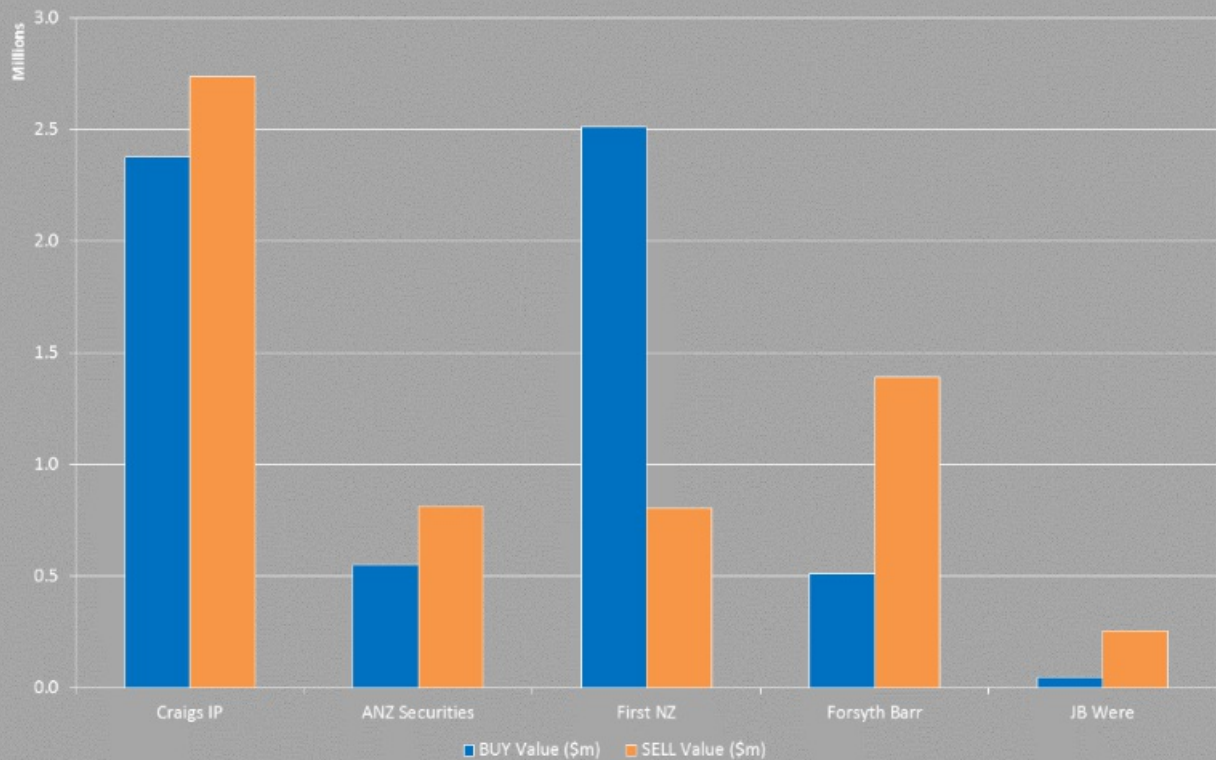
Unlisted has recently posted updated issuer profiles for King Country Energy, Rangatira and ProTen.

## BROKER ACTIVITY

Craigs Investment Partners was the most active broker in the two months to 30 November 2016, with top buying and selling activity. It completed 73 buy trades worth \$2.4m (46% of total activity) and 68 sell trades worth \$2.7m (43% of total activity).

The second most active broker overall was First NZ Capital, with 37 buy trades worth \$2.5m and 29 sell trades worth \$803k. However, Forsyth Barr was more active than First NZ Capital on the sell-side, undertaking 31 sell trades worth \$1.4m.

BROKER ACTIVITY BY VALUE (\$m) - 1 OCTOBER 2016 TO 30 NOVEMBER 2016



## NEW CLASS EXEMPTION REDUCES COMPLIANCE COSTS FOR "SMALL CODE COMPANIES"

On 1 December 2016 a new exemption for 'small' unlisted Code companies came into force: [Takeovers Code \(Small Code Companies\) Exemption Notice 2016](#). The new small Code companies class exemption extends the scope of the original exemption to any person who increases their holding or control of voting rights in a small Code company, not only as a result of an allotment (which was covered in the original exemption), but also as a result of an acquisition of voting securities in the small Code company, or as a result of a buyback of voting securities carried out by the small Code company. The exemption allows the small Code company to opt out of full Code compliance for the transaction.

### LOOKING AHEAD

We are now well into the development and testing phase for the new trading platform and website and are still working towards it being live in Q1 2017. We are also finalising our preferred option to to facilitate electronic clearing and settlement and will issue some market guidance in the New Year in respect of this.

Discussions with prospective new issuers are ongoing. These comprise both companies which currently offer Over-the-Counter trading to their shareholders and a couple that are looking to list after raising new capital.



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