HUGO*vision*

Assessing the economic and political environment in New Zealand

January 22 2021 | Confidential to HUGO members

A tighter border for longer

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The growing threat of more infectious strains of covid-19 from Britain, Brazil and South Africa is forcing the Government to further tighten its border settings and try to accelerate the vaccination of border staff at least. The Government announced the extension of pre-flight testing to all arrivals from countries beyond Australia and the Pacific from next Monday. Prospects for further border openings to tourists and workers are receding into late 2021 as the more infectious strains wreak havoc in the Northern Hemisphere, vaccination programmes are taking years rather than months, and NZ's own vaccination programme is not scheduled to start until much later this year.

A hotter housing market for longer

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Labour's caucus met this week in Nelson to plan the year ahead under the cloud of a super-heated housing market driving rents and house prices beyond the reach of first home buyers and families in poverty. The Government's review of housing settings announced in Nov is at the top of the agenda, with announcements expected within weeks. The richest veins for reforms are likely around extending the bright-line test for landlords' capital gains, expanding Kāinga Ora's build programme and expanding targeted grants for council housing infrastructure investment, and assistance for first-home buyers.

A reheating economy early in 2021

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The double-digit inflation in the housing market reflects unprecedented monetary stimulus and contributed to surprisingly strong spending and a rebound in business confidence through the Dec quarter and into the New Year. Dec quarter retail spending actually exceeded spending in the same quarter a year ago. Rising construction intentions and skill shortages are building as business confidence surged back to long term averages as the year ended.

Super-heated carbon budget coming

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The Climate Change Commission is gearing up to present its first landmark climate budgets to the Government on Sunday, Jan 31. It is expected to galvanise policy work in the transport sector, the ETS and the electricity market in the years ahead, given NZ is far behind its required emissions reductions to meet its international commitments. The scale of the fiscal impact if NZ fails to meet its targets is expected to be politically challenging.

RMA, Three Waters and Fair Pay deals key reform areas

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Aside from the housing 'reset' and the carbon budget, an unconstrained Labour Government will focus this year on Resource Management Act replacement and its first Fair Pay deals. It also intends to make ground-breaking and potentially contentious announcements on Three Waters reforms before the Budget, in May.

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Contact: hugo@thehugogroup.com. No responsibility is accepted for acts or omissions by clients as a result of items herein.

Tighter for longer

The escalation of admissions and deaths in Britain, Europe and the Americas from the spread of more infectious strains of covid-19 has raised the stakes for NZ's elimination strategy.

Businesses must take seriously the heightened potential for fresh lockdown measures, even if they can be more targeted and shorter than the blunderbuss approach first taken a year ago with the Level 4 lockdown in March and April.

Prospects for easing border restrictions are also receding. Perhaps t**he greatest challenge the Government faces is whether the elimination strategy** - successful so far and internationally lauded - **will be sustainable if covid-19's inevitable capacity to mutate combines with short-lived immunity after contracting the illness or being vaccinated.**

Jacinda Ardern hinted at this in her remarks to the Labour caucus retreat in Nelson yesterday, pointing to **a future in which annual covid vaccinations may be required**, just as they are now to stay up to date with the mutations in the flu virus.

Note also **a key unknown: whether vaccines will make recipients incapable of transmitting the virus** to those unvaccinated. If not, vaccines will be less efficacious in the push to return to pre-covid life.

None of these are welcome possibilities, but all must be weighed.

CEO Retreat 2021

The next Hugo Group CEO Retreat is scheduled to run from **dinner on Thursday August 19 to lunch on Saturday August 21**.

The programme will again bring members a mixture of actionable business insights and the traditional Retreat "deep dive" into domestic and global affairs.

Mark your calendar now.

MIQ/border staff vaccinations

Under pressure on these issues, the Government appeared to rapidly revise its initial confidence that national vaccination in April/May was sufficiently speedy.

While that remains the timetable for the general population, efforts are now underway to accelerate vaccination for border and MIQ staff.

Covid-19 Response Minister Chris Hipkins has told confidants over the Christmas break that managing covid remains the only major issue that NZers will judge the Government on.

Political calculus

This is a **two-edged sword**. If it fails and there are new lockdowns - or if the persistence of the virus forces questions about the long term sustainability of the elimination strategy - Labour may become reliant for its 2023 re-election on little more than the expectation that **National will remain a shambles for at least another term**, unless it is deft enough to judge when elimination no longer appears viable.

We are not suggesting this is the choice that will emerge, but that there is a risk that it will have to face such a choice.

Ardern described 2021 as "the year of the vaccine, for the world" and the Government's handling of the virus remains its most potent political asset. Public trust in the elimination strategy remains high and the party's soundings suggest there is a high degree of tolerance for occasional failures. That is the lesson of the August Auckland lockdown, which was disruptive to the economy but had no impact on voter sentiment.

Bureaucratic risk

Concern is also being expressed among close observers about the process for developing policy advice on the NZ response.

This relates to the existence of three separate strands of strategic advice that are in competition until they reach either Cabinet committees or the full Cabinet.

These are:

- there is the Ministry of Health via the Director-General of Health, Ashley Bloomfield, public adulation for whom is not matched by behind-the-scenes performance:
- the All of Government Group in the DPC led by DPMC head Brook Barrington and Chief Science Adviser, Juliet Gerrard; and
- the Brian Roche/Heather Simpson committee, which appears to have an expanded brief and reports directly to Chris Hipkins.

Presumably Hipkins can integrate all of this?

And presumably the NZ and Australian state and federal bureaucracies are capable of taking a unified and credible view of their collective capacity to make Australia and NZ a cohesive travel area again.

Bubble prospects

Australia and most Pacific Islands remain exempt from the range of new measures tightening border controls that look likely to extend restriction of border crossings well into 2022.

For example, Australia's Federal Health Secretary said this week international travel was unlikely to resume until next year, even with the initiation of vaccination programmes.

Health Minister **Chris Hipkins** announced a **further tightening of testing and quarantine rules** for people arriving from outside Australia and the Pacific. Arrivals from Britain and the United States will have to prove they have tested negative for covid-19 in the 72 hours before departure. All others from outside Australia and the Pacific will have to be tested on their first day in quarantine and will have to prove negative pre-departure tests from next week.

The Opposition, even libertarian ACT, is pushing for even stricter controls. ACT called for compulsory scanning into any premises, given only one in eight NZers are now using the Covid Tracer app. National called for pre-departure testing for all arrivals and a faster vaccine rollout.

Expect more debate over coming weeks about requiring pre-flight quarantining for would-be passengers to NZ.

Some slight openings

The Government has made some tweaks to help employers and international educators and students.

Immigration Minister Kris Faafoi announced last week the extension of expiring work visas by a further six months and postponed the one-year stand-down period for temporary workers for two years to Jan 2022. The move extends the work rights of over 200,000 temporary workers.

Hipkins also announced exceptions for up to 1,000 degree-level international students who were already enrolled and needed to return to NZ to complete their qualifications.

That is a blip on the radar against 120k-approx foreign students in 2019. There is no opening here for non-university students.

High level research students are likely to be prioritised. Student needs rather than per-university allocations are expected.

Four eyes and a blink?

NZ again did not participate in a Five Eyes statement early in the New Year that criticised China over its latest Hong Kong crackdown, which was noticed by conservatives in Washington.

Foreign Affairs Minister Nanaia Mahuta issued a tweet in opposition to the Chinese moves. An MFAT official said NZ sometimes commented in tandem with others, and sometimes did not.

NZ has appeared to edge away from the tougher Five Eyes statements since a Dec exchange when China accused NZ of ‘bleating like Aussie sheep’ and after China restricted imports of Australian barley, sugar, coal and wine.

The outgoing Trump administration took the opportunity to brand Chinese actions in Xinjiang against Uighur Muslims as ‘genocide’, which the Biden administration is unlikely to undo.

Carbon budget moment of truth

The Climate Change Commission will publish its first draft carbon budget on Sunday Jan 31. The publication will likely do more than galvanise the debate within the Government about what more it should do to make ‘this generation’s nuclear free moment’ more than just rhetoric.

Its content is likely to be shocking.

The scale of NZ’s underperformance against its Paris Agreement carbon emissions reductions is large, and this document will lay out for the first time the possible cost – financial and in changes to the structure of our economy. It will be sobering, with only nine years until the 2030 goals need to be met.

Realpolitik will almost certainly soften the ambition and the impacts, but the issue is becoming more difficult to avoid, particularly as global insurers and fund managers begin taking a hard-nosed approach to the economic downside of climate change failure.

Key areas for debate are the role and reliability of forestry for carbon sinks, the likely global competition for ‘spare’ high quality carbon credits that NZ may seek to buy, vehicle emissions standards, and feebates for EVs.

Rubber to hit road on RMA

Resource Management Act reform was subject in the last term to a huge investigation by retired Environment Court judge **Tony Randerson**. He produced a blueprint, including draft legislation for two new laws to replace the 30-year-old RMA. Environment Minister **David Parker** largely accepted the report. While it arrived too close to the election for decision-making, it is clearly largely in line with Labour’s intentions.

With draft legislation in hand, Parker is well-placed to accelerate the parliamentary process for introducing the changes, the most important of which introduces regional spatial planning into law for the first time. Its likely impact will be to massively reduce opportunities for objectors to new developments, except when spatial plans are debated, years before any shovel is remotely ready to start digging into anything.

The draft legislation will still likely be released as

Coming up: 2021

Climate Change Commission publishes carbon budgets on Feb 1

National caucus holds year-ahead planning retreat in Whangarei on Feb 1

Parliament resumes on Feb 8 for a three-week sitting block

Reserve Bank publishes its first monetary policy statement and decision for the year on Feb 24 an exposure draft rather than heading straight to Parliament.

Ministers are also putting considerable store by their expectation that the NPS on Urban Development will start having a significant impact on local government planning.

In this respect, **Wellington's dysfunctional city council** - where the mayor and majority of council are routinely at odds - is of concern. The potential for appointment of a commissioner cannot be ruled out.

Three waters reform key in 2021

Nanaia Mahuta's elevation to Foreign Affairs Minister while keeping the local government portfolio may seem like chalk and cheese. In fact, it is. The two portfolios could not be less connected.

However, Mahuta says she asked for role in 2017, having held the portfolio for a time in the Helen Clark Cabinet and developed a desire to see the '3 waters' issues sorted out.

New analysis undertaken for Dept of Internal Affairs by Scotland's water regulator - a primary source of advice for NZ - makes clear that the costs of drinking, waste and stormwater upgrades run into many tens of billions of dollars over the next 30 years.

Debt financing will be inevitable, but council balance sheet constraints that are imposed mainly by credit rating agencies, mean they will be unable to do so.

Hence the proposals that Mahuta will try to push through this year to take three waters assets off council balance sheets and constitute perhaps four water services companies to cover the whole country.

She is proposing a tight timetable.

By March, the Cabinet aims to have local government on board with the broad thrust of reform.

By early 2022 – with local body elections due later in the year –the future shape of water asset ownership and management should be known.

The potential for local community opposition is significant, particularly if the proposals are characterised as no more than 'amalgamation' - a bogey word in local body politics. Water charging, similar to Auckland's, will be unwelcome in many communities.

The carrot for local bodies will be the Government's willingness to fund the upgrades that the new water providers will have to undertake, as well as having more freedom to borrow.

Housing affordability - next steps

Alongside the risk of a border failure allowing in covid-19, the most politically dangerous item at the top of the Government's agenda is the **housing affordability crisis.**

With rent subsidies headed for $4b a year and motel payments for emergency housing nearing $1m a day, the issue is also fiscally painful.

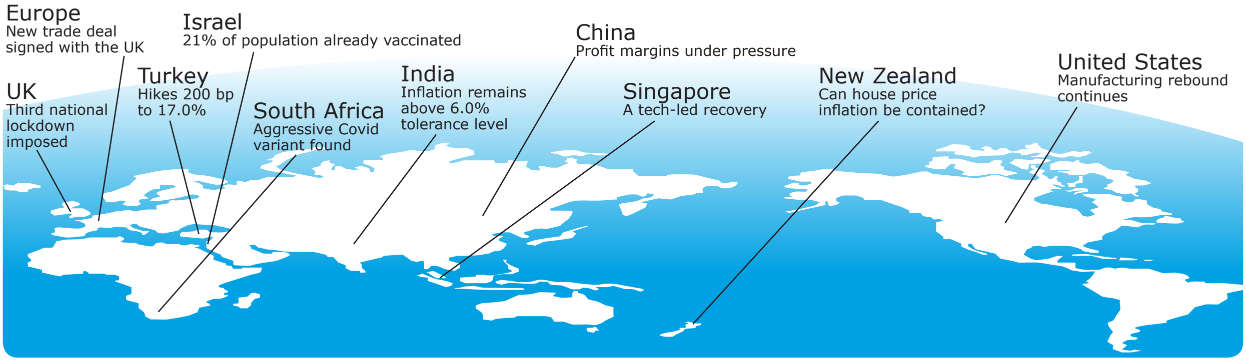
Fresh house price inflation figures out in the first two weeks of the year have increased the potency of the issue. Rent hikes running ahead of inflation and wages in some cities, and increasing numbers of tenants being evicted ahead of tougher eviction rules on Feb 8 have also heightened tensions.

Labour announced a review of housing demand and supply settings in Nov, along with a suggestion to the Reserve Bank it avoid worsening the crisis with its monetary policy loosenings. The bank noted the suggestion and batted the issue back to the Government.

Since then, the Government has placed considerable pressure on both the Treasury and Ministry of Housing and Urban Development to propose a package of both demand and supply-side measures.

In Nelson this week, Ardern and Housing Minister Megan Woods announced a timetable for housing-

The world at a glance



related initiatives this year:

- Feb - 'demand side' measures to cool the market for investors, largely responding to the challenge thrown out by the RBNZ late last year. This could include an extension to the brightline test;
- May: 'supply side' measures to be announced in the Budget. The most obvious would be an expansion of the existing state house-building programme to build even more new dwellings;
- July: the deadline for local councils to identify land that could be freed up for housing under the Urban Development NPS.

The deemed rate of return approach to limit the extent of interest payment tax deductibility looks dead in the water as it would be seen as a 'new tax'. Additional assistance for council infrastructure investment appears possible although the Government is very wary of creating "unintended consequences" by squeezing landlords too hard and removing supply from the rental market.

There may also be room for Kāinga Ora and Waka Kotahi/NZTA to use their own debt issuance to increase their state house building and infrastructure programmes.

It is clear that Woods regards Kāinga Ora as the primary engine of new state house building and that it will be required to increase its already large building programme. Woods is thought to be inimical to a larger role for community housing providers.

Moss to move on?

Oranga Tamariki ceo Grainne Moss was under enormous pressure to resign as ceo of Oranga Tamariki prior to Christmas break.

It would not be surprise if Moss were to announce her next career move in coming weeks.

Moss is also concerned that while there is much to criticise about OT, the agency is turning a corner in some of the areas where improvement has been desperately needed and that further upheaval risks erasing any gains for the most important focus in this debate: disadvantaged children.

People moves

Fish and Game CEO Martin Taylor resigned in the week before Christmas with immediate effect. He was three years into a five year contract.

Stuff reported he had tried to audit and professionalise the organisation's regional operations, but was opposed by some who had wanted to work more closely with Federated Farmers. .

The President and Secretary of the **NZ First Party** resigned and former MP **Darroch Ball** said just before Christmas he would run the party until its AGM later in 2021.

Former **Institute of Directors** chief executive **Simon Arcus** is returning to NZ to run the **Wellington Chamber and Business Central**.

Trading partner growth

(2018-2019 actual; 2020-2022 Hugo and Consensus Forecasts)

Trading partners		GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
	Weights %	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
China	31.9	6.8	6.1	2.1	8.0	5.5	2.1	2.9	2.7	1.7	2.4
Australia	17.8	2.7	1.9	-3.2	3.4	3.3	1.9	1.6	0.8	1.5	2.1
United States	11.3	2.9	2.2	-3.6	3.8	2.6	2.4	1.8	1.2	2.0	2.2
Japan	7.1	0.3	0.7	-5.3	2.6	1.1	1.0	0.5	0.0	0.0	0.7
Eurozone	5.8	1.9	1.3	-7.3	4.7	2.0	1.8	1.2	0.3	0.9	1.4
South Korea	3.4	2.7	2.0	-1.1	3.4	2.9	1.5	0.4	0.5	1.1	1.9
United Kingdom	3.1	1.3	1.3	-11.1	5.3	2.0	2.4	1.8	0.9	1.6	2.0
Singapore	2.3	3.5	0.7	-6.0	5.9	3.1	0.4	0.6	-0.2	0.9	1.9
Hong Kong	2.6	2.9	-1.2	-6.1	4.6	2.5	2.4	2.9	0.4	1.5	2.2
Taiwan	2.4	2.7	3.0	2.0	3.6	2.6	1.4	0.6	-0.2	0.9	1.3
Malaysia	2.1	4.7	4.3	-5.6	6.7	4.5	1.0	0.7	-1.0	1.8	2.5
Indonesia	2.0	5.2	5.0	-2.0	4.6	5.2	3.2	2.8	2.0	2.3	3.7
Thailand	2.1	4.1	2.4	-6.5	4.2	3.6	1.1	0.7	-0.9	0.9	1.3
Philippines	1.7	6.3	6.0	-9.4	7.3	6.0	5.2	2.5	2.5	2.8	3.0
Vietnam	1.5	7.1	7.0	2.6	7.9	6.4	3.5	2.8	3.3	2.9	3.8
India	1.4	6.8	4.2	-8.6	10.0	6.9	3.4	4.8	6.2	4.6	4.7
Canada	1.5	2.0	1.9	-5.7	4.7	2.7	2.3	1.9	0.7	1.7	2.1
NZ Trading Partners	100.0	4.1	3.4	-2.3	5.4	3.8	2.0	2.0	1.4	1.5	2.1
Forecasts for New Zealand											
Consensus		3.2	2.3	-4.4	4.4	3.8	1.6	1.6	1.6	1.2	1.5
BNZ Forecasts		3.4	2.3	-2.4	5.3	4.0	1.6	1.6	1.6	1.3	1.3
The World		3.2	2.5	-4.2	4.8	3.4	2.9	2.7	2.1	2.4	3.3

Richer and more confident

Home owners feeling much richer and businesses feeling more confident kept spending and construction intentions up through the Dec quarter and into Jan.

As a result, and despite the shock of covid-19 and worsening lockdowns in Europe and the Americas, NZ's economy started 2021 in a much more buoyant state than expected even a few months ago.

Statistics NZ reported in the week before Christmas that Sept quarter GDP rose 14%, having shrunk a revised 11.1% (from 12.2%) in the partially locked-down June quarter. That meant **output in the quarter was actually 0.2% stronger than in the Sept quarter of 2019**. However, GDP in the year to the end of Sept was still down 2.2% from the previous year. The quarterly rise was the largest on record. The annual fall was the largest on record.

The figures showed NZ's economy locked down hardest and was initially hit the hardest, apart from the UK, but bounced back the most to have the healthiest of the western developed economies by the end of the year.

China's belated aggressive lockdown and suppression of covid-19 helped its economy. By extension, Australasian exporters to China have done well. China reported this week its GDP grew at an annual pace of 6.5% in the Dec quarter and rose 2.3% in calendar 2020.

Housing market on fire

The **Real Estate Institute** reported the median house price was a record-high $749,000 in Dec, up 19.3% from a year ago and implying total national house values rose more than $200b over the year to almost $1.3t. Dec quarter house value inflation was the fastest on record and annual inflation is set to surpass the record high of 24% set in 2004.

Buoyant household incomes and gains in household equity bolstered spending in the Dec quarter, particularly through the festive season and a busy summer of domestic tourism. Retail spending with electronic cards was $20b for the quarter, up 4.3% from the same quarter of 2019.

Sales volume growth in Dec was the fastest in 17 years and inventory has halved from where it was two years ago. Sales volumes nationally rose 36% in Dec from a year ago, while volumes in Auckland rose 66%.

Business confidence surging

Business confidence also improved in the Dec quarter, NZIER reported this week with its Quarterly Survey of Business Opinion, including a fast bounce-back in construction investment intentions.

Only a net 16% of businesses expected a deterioration in business conditions over the next year, down from a net 38% negative in the Sept quarter and the trough of a net 68% being negative in the March quarter during the level four lockdown.

Businesses were even more confident about their own outlooks. A net 9.4% expected improvement in the year ahead, up from a net 0.5% in the Sept quarter, only just below the long-run average of 13%.

However, profits are being squeezed.

NZIER reported 38% expecting their costs to increase, but just 11.5% expected to be able to raise their prices.

A net 19.4% reported weaker profitability in the last three months and a net 9% expected worse profitability in the coming three months.

Businesses are again reporting skill shortages and capacity constraints, including a net 42.3% reporting shortages of skilled staff in the Dec quarter, up from 19.6% in the Sept quarter and a long-run average of 27.3%.

The survey's capacity utilisation measure, which is closely watched by the RBNZ, tightened to 95.1% from 92.6% in the Sept and is above the long-run average of 90.2%.

But is it inflationary enough?

However, for those looking for signs of an inflationary breakout that might reverse the Reserve Bank's loose monetary policy, the NZIER survey also showed firms were unable to drive through price increases to match their cost increases.

A net 2.7% reported having to cut their selling prices in the Dec quarter, despite a net 11.9% in the Sept quarter expecting to increase their prices in the Dec quarter.

The NZ dollar's strength in the last month will also be exerting downward pressure on inflation. The TWI has averaged 73.2 through the Dec quarter and the first half of Jan, which is above the Reserve Bank's forecast for a TWI of 71.5 for the six months to the end of March 2021.

Economists have wound back their forecasts for further loosening of monetary policy in the first half of this year.

ANZ revised its forecast for the OCR to just one more cut from 0.25% to 0.1%, rather than cuts to minus 0.25%, while ASB sees not more cuts.

Banks, insurers and fund managers

Reserve Bank Governor Adrian Orr apologised personally for a data breach through a third party file-sharing service called **Accellion** early in the New Year. Accellion told customers before Christmas Eve its 20-year-old file transfer service had been hacked and customers should install a patch, which the bank did not immediately do.

Orr said its initial investigation found a significant data breach and it had asked an independent third party for a comprehensive review.

"While a malicious third party has committed the crime, and we believe service provisions have fallen short of our agreement, the Bank has also fallen short of the standards expected by our stakeholders," Orr said.

Defending itself against a $5.4b hostile takeover bid from **AustralianSuper**, **Infratil** announced the value of its **CDC Data Centres** business rose about $500m in the last three months.

However, Infratil also said the estimated International Portfolio Annual (IPA) Incentive Fee had more than doubled to $147.6m since Sept 20 2020. The fee is paid by Infratil to **HRL Morrison**, the company that manages the Infratil portfolio and shares a ceo, **Marko Bogoievski.**

Fees paid to HRL Morrison are one of the leverage points for the AustralianSuper bid, with 6.1% shareholder, the **Accident Compensation Corp** pressing the Infratil board to consider the offer. ACC protested the HRL Morrison fees at Infratil's AGM.

Energy and resources

Meridian Energy, Contact Energy and Rio Tinto agreed on new power price deals to keep the **Tiwai Point** smelter open until 2024 at least, but they didn't announce numbers. Forsyth Barr estimated Rio Tinto forced Meridian to cut its price by 36% to 3.5c/kWh and the deals had cut the smelter's power bill by $100m per year. This price would be less than a sixth of the price Meridian charges residential customers.

The Government also didn't give details of the deals, as it's still in talks about cleanup and transmission costs with Rio Tinto.

Meridian CEO **Neal Barclay** told analysts and journalists on a conference call this week the deal made the smelter very profitable until 2024, but the price was not sustainable for the company or the industry after that.

However, the deal gave the Meridian and the industry time to find alternative large buyers of the power generated by Manapouri and the investment to transmit it further north. Options for using power near the smelter included a large data centre near Invercargill and hydrogen projects on the smelter site.

Barclay suggested this was the last time Meridian would cave to Rio Tinto's demands. "This is an exit agreement," he said. "The optionality from their point of view is gone."

The **Electricity Authority** confirmed in a report just before Christmas there was an 'undesirable trading situation' a year ago that meant the wholesale market overcharged customers by around $70m when Meridian Energy spilled water during a flood.

"There was a lack of competitive pressure which meant prices remained relatively high despite an abundant supply of water and no increased demand during the period," **EA CEO James Stevenson-Wallace** said in the authority's concluding report "Water was wasted when it could have been used to generate power," he said. **Flick Electric** and the **Greens** again called for a Telecom-style 'structural separation' of the 'gen-tailers' **Meridian, Genesis, Contact, Mercury and Trustpower.** Energy Minister Megan Woods said she would look at giving the EA new tools to ensure competition. The EA will decide early this year whether to penalise Meridian.

This decision and the recent departure of EA Chairman **Brent Layton** may bolster the desire among some senior Ministers for reform.

Mercury ceo Vince Hawksworth announced a senior management restructuring that saw the departure of three 27-year veterans of the company: **Kevin Angland**, retail and digital general manager, **Nick Clark**, head of geothermal, and corporate affairs manager **Tony Nagel** are leaving and their positions replaced by new general manager positions for generation, portfolio, sustainability and customer.

Oil and gas exploration has now effectively ceased everywhere other than the Taranaki Basin following **Beach Energy**'s announcement it was surrendering their 14,380 square-kilometre exploration permit off the South Island - the last such permit that was still live outside Taranaki.

Primary sector, food and beverages

Dairy farmers are having a great summer, for now at least. Prices for the current 2020/21 season have held up well and good weather has helped production to rise a bit, despite NZ being at 'peak cow.'

ANZ last week revised up its farmgate milk price forecast by 50c to $7.20/kg after a strengthening of prices on wholesale markets in late 2020 and a 3.9% rise in the first auction for 2021.

Global milk supply is expanding, but America's food grant programme is helping to soak it up.

Federal rules designed to help farmers mean food boxes being handed out must contain drinking milk and other dairy products such as cheeses and yoghurts. Funding for these food boxes was recently extended to the end of April and this is absorbing 2.5-3.0% of US milk supply.

Tech and IT

Rakon raised its full-year underlying earnings guidance by around a quarter to around $21m after stronger-than-expected demand and a fire last October at its main Japanese competitor **Asahei Kasei Microdevices** last Oct restricted supplies.

Telcos, media and entertainment

US private equity investor **Silver Lake,** which owns **Manchester City** and **UFC** and has access to cheap recently printed US dollars, was reported to be in talks to buy a 15% stake in **NZ Rugby's** commercial rights arm as soon as this month. The deal would put a valuation of US$2b on the **All Blacks'** commercial rights.

US investment bank **Jefferies** is running the auction and other private equity bidders are involved. In effect, Silver Lake is managing funds recently printed by central banks and handed to fund managers in exchange for Government bonds.

Wholesale and retail

The Warehouse Group raised its half-year profit forecast by $20m to more than $90m on stronger-than-expected Christmas and New Year sales. Its shares rose more than 20% to a six-year high of $3.06 in mid-Jan.

Its shares also rose after it announced on Dec 21 it would be repaying the government's $68m covid wage subsidy.

The Warehouse reported its gross margin for the first half would be about 170 basis points higher than a year earlier and that its cash position at the end of January would be better than the $168m in July.

Corporate actions

PharmaZen said sold a 13.8% stake in the company to **ADM Capital Europe**'s agri-tech focused **Cibus Fund** for $14m at an issue price of 40c/share.

Meal kit company **My Food Bag** revamped its board ahead of a potential float on the NZX and ASX in the first half of 2021.

The five co-founders, who included celebrity chef Nadia Lim and former Telecom ceo Theresa Gattung, stepped down from the board and were replaced with directors of listed companies.

Former Air NZ chair, Fletcher Building director and **Foodstuffs** ceo **Tony Carter** was appointed chair, while former TradeMe chief executive **Jon Macdonald** - who also sits on the boards of **NZX, Contact Energy and Sharesies** - and former **Tourism Holdings** cfo **Jen Bunbury**, who also worked as a director in **Craigs Investment Partners**' investment banking team were appointed as independent directors. Former **Tourism New Zealand** ceo **Kevin Bowler** took over as My Food Bag's ceo from co-founders **Cecilia and James Robinson** in 2018.

My Food Bag is first pitching the initial public offer to customers and team members, although no final decision has been made on a listing.

People moves

A2 Milk's chief people, safety and sustainability officer, **Lisa Burquest**, resigned effective Jan 31 to go to **Virgin Australia** to work with former A2 Milk ceo **Jayne Hrdlicka**, who is now ceo of Virgin Australia.

Vista Group International has appointed **NZX** chair **James Miller** as an independent director from Aug 31. Vista chair **Susan Peterson** said the appointment was part of the board's succession planning and to bolster its audit and risk committee. Miller is also a director of **ACC, Mercury NZ and Refining NZ**. He was a director of **Auckland International Airport** and was an inaugural director of the **Financial Markets Authority**.

Pushpay Holdings appointed chief customer officer **Molly Matthews** to be ceo from March 1. She will succeed Bruce Gordon, who has been interim ceo since June 2019. Seattle-based Matthews has been been with the company for more than four years. Gordon will remain on the board.

Sky Network TV director **Derek Handley** stepped down on Jan 15 after seven years on the board. Handley joined Sky while living in New York. He returned to NZ in 2018 and said he had now chosen to reduce his board roles to focus on more hands-on projects. Sky has yet to name a replacment. Tech entrepreneur Handley is a founding general partner at Aera VC, a global venture capital investor backing deep-technology start-ups.

PO Box 25120, Wellington 6140, New Zealand
PHONE 04 385 6249 EMAIL hugo@thehugogroup.com www.thehugogroup.com