

TDB Digest, May 2018

Welcome to TDB's new Director, David Smith

TDB would like to welcome and introduce a new director in our Wellington office, David Smith. Previously a Director of Investment Banking at First NZ Capital, David brings 33 years of corporate finance and strategy experience to the TDB team. From valuation, capital structure and cost of capital to mergers, divestments and acquisitions, we look forward to the wealth of expertise David has to offer.



Phil Barry
MBA, BA Hons (Econ)
Director



Geoff Taylor
BMS, FCTP
Director



Nigel Atherfold
MBS (Fin), BMS (Econ),
CTP, MInstD
Director



David Smith
MBA (Fin), BSc, DipSci
(Math)
Director

Smaller dairy players on the rise

Which dairy companies are performing the best? The second edition of the TDB Dairy Companies Review points to strong performance from a number of Fonterra's smaller rival firms with Fonterra losing market share as a consequence – now down to 82% from 96% back in 2001. If these smaller rival firms are able to fill the additional capacity they have announced at Fonterra's expense and there is no growth in total milk supply, Fonterra market share could be down to 78% by 2020.

Our analysis also indicates that Open Country Dairy, Synlait, and Miraka have generated returns in excess of their cost of capital while Fonterra and Westland have not on average over the last three years.

Read the full TDB report and related article in the Farmer's Weekly below.

<https://www.tdb.co.nz/wp-content/uploads/2018/05/TDB-Advisory-Dairy-Companies-Review-2018.pdf>

<https://farmersweekly.co.nz/section/dairy/view/rivals-are-doing-better>

TDB's Iwi report features on Māori TV

2017 was the third year of TDB's Iwi Investment Report, and the majority of Iwi continue to show positive growth and performance. TDB Director Phil Barry was interviewed on Maori TV this month, discussing the report. The 2017 edition saw Auckland-based Ngāti Whātua Ōrākei and South Island-based Ngāi Tahu perform particularly well, with average returns of 16% p.a. and 13% p.a. respectively. As Phil said, each iwi is different, has a different heritage, different aspirations, and different appetites when it comes to investment risk. The key challenge is for iwi investors to have a clear understanding of the risks that their portfolio exposes them to and manage those risks effectively.

See the full report and broadcast below.

<http://www.maoritelevision.com/news/regional/post-settlement-iwi-combined-assets-78bil>

<https://www.tdb.co.nz/wp-content/uploads/2018/01/TDB-Advisory-Iwi-Investment-Report-2017.pdf>

Other news

TDB Director Nigel Atherfold has recently been appointed to the board of Landcorp.

TDB Director Phil Barry has been elected Deputy Chair of NZ Football. He has also recently been appointed to the International Monetary Fund's Panel of Fiscal Experts (SOEs) and to the Board of Wellington Water.

Will humans be living in Mars within your lifetime?

Elon Musk believes that by 2040 there will be a thriving colonial Martian City. Those who wish to move there will save their money, sell their assets and experience the feeling of founding a new land. Photos of hiking across vast Martian mountains will spread, videos of extreme sports only feasible in Mars' 38% gravity environment will become viral, and more and more people will move. Musk himself said though he envisages moving back and forth between Earth and Mars, he may eventually retire in the new Martian city.

Could this become a reality? Considering the seriousness with which Musk's company SpaceX take this mission, it's hard not to wonder whether he really is on to something. Read about the possibilities at:

<https://waitbutwhy.com/2015/08/how-and-why-spacex-will-colonize-mars.html>

As science fiction writer Larry Niven once said

"The dinosaurs became extinct because they didn't have a space program. And if we become extinct because we don't have a space program, it'll serve us right!"

