UNIVERSITY OF AUCKLAND
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INVESTMENT BULLETIN

STUDENT WRITERS · STUDENT OPINIONS

FEASIBILITY OF LABOUR'S NEW DENTAL PLAN

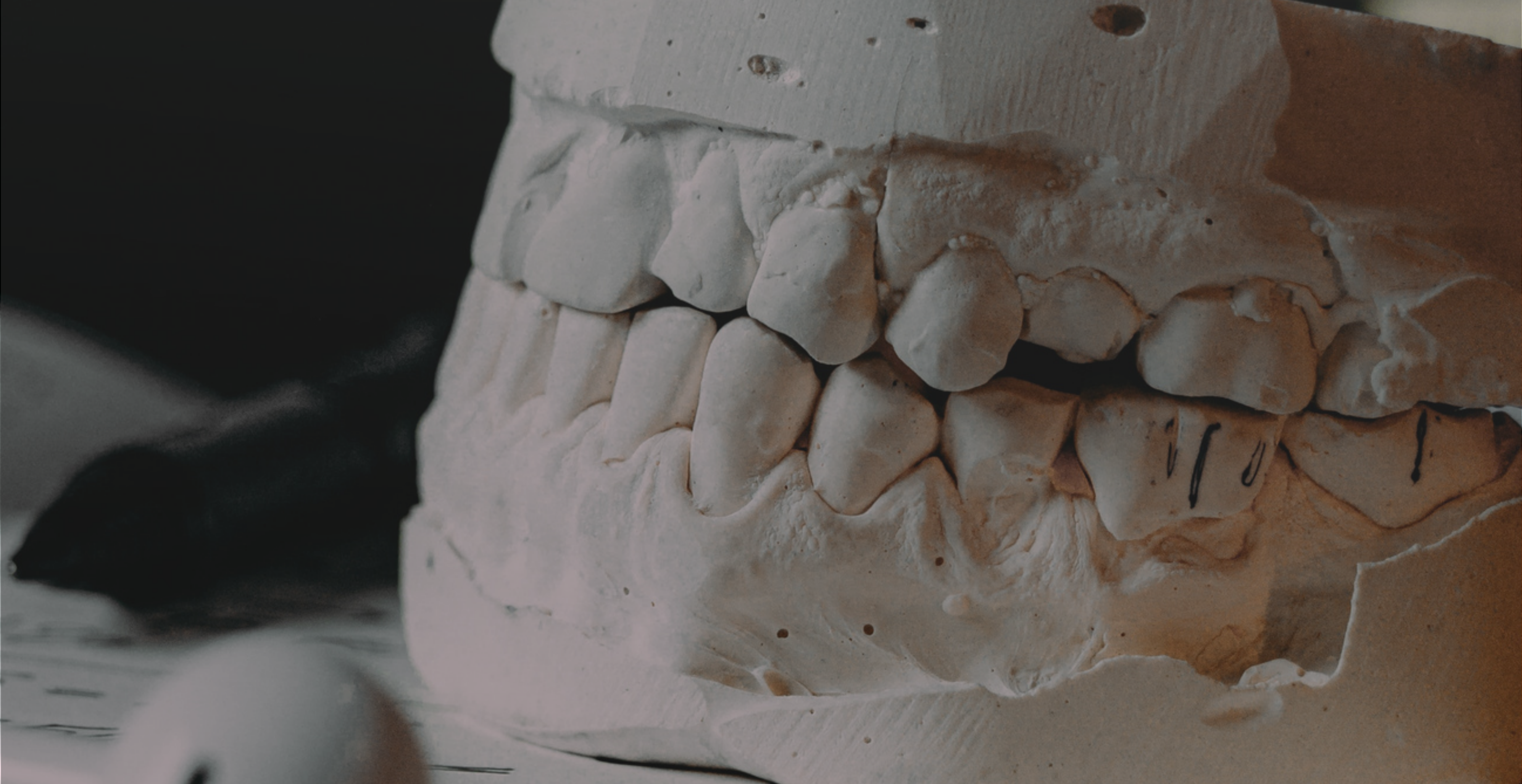
BY TRINITY VONG

+ MORE ON:

IS SPORTS INVESTMENT GRAPPLING FOR GOLD, TWO YEARS SINCE ITS PEAK?
FLOW ON EFFECTS OF AN INCREASING GLOBAL CONSUMPTION OF BOTTLED WATER
ALUMNI CONVERSATION WITH SAM FRANKLIN

& FROM OUR PARTNERS:

MYOB COLUMN: HOW TO IMPLEMENT DIGITAL TRANSFORMATION FOR GROWING STARTUPS
FORSYTH BARR FOCUS: BALLOTS AND BULLS



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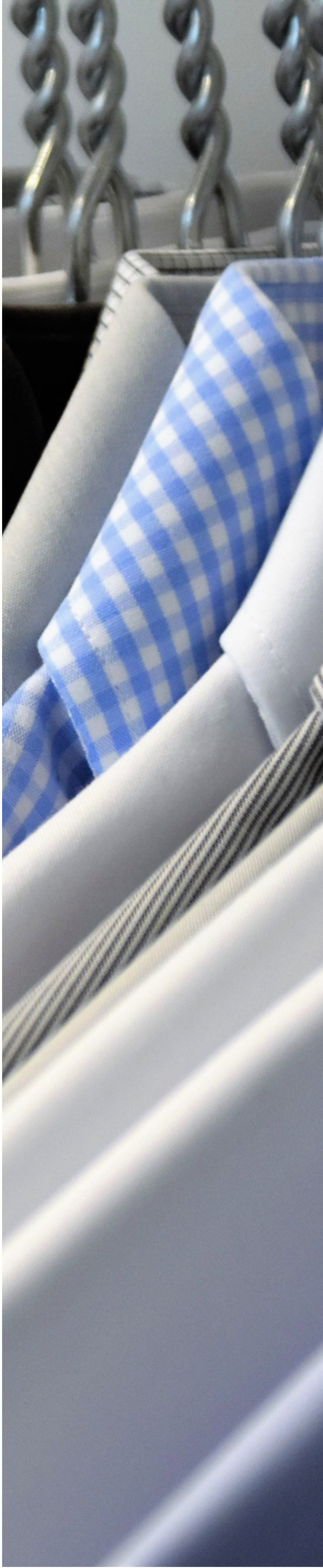
Contents

An Update from the fund

A RUNDOWN OF THIS WEEKS PITCHES WRITTEN BY OUR INVESTMENT COMMITTEE ANALYSTS



Hallensteins Glassons

Pitched by Bronson Cotter & Rohit Guthpe

Hallensteins Glassons (NZX:HLG) is a New Zealand clothing retailer comprised of Hallensteins brothers' & Glassons. The merger occurred in 1985 and since then, Hallensteins Glassons has over 120 stores across both Australia and New Zealand offering both mens and womens formal and casual clothing as well as swimwear, footwear, and other accessories. HLG operates a capital-light leasing model, effectively leasing store locations and taking on no debt for acquisitions.

Like many retailers, HLG are focused on an omnichannel model of online and in-store retail. Their growth in online retail and the leasing of their stores allows them more flexibility to move around as the way we shop continually changes.

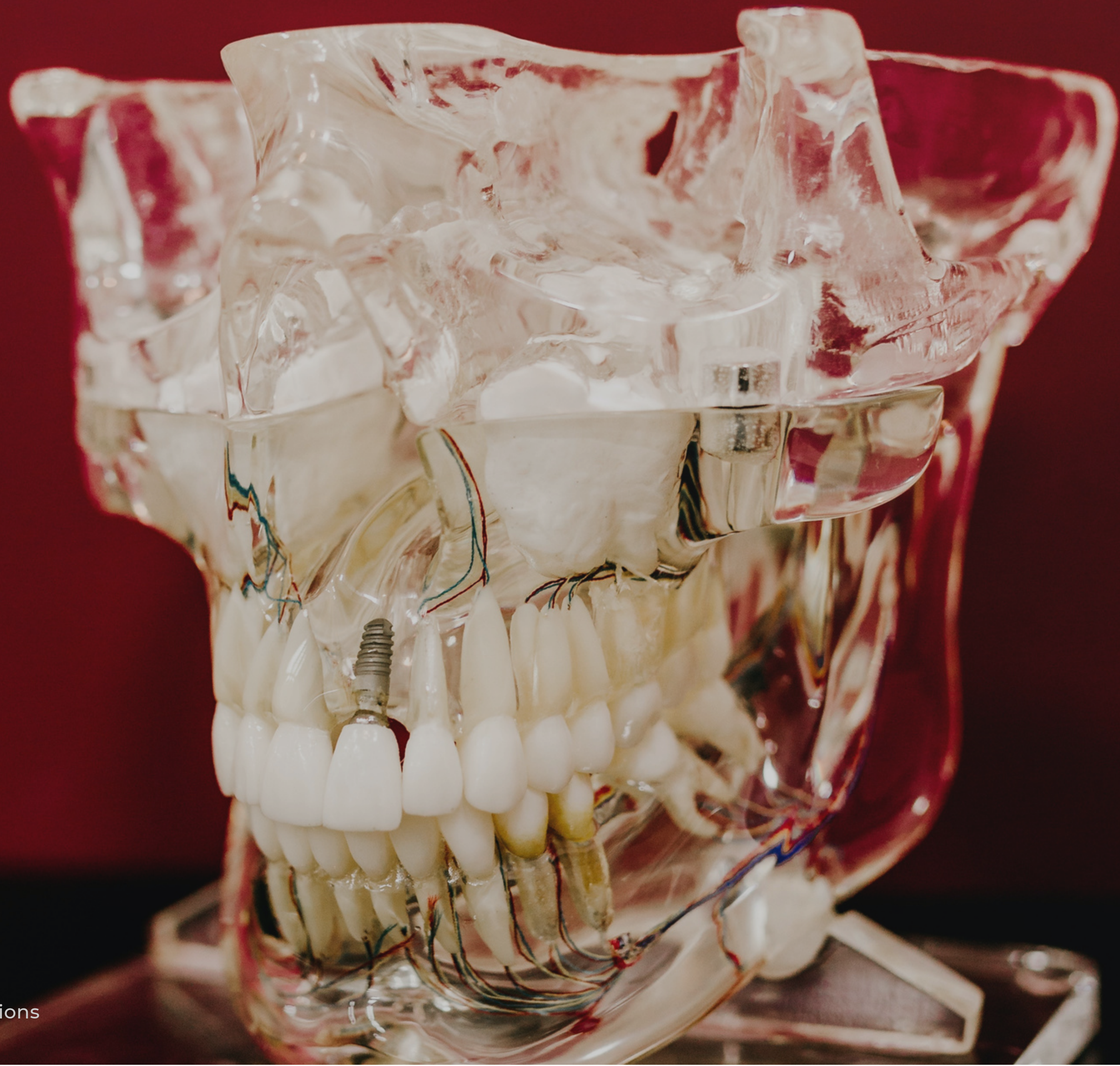
The Investment Committee questioned the similarity of HLG to other clothing retailers with regards to fast-fashion, high competition & growth. The committee did not pass HLG with a vote of 11 No, 2 Yes.

LOCAL

Feasibility of Labour's new dental plan

BY TRINITY VONG

As the upcoming election draws near, political parties are unveiling new policies aimed at capturing the attention of voters. Among these proposals, the Labour Party has announced an extension of free dental care services to individuals under 30 years old. While this initiative may seem like an appealing offer, particularly in a landscape where dental services often incur significant costs, is it truly feasible within the context of New Zealand's current economic state?



Labour's recent announcement outlines their commitment to providing free basic dental services to citizens under 30 over the course of four years, allocating a budget of $390 million for the next five years, extending until 2028. This comprehensive coverage encompasses all basic dental care including root canal fillings, which can cost up to $1250 per treatment, as per the nation's median prices in 2021. Additionally, by March 2026, a 50% increase in the number of domestic dental professionals is expected, along with additional funding of $10 million distributed over five years.

New Zealand faces a substantial oral disease burden in 2022, with a high prevalence of conditions such as gum disease and tooth decay. These conditions are often exacerbated by factors such as high sugar and alcohol consumption. According to the OECD, New Zealand ranks second in sugar and sugary drink consumption, underscoring the nation's vulnerability to oral diseases, including periodontitis (gum disease) and dental caries.

The public's response to this policy has been mixed. Dental services in New Zealand are generally expensive, with an average visit costing around $320. This has led to a situation where 40% of adults cannot afford dental visits. Globally, it is recommended to have a biannual dentist check-up and cleaning, costing a national median of $148 per annum, excluding additional treatments as of 2021. Consequently, the implementation of this policy has the potential to alleviate the financial burden on individuals under 30, potentially enhancing the overall oral health of the country.

However, concerns have been raised about the funding model. Many assumed that this initiative would be funded through a wealth tax, similar to the policy proposed by the Green Party for free dental care. This assumption led to dissatisfaction among the working class, who perceived it as "handing out more free money." With taxpayers primarily falling within the 20-59 age bracket, the $390 million price tag raises questions, particularly considering New Zealand's current economic challenges.

Some, including ACT leader David Seymour, argue that this policy is merely a desperate attempt to secure votes. While the policy presents significant advantages for young individuals, boosting career opportunities in the oral sector, New Zealand is still grappling with rising living costs and the effects of inflation. Given falling export prices and the financial struggles of citizens, concerns linger regarding the economic viability of this policy.

Labour estimates that by the end of 2026, approximately 798,000 more people will be entitled to free dental care. Nonetheless, there were doubts about the feasibility and sustainability of this plan. Assuming half of the newly entitled population proceeds to access dental care, it would cost $255.4 million dollars to sustain this system per annum after implementation.

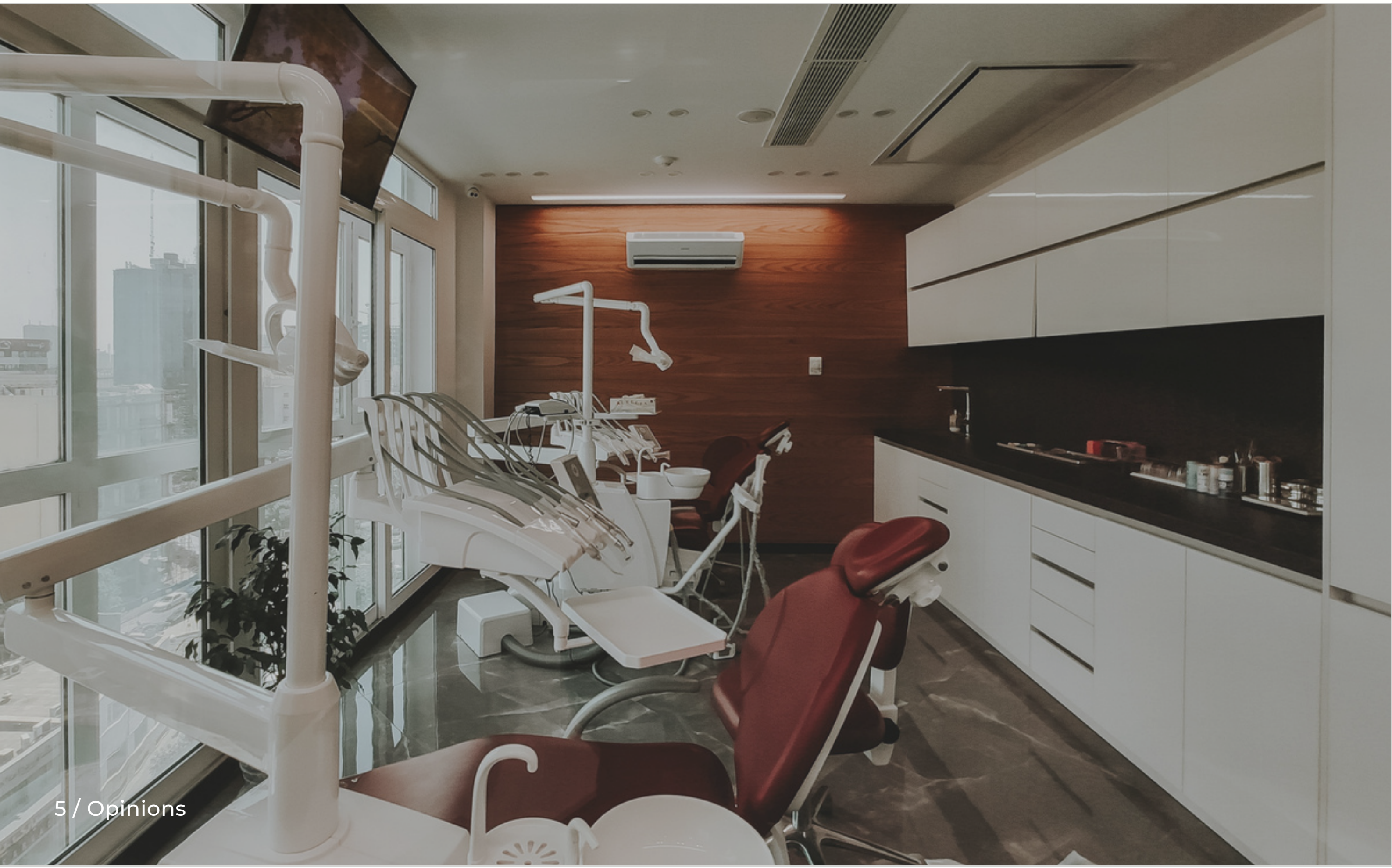
This ultimately implies that its long-term sustainability is questionable, and its addition would entail exorbitant expenses. Moreover, when considering that the annual implementation cost alone stands at $255.4 million, it raises doubts about whether the projected five-year implementation cost of $390 million is a realistic estimate or a significant underestimate. The $390 million figure encompasses not only the implementation of free dental care but also the expansion of career opportunities within the University of Otago and the oral industry, as well as the recruitment of approximately 200 overseas clinicians. The cumulative cost is anticipated to far exceed the budget proposed by the Labour Party, with a more accurate estimate approaching $640 million, particularly given the provision that full access to free dental care for individuals under 30 is not expected until 2028.

Though the free dental care policy has been proven successful in other countries such as Germany ranking second for the healthiest teeth index in 2020, such comparisons are complicated by New Zealand's unique challenges and confounding factors contributing to oral health issues such as the burden of dental health is significantly lower.

While the policy effectively addresses the critical matter of dental care affordability and its potential to improve the general state of oral health is acknowledged, apprehensions regarding its funding model and economic feasibility still endure. Nevertheless, even though I fall within the age group benefiting from this policy, there is a prevailing belief that these resources could be allocated more efficiently towards sectors such as transportation and agriculture.

Additionally, redirecting the focus and effort towards preventive measures to reduce sugar consumption, such as interventions such as taxation on sugary drinks or subsidising healthier food options may be more effective in improving national oral health.

The expansion of opportunities for roles within the dental profession would represent a favourable policy implementation. Instead of pursuing a 50% increase, a more conservative 10-15% augmentation would align better with New Zealand's requirements, ensuring the domestic workforce can adequately meet the demand for dental professionals without necessitating external labour outsourcing.

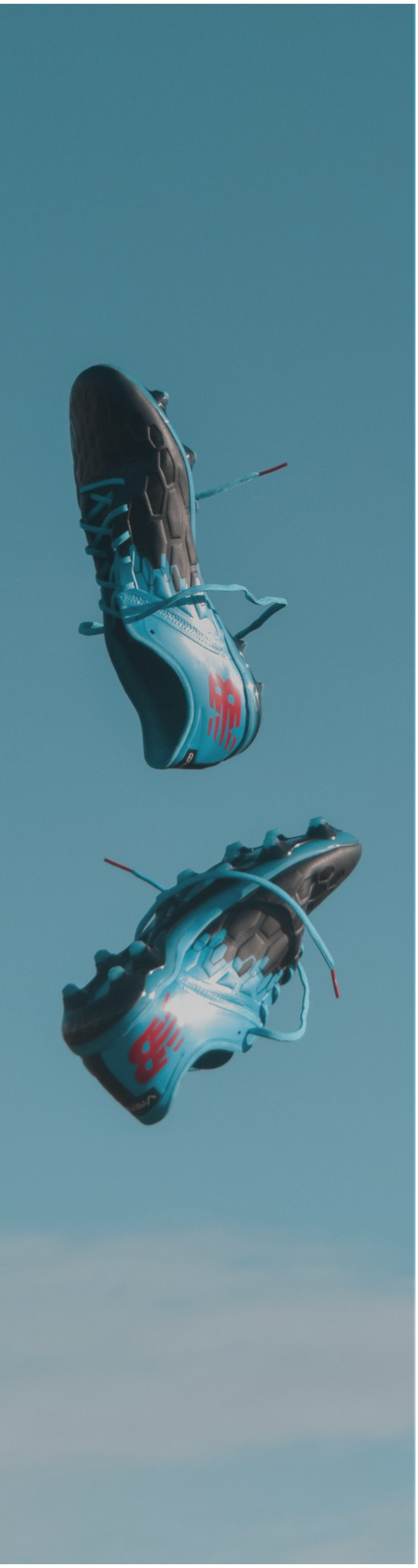


LOCAL

Is sports investment grappling for gold, two years since its peak?

BY FRANCESCA MASFEN

In April 2021, fellow writer and former editor Andrew Meng wrote a captivating article on the surge of institutional sports investment, particularly from private equity firms (PE firms). Andrew noted that sports investment was not new, but had gained significantly more attraction from investors amid the COVID-19 pandemic. During our stint at home, we were reminded of our love for sport, comradery, sense of community and competitiveness. Also, as the market dived, so did the value of sports leagues – it was time to 'win'.



From April 2021 to the end of the financial quarter 2022, it was a slam dunk for sports investments, with $51 billion invested into leagues, teams and media from PE firms. Investments were primarily focused in the US market including, NFL, NBA, MLB, EPL and F1. The largest investment consisted of Redbird Capital acquiring $ 10 billion worth of CVC Capital Partners stake in F1. New Zealand Rugby also secured a significant deal with US PE firm Silver Lake involving the sale of a stake in its revenue-generating assets. Valued at $200 million, the partnership aims to address financial needs in New Zealand rugby and commercialise the All Blacks Brand.

A recent study from Deloitte found in the second half of 2022, global sports investment fell 27%. Inflationary pressures and rising interest rates have affected the entire economy. The massive fiscal and monetary stimulus implemented in response to the pandemic increased money supply and excess liquidity, resulting in higher consumer spending and demand. VC funds notably had immense amounts of dry powder at the end of 2021, meaning they had to spend, which consequently hiked valuations, specifically in private markets. Supply chain disruptions and rising commodity prices further contributed to inflation, prompting central banks to raise interest rates to control borrowing and manage economic growth.

The core of sports investment has shifted towards more conservative options due to increasing interest rates, which raise the required rate of return on investments and hinders investor sentiment. Market volatility and corrections have contributed to a risk-averse approach, leading investors to focus on established leagues, teams, and media entities instead of higher-risk ventures, as reported by Sports Business Journal.

As of 2023, the sports investment game is heating up, with M&A activity reaching new heights. The sports world is witnessing a wave of financial power plays as deep-pocketed investors flex their muscles to pursue lucrative sports rights and opportunities. Major investments have focused on maximising international strategies and returns.

Brera Holdings PLC and Fenway Sports Group have announced football team acquisitions in North Macedonia and Europe, demonstrating their commitment to expanding their global presence. Madison Square Garden Sports Corp has significantly invested in Esports, particularly in the popular game League of Legends. Furthermore, FuboTV Inc. has taken a bold step by acquiring exclusive broadcasting rights for US Cricket and expanding its sports streaming offerings. These investments alone are estimated at $10 billion, showcasing the immense growth potential in the sports investment landscape.

Meanwhile, there are growing opportunities for investments in women's professional sports, driven by the continuous growth of revenues and fan bases. Viewership of WNBA games, for instance, experienced a remarkable 16% increase from 2021 to

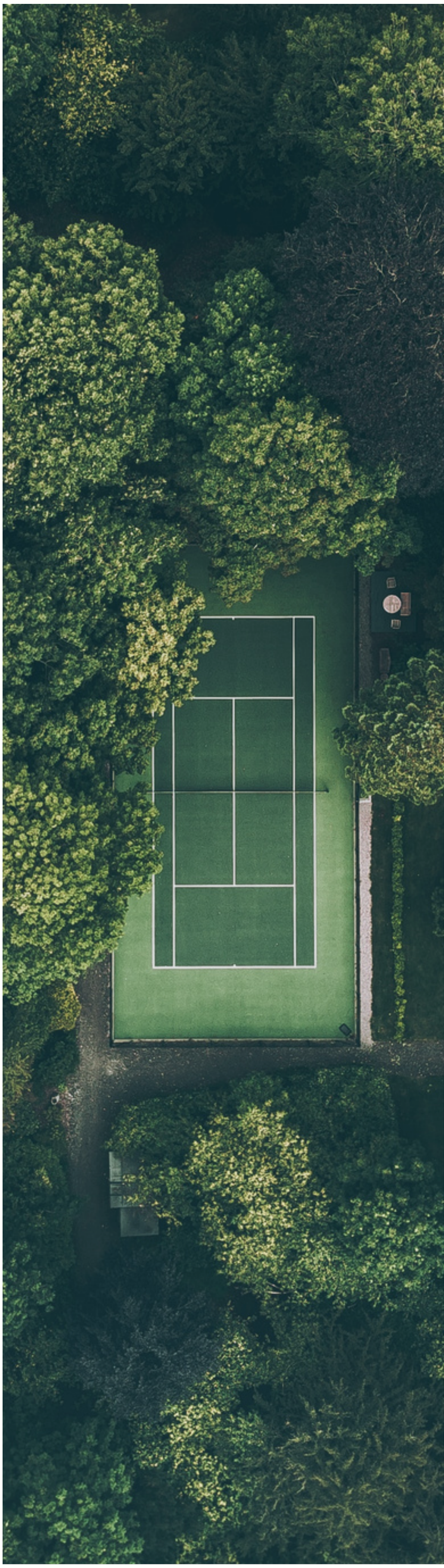
2022. Similarly, the traffic on WNBA.com witnessed a significant surge of nearly 100% during the same time frame. In New Zealand, Women's rugby has seen a 40% increase in participation following a significant injection of funding from high-net-worth individuals. Women's sports globally present a promising avenue for financial sponsors and institutional investors to diversify their portfolios and capitalise on the upward trajectory of women's sports.

In our own backyard, High-Performance Sport New Zealand has announced a substantial investment of $131 million directly into 44 National Sporting Organisations (NSOs) over the next three years. This investment marks the beginning of HPSNZ's new Targeted Investment Strategy, aiming to support more sports and athletes than ever before. The investment package reflects a targeted approach that has contributed to ongoing international success for Kiwi athletes while prioritising the well-being of individuals within the system. The increased funding and support across a wider range of sports aim to inspire New Zealanders and drive exceptional results, leading to the pinnacle events, including the upcoming Paris 2024 Olympics.

This investment is truly ground-breaking for New Zealand sport, presenting an exciting opportunity for growth. As of 2023, I feel honoured to have been selected for the New Zealand Youth Dressage team. While the funding may not be specifically directed towards my sport, seeing support for international competition and a clear ambition to enhance athletes' opportunities and help them reach new heights is encouraging. New Zealanders have natural talent athletic abilities, and I eagerly anticipate this investment's positive impact on our sporting future.

So, is the final drawing near for sports investment?

Actually, the final drawing is far from sports investment. On the contrary, 2023 represents a crucial turning point with significant M&A activity and a focus on international expansion in the sports industry. The growing opportunities in women's professional sports and the increasing openness of major leagues to financial sponsors and institutional investors indicate a thriving investment landscape. Sports investment is poised for further growth, development, and success in the coming years. Andrew scored a home run with his article in 2021.



GLOBAL

Flow on effects of an increasing global consumption of bottled water

BY ANDREW HUANG

Drinking water — an essential need for humans — can be either very easily obtained or difficult to acquire in today's day and age, depending on which part of the world you live. Common, convenient, easily transportable and stocked by retailers both small and large wherever you go is — bottled water. According to the UN, consumption of bottled water is expected to grow annually from 350 billion litres in 2021 to 460 billion litres by 2030, but amidst this growth, there is very much a concern for the costs and impact on both our health and the environment.

The UN estimates that 2.2 billion people around the globe do not have access to safe drinking water. As such, in developing countries without adequate drinking water infrastructure, it is expected that bottled water consumption will increase. In countries such as Thailand, Indonesia and the Philippines, there is a high reliance on bottled water as they have poor access to piped water sources. Currently, Asia, the Pacific, Africa, Latin America, and the Caribbean represent around 60% of global sales in bottled water.

With trends of increasing demand for bottled water, there are escalating worries about the environmental impact of plastic bottles, which have become synonymous with pollution and waste. The most common packaging for bottled water is plastic bottles; such packaging is very harmful to the environment as plastic materials can take up to 1000 years to degrade.

The United Nations Environment Programme has found that approximately 85% of all plastic bottles sold become waste and end up in landfills where they are not recycled. Some of this waste can end up in the ocean by travelling through rivers and pollute our seas with microplastics when they break up in the ocean.

In addition to this, groundwater sources around the world are being rapidly depleted to produce bottled water. In certain regions around the world, the amount of groundwater extracted from aquifers and basins far exceeds the natural recharge rate. To note, there have been reports regarding a significant amount of groundwater being depleted in Asia, America, the Middle East and Africa.

Whilst big corporations are depleting water across the globe, the impacts of their actions have done much detriment to the local population. In Chiapas, Mexico, Coca-Cola owns over 30% of local water resources and uses over 1 million litres of water a day. The residents in Chiapas cannot access safe drinking water as wells are drying up due to a Coca-Cola bottling plant sucking up all their water. As a result, the residents consume soft drinks with a shocking average daily consumption of 2.2 litres a day. Substituting soft drinks for water is obviously detrimental to one's health, such that the effect on public health is absolutely devastating, thereby causing a significant uptick in diabetes and obesity in the region.

As of today, about only 14% of all plastic produced is recycled. Surprisingly, there is currently no clear data as to how much plastic bottles are recycled. A report by Greenpeace found that 6 of the largest soft drink companies use a combined average of just 6.6% recycled plastic globally. This means that basically, just about every drink packaged in plastic, including bottled water, is not made from recycled plastic but new plastic.

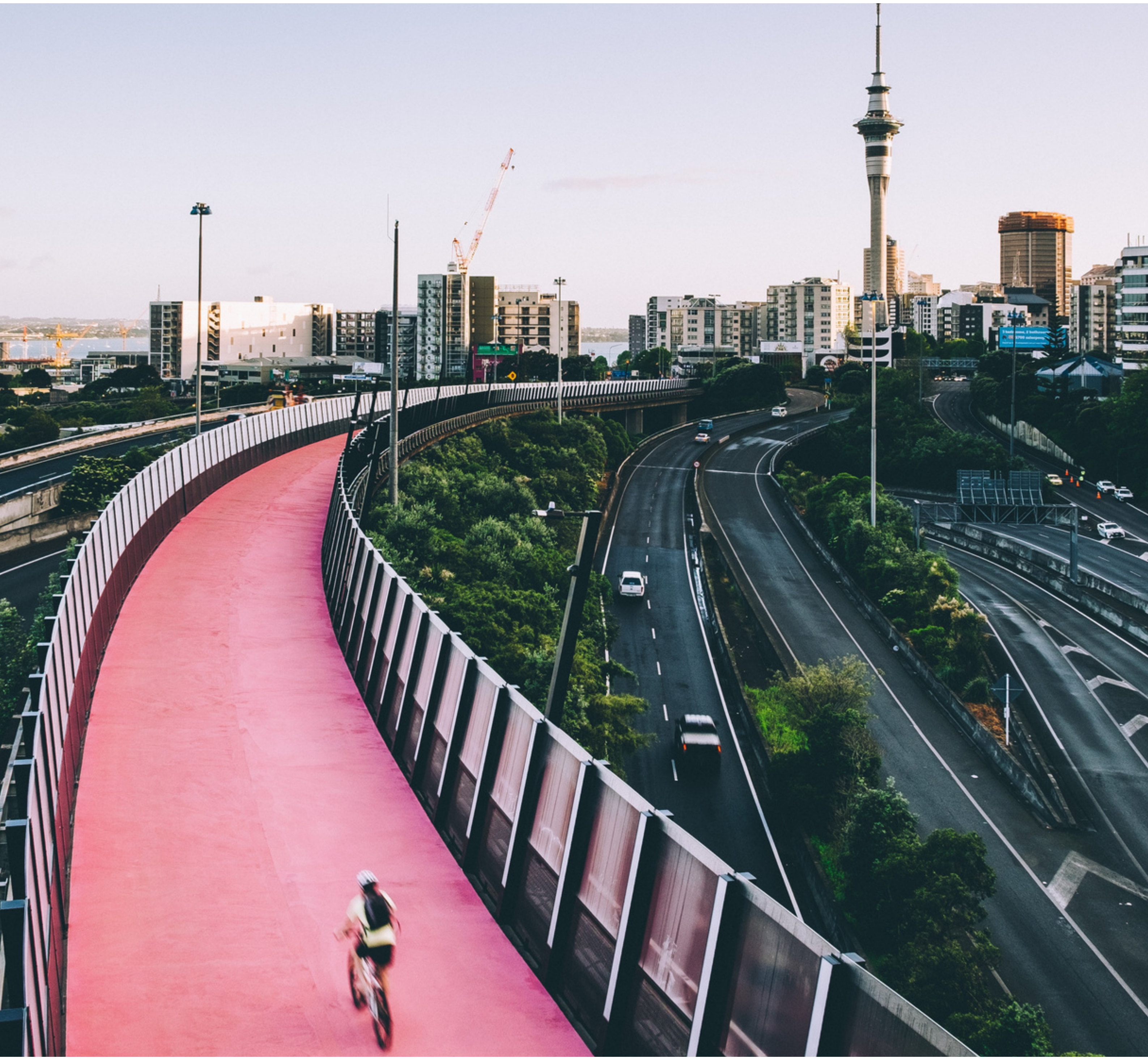
Despite all this, sustainability is becoming ever the more important to consumers at a whole. Many consumers are now much more interested in how products are made and what impacts they have on the environment. What lies ahead for the bottled water industry is whether it has the ability to evolve sustainably or face inevitable backlash.

CONVERSATIONS WITH UAIC ALUMNI

SAM FRANKLIN

INTERVIEW & ARTICLE BY JAMES MACLEAN

For this instalment of the Bulletin's conversation series, Bulletin Editor-In-Chief Tim Cross and I sat down with Sam Franklin, a director at Swedish private equity firm - EQT Partners. We discuss his time at university, his career to date, and his advice for university students interested in a career in private equity.



While Sam grew up in Auckland, he was born in Australia (and, disappointingly, supports the Wallabies). Sam studied a BCom in finance and economics at the University of Auckland and was actively involved in the then-newly formed UAIC. He was a senior analyst on the investment committee and a contributor to the bulletin. Reflecting on his economics major, Sam thinks accounting may have been a better preparation for a career in finance.

“In hindsight, something like a microeconomics course doesn’t have as much applicability in industry relative to accounting.”

During his studies, Sam interned at ANZ before interning and then accepting a graduate role as an investment banking analyst at Deutsche Bank (now Craigs) in 2014.

“I think New Zealand investment banking is a great starting point because everyone is a generalist; it gave me a broad range of knowledge. In that respect, it is analogous to Australian private equity, where the industry's size compared to the US or Europe results in less industry or functional specialisation.”

Sam then worked in the Industrials at Macquarie Capital in Sydney as well as the Financial Institutions Group (FIG) team. In 2016, Sam moved to private equity firm Affinity Equity Partners.

“Private equity can be more stressful than investment banking. In investment banking, your job is finished once a deal is closed. In private equity, closing the deal is just the start of the process.”

Sam comments on the two main paths into private equity firms, investment banking and management consulting, and explains some differences between the two.

“Investment banking definitely prepares you better for day one in private equity; a strong background in financial modelling is definitely useful. However, in my experience, ex-consultants tend to have lower attrition. They tend to have a better ability to work constructively with the management team of a company, which is an important skill in private equity.”

After three years at Affinity, Sam moved to the Swedish private equity giant EQT Partners. On the move, Sam emphasises the importance of finding a firm that is a strong cultural fit, noting that EQT allowed him to think more entrepreneurially. Working for a global PE fund also means that Sam has recently had the opportunity to work out of EQT’s Munich office, and experience Europe’s different work culture.

“Europeans tend to speak many more languages at a much better level than Kiwis and Aussies. While I was working out of Munich, a colleague and I went to

meet with a French radiology company. On the way, we both agreed that our French was very poor; however, in the meeting, he was able to have an in-depth discussion about radiology with management in French. ”

Sam has also worked at EQT's Stockholm office and ranks Stockholm as one of his favourite European cities. Among other things, Sam mentions how much more seriously Europeans take their summer break, as well as the fact that they tend to have more hobbies outside the office when compared to their American counterparts. Since Sam started out as an associate at Affinity and is now a director at EQT, he has experienced changes in his role as he's gained more experience.

Being an analyst or associate usually means more “modelling / analysis. Now that I'm a director, I'm required to spend more time directly interfacing with management teams and Boards of our portfolio companies and external advisers, and I'm also more involved in fundraising for EQT. This means I'm required to know more about the fund and the firm as a whole.”

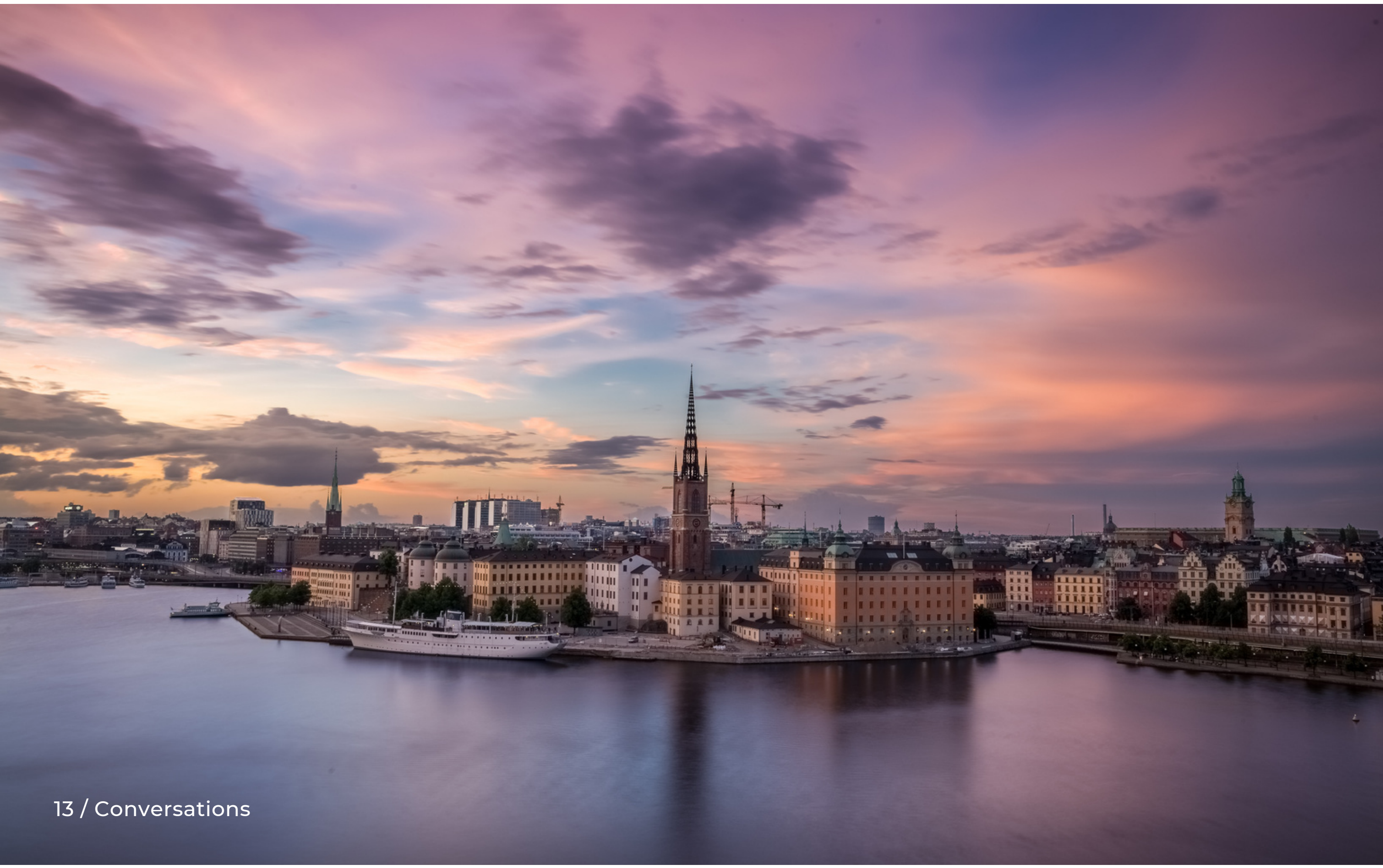
As is customary in the UAIC Conversation Series, we asked Sam for his advice to university students, especially those considering or beginning a career in finance. Sam thinks it's important for those starting out in finance to always look at the bigger picture when given specific jobs as a junior.

“Always ask yourself: Why am I building this model? Why has this company been chosen? Understanding these types of things will be essential further down the track”

He also recommends students pick up a hobby that isn't studying or the standard extracurriculars. Sam competed in triathlons while at university and found it came in handy when building a rapport with interviewers who had similar interests.

“Everyone will have good grades, and it's important to have something extra to show that you're a well-rounded person.”

Finally, Sam recommends the book Caeser's Palace Coup by Max Frumes and Sujeet Indap, which tells the story of the tumultuous leveraged buyout of Caesars Entertainment. Again highlighting the importance he places on being well-rounded, Sam enjoys reading books completely unrelated to finance. He recommends Stephen Fry's classics series, notably Mythos, Heroes and Troy.



MYOB Column

How to implement digital transformation for growing startups

How to implement digital transformation for growing startups

Navigating a startup company is no easy feat, but learning how to implement digital transformation could be the key that unlocks long-term business success for you.

In fact, research conducted by the MIT Center for Digital Business found that “digitally mature” firms who adopted digital transformation are 26% more profitable than their competitors, while also enjoying a 12% higher market valuation.

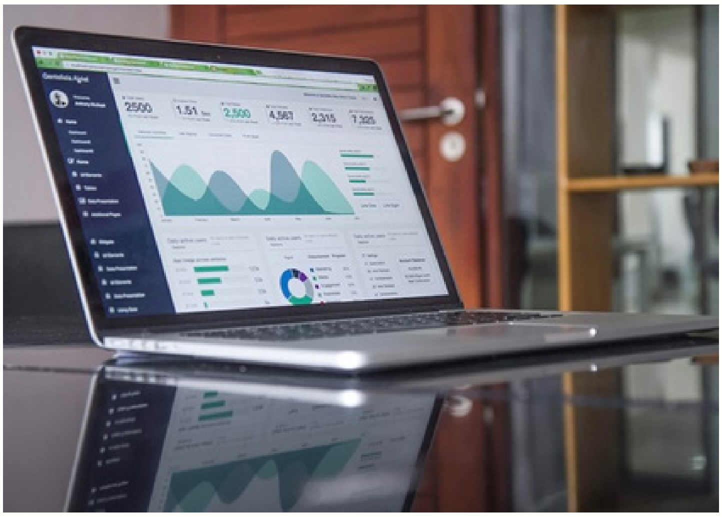
This highlights just how crucial digital transformation is for businesses today.

In short, if you fail to adopt the latest productivity tech and automated business tools, then your competitors will most certainly outperform you.

Five ways startups can implement digital transformation

1. Sales and marketing tools
2. Accounting software
3. Customer relationship management
4. Data analysis programs
5. Collaborative productivity tools

Read the full article here on how businesses can harness the power of technology to drive growth and efficiency here

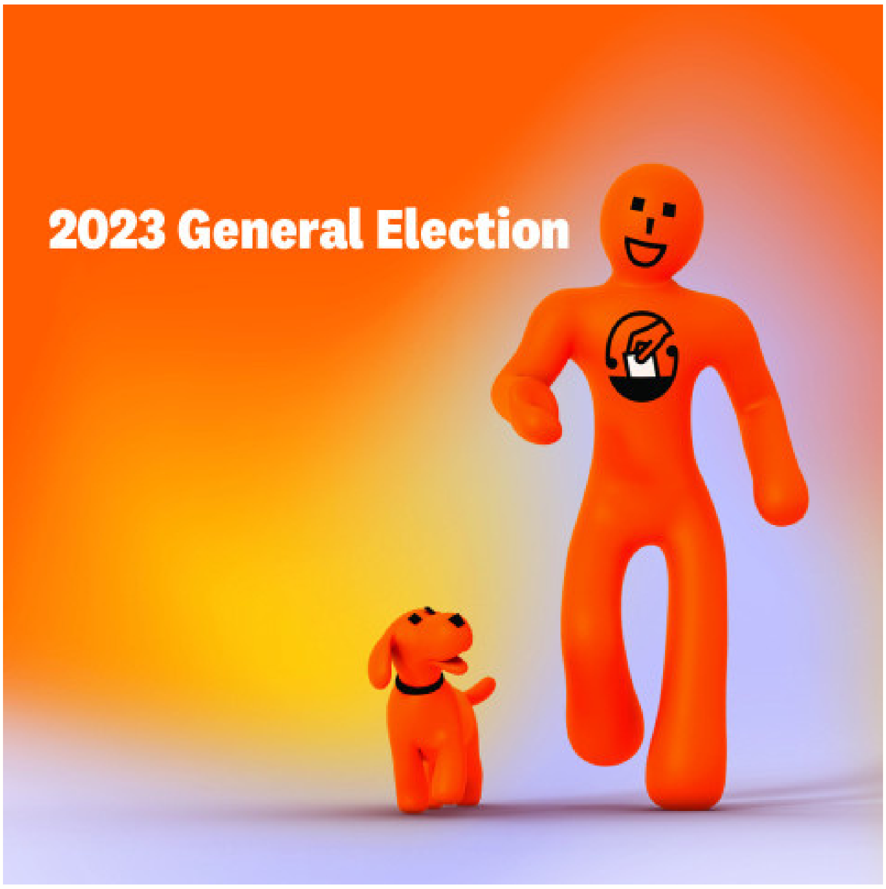


Forsyth Barr FOCUS

Ballots and bulls - Do elections impact financial markets?

Every three years New Zealand engages in the dance of the politicians, known as our General Election. Elections are often regarded as significant events, with the potential to shape the direction of a nation’s policies and priorities. Given the attention and suspense they generate, the actual impact of elections on local financial markets is worth examining.

Read the full article here.

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