

STOCK MARKET AWARENESS COLUMN

“COVID-19: Implications on Listed Entities”



Greetings from SPX!

The concerns around the COVID-19 outbreak impacting several nations across the globe has sent ripples through the international stock markets, businesses and the world economy. Understandably, investors have begun discussing the impact of COVID-19 on their financial well-being, re-aligning their investment and consumption priorities. In essence, the impact of COVID-19 has drastically dampened investor sentiments which is likely to persist for some time. With every industry, function and geography being affected extending to posing financial and operational challenges requiring real-time decision making, reassessment of workforce, risks of business continuity and rethinking of productivity levels; this global pandemic has in real forever changed our experiences as customers, employees, employers, decision/policy makers, regulators and even as citizens. From an investor perspective, this is certainly an opportunity for you to review your spending/saving habits. If the current economic upheaval has financially impacted you then there is a definite need to have a relook at your spending and move towards smarter and less impulsive purchases as this will help you cushion the amount you save. These savings can then be channeled into long term investments such as shares which can help you achieve your future financial goals.

Fiji, now similar to global economies is in an unprecedented situation as well and is headed for an economic decline. Generally, the scale of the impact from this global health emergency is virtually unpredictable and the ultimate determination is hanging upon the behaviour of this pandemic and its containment in some form which again is precariously uncertain.

SPX as the frontline regulator of the stock market has been closely following developments regarding the COVID-19 pandemic and is in constant dialogue with relevant stakeholders in order to ascertain and keep up to date with the impact from this health crisis on the financial markets. Considering the unprecedented impact arising out of COVID-19 and the subsequent challenges being experienced by the capital market participants, SPX has recently announced the COVID-19 regulatory relief for SPX listed entities. Through this article, SPX wishes to present a summary of information and key highlights entailed in the market updates provided by the listed entities on their business operations, financial forecasts/expectations and decisions on dividend payments, all in a bid to provide further insights to the various stakeholders and help them better understand the impact of COVID-19 on the general operations of SPX listed entities.



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SUMMARY ON MARKET UPDATE FROM LISTED ENTITIES

Under the following section, SPX has summarised only the key highlights entailed in each of the listed entity updates and as such requests our followers to read the below summary in conjunction with the [detailed market announcements](#) from the SPX website. In essence, an overall impression gained from these market updates indicate that majority of the SPX listed entities have a strong balance sheet position and sufficient cash reserves and are prepared to overcome the economic challenges currently faced.

Entity	Update Provided
ATH	<ul style="list-style-type: none"> Anticipates socio-economic impact across its group companies in Fiji and other countries in 2020-2021 financial year. Alternative strategies are in place for different scenarios to minimize disruptions to daily operations.
CFL	<ul style="list-style-type: none"> Due to growing COVID-19 challenges, CFL will not issue a final dividend. The available cash reserves will be used to support operations. CFL has released its Annual Report as per the SPX deadline.
FBL	<ul style="list-style-type: none"> Certain international students, mainly from South Korea and China, which make up the second and third largest markets for FBL, have either postponed travelling to Fiji or have cancelled their planned study in Fiji altogether. Due to the global spread of the virus, students who wished to return have been repatriated to their original countries. Given the impact of COVID – 19 the Board has not decided whether or not to make a proposal of final dividend for 2019 yet. Annual Report has been delayed and is expected to be released by 29th May 2020.
FIL	<ul style="list-style-type: none"> According to FIL's Policy Terms and Conditions' Schedule of Exclusions, a disease of the nature of COVID-19 will not be covered by the company. While future financial impact is still not clear, FIL has indicated that it is in a sound financial position with a strong balance sheet to meet COVID-19 challenges. Annual Report will be delayed and is expected to be released between May - June 2020. Annual General Meeting is to be held between June - September 2020. FIL declared a final dividend of \$0.08 per share on 7th May, 2020.
FMF Group	<ul style="list-style-type: none"> Financial impact expected in quarter 4 of their financial year (April – June 2020). Supplies of raw materials and other goods required for production continue to be well sourced, however, cost of commodities have increased with some overseas countries imposing export bans. The relative strength of USD is also impacting cost of production. Capital expenditure programs together with discretionary spending and operational expenses are being reviewed.
FTV	<ul style="list-style-type: none"> Reduction in advertising revenue has been seen and the cancellation of major sporting and trigger events has impacted channel content. Discretionary spending and capital expenditure programs are being reviewed. The Board of Directors have not yet made any decisions on dividend payments.
KFL	<ul style="list-style-type: none"> Has limited exposure to tourism and export related sectors and has been assisting customers with deferred loan repayment options. Third Quarter Results as at 31st March, 2020 indicate: <ol style="list-style-type: none"> Net Profit After Tax recorded was \$8.4m, an increase of 21% over the \$6.9m Profit recorded for the same period last year. Group Earnings per Share for the first nine months was 9.2 cents per share, an increase of 20% over 7.6 cents per share for the same period last year. Net Operating Income for the nine months to 31 March 2020 was \$22.5m, compared to \$17.5m for the same period for the previous year, an increase of 29%. The Group's cash at bank and liquidity placements grew to \$86.2m as at 31 March 2020, an increase of 39% for the same period in the previous year.
KGF	<ul style="list-style-type: none"> KGF has investments in various businesses, hence the overall impact will depend on how particular sectors of the economy fare. Annual audit has been delayed due to key audit resource not available as a result of international travel ban in place. As such Audited Financials and Annual Report will be delayed with the AGM being planned to be held in second half of the year.
PBF	<ul style="list-style-type: none"> Initiated production of hand sanitizers to assist Fijian Government in containing the spread of COVID-19. Production at Rum Co. distillery is continuing to fulfil export orders and Vailima Brewery (in Samoa) continues to operate with reduced shift hours. Annual report has been delayed and is expected to be released by mid-June and the company is reviewing options for shareholders regarding the AGM.

Entity	Update Provided
PBP	<ul style="list-style-type: none"> Anticipates significant impact on revenue due to discontinuance of flights and closure of hotels and resorts. Cost control measures have been implemented including reduction in logistic costs by combining deliveries of lower volumes. Annual Report has been released and the AGM is expected to be held in June.
PDM	<ul style="list-style-type: none"> Major impact anticipated due to halt of the tourism sector and Capital expenditure projects have been put on hold. Has granted up to 50% reduction in rent for all commercial operations which will be reviewed on month by month basis. Limited operations at boatyard, fuel and private vessel operations.
PGI	<ul style="list-style-type: none"> AGM initially planned for 21st June 2020 has been postponed, however, Annual Report has been submitted. With the evolving situation with COVID-19, PGI has indicated it is difficult to predict financial impact on their operations yet.
RBG	<ul style="list-style-type: none"> Strong sales growth due to panic buying was noticed, however, sales levels appear to be subdued, particularly in the West due to a combination of factors such as halt in tourism activities. Has confirmed that work on Nadi and Lami projects is expected to completion. Request from tenants to review rents is being undertaken on case by case basis and is likely to impact rental revenue. In terms of dividends, no decision has been made by the Board of Directors yet.
TTS	<ul style="list-style-type: none"> Has noted reduction in demand across new product sales, particularly in tourism related locations, such as car rental business. Due to high degree of uncertainty about future scale and consequences, TTS cannot provide reliable financial forecasts or dividend projections at this time.
VBH	<ul style="list-style-type: none"> Property management division contributes lower portion of revenue (less than 20%), hence a higher impact is anticipated from fleet management division. VBH has granted 20% reduction for commercial property rents for 3 months (April -June) and flexible payment options have been given to fleet leasing customers and in certain cases granting of extended lease terms as agreed with customers. For new fleet leasing customers, VBH has initiated reduced initial deposit requirements and reduced interest rates. Capital expenditure programs are being delayed for up to 6 months (April to Sept) to reduce cost and help maintain cash flows. Annual Report has been delayed and is expected to be released by May end. The entity expects delays in conduct of AGM. Expected to be conducted in the second half of the year.
VIL	<ul style="list-style-type: none"> Has started offering assistance to hire purchase customers to take payment arrangements on a case by case basis and with lower income and consumer demand seen, this is expected to have an impact on product sales. Company expects a delay in the release of Audited Financials and the Annual Report. As part of measures to preserve cash, VIL Board of Directors have decided not to make any dividend payments until further notice.
FHL	<ul style="list-style-type: none"> Adversely affected by COVID – 19 with major impact in its tourism portfolio with South Sea Cruises coming to a complete halt and contractions in the construction industry led to significant reduction in revenues for Basic Industries Limited and Pacific Cement Limited. Merchant Finance Limited is now focusing on debt management and working on restructuring accounts to assist its customers. The Investment Property business will see revenue reduction as tenants continue to request for rental reduction. The retail sector will slow down with the reduction in income levels if the COVID-19 effects prolong with business reducing working hours and laying off employees in a bid to sustain operations. RB Patel Group Limited and the associate company of New World Limited have shown positive results. The group profits are expected to drop by 50%. Declared first interim dividend of \$0.0124 per share on 24th March,2020. Future dividend declaration will depend on the June Audited results and the cash flow.
BCN	<ul style="list-style-type: none"> Has introduced deferred loan repayment options to customers through BSP. Changes to lending interest rates in PNG is expected to reduce net interest income margins. Capital position for BSP remains strong and exceeds regulatory requirement.

UPDATE ON RELEASE OF ANNUAL FINANCIAL REPORTS & ANNUAL GENERAL MEETING (AGM)

Update on release of Annual Audited Financial Statements, Annual Reports and conduct of AGM's for March financial year ending listed entities will be released to the market at a later date. The table below provides an update on the December financial year ending listed entities.

December Financial Year Ended Companies	Annual Audited Financials	Annual Report		Annual General Meeting (AGM)	
		Status	Expected Release Date	Status	AGM Expected Date and Details
CFL	✓	✓		✓	17 th June, 2020
BCN	✓	✓		✓	22 nd May, 2020
FBL	✓	D	29 th May, 2020	D	Second half of the year
FIL	✓	D	May to June 2020	D	June to September 2020
KGF	D	D	Second half of the year	D	Second half of the year
PBF	✓	D	Mid – June	D	Second half of the year
PBP	✓	✓		✓	Held within June
PGI	✓	✓		D	12 th June 2020 meeting postponed to a later date
VBH	✓	D	End of May 2020	D	Second half of the year

D – indicates that the report / AGM will be delayed

GENERAL MESSAGE TO INVESTORS

For our followers and investors, it must be noted that investing in shares of listed entities for the long-term provides a good possibility for returns greater than other investments, if one is comfortable taking some market risk. Additionally, investing in a diverse portfolio of companies can decrease the potential downside risk that an investor faces. What one needs are a long-term perspective, a good investment plan and the patience to stick with that investment plan.

The Fijian stock market has limited direct correlation with the global stock markets and the disorder noted in these overseas markets are not necessarily reflective of the true performance of the domestic market. As for the investors who remain uncertain, do consider a long-term approach to investing and keep in mind the wise financial advice to buy low and sell high, a pathway which can help you be the winner over the long-term.