

# Transcript

## The Ideas Exchange

### Episode 25: Key sectors and stocks to watch in 2023

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[00:00:00] **Rory** Welcome to the Ideas Exchange by ASX, connecting you with investment experts, market updates and ideas. I'm Rory Cunningham, senior manager of investment products at ASX and this is our regular podcast, covering everything from investment trends through to different ways to invest using a variety of products.

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[00:00:46] **Rory** Hi everyone. Welcome to this month's episode of The Ideas Exchange. I'm your host, Rory Cunningham from the ASX. In this episode, I have the pleasure of talking with our investment expert Grady Wulff. Grady is a market analyst with Bell Direct, one of Australia's leading stockbrokers and online investment platforms. Grady, welcome to the Ideas Exchange.

[00:01:07] **Grady** Thanks for having me.

[00:01:09] **Rory** So during our discussion today, we're going to be talking about what investment markets have in store for us in 2023. So we're getting out the crystal ball and will also discuss some of the sectors and stocks that Bell direct are most excited about. But I think to set the scene, it's worth reflecting a little bit on what happens in 2022. So just to rattle off some numbers to Grady, the ASX 200 over 2022 was down 5%. The S&P 500 index was down 19%, Australian property nationally was down 5%. But that is a mix of different states obviously. So we had Sydney down about 12%, Melbourne was down 8%, but then Adelaide on the other hand was up 10% and then the all important Reserve Bank cash rate rose over 3% during the year, which is a remarkable increase, probably one of the fastest on record. It started the year at 0.10% and ended the year at 3.10% and those interest rate rises started in May of 2022. So, Grady, as you reflect on the market performance from 2022, are there any observations on the drivers for that performance over the year?

[00:02:27] **Grady** I think absolutely. I think going through all of those figures, they all kind of tie in to one another. So you have RBA raising cash rates, which obviously affects property, which obviously affects the ASX. So as we've seen across the board, investors were it was highly volatile here and we saw sentiment go up and down with every piece of news that was released. So whether it's the RBA interest rates, whether it's inflation, property data, you have sales, consumer sales going up, consumer confidence down. Every piece of economic data impacted markets and then that flow on effect continued through property, RBA everything that we saw around the board.

So investors we found last year, so we do data every day of the top ten traded stocks on of our clients every day and investors were so responsive. So one day you have iron ore prices are down that day. Every iron ore stock was sold off and so it's like investors kind of forgot about their strategies in a way. And a lot of strategies being the long term plan. A lot of them were going, Oh no, I just need to get out. And so and there's a lot of talk in the markets and talk in the news about needing to keep up with the times and keeping cash and all this talk around, like getting out of markets and going into cash. And I think a lot of people kind of scrapped their long term plans and went, Oh, I'm caught up in this mess right now. It's a cyclone. It's never going to end. But a lot of people needed the reassurance and the understanding that markets what goes up must come down. What goes down must come up. So looking ahead, we're hoping for a real year of kind of a little bit more certainty, a little bit less volatility, a little bit less of a rollercoaster ride. But yeah, looking at last year, I think there was some key themes of obviously Russia, Ukraine's war, which sparked this energy crisis, which no one saw coming. But as bad as that is and continuing 300 plus days now, it's awful. But there is an upside to the energy crisis in that smaller players, Australia and around the world is starting to be recognized as global players now. So there are some tailwinds coming in to that looking this year. And then obviously China's COVID 19 zero goal, first of all, and then now the scrapping of the zero goal with like an outbreak everywhere. But that also drives tailwinds into different sectors like the airline sector moving forward. And you have travel reopening, you have iron ore outlook, good, bad. It just is constantly changing. But so it's an exciting year I think, and I'm more excited this year than I was last year because it just same negative sentiment all around last year.

[00:04:55] **Rory** Yeah, it's a challenging year, that's for sure. And I think one real important takeaway for our investors that are listening to this podcast is to go back and reflect on your long term goals. I think in the short term it's fine to make tactical decisions. That's all well and good and respond to news events, which is really easy to do these days. Information is at our fingertips, but it's really important to go back to our long term investment goals. So let's move into the outlook for 2023. Let's start macro. First of all, what are the major key macro events that investors should be paying attention to in 2023?

[00:05:33] **Grady** We've still got the hangover from inflation, verse recession, and all talks are we are heading into a global recession. But I think a lot of people hear this R word and think it's doomsday like prep for the worst and it is hard. It's going to be a hard time. The last time we had a GFC into a recession took five years to recover, but at the same time they're not expecting as bad of a recession this year. And so we might see the recovery a lot quicker. We're seeing around the world central banks are taking many different stances to address inflation, so we may see a recession, but it's not actually all doomsday coming. So inflation versus recession, those fears are carried from 2022 into 2023, which is what we're keeping a close eye on. What happens if we do head into recession is the kind of million dollar question right now that we're all looking at. So employment, many businesses are going to be forced to lay off a lot of staff and cost cut where they can. Hiring freezes, like a lot of companies I know actually have recession plans underway. Some of the big four in America have recession plans ready for the minute that a recession is announced. So it is tough and it's kind of a time where you need to reflect and think, how hard have I been working? Because like as both an employee and a market analyst, you need to look at what's happening macro economically, not just sitting there, going to work every day, kind of doing your job and leaving. So I guess those who are hard working are very poised to be in a very safe place right now. We're also going to see a lower demand for consumer goods. So consumer prices and consumer spend has remained kind of stubbornly high. And a lot of people said throughout the pandemic that people just

save lots of money because you're sitting at home, you're working, you're getting paid to work, but you're also getting this job keeper, jobseeker help and everything cheaps. Interest rates were low, so the cost of living went down really during the pandemic. You didn't need to buy fashion clothes anymore. All you needed to do was stock up on your activewear and wear that around the house. So at that time, consumer confidence and consumer spending was really high, and that's remains stubbornly high to December. Retail spend is at a record high, so we're expecting that to come down as well. So retail stores and retail businesses, especially on that are listed, are looking to face some headwinds heading to this year should a recession be announced, which is likely. There's obviously less money circulating as well. So therefore, we need to be a lot more conscious of what we're spending. The sectors we're going to say that we're focusing on perform traditionally well during a recession. Your consumer staples stocks, health care and kind of the defensive stock sectors. So ones that were talk about later in the podcast are ones we are very confident at Bell Potter and Bell Direct that will weather the challenge and will stay resilient throughout this year. Now, other macro things that we're looking at is obviously Russia's war with Ukraine continuing to impact commodity prices and with no end date really in sight for when this war is going to end and what the end looks like in the other side of the tunnel looks like. I think the energy crisis is set to stick around for a little while longer. Heading into European summer, though, it could be less of a burden. I know in winter there was a lot of countries saying that we're going to have blackout phases because they just had no energy and no commodities to fuel the heaters and the electricity and the power that they needed. So that was a very scary time to understand and living in those regions. How do you how do you go forward? But I think heading into the European summer, that will be a little bit less of a stress for them. So they are kind of the ones and obviously China reopening, as I said before. So that will drive a lot of tailwinds into a lot of industries moving forward. Steel demand, iron ore demand. But on the iron ore demand note, China's trying to place a price cap on iron ore. They've attempted about, I think it's three times now to dampen outlook and demand for iron ore by saying all steel is going to remain down, Our property industry is still bad, outlook is terrible, rah rah. So I think they're trying to reduce the price of iron ore because it's been soaring. So, cause every time we hear or anyone hears around the world, China's reopening iron ore prices go through the roof. So that's the outlook we're looking at. But this will remain a factor in 2023.

[00:09:43] **Rory** Fantastic. Thank you for that summary. That's that's great. We'll move to a bottom up view now. So let's start talking about sectors and some key stocks that Bell Direct are on watch I suppose for 2023 and that really excite you. So let's start with tech first of all had a tough 2022, that's for sure. So I'm very excited to hear what you have to say about the technology sector.

[00:10:05] **Grady** Yeah, tech is one that I've loved. Like my dad founded a listed company when I was, I think 4 just seeing like living and breathing tech sector from a very young age. I've always loved growth stories. The stories of tech companies being born out of someone's living room and just the rise to the top really, that we saw during the pandemic. And then obviously last year it was the sector to avoid and everyone fled the tech sector like the plague. So I'm excited about 2023 and what it holds in store for the tech sector. Now, as we saw around the world, interest rates are rising. We actually saw an increase in credit card debt as well because people were turning to that because interest rates were so low and people didn't understand the consequences of having high credit card debt and debt of any form when interest rates were rising. So what we're looking at now, and what I'm excited about is the beaten down buy now pay later sector. So, yeah, I know. Just hang in there for a minute. I know everyone says it and goes, oh my gosh, not that one, but so Sezzle is one that I've

looked into quite heavily in recent times and shares are down nearly 80% over the last year alone. So it is trading at a very, very heavy discount. But for the major part of this year, I'm excited about this stock because it's the first pure play buy now pay later company to make a positive net income. Now investors fled the buy now pay later sector last year because no company had made a positive or profit. Really. And the outlook for profit was so far away because these companies make their money by a lot of consumers acquiring unaffordable debt. And so when they acquire these debts, a lot of the companies actually allow consumers to pay off their debts with credit cards. So it's just a never ending story, really. It's a snowball effect. So these companies where it's striving towards profitability during the pandemic, before interest rates, interest rates started rising because of the fact that they would make so much money on these unaffordable debts that consumers had to default on. But in saying that they had high costs as well. And so marketing costs for Afterpay, all these costs are going to get their name out there, compete with the big banks and kind of build this area that was so new to the industry, costs a lot of money and they had huge headcounts around the world. They had a really aggressive global expansion marketing plan and just costs went through the roof. So understandably, investors avoided them in 2022. But in saying that Buy now, Pay Later, Sezzle became the first to make a profit last November for a month. They do understand that's not an indication of anything. It was one month, including the Black Friday, Cyber Monday sales. So you can't go by that figure. But they see that they're on track to make a sustainable profitability moving forward. So these obviously were driven by the big sales that I said in promotional sales. But the company actually undertook a \$60 million cost cutting measure. It was 60 million US dollar cost cutting measure in 2022. And that really helped control their costs and boost operations into the green. So they actually their headcount was cut by almost half in 2022, so they noticed where they needed to fix and they took the leap of faith. And went you know what, we're going to need a really cost cut here in order to even make a slight profit. So they've done the right thing. They've also diversified, which is another thing that I really, really like about what they're doing. They're not just going away buy now, pay later. That said, full stop. They've got the premium model, which is a subscription based service. And as we know, investors in 2022 for any tech company, they needed to see subscription service because once you have that annual recurring revenue, it's a kind of consumer fault. And like in our way, in just being human, we're too lazy to cancel any subscription. That's a really low figure. So says it has tapped into this, which is a great thing to do. They've partnered with the likes of Hotels.com, Lowe's around the world to offer different discounts and rewards to their Sezzle premium members, and that's now grown to more than 120,000 active members. So in saying that the subscription revenue is coming through as well and then the expansion as well, So they've rolling out a Pay In Full product now as well. So they're accommodating for people who don't want to acquire any debt moving into 2023 and they're offering the option to pay it out in full at the checkouts. So they've really, really taking strides to make sure their company is sustainable in the long term. They were in talks to acquire ZIP last year that fell through because the buy now bay later sector went through the ground. But I think as well like understanding they have the ability to do it by themselves. Why not do it by yourself that you don't need to acquire anyone when costs are so high and you're actually building the foundations to keep going. So Sezzle is the one I'm excited about at the moment, Rory.

[00:14:48] **Rory** Fantastic. And I can completely resonate with the subscription model there. I know my on Demand TV subscription services. I'm scared to look at how many I have.

[00:14:58] **Grady** Are you one of those people who has like?

[00:15:01] **Rory** I'm one of those Lazy people, yes.

[00:15:01] **Grady** Who has like Disney and Kayo, and all of that.

[00:15:04] **Rory** 100% I've got them all. I've got them all. So let's change sectors now. And you're going to take us through some ideas in the resources sector.

[00:15:11] **Grady** Absolutely. So lithium is a big question and big focus again for 2023. So for us at Bell Potter and Bell Direct lately we've seen the lithium stocks kind of coming under pressure because that was the golden word of 2022. It was the golden sector. Everyone wanted to be in the lithium stock and people just kind of got caught up in the fad. Investors got caught up in the fad of needing to be a part of this emerging sector that was part of the EV Global Green Movement, which is great. But the consensus is that a lot of people dived into different players just because they were making headlines. Announcements were going out, but without actually thinking about their strategies. Going back to the long term strategy about where these players fit into their portfolios. And with Lithium, the thing to understand is lithium hydroxide makes ten times the revenue amount than spodumene concentrate. So investing into the players that have hydroxide exposure. So Allkem one of them the Olaroz mine has the exposure to the spodumene concentrate. But Naraha mine is the hydroxide, the lithium hydroxide concentrate mine that they're operating in. So being in Allkem is a really, really strategic position in Bell Potter has a buy rating on Allkem at the moment because of their diversification across lithium whereas there's some players who have mines just exploring lithium. So people see that as an exciting way forward. But you need to understand that lithium is a really long process to mine and produce. So understanding that that's a big picture, it's a long term strategy to be invested in that player. So as we know, with all miners, price of their stock is driven by the commodity price. You can't just dive into something as we've seen with uranium over the past few years, the price has been so low that uranium miners haven't really been of value. But looking into 2023, that's a completely different story that we'll get into very soon. So lithium, the outlook is been good and bad. So we've had Goldman Sachs recently affirmed their bearish outlook on lithium for this year, where is they're projecting that supply will begin to outpace demand. But then you have S&P Global saying the same, then Goldman Sachs comes back. Again, saying that they actually doubling down on their outlook, being good. So within the space of a few weeks, it goes up, down, up, down. And it's constantly changing based on different things that companies and economies are doing around the world. So you have Tesla cutting their Model Y production in China, and they've also price cut as well for their models in China and the US. And that gives us signs that they see the demand kind of easing off in 2023. So lithium is a big player, but it's also important to understand what goes into every player. So whether they're an explorer, a producer, and knowing now as well that we're in 2022, it was the darling sector. So a lot more information came out about the sector. And a lot of brokers are now saying that capex and opex forecasts are raised because of the length of time and exploration and production and how just how much goes into mining this. So moving forward, I think all eyes will be on lithium again this year, but for the likes of Allkem and Latin Resources and Mineral Resources, especially this year is a very exciting year. So Mineral Resources, as we know, they're an iron ore miner, but they also have their lithium assets which were talked about being demerged last year to better compete by a dual listing in the US. So it'll be really interesting to watch that space in this year.

[00:18:39] **Rory** Great. So kind of summary there is lithium. Love the long term outlook. Got to be careful on the short term volatility and then also looking for those

those key players that are at the right stage of either digging the mineral up so exploration, or production.

[00:18:55] **Grady** Exactly. And Allkem, just came out yesterday with record production at the Olaroz mine, which is their flagship mine. So saying results like that just send the share price obviously through the roof. But again, with lithium and sorry to keep going, but with lithium, we're also seeing investors kind of shift focus into the broader battery metals play this year. And that's where the excitement and the opportunities are that we're seeing at Bell Potter and Bell Direct. Arafura Rare Earths for example, a spec buy at the moment with a price target of \$0.70. It's been upgraded recently just because of the move into rare earths and they're actually also needed in the making of EVs and batteries in the green carbon decarbonized future moving forward. So understanding that and understanding that now. Gina Rinehart's, Hancock Prospecting has put a large amount of money into this company. That's one name you definitely as a miner want to see on your investment committee. And so moving forward, the likes Arafura Rare Earths, they're a really exciting player in the rare earths projects at the moment. With their Nolan's project expected to be supported and growing, it's really, really well-positioned to kind of tap into this new newfound understanding that it's not just lithium in EVs, it's copper, zinc, rare earths, it's everything you need to make a battery. So tapping into the wider players as well is what we're looking at.

[00:20:17] **Rory** Fantastic. Okay. Moving to gas now.

[00:20:20] **Grady** Yes, a gas is a big one. There is one name that just keeps making headlines Warrego Energy. It's a strong takeover target. I think at the moment we've got Strike Energy involved, Hancock Prospecting again, Gina Rinehart, and now you've got Mineral Resources confirming a purchase of a 15% stake in Warrego. So gas at the moment the key attraction of gas producers like Warrego, the attraction to them is WA gas producers with Strike as well. They come amid warnings that the energy market operators that demand for gas in WA and outstrip supply over the coming years. And so understanding that these players are from the WA basin in the Perth Basin, that's exactly where they need to be. And given that the outlook is that demand will continue to outstrip supply, you want to get into these opportunities pretty early and I think the fact that such big names are going after Warrego as a takeover, we have Strike Energy upping their bid. It's a cash bid, but then you've, scrip bid, sorry. Then you've got Gina Rinehart's cash bid, which is slightly lower, but the company actually prefers the Hancock bid. So it's there's so much going on then you have Mineral Resources coming in as well. It's saying that if big miners and big, big players in this in the industry and big names are coming in after this company, investors should be keeping a close eye on Warrego at the moment, the attraction to Warrego falls into the downstream processing as well. So for big miners like Mineral Resources and Hancock, they are hinged on domestic gas supply. Amid the latest twist in the Perth Basin takeover action. Now this year will be a big player for those wanting to come on board, but the Mineral Resources, so Mr. Ellison. He has long held ambitions to control onshore gas assets in WA to support the core mining services, mineral resources, the iron ore and the lithium business growth plans. So a lot of companies are saying the diversification in controlling the gas assets in WA as supporting factors to drive, their key assets in key production of lithium, iron ore and other diversification moving forward. So yeah, gas is one to watch for sure. And gas consumption is tipped to increase slightly over the next decade and remain strong into 2030. So looking that far ahead with demand set to outweigh supply. This is the opportunity to get into gas right now. So Warrego energy, it's such a hard name to say Warrego energy. That's the one that definitely we're keeping an eye on at the moment.

[00:22:43] **Rory** Moving still in resources. We're looking at gold now.

[00:22:46] **Grady** Yes gold is the precious metal that we all love to hate. Well, everyone hated it in 2022, but gold miners are poised for a very strong 2023. Now, in 2022, the Australian spot gold price remained relatively strong despite the US dollar going strong. US dollar spot price of gold obviously had a bad year last year, but given that the US dollar has started to weaken, we were waiting for that pivot and now it's finally coming. It's that produces a strong tailwind for gold miners, especially in WA in Australia, to a float in 2022 as the AUD spot price remained really strong in 2022. So it can only go up from here given the turnaround of the US dollar for 2023. Now gold is expected to rise in 2023 amid the US dollar softening indication is an average price of 2,310.17 USD per ounce by December 2027, which is almost it's about \$300 more than it is now, is about \$899 at the moment. So, yeah, given we know that the outlook's pretty strong for years to come, so four years time, that's a really, really strong tailwind and really puts new producers and miners. That a releasing record results in really strong guidance updates puts them in a really good position to capitalize on this four year growth plan. So we have Gold Road Resources is one miner that's already on track for a solid 2023 after announcing that the 50% owned Gruyere Operation achieved its 2022 annual guidance, producing 314,647 ounces of gold, which was in the lower range of the guidance. But nevertheless, making guidance is exactly where they need to be. So they don't say outlook for no reason and making within the guidance range is perfect for Gold Road Resources. Now they, gold sales for Gold Road Resources total 37,295 ounces at the average price of 20 476 AUD per ounce and included delivery of 6480 ounces at an average price of 735 per ounce, which is last remaining forward sale contract. So that's good for them given that it's the last remaining forward sale contracts, meaning that they can reset the price moving forward for those outlooks moving into the next four years. Now the company is really well positioned with strong cash and cash equivalents, \$80.7 million down from, well it is down from 91.4 at the end of September. But no debt has been drawn. So given that they were able to remain strong during 2022 really, really tumultuous year of 2022 when gold wasn't exactly the precious commodity you will precious in the eye of the investor. That's really good. And they're really poised for a good year in 2023. The other one is De Grey mining is another gold producer. That Bell Potter, has a spect buy rating on them heading into 2023 now shares are up 30% over the last year at \$1.45. Now, given that they were able to weather the storm of the gold sell off in 2022, that's a pretty good position to start with in 2023. Now to De Grey's is advancing its 100% owned Mallina Gold project in about 60 kilometers south of Port Hedland In the Tier one mining jurisdiction of W.A. W.A is just it's mining, mining, mining, isn't it? It's nothing else about mining.

[00:26:05] **Rory** But they do it very well.

[00:26:07] **Grady** They do it very well. And so being a W.A girl myself, they do it very, very well. Now we've got the base in the previous feasibility study, the outcome and Bell Potter modeling, Bell Potter believes in Mallina Gold Project can support a large scale long life production and that's exactly what you want to hear. So you don't want to hear that a mine can only have the X amount of scalability and a really small kind of expansion of growth. You want to know exactly the large scale, long life production asset, operational flexibility, and it's in one of the robust margins in the Tier one jurisdiction of mining in the world. So knowing that it has a very, very good outlook to it. Now the company is funded to the final investment decision. Now this follows the completion of a pre-feasibility study in September 22 and in Bell Potter's view, they should be funded through to the final investment decision on Mallina Gold Project. So given that they're really good on money, the last reported cash position was \$63.5

million now, and that was June 2022. So they're not burning through too much cash. But as they progress towards the final decision in the investment so the world class gold project is actually what Bell Potter thinks it is, and Bell Potter sees this as a really, really rare opportunity. That's really attractive as a good foundation production asset for De Grey Mining. Or it could be a takeover target. So an acquisition target by a massive player from around the world. So De Grey is definitely one that we're also keeping an eye on heading into 2023.

[00:27:38] **Rory** Fantastic. I love it. So we have just from the top, just a bit of a recap there so in the tech world. Focus on Buy now, Pay later, Sezzle. Yes, you've talked about some lithium stocks there. We've talked about the gas sector and then finished off with gold and some gold producers there. Excellent. Now, if we reflect on 2022, the IPO market with some of the. Yes was probably the worst performing that we've seen in a long time in terms of the number of IPOs.

[00:28:09] **Grady** Absolutely.

[00:28:11] **Rory** Now, that followed kind of 2021, which was actually one of the best performing. So there is volatility to this, of course. What's your outlook for the IPO market in 2023?

[00:28:23] **Grady** Moving forward, we're seeing a lot of investors kind of eyeing off where exactly IPOs are coming. We're looking at different sectors and where these companies are looking to target moving forward. So they're not, in the investors eye. They need to offer a lot of value and growth outlook. If they're in the tech sector, they need to have a lot of value proposition and entering into a non saturated place with a really established, established mine or established product or established company to go moving forward to get the investors attention. As we know, in 2022, as you said, it wasn't a great year for IPOs, but we're seeing as interest rates are slowly start, well, the outlook is that they're going to start slowing down and cooling down a bit. That kind of increases investor optimism and investor appetite for the higher risk IPOs that are coming through. So hydrogen is the now it word it was lithium in 2022. Hydrogen is the IT word for 2023 in the global decarbonisation movement in places. Gold hydrogen is the ASX debutant of last week I'm pretty sure in line of sight for green investors in 2023. So what we've noticed is a lot of investors have shifted their portfolios based on ethical investing as well, which is exciting and also nerve-racking because it's kind of this new world that we're all entering into the green decarbonisation, all of that. So understanding that gold hydrogen does come into the market at a very interesting time and space and also has the ability to capture the attention of a lot of investors because they are in that space and at the same time that investors are shifting their portfolios into this green movement. So it debuted on 30th of January with an issue price of \$0.50 per share raised \$20 million of the IPO. On debut the company rallied 3%, which is pretty good in a session. We do know the rally has been kind of felt among the market at the moment, so that might have been caught up in the broader rally. But nevertheless, given the IPO situation at the moment, that's a very good IPO and shares are up 12.75% since debut on the 13th of January. So given that they are already up 12.75%, that's pretty good. So given looking at the company though, the company proposes to explore, appraise and develop natural hydrogen with the petroleum exploration license 687 following historical exploration in South Australia, that happened a couple of years ago, I think maybe 30 years ago. And so the company was exploring down in South Australia, they're actually exploring for oil and they came across this natural hydrogen. And so back then nothing was said about hydrogen being useful in this green movement. But nowadays, given that hydrogen is the it word it's put, it's now the talking point of everyone around the world. So they've kind of gone



back to this and said the focus of the Ramsay Project that's it's 100% own project in South Australia. So they're now revisiting this and using their exploration license and a \$20 million IPO to start now digging for this natural hydrogen. And it's the reason hydrogen is the kind of it word at the moment and also for this company obviously, is that it could be the key to unlocking revolutionary low carbon, low cost source of fuel. So we know petrol is very, very bad for the environment and fossil fuels. But at the same time, if this is an alternative, then it kind of fits in the green movement going forward. So gold hydrogen, definitely. And is it a really, really strong a strong position at the moment. But the week before that we saw VHM debut and they boast that they have one of the world's largest high grade rare earth deposits and team packed with resources experience. Now they had a listing price of \$1.35 raising \$30 million on debut and they actually tanked more than 15% on the debut in January, on January the ninth. They are hoping for a turnaround in the share price obviously, since the IPO, there's no real reason for that to have happened. On IPO, like the company is a pretty strong company. They've got, there in the right space. Given Gina Rinehart's attraction to the rare earths space at the moment. It could have been the listing price, but yeah, it's still one to watch moving forward, given how much, how much focus theories on the rare earths space and the company actually has backing from Mineral Resources director Chris Ellison. So understanding that and understanding the high experience of the company, I'd definitely say this is one to watch in 2023. It could have just been a bad day in the market, but and investors were it's low volume trading into in January anyway. So any IPO in January is a tough task. So this company is definitely one to watch given the movement forward into rare earths and their kind of place in the eyes of the investor at the moment. And then the final one we're looking at so is I've gone with ore resources, but these are the ones starting at the start of this year. Target has minerals. They're preparing to list late. I think it's February 24th is their kind of draft list at the moment with a listing price of \$0.20 per share and hopes of raising \$8 million in IPO. And the company is an Australian based mineral exploration and development company with a strong diversification across its multi commodity multi commodity portfolio. With projects in proven mining jurisdictions of WA and Queensland focused on copper, lithium, nickel, manganese. I can never say that word manganese, silver, gold, base metals and industrial minnows. Now this company seems like they do it all, but they have their finger in a lot of pies and that's kind of also where you want to be looking at the moment given how much demand there is. And we've spoken about earlier today, how much demand there is for copper, lithium, nickel, silver, gold heading into 2023. The list goes on. So demand appetite for commodities is exactly where a company wants to be debuting at the moment and a company of this kind. So there is demand outlook, there is appetite. So when they come on board in February, it is one to watch. They're also committed to a sustainable mining approach of exploration. So they have Rio ESG at the core of their strategy and operating style. Going back to the fact that a lot of investors have changed their portfolios and are increasingly looking at the greener investment opportunities. This is again tapping into that that trend at the moment. Yes. So the outlook for 2023, hopefully market conditions are a little bit more stable in 2023. But following on from the turbulence last year, investors may have maybe looking for a bit of a value, a diamond in the rough heading into 2023. So the IPO's is exactly where they want to be and especially in the energy and materials sectors.

[00:35:18] **Rory** Great. Thank you for taking us through that. Now, you've been very generous with us, sharing lots of different stock ideas across various sectors so far, but we'll finish off with some of the Bell Potter stock picks for 2023. Yes, that's right.

[00:35:32] **Grady** Yeah, absolutely. Now, this one, there's a few exciting ones. Red Dirt Metals is a spec buy with a price target of \$0.90 per share. Now again, part of the

electrification thematic. It's leveraged to this with the growing lithium demand at its Mt. Ida and Yinnetharra Projects. Now at the Mt. Ida Project, an initial mineral resource estimate of 12.7 million tonnes at 1.2%, lithium oxide has been reported providing critical mass to commence the project development. So having those results is exactly what they needed and it puts them in a really, really strong position for 2023 to now start exploring and producing their lithium out of there. They're targeting a direct shipping for the project to start by Q1 of FY 24. So that's a really aggressive target. Knowing how long the phase of lithium is, that's just around the corner. And I think it will be here before we know it. So given the company is really, really into the lithium space, as we said, lithium is still a way to watch in 2023, Red Dirt Metals. Once they get under this underway with this, they're really ambitiously and aggressively targeting the Q1 to FY 24 and the Yinnetharra as well. The second mine they have, the project, the initial exploration results and target generation confirms the lithium prospectivity of the project. So again, exactly what you need to hear for lithium Explorer. So that will be underway as well soon. So Red Dirt Metals is a spec buy now jumping sectors to the AG and fast moving consumer goods sector. Synlait milk is one that actually I love researching and I was really glad to hear that they were on the list for the year. Now they have a buy rating on this, with a price target of \$3.40. SM 1 is the ticket code, so Synlait is New Zealand's fourth largest processor and B2B supplier of dairy ingredients, infant milk formula products and lactoferrin. Now the focus for this one is their big clients. So they actually the supplier or the producer of A2 milk companies, infant formula. And understanding this A2 milk comes into play because in the US is a baby formula shortage crisis after the contamination last year with their biggest player in the US. So Bubs, Australia got the first license to go and help out over there under Operation Formula or something. So they had literal planes just shipping out baby formula every day just to try and ease the crisis over there. And initially A2 Milk didn't get the approval, but they then got the temporary approval till the end of January 2023. So it's only temporary license, but it gives Synlait and A2M the exposure to the US market, which is insanely big. And it also, like Bubs is a small player, but A2 Milk has I think over 12000 to 22000 touchpoints of distribution in the US already. So understanding that Synlait's in a really strong position to benefit from kind of being the supplier and producer of A2 milks infant formula out of New Zealand as well. Now the company is also expected to have favorable margin gains in 2023. So that obviously is really good for the balance sheet and for their financial performance through the optimization of capacity from ingredients to nutritional and value add products. So we're seeing the accelerating de-leveraging of SM1 with the utilization of assigned receivables, favorable and facilities of the Enfamil Formula. So given that they have such a strong presence in these favorable margins are expected to come with this as well. They also have Chinese contracts for A2M. So we know over there as well, Chinese love Australian companies Enfamil Formula, as we've known since the 2008 crisis in Australia.

[00:39:27] **Rory** Lived through that with my little ones.

[00:39:31] **Grady** I know a lot of families who did so given understanding that as well. And having the A2M tie for Synlait milk, it's definitely a favorable year heading into 2023. Now looking at the retail sector, retail have been beaten down a little bit over the last year, but we see Best and Less is a buy rating at the moment with a price target of \$2.60 per share. Now, Best and Less is really uniquely positioned between specialty apparel retailers, the retailers and discount department stores. Now we know that they have their own private label. They offer Baby, Kids, Women's wear, which is 86% in private label. So they produce there, clothing lines. They have really healthy inventory, which is what investors were punishing retailers for last year. So City Chick was one, they got absolutely hammered, hammered in one month because their

inventory went through the roof because of the supply chain issues. So understanding that investors were very, very, very harsh on anyone, any retailer holding a lot of inventory. So Best and Less has a really strong growth outlook as well supported by new store openings into FY 23 and FY 24. So given they're on the expansion front and we're seeing a shift in consumer behavior from luxury and fashion shopping to value shopping and durable goods. So the stuff you can buy, or the outfits you buy from Best and Less have a really low turnover, rate? So you don't just wear it once and sell it or put it in the bin you wear over and over again. So understanding that they're really well positioned in this current shift into value shopping as opposed to fashion shopping in retail heading into 2023. And the last one we can jump into the health care sector, which again, was another sector that got beaten up in 2022, because it was a darling sector in 2021 when we saw all of them come through the roof saying we've got this vaccine underway and investors couldn't get enough of the healthcare sector. So Cogstate is one we're looking at. And so neuroscience technology company that provides computerized cognitive testing and consulting services for trials and assessment tools for cognitive impairments. So in other words, Alzheimer's. Alzheimer's, obviously a very awful condition and disease to have. And the FDA, so Australia and the US are placing very, very high focus and priority on approving Alzheimer's drugs. There's been two approved in the world or in the US in the last two years, but they're very obviously very cautious with such a condition because it's a growing presence around the world and it's you can't just target it with one drug. It takes a many years of testing, many clinical trials, many failures before you can get underway. And huge news on Jan 7, the FDA approved Alzheimer's drugs Aducanumab so that's the second one ever, and this definitely adds tailwinds and puts Cogstate in a really strong position heading into 2023. Because Cogstate has an agreement with Eisai, which is a, I think they are a company based in Tokyo and Eisai health care segment, but they provide, they are a producer of the Aducanumab drug. So understanding that this is now approved and Cogstate have an agreement with Eisai that adds huge potential upside for the testing, the assessments of the cognitive assessment trials and their partnerships moving forward. So where Eisai goes, Cogstate now goes as well. So given they've got the US market, the biggest market in the world, that is huge and a huge way to hit the ground running in 2023. So there's one thing an important update, so FY 23 was set to be a really important year for updates for Cogstate. The first one came on June 7, which ticked off the FDA approval and it's a long term agreement I need to add as well. So given it's a long term agreement, that's exactly what you need to be hearing, not just one year two year. That's long term, the same in stance on reimbursement as well. So understanding how much is reimbursed by the governments and to Cogstate and what the reimbursement looks like and it will drive demand for their services. So if the reimbursement is lawyers, we know in any case of the healthcare sector demand kind of goes down as well because consumers have to pay too much out of pocket. That's another development coming up as well. And the headline results in the Aducanumab study is expected in mid CY 23. So another drug targeting Alzheimer's, which Cogstate obviously will be very supportive of because that gives greater use to their product in the testing mechanisms. So Cogstate in a buy rating with a price target of \$2.05.

[00:44:17] **Rory** Fantastic. There's a few stocks there. Thank you very much. That's very generous of you for taking us through all of those different ideas. Now, obviously, for anyone that's listening to that, there's a lot of information to take in. So on a periodic basis, or how do they get access to these ideas and also see the detailed research reports that Bell Potter produce?

[00:44:39] **Grady** Absolutely. So I do a lot of daily reports every single day, twice a day, so morning and night. And we do a weekly report every week with a different theme

every week. So whether it be a healthcare week where we target in on different results that have come out or an iron ore week focusing on the big players based on news out that week. So the weekly is one where we summarize everything from the week. We always make sure at Bell Direct, that we have some stocks tied in that Bell Potter research has recently come out with. So I have a report today due, that's just come out and I had to change all my notes because Bell Potter released an updated report on one of the companies I was talking about. So it's very, very timely. And it's also updated every week and every day. So through our website, through [belldirect.com.au](http://belldirect.com.au) and also by signing up to Bell Direct and creating a free account, you get access to Bell Potter research. So all of the companies I've talked about today, the full detailed report of their financial performance, the breakdown of where and how Bell Potter gets their buyer ratings and price targets or their ratings and price targets. And yes, so by signing up to Bell Direct, you can also get access to all the Bell Potter research. So it is really a win-win.

[00:45:55] **Rory** Excellent, Grady thanks again for coming in. And thanks for taking us through all those different stock ideas.

[00:45:59] **Grady** Thanks for having me.

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