under the radar report

SMALL CAPS

ISSUE 477
16 DECEMBER 2021

NEW STOCK: GAMING THE SYSTEM

It's much easier to find reasons to invest in a company when its industry is growing at 20% a year. You can make mistakes and they get covered up by a sales line that reflects increasing demand. We have analysed a number of gaming stocks and have found one that has what we like: strong fundamentals.

Gaming is a fickle industry, reliant on producing hit after hit. Momentum is fine, but you need to have confidence in the business model of the company, its financial resources and management experience. Have a look at **Playside Studios (PLY)**, though it's not for the faint of heart.

Gaming could be a pathway for digital currency exposure because of the synergies between the two, both being virtual reality based. This is a potentially profitable way to gain real world access to the growth of crypto.

Speaking of momentum, we look in depth at one of our best performers in 2021, **Lake Resources (LKE)**, which has tripled in less than six months. We analyse why the lithium price has been climbing and whether this will continue, then we turn our focus onto Lake, which owns a 2,200 square kilometre lease in Argentina, the largest in the "Lithium Triangle", and is alongside the world's five largest lithium producers.

One of the reasons we were impressed by Lake is the technological edge via Direct Lithium Extraction, which takes hours rather than the usual method of evaporation, which takes 18 months. The technology comes from Lilac Solutions Inc, whose investors include Bill Gates. Crucially, Lilac is commercially tied to the project, which has been fully funded. It's all systems go!

As seasoned investors will know, it's important to realise how rare it is that mining projects go smoothly. One that has been particularly problematic is **Cooper Energy (COE)** due to the troubled Orbost Gas Plant, which is owned and operated by APA Group. There is now the possibility of COE acquiring the plant at an attractive price, enabling the junior gas produce to fix the plant and control its own destiny.

Controlling your destiny is what investing is all about. Getting a Lake Resources in your portfolio is a possibility, but it's also possible you own a Cooper Energy. The key point is that these stocks are both well underpinned by investment fundamentals. Minimising the risk of loss, and maximising the benefit of a big win; is what Under the Radar Report provides. ■

the issue

Small Talk

"In the past six years mobile gaming has grown almost 20% a year, almost double the pace of the overall gaming industry, which is estimated to be worth about US$180bn."

UNDER THE RADAR REPORT

Richard Hemming
Editor

99% of all financial news relates to the 40 to 50 biggest companies. So what about the rest? They're Under the Radar.

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PLAYSIDE STUDIOS: GAMING THE SYSTEM

A few weeks ago we covered PLY and since then it's doubled. The bottom line is that this company is doing deals with industry gorillas, which includes those in the crypto/metaverse, established game developing giants and a wide range of entertainment giants like Disney. All in a US$180bn industry that is growing. The group is building an impressive niche through a combination of contract work and establishing its own IP. We go through the numbers to separate the hype from the gaming reality.

INSTITUTIONAL SUPPORT FOR THE GAMER

This time last year PlaySide Studios listed on the ASX, having raised $15m at 20 cents a share, having raised $3m in funding prior to this. Recently the company raised $28m at 75 cents and is now valued at just over $360m at 90 cents a share.

All this was possible because a disgruntled game developer in his early 20s, Gerry Sakkas, produced a mobile phone game, "Catch The Ark" about 10 years ago, which caught the attention of key executives at Disney and Nickelodeon, which became early paying clients.

PHENOMENAL MOBILE GAMING GROWTH

Before going into detail about PLY, the key point is that it has an interesting niche in one of the fastest growth industries on the planet. In the past six years mobile gaming has grown almost 20% a year, almost double the pace of the overall gaming industry, estimated to be worth about US$180bn in terms of annual spend. Mobile is close to half the total industry spend reflecting opportunities for monetisation within games.

Sakkas is now 34 years old and CEO of PlaySide, which continues to specialise in mobile games. The company's initial focus was the low-development-cost "casual" and "hyper-casual" games, which are free and generate income from advertising. PLY, however, has shifted towards the more complicated but higher valued, tiered and multi-player "core" and "hard core" games, which are also initially free but generate income from in-game transactions.

Overall, the company now has a team of over 70 game creators, some 52 game titles delivered across four platforms: mobile, virtual reality (VR), augmented reality (AR) and PC.

STRONG BUSINESS MODEL & FUNDAMENTALS

What gives investors confidence is the fact that PLY has proven its mettle, launching 20 original mobile game titles and is on track to deliver $21m of revenues in the current year, almost double FY21's $10.9m. PLY has a solid business model, with a mixture of Work-for-hire contracts and direct revenues through its own brands (Original IP).

As we mention in 'Why we like it', PLY is ahead of the game due to the $28m raised last month, of which $25m came from institutions. But this company does not have big capital expenditure ahead because of its focus on low-cost, hyper-casual games. Consequently, it is forecast to breakeven next fiscal year (FY23), based on its sales doubling again to $40m, which is a big achievement. PLY trades on a sales multiple for FY23 of less than 10 times, which in the current market seems reasonable but there is a great deal of risk between now and then.

NEW STOCK

RADAR RATING **SPEC BUY**

ASX CODE **PLY**

CURRENT PRICE **$0.86**

MARKET CAP **$364M**

DIVIDEND YIELD **0%***

NET CASH **$37M**

*FY22 forecast 0 cents

BULL POINTS

- **Fast growing industry**
- **Growing games pipeline**
- **Strong cash**

BEAR POINTS

- **Expensive**
- **Not profitable**
- **Increasing costs**

WHY WE LIKE IT

PLY has established a firm footprint in an industry that is growing like a weed, already worth US$180bn. This company has significant cash reserves, having raised $28m at 75 cents a share last month ($25m of which was from institutions) and is on track to generate $20m in revenues for FY22! The group has delivered through impressing giants like Facebook with past work, providing a pipeline of steady contracts (Work for hire), as well as developing and selling games of its own (Original IP). The latter is now eclipsing the former, which if maintained, will supercharge profits at the bottom line.

WHAT'S NEW

PLY has built up credibility through contracting out its labour in work for hire deals in its Brands & Licencing division, developing games for the entertainment industry. This includes Facebook, as well as movie studios, where PLY makes games for franchises such as Legally Blonde and the Godfather films.

BEYOND CONTRACTING

In recent licence deals, PLY has moved beyond contracting, purchasing the rights from studios to create video games, giving it access to profits, plus ownership of customer data, enabling monetisation on other games.

These deals move its earnings base towards PLY's Original IP, enabling it to participate in advertising revenues and in-app purchasing, which ramp up for the more sophisticated games. PLY's flag bearer game is Age of Darkness: Final Stand, which was launched in October and signalled the group's move away from simply being a mobile game developer.

INVESTMENT CONCLUSION

Trading on one year forecast sales of 17 times, reducing to 10 times the following year assumes a lot of things go right. PLY has a strong business model in a very fast-growing industry, with income from contracts with established players, as well as profit potential via its IP, but both are essentially hit driven, which can be hard to repeat, or to bottle the secret sauce. Gaming is highly competitive and there is always a new up and coming studio.

Metaverse may create exciting opportunities for gaming studios, though it's worth remembering that pioneers are the ones with arrows in their backs. There is a long way to its successful implementation.

The business could also offer crypto and NFT (non-fungible token) exposure, through in game transactions, as well as other IP opportunities that PLY should be well placed to develop and will evolve over time.

RADAR RATING: The bottom line is that this is only a stock for aggressive traders at this point and we would like to see how it fares with more financial data points. SPEC BUY.

This month PLY announced a work-for-hire contract with a crypto currency gaming company owned by Shiba Inu, and late last month, entered a shared development contract with One True King (OTK), an influencer network with a collective 21 million followers. They also have made deals with 2K Games, whose parent company created the highly successful Grand Theft Auto.

The big catalyst for the share price has been fundamentals. The company raised $28m last month capitalising on a record first quarter (to 30 Sep). Original IP sales of $2.7m (up 23%), exceeded its Work-for-hire revenues $1.3m (up 43%) and Facebook extended its contract by 6 months in a vote of confidence.

"PLY is ahead of the game due to the $28m raised last month, of which $25m came from institutions. But this company does not have big capital expenditure ahead because of its focus on low-cost, hyper-casual games. Consequently, it is forecast to breakeven next fiscal year (FY23), based on its sales doubling again to $40m, which is a big achievement. PLY trades on a sales multiple for FY23 of less than 10 times, which in the current market seems reasonable but there is a great deal of risk between now and then."

LITHIUM: BATTERY POWERED DEMAND

Prices rising due to increasing demand as EV sales go through the roof and looming lithium supply deficits benefits producers.

The upward price momentum for lithium prices is continuing for lithium products throughout the supply chain, and just as important, is forecast to continue well into the future.

High profile market researchers such as Benchmark Minerals are forecasting sustained elevated product pricing due to increasing demand for lithium, not met by supply, with significant lithium supply deficits from 2024. To guarantee supply, customers such as battery manufacturers, are requesting long-term agreements with lithium suppliers.

Benchmark Minerals forecasts that EV demand will rise at a compound growth rate of 30% a year in the coming decade. In the year to October, global EV sales were 5 million units, up 130% over the same period a year ago. Europe and China are leading, up 100% and 180% respectively.

In July this year (1 July 2021/Issue 453) we said global battery gigafactory capacity planned to be achieved by 2030 had just increased by 460 gigawatt hours to 4,200GWh. The latest projections point to an increase of a further 600GWh to 4,800GWh by 2030.

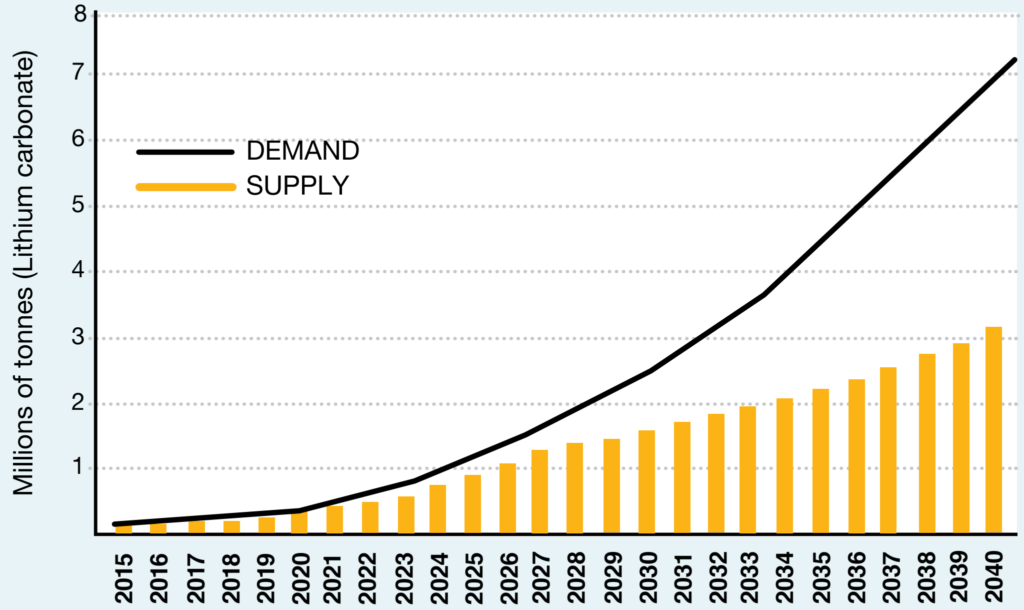
In October, Orocobre, now named **Allkem (AKE)** said average pricing for lithium concentrate (spodumene) shipments had increased to US$1,650/tonne CIF, double that of only three months prior! Demand has been strong because utilisation of the spodumene converters in China was rising, driving downstream lithium product output higher.

Sector flagbearer **Pilbara Minerals (PLS)** has been achieving higher spodumene "spot" prices at its BMX online auctions. At its inaugural online auction for spodumene concentrate in July 2021, Pilbara Minerals sold lithium at US$1,250/dry metric tonne (dmt) FOB. Its second online auction delivered almost twice the price with a winning bid of US$2,240/dmt. In its third online auction for deferred delivery in February 2022, the company had 25 online bids from 8 independent buyers. The winning bid was US$2,350/dmt.

Over the same time period, lithium carbonate and lithium hydroxide prices have continued to rally, rising from a price range of around US$US13-16,000/tonne in mid 2021 to current prices of over US$25,000/tonne. Lithium hydroxide is generally priced at a US$1,000/tonne premium to lithium carbonate.

LITHIUM MARKET

Forecast lithium market balance highlighting growing gap between supply and demand.



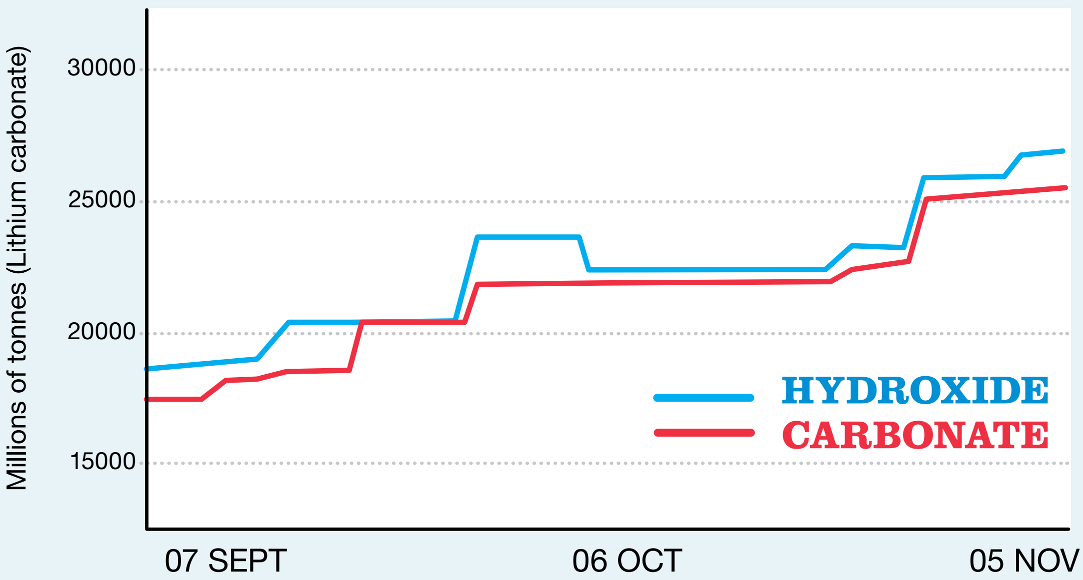
SOURCE: BENCHMARK MINERALS: LITHIUM FORECAST Q3 2021

CONCLUSION

The supply/demand fundamentals for lithium look very good, underpinning valuations of our sector favourites, whether they are rock or spodumene based like **Pilbara Minerals (PLS)**, or brine based [Spec Buy], Orocobre, now **Allkem (AKE)** and **Lake Resources (LKE)** – covered below. Stay tuned for updates on **Vulcan Energy (VUL)** and US based **Piedmont Lithium (PLL)**. ■

INCREASING LITHIUM PRICES

Platts lithium carbonate and lithium hydroxide price over the past 3 months.



SOURCE: S&P GLOBAL PLATTS

> "In July this year (1 July 2021/Issue 453) we said global battery gigafactory capacity planned to be achieved by 2030 had just increased by 460 gigawatt hours to 4,200GWh. The latest projections point to an increase of a further 600GWh to 4,800GWh by 2030."

LAKE RESOURCES

Lithium developer

LKE owns a 2,200 square kilometre lease in Argentina, which is the largest in the "Lithium Triangle" and is alongside the world's five largest lithium producers, that all have equity in lithium extraction.

Less than six months ago we tipped Lake Resources (1 Jul 2021 / Issue 453). We were impressed by its process, its large landholding, large reserves, and exploration potential. The company also has the opportunity to expand production rapidly at low cost.

Fast forward to today and its stock has tripled! We take another look at why its flagship Kachi project is impressing investors.

LKE has four lithium projects: Kachi (advanced) and early-stage projects at Cauchari, Olaroz (same location as Orocobre, now known as **Allkem (AKE)**) and Paso. Kachi has a large JORC resource of 4.4m tonnes lithium carbonate equivalent with an exploration target of 8-17m tonnes on leases of 740 square kilometres.

A pre-feasibility study for Kachi schedules annual production of 25.5k tonnes LCE per year over a project life of over 25 years at a capital cost of US$544m. A more advanced definitive feasibility study is underway which will include an expansion case to 51k tonnes/year. LKE is planning for approvals in mid-late 2022 followed by a construction start. First production at a 25k tonnes/ year rate is planned for 2024.

The developer plans to use Direct Lithium Extraction (DLE) technology rather than recovery by evaporation, developed by Lilac Solutions Inc. (Bill Gates is an investor). DLE has the advantage of higher lithium recoveries and a higher purity product. On the environmental (ESG) front, water wastage is minimised as the aquifer is replenished with the brine after the lithium has been removed.

Lilac is commercially tied to the project, contributing technology, engineering teams and an on-site demonstration plant, as well as US$50m of funding in return for up to 25% of Kachi.

Moreover, project finance is secure, with 70% to come from UK Export Finance. Canada's Export Credit Agency has also expressed interest. The funding term is 8.5 years after construction. Cost of capital would be significantly lower than traditional funding, which reflects ESG benefits of the project.

To further increase Lake's production capacity, DLE testing at its Cauchari, Olaroz and Paso brine projects is being carried out. Resource drilling and scoping studies are planned for Cauchari and Olaroz in 2021/22. Cauchari is located adjacent to Ganfeng and Lithium Americas 23.0mt tonne LCE project and Allkem's 6.3m tonne LCE project.

RADAR RATING: We are impressed by Lake Resources' Kachi project's fundamentals – large expansion capacity, increasing demand and established funding. Worth holding on for further momentum. HOLD.

RADAR RATING **HOLD**

ASX CODE **LKE**

CURRENT PRICE **$0.865**

MARKET CAP **$1.06BN**

DIVIDEND YIELD **0%***

NET CASH **$63.0M**

Data as at initial coverage

DATE **01 JULY 2021**

PRICE **$0.3351**

*FY22 forecast 0 cents

CLOVER CORP

Health, encapsulation technology

Clover's shares have been experiencing a renaissance, which is encouraging, having been positive on the stock since early October.

Part of this is due to a readthrough from its full year results to July, which showcased a strong balance sheet with $9m in cash and a net current ratio (near term assets/liabilities) of an astonishing 7 times! The group's big $31m worth of inventory gives flexibility to meet demand and avoid supply chain challenges.

The bottom-line result reflected disrupted demand with multiple factors delivering a 32% reduction in full-year revenue to $60m, with declines accelerating in the second half. Operating earnings (EBITDA) halved to $9.5m, NPAT was $6m and EPS 3.6 cents, both down 52%.

In addition to Covid, headwinds include losses at the 42% owned Melody Dairy spray drying facility, which is just becoming operational. CLV also has legal costs from enforcing its IP, and the exclusion of both of these items would have improved NPAT to $7.3m. The main sales reduction was in Australia/NZ, where Australian customers no longer had an indirect channel through individual Daigou vendors into the Chinese market. In other markets like Europe, Asia, and the Americas, which is currently the smallest region, the sales fall was not so dramatic. Considering the damage that has been done to distribution channels and sales activity by the lockdowns, CLV is not forecasting FY22 growth over FY21.

In the face of the pandemic, customers reduced investment in new products/ capacity, likely a deferral rather than cancellation. Some 80% of customers are overseas, and Covid has limited Clover's sales development.

On the flip side, the increases in regulated quantities of CLV's key DHA ingredients in Chinese and European infant formula will drive greater customer demand. The long sales lead time means that patience is required, but once a customer starts producing a consumer product which includes Clover's ingredient, the formulation is hard to change, and barriers to entry for competitors are as high as the original sale was for Clover. Product categories like gummies and energy bars also deliver growth potential.

We have had a lot of success in recommending CLV at much lower levels, even as low as 20 cents in 2015. We took profits rightly at above $2 after Covid struck, but got back in too soon. We like the company, and think FY23 net profit could exceed FY20, which was boosted by early Covid stockpiling. We maintain a positive recommendation, though do not chase the price and keep positions relatively small.

RADAR RATING: Clover is a unique company with impressive credentials, and an attractive potential global market. It has remained profitable despite a steep sales fall from Covid disruptions, which should reverse over time, as Post-Covid allows new sales opportunities. SPEC BUY.

RADAR RATING **SPEC BUY**

ASX CODE **CLV**

CURRENT PRICE **$1.72**

MARKET CAP **$286M**

DIVIDEND YIELD **0.9%***

NET DEBT **$4M**

Data as at initial coverage

DATE **07 JANUARY 2012**

PRICE **$0.30**

*FY22 forecast 1.5 cents

COOPER ENERGY

Oil and gas producer

Cooper's shares sparked to life after it emerged that the gas producer is in a position to take over the troubled Orbost Gas Plant for its prized Sole gas field.

The possibility of COE acquiring the plant at an attractive price has appeal, enabling the junior gas produce to fix the plant and control its own destiny. As it stands, Orbost is a non-core asset for owner/operator **APA Group (APA)**.

Clearly, COE production from Sole has been disadvantaged because it does not control or own Orbost. The plant has an expanded nameplate capacity of 68 terajoules a day, but production to date has been well short of this. However, the processing trajectory has been improving from 35TJ/day in October 2021 to 42TJ/day in November 2021.

COE's current agreement with APA expires soon, on 1 May 2022, creating uncertainty. This agreement incorporates compensatory cost adjustments and substitute gas arrangements to enable Cooper to fulfil its gas supply contracts.

Last week COE confirmed it is considering long term options for Orbost, which include amendments current agreement with APA or alternatively, acquisition of the plant. We assume that APA is not inclined to maintain ownership. First, because of current discussions with COE and second, this year APA wrote down the value of the Orbost plant by $249m, having invested over $200m to expand the plant since acquiring it in 2017.

A two-month delay to the filtration system installation as part of the OGPP Phase 2B works has led to a cut to the upper end of FY22 guidance ranges for production, sales volume and underlying earnings (EBITDAX – X stands for exploration). Higher third-party gas sales have also cut EBITDAX. Installation now expected in March 2022 rather than January 2022. The lower ends of the production and sales guidance ranges are unaffected. FY22 Group production guidance is now 3.0-3.4m barrels of oil equivalent (MMboe) with FY22 underlying EBIDAX of $53-63m (previously $60-70m).

In addition to Sole gas from the Gippsland Basin, full processing of gas from COE's share of gas from the Casino, and the Henry and Netherby Otway fields via the Athena Gas Plant (Cooper 50%) is expected by the end of 1H22.

Long term the prospects look good for COE due to strong end-market demand for gas. This is underlined by plans by ASX listed Viva Energy (VEA) to build a liquefied natural gas import terminal at Gelong, Victoria, potentially supplied by Woodside.

RADAR RATING: Continuing but slow uplift in processing rates for Sole gas. Discussions with APA on processing terms could lead to Cooper buying the Orbost Gas Plant, which is a good outcome. Valuation is underpinned by a strong gas demand on the East Coast. HOLD.

RADAR RATING **HOLD**

ASX CODE **COE**

CURRENT PRICE **$0.275**

MARKET CAP **$449M**

DIVIDEND YIELD **0%***

NET DEBT **$115.1M**

Data as at initial coverage

DATE **28 JULY 2016**

PRICE **$0.24**

*FY22 forecast 0 cents

16 DECEMBER 2021

These are the stocks subscribers ask us about. We run our investment ruler over them and give you our Radar Diagnosis.

	COMPANY	ASX CODE	DESCRIPTION	MARKET CAP ($M)	NET CASH/ DEBT ($M)	ENTERPRISE VALUE ($M)	LATEST PRICE ($)*	12-MTH HIGH ($)	NOTES	RADAR DIAGNOSIS
1	**APM Human Services**	**APM**	Employment and social services	2577.6	-484.0	3061.6	**2.81**	3.50	Recent float at $3.55. Delivers specialist employment, disability and other services to 1m people worldwide, mainly on behalf of, and paid for by, government. Revenue growth 26% CAGR to $1.33bn FY21 proforma. Has large multi-year government contracts.	Recently announced $68m acquisition of Lifecare, targetting "whole of life" service offering. Benefits from global outsourcing theme, but while growth has been very strong, the stock is still new to public markets. **WATCHLIST.**
2	**Cobalt Blue**	**COB**	Cobalt project developer	118.0	13.2	104.9	**0.40**	0.52	Developing the Broken Hill Cobalt Project, NSW with mineral resource of 118mt at 687 parts per million cobalt, 7.6% sulphur and 133ppm nickel. The company's tenement holding is now 220km2. A pilot plant has successfully produced cobalt sulphate samples. Transition to a larger Demonstration Plant is targeted during 3Q22. Project metrics for full scale production include pre-production capital expenditure of $560m, annual production of 3,500 tpa cobalt sulphate for +20 years and life of mine ASIC cost of US$12/lb.	Needs to be successfully scaled up. Impressive partners and lower capital intensity than many other cobalt projects. Pure play cobalt producers are rare. **WATCHLIST.**
3	**Cyprium Metals**	**CYM**	Copper project developer	81.9	40.0	41.9	**0.15**	0.37	Acquired Metal X's (ASX MLX) WA copper assets, in the PIlbara, in February 2021 for $60m. Primary activity reopening of the mothballed Nifty mine which as a heap leachable resource of 11.9mt at 1.1% Cu. Production from 1H23. The Paterson Exploration area is adjacent to Nifty processing infrastructure. The Winu discovery by RIO and the Havieron discovery by Greatland/Newcrest are significant recent discoveries in the Paterson region.	Nifty has a mixed history with different owners. Recent exploration discoveries in the Paterson Province by others gives hope. Experienced operators. **WATCHLIST.**
4	**DigitalX**	**DCC**	Financials - Blockchain technology	61.6	-0.6	62.2	**0.08**	0.16	Perth based manager of digital assets, using distributed ledger technology in digital finance products, and blockchain products. A recent partnership with a government funded Digital Finance Cooperative Research Centre helps credibility.	Exposure to bitcoin/crypto, FY21 $6.7m profit, but $1.8m net cash outflow. Interesting strategic positioning. Under the Radar Report will cover in more depth in next week's fintech/ blockchain issue. **WATCHLIST.**

*LATEST PRICE @ 15/12/2021

SUBSCRIBER PICKS

16 DECEMBER 2021

	COMPANY	ASX CODE	DESCRIPTION	MARKET CAP ($M)	NET CASH/ DEBT ($M)	ENTERPRISE VALUE ($M)	LATEST PRICE ($)*	12-MTH HIGH ($)	NOTES	RADAR DIAGNOSIS
5	**Fenix Resources**	**FEX**	Iron ore producer	107.2	93.0	14.2	**0.23**	0.46	Operating the 100% owned Iron Ridge iron ore project which is located north of Cue in WA. Ore reserves are 7.1mt at 64.1% Fe (iron), equivalent to a project life of ~6 years at an annual mining rate of ~1.1mtpa. First production was in December 2020. The ore is trucked 485km by road to the port of Geraldton. Iron ore prices basis 62% Fe CFR China have fallen from over US$220/t to c US$100/t since August 2021, although FEX gets a premium above this for its lump ore and high grade. Ocean freight costs have also increased. With a C1 cost of ~A$88/wmt (wet metric tonne) ~c US$65/t), profit margins have fallen. Fenix has a hedge book of 50k tonnes/month at A$230/wmt which commenced in October 2021 and spans to September 2022 which provides a short term amelioration. The company paid a maiden fully franked dividend of 5.25 cents on 5 October 2021.	Product of the China steel and iron ore price boom. Profitable at current iron ore prices, but super profits no more. Dividends may continue but at a lower rate. With a short mine life, its valuation will ultimately come under pressure without resource extensions. Best to avoid when the iron ore price is under pressure. **AVOID.**
6	**Firefinch**	**FFX**	Gold producer and lithium developer	739.4	33.5	705.8	**0.72**	0.73	Has reopened the 80% owned Morila gold mine in Mali. Mining currently at satelite pits with a move to the main 'super pit' to enable prodiction of greater than 100koz in CY2022. Also projects at Massigui (adjacent) and Dankassa. Exploration a major focus with multiple high prority targets. Historically, Morila was a high grade operation. Firefinch is also developing the Goulamina hard rock lithium mine, also in Mali, in a 50:50 incorporated joint venture with Ganfeng, which is providing up to US$194m in funding. Definitive Feasibiity Study (DFS) to be updated to enable a Final Investment Decision (FID) in 1Q22. Production coud be up to 4mtpa to produce 450k tonnes 6% spodumene/ year. The company's Goulamina interest is to demerged into an ASX listed company called Leo Lithium through an in specie distribution to Firefinch shareholders.	Morila gold operation has exploration upside and potential for 200k ounce/year by 2024. But the main appeal is the Goulamina lithium assets, which are planned to be demerged from Firefinch and developed into a long life globally significant spodumene project 50% owned by ASX listed Leo Lithium. Investment in Firefinch will provide entry to the Leo vehicle. **WATCHLIST.**

*LATEST PRICE @ 15/12/2021

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16 DECEMBER 2021

	COMPANY	ASX CODE	DESCRIPTION	MARKET CAP ($M)	NET CASH/ DEBT ($M)	ENTERPRISE VALUE ($M)	LATEST PRICE ($)*	12-MTH HIGH ($)	NOTES	RADAR DIAGNOSIS
7	**Pure Hydrogen**	**PH2**	Hydrogen production and supply	172.6	10.1	162.5	**0.51**	0.83	A merger in March 2021 between two oil and gas companies and is targetting the production of 'turquoise' hydrogen using methane as the feedstock; concurrently retaining its conventional oil and gas activities, with total resources of over 11 TCF (trillion cubic feet) across projects in the Surat Basin, Queensland, the Copper Basin and Botswana. Turquoise hydrogen involves the thermal decompsition of methane in a pyrolysis process to produce hydrogen and solid carbon as a by-product, without generation of CO2. The company is proposing a modular portable hydrogen generator which would use natural gas or biogas feedstock. It is targetting a hydrogen equivalent cost of less than $5/kg. Disadvantages of turquoise hydrogen is that it still uses fossil fuels, supply constrained/price risk plus no reliable market for the by-product carbon.	Most hydrogen users will be demanding green hydrogen, produced from the electrolysis of water using renewable power from solar and wind. **AVOID.**
8	**Structural Monitoring Systems Plc**	**SMN**	Industrials - Specialised Electronics	78.5	2.4	76.1	**0.58**	1.05	Aviation crack detection and monitoring is core, but it is seeking customer and regulatory approval to roll out new comparative vacuum monitoring technology for new aviation use cases. It's headquartered in the UK, and main business operates out of Canada.	Difficult to analyse. Large total addressable market in aviation, but new business is still in development. Market cap is large for FY21 sales of $15m, down 20% due partly to Covid, with ongoing operating losses. In the middle of a capital raising. **WATCHLIST.**
9	**The Food Revolution**	**FOD**	Food innovation development	20.8	-2.0	22.8	**0.02**	0.05	Main business is in juices, with the Original Black Label brand delivering most value. FY21 revenue was $34m, leading to a $2m operating and cash flow loss. Q1 revenue $10m, but still losing $2.4m, $1.3m a one-off.	Balance sheet is stretched. Has replaced finance from Greensill, the failed finance provider. If the business can stay cash flow neutral, it may be able to raise further capital, but there seems little room for error. **WATCHLIST.**

*LATEST PRICE @ 15/12/2021

BUY WHEN THE PRICE IS RIGHT

The stocks on this list are quality companies that we believe offer great return potential for the risk faced.

AIRTASKER (ART) — SPEC BUY

INDUSTRY	**RETAIL SERVICES**
MARKET CAP	**$368M**
DIVIDEND YIELD	**-**
12 MONTH HIGH	**$1.97**
PRICE @ 15/12/2021	**$0.89**

WHY WE LIKE IT: Lockdowns are bad for this company but the good news is that the world is coming back to normal in the market where Airtasker has the biggest potential: the US. The company is loss making but is forecast to achieve 30% plus in revenue growth. Another genuine growth story at a reasonable price.

BEAMTREE HOLDINGS (BMT) — SPEC BUY

INDUSTRY	**HEALTH TECH**
MARKET CAP	**$139M**
DIVIDEND YIELD	**-**
12 MONTH HIGH	**$0.70**
PRICE @ 15/12/2021	**$0.53**

WHY WE LIKE IT: August was a busy month for Beamtree, announcing two acquisitions, creating Australia's largest health data analytic and AI decision support platform, on top of a promising FY21 result. The stock, previously known as PKS, has been a successful pick thus far, having climbed 51% since our initial tip late last year. We think it can go much further.

GR ENGINEERING (GNG) — SPEC BUY

INDUSTRY	**MINING SERVICES**
MARKET CAP	**$317M**
DIVIDEND YIELD	**8.6%**
12 MONTH HIGH	**$2.04**
PRICE @ 15/12/2021	**$1.97**

WHY WE LIKE IT: The engineering contractor's strength in designing and building mineral processing plants has combined with strong commodity prices to produce a strong order book pipeline for both FY22 and FY23. The company also has a very successful and profitable oil and gas services business which has been achieving significant contract wins from its Tier 1 clients.

BEST BUYS

16 DECEMBER 2021

HERE, THERE & EVERYWHERE (HT1) — BUY

INDUSTRY	**COMMUNICATION SERVICES**
MARKET CAP	**$500M**
DIVIDEND YIELD	**3.9%**
12 MONTH HIGH	**$2.13**
PRICE @ 15/12/2021	**$1.82**

WHY WE LIKE IT: The company remains in a market leading position in its radio business. Its substantial net cash position and future proceeds from asset sales, create a unique strategic position in Australian media. Re-rating forecast to continue due to removal of uncertainty regarding ATO liability and increased flexibility to pursue growth.

KAROON ENERGY (KAR) — SPEC BUY

INDUSTRY	**OIL AND GAS**
MARKET CAP	**$901M**
DIVIDEND YIELD	**-**
12 MONTH HIGH	**$1.93**
PRICE @ 15/12/2021	**$1.63**

WHY WE LIKE IT: Karoon Energy is one of the largest pure play oil producers on the ASX, having acquired the Bauna asset in Brazil in November 2020. Its Bauna and Patola projects in Brazil put the company on track to almost double production from initial levels by 2023 at a very low cost of production.

LASERBOND (LBL) — SPEC BUY

INDUSTRY	**MANUFACTURING TECHNOLOGY**
MARKET CAP	**$88M**
DIVIDEND YIELD	**1.4%**
12 MONTH HIGH	**$1.07**
PRICE @ 15/12/2021	**$0.92**

WHY WE LIKE IT: LBL's technology is applied to machinery to enhance life and lower costs in manufacturing and mining. The company has a great opportunity overseas. Its market is expanding rapidly as countries invest in manufacturing capability as supply chains get stretched and tariffs are erected.

PEOPLE INFRASTRUCTURE (PPE) — SPEC BUY

INDUSTRY	**SERVICES**
MARKET CAP	**$387M**
DIVIDEND YIELD	**3.2%**
12 MONTH HIGH	**$4.88**
PRICE @ 15/12/2021	**$4.11**

WHY WE LIKE IT: People Infrastructure continues to grow despite the big impacts of Covid, but its shares have been depressed since June 2021 due to lockdown concerns in NSW and Victoria. This price action overlooks the defensive nature of its services. In short, its shares are poised to recovery as vaccination rates rise and lockdowns end.

BEST BUYS

16 DECEMBER 2021

PTB GROUP (PTB) — SPEC BUY

INDUSTRY	**MANUFACTURING**
MARKET CAP	**$140M**
DIVIDEND YIELD	**4.5%**
12 MONTH HIGH	**$1.10**
PRICE @ 15/12/2021	**$1.10**

WHY WE LIKE IT: All divisions are in the black due to strong trading conditions in the US and Asia Pacific and is driven by Pacific Turbine USA and Leasing (embracing PTB's Australian strategy of swapping ready-made engines to maximise staff utilisation and turnover). Covid impacts have also been abating, but the latest variant Omicron does present uncertainty.

TRAJAN GROUP (TRG) — SPEC BUY

INDUSTRY	**HEALTH CARE**
MARKET CAP	**$466M**
DIVIDEND YIELD	**-**
12 MONTH HIGH	**$3.60**
PRICE @ 15/12/2021	**$3.59**

WHY WE LIKE IT: This founder led company has a great deal of growth potential because of its high degree of specialisation and broad customer base. Trajan manufactures precision measurement tools for a wide range of clientele, which includes laboratories, pathologists, and food and environmental testing. The group is well funded, having raised $90m in its June IPO and represents great value with acquisition growth not fully priced in.

VMOTO (VMT) — SPEC BUY

INDUSTRY	**MANUFACTURING**
MARKET CAP	**$106M**
DIVIDEND YIELD	**-**
12 MONTH HIGH	**$0.62**
PRICE @ 15/12/2021	**$0.38**

WHY WE LIKE IT: Vmoto's profitability keeps improving as the group delivers higher sales due to increaing demand. This stock has legs, and wheels to match. FY21's net profit climbed 120% to $4m, while cash flows were positive at $1.7m, giving confidence future growth is financed.

VOLPARA HEALTH TECH (VHT) — SPEC BUY

INDUSTRY	**MEDICAL TECHNOLOGY**
MARKET CAP	**$261M**
DIVIDEND YIELD	**-**
12 MONTH HIGH	**$1.72**
PRICE @ 15/12/2021	**$1.04**

WHY WE LIKE IT: Momentum is building with first quarter cash flow (3 months to 30 June 2021) showing record receipts of NZ$6.4m, up 30% on the prior period, and growing annual recurring revenue at over US$19m (A$26m). This is a big deal for a company that has had one hand tied behind its back due to Covid related restrictions on access to hospitals.

99% of all financial news relates to the 40 to 50 biggest companies. So what about the rest? They're Under the Radar.

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