

# BBY taking Australian resources global

Australian stockbroking and corporate advisory firm BBY has earned a reputation for leading the pack in supporting emerging resources companies that are off the radar of the mainstream investment community. By **Lou Caruana**



BBY chief executive Glenn Rosewall.

With offices in Sydney, Melbourne and London and an equity partnership with US investment bank Jefferies Inc, BBY is well positioned to service its resources clients' local and global needs, executive chairman Glenn Rosewall told *RESOURCESTOCKS*.

"We have the experience, the expertise and the networks to advise emerging companies – regardless of the commodity cycle," Rosewall said.

"Because of our track record and our access to offshore investors, our resources clients enjoy high profiles even though many of them are still emerging producers.

"We are very proud of the fact that many

of our clients have achieved so much in such a short time and have become firmly entrenched in the resources landscape," he said.

"The 2007 BRW-East Coles survey, released in the July 5 edition of *BRW* magazine, ranked BBY as 17th in its top 20 league table of Best Overall Investment Bank – a table traditionally dominated by the bulge bracket investment banks.

"This is a tremendous result for us because it shows that the market is aware of our specialist expertise, particularly in the resources sector. I am immensely proud of my team and their hard work and dedication to servicing our clients."

BBY was established in 1987 and its

primary objective is to assist growing and mid-sized Australian companies realise their financial and strategic goals. Focusing on the "middle market", BBY understands its clients' needs and is able to allocate experienced staff to achieve the desired transaction result.

Well-regarded research and experienced corporate finance and institutional broking teams support BBY's long-term dedication to this end of the market.

BBY has a team of 13 experienced analysts, with five of them dedicated to the resources and energy sectors. On the corporate side, the bulk of the business BBY undertakes is in equity capital markets, essentially raising capital for listed, and



BBY raised \$22 million for Linc Energy last year.



Diamond drilling on Murchison Metals' Jack Hills project.

soon to be listed, companies. In addition, the BBY Corporate Team is involved in merger and acquisition work and general corporate advisory services.

The BBY Corporate Team has completed 16 transactions raising over \$400 million in the 2006-07 financial year. Rosewall said the pipeline of corporate activity for the new financial year is even stronger than last year's.

The equity research coverage of BBY analysts includes iron ore, base metals and gold, coal and uranium, and energy. The company's energy analyst, Scott Ashton, has been rated as the top analyst in the oil and gas sector and its highly experienced coal and uranium analyst, Gavin van der Wath, is also making an impact on the market with his research on coal bed methane and uranium.

The institutional sales team advises wholesale clients including fund managers, sophisticated and professional investors and high net-worth individuals. The team offers portfolio trading, electronic trading (DMA and order routing) along with BBY's morning and afternoon market reports for clients.

The range of corporate activity and the willingness to conduct research in areas not normally covered by larger broking houses reflects BBY's willingness to deliver superior returns to its clients through thorough due diligence and careful management of risk.

Looking outside the top 100 ASX listed companies, there is a dearth of quality research on companies – many of which are in the resources sector – that offer the opportunity for significant capital gains. BBY has recognised this and sought to offer a comprehensive full broking service to those companies that stand out in their sector.

Before getting behind a company BBY undertakes a rigorous analysis that rates its management team, its assets, its partners and its ability to execute.

An outstanding example of BBY's willingness to get behind its clients

before the rest of the market is its early support of iron ore sector companies. BBY senior resources analyst John Veldhuizen identified the iron ore sector as being undervalued and recommended companies that are now household names – Fortescue Metals and Murchison Metals.

Veldhuizen's original recommendation for FMG was a screaming buy at \$2.37 and Murchison at \$0.42c. Fortescue's current share price is \$34.22 and Murchison's \$5.73 – vindicating a brave call at the time.

Despite Fortescue reaching the position of being the third biggest resources group on the ASX, there remains scepticism among some that the company will not reach its target of producing iron ore from its operation in the Pilbara region of Western Australia by 2008.

To these naysayers, Rosewall's response is simple: "Go and look at the project. The growth in China and India will drive demand for commodities growth for the foreseeable future, which can only benefit iron ore suppliers such as Murchison and Fortescue."

Despite the run-up that iron ore stocks have had lately, Rosewall believes that there is still a lot of value left on the table for investors and that once these companies start producing there will be another re-rating.

"Australian funds will then be able to invest in these companies as they will not be constrained by their mandate only to invest in companies that have earnings," he said.

"Companies in the iron ore sector that still have plenty of upside include stocks such as Grange and Gindalbie."

Looking forward, the BBY team is alert to the opportunities that have been created by the climate change debate and is bullish on clean coal technology, geothermal energy, coal seam methane and biodiesel.

Also, the export coking coal sector offers opportunities, despite the infrastructure problems that are plaguing the industry in New South Wales and Queensland at the moment.

One recent float by BBY – the Gujarat Group – is overcoming the problem of port access in NSW by using Port Kembla, which is currently only 50% utilised.

Another BBY energy client – Linc Energy – is embarked on a coal gasification and liquefaction project that uses technology developed years ago by the former Soviet Union to gasify stranded coal. BBY raised \$22 million for Linc Energy in May last year as the lead manager for its initial public offering, with a significant amount of these funds being placed offshore due to the strong interest in the oil and gas sector from the United States and the United Kingdom.

Rosewall said that BBY takes a long-term view of its relationships with clients.

"We prefer to work with companies on a repeat business basis and enjoy helping small companies grow into large companies," he said.

"We want to be sure that our advice benefits the client company's overall strategic goals and is not simply satisfying a short-term need.

"International roadshows are often an integral part of consolidating investor support for our resources clients – our overseas institutional clients enjoy having the opportunity to get to know management and their business plans and are more inclined to continue to invest when they have a sound knowledge of a company.

"The overseas expertise offered by BBY's offshore employees is seen as one of the main advantages BBY has over other similar-size Australian broking houses. BBY's local Australian market knowledge and relationships are complemented by access to global clients." **RS**

bby  
at a glance

Head Office

Level 17

MetCentre

60 Margaret Street  
Sydney NSW 2000

Ph: +61 2 9226 0000

Fax: +61 2 9226 0066

Email: [sydney@bby.com.au](mailto:sydney@bby.com.au)

Web: [www.bby.com.au](http://www.bby.com.au)

Management

Glenn Rosewall, Richard Wolff,

David Smith Arun Maharaj,

Lorraine Phelan