Top 5 goodBUYs for 2022

Thanks for being a subscriber to the goodBUYreport!

A couple of things before we get started…

Risk and reward go hand-in-hand in the stock market. I believe the stocks in this report will rise as we move through 2022. But that's not to say they couldn't fall 40-50% at any time in between.

I'll be offering my own insights on these companies to premium subscribers as we go through the year (I'd encourage you to become one if you are not already!).

A few of these stocks are already in the goodBUYs premium portfolio (meaning it's tracked as a loss or gain); the others I'm adding in based on their year-end 2021 prices, and we'll see how they do as we look forward to 2022.

With that said, let's get right into the stock ideas starting on page 2, shall we?

Jeff Yastine

goodBUY #1: PLX Pharma (PLXP)

I think PLX Pharma’s stock can double over the next 12-18 months. The company is the manufacturer of a new, unique, FDA-approved over the counter aspirin product called Vazalore.

Vazalore is basically a special capsule - the company likes to call it a "drug delivery platform - filled with liquid aspirin.

What's so special about that?

Well, Vazalore's novel formulation is designed to release the aspirin in the body's duodenum - the first part of the intestine - rather than in the stomach like typical aspirin.

As you know, millions of people are on various low-dose aspirin regimens in an effort to cut down on the risk of an artery-blocking blood clot and subsequent heart attack - or having a second such cardiac episode (aspirin thins the blood, making it easier for the heart to pump).

The problem of course, is that regular ingestion of "immediate use" aspirin can lead to stomach erosions and ulcers. And while you can also buy "enteric-coated" aspirin - which helps protect the lining of the stomach - the coating also reduces aspirin absorption in some people.

The FDA only approved Vazalore in March this year. The product started hitting drugstore shelves in August, so it's still building consumer awareness with just one full quarter of product sales to go by.

I think that’s also one of the key reasons why PLXP fell below $10 a share late in 2021.

It’s typical of many new stocks with new product launches…traders bid the shares higher and higher in anticipation of the product hitting the market - then afterwards, exit the stock in a stampede so they can move on to other ideas.

So while the chart might seem scary, having fallen from more than $20 to less than $10, I view this as a goodBUY.

Traders are ignoring that PLXP reported sharply higher Q3 revenue of $6.6 million - about 61% more than analysts' forecast of $4.1 million. That’s just the start.

PLXP's story is basically "massive revenue growth." Analysts’ projections forecast a 400% rise in sales to more than $32 million next year, doubling to $65 million in 2023

Based on my research, I think Vazalore could achieve peak sales of more than $240 million.

But that’s just for the “official” users of this OTC product - folks who’ve had their first heart attack or stroke and are trying to prevent a second episode. I think there are millions of other people who have not had a heart attack, but will still want to buy Vazalore because it’s easier on the stomach than regular aspirin.

Eventually, PLXP will be profitable too, in my opinion. Over the next few years we should see it's annual losses shrink considerably. Here’s what analysts expect:

2021: ($3.02) a share.

2022: ($2.25) a share.

2023: ($1.43) a share.

While PLXP had its IPO in 2015, the company has been hard at work since then clearing the FDA's clinical testing hurdles. It's still an unfamiliar company to most stock market investors.

That perception will change in 2022 as PLXP reports more strong quarterly sales numbers and gets more attention from Wall Street.

At the end of the day, I don't think we're going to have such an obvious opportunity to buy a stock like this one at a heavily discounted price, and a huge growth profile in front of it.

goodBUY #2: Outset Medical (OM)

I think Outset Medical could rise 50% in 2022, and a whole lot more in the years ahead.

The story behind Outset Medical can be summed up as "mobile kidney dialysis" - a revolutionary development in medical technology.

In 2017, the FDA approved the company's "Tablo Hemodialysis System" - basically a high-tech dialysis unit the size and shape of a cart. But use was limited to hospitals and other chronic-care environments.

Early in 2020, the FDA added another approved use for the machines - kidney dialysis in the home.

That's why Outset's technology is so disruptive, and the opportunity so huge.

The dialysis machines in hospitals and clinics are huge, bolted to the floor, and require lots of backroom infrastructure for water filtration and other inputs to the dialysis process.

Now imagine shrinking all of that down to a machine the size of a 2-drawer filing cabinet on wheels!

Roughly 1 million people in the US suffer from some kind of renal disease.

Because of cirrhosis and other kidney-related afflictions, their kidneys can't cleanse the blood properly.

So they have to undergo dialysis treatments in order to live.

Globally, experts estimate nearly 5 million people are on dialysis, although the number who need it - and can't receive treatment because they're poor or don't have access to decent medical facilities - is likely much larger.

I don't like saying this, but kidney dialysis treatment is also a great business. A company like **DaVita (DAV)** turned itself into a $10 billion market cap stock by building hundreds of outpatient dialysis centers around the US.

The key to Outset Medical's story is knowing that until now, kidney dialysis - because of the precision of the equipment and treatment process of the blood - has always been something that must be carried out in an institutional-type hospital or clinic setting.

The first kidney dialysis machines were developed in the early 1940s , and as Outset Medical's CEO told a health news publication a while back:

> "The user experience both for patients and providers...has not really changed in 20 or 30 years. Think about the way cars were designed and manufactured in 1980. Now imagine if the car you drove today hadn't been updated since then."

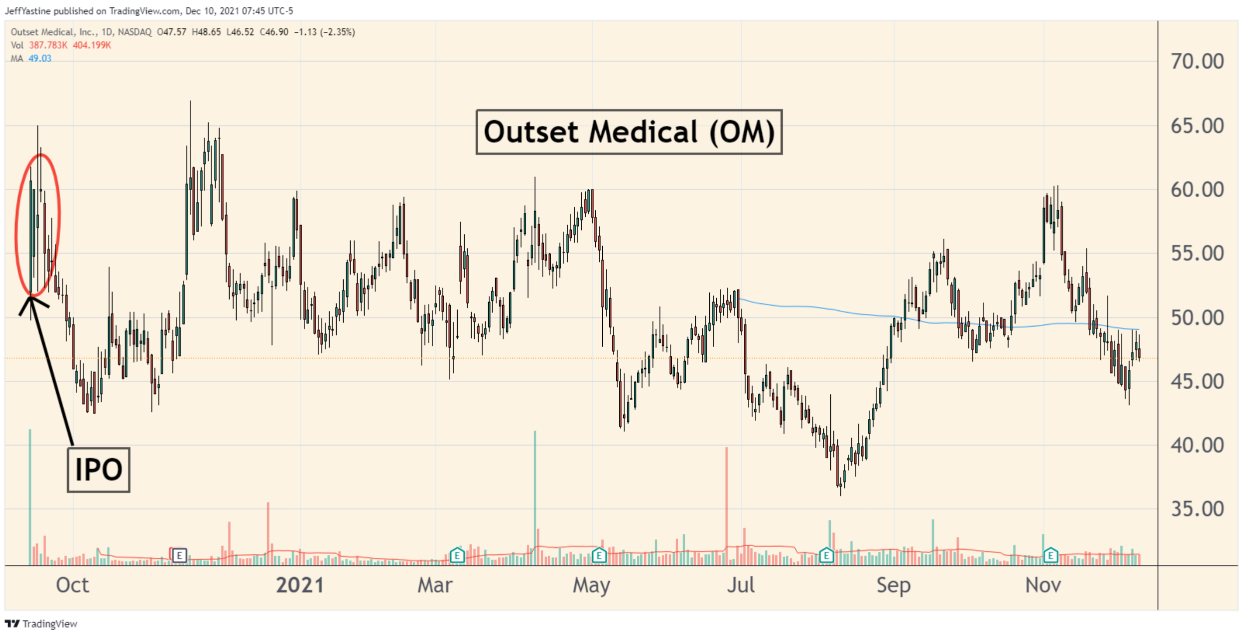
In other words, no one was innovating to figure out how to accomplish dialysis quicker, faster, easier, cheaper.

Outset's engineers took the entire dialysis process and shrunk it down to the size of a file cabinet on wheels.

With FDA approvals in hand, Outset Medical raised millions in private venture capital in 2017 to start building, marketing and selling its machines.

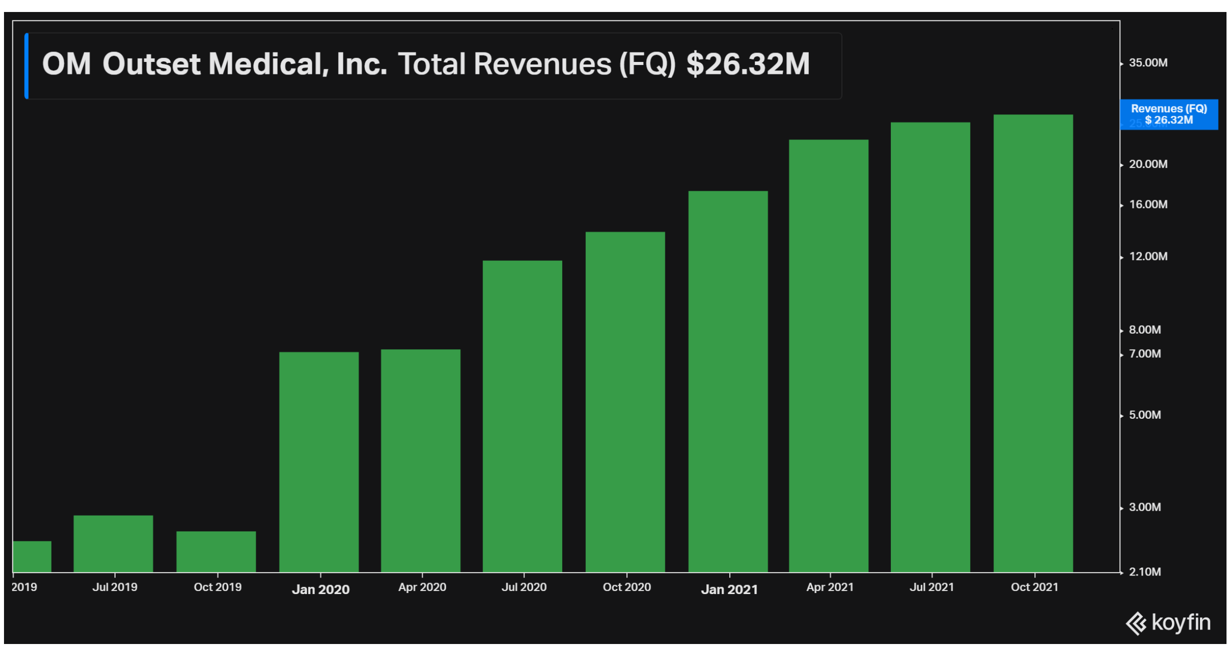
It then raised another $270 million when it held its IPO in September 2020.

But as you can tell from the chart below, the stock has basically gone sideways since then. Because of the pandemic, investors have ignored many medical technology stocks like this one.



I don't think this situation will last too much longer.

The thing is, Outset isn't some new startup that's still trying to commercialize and sell its medical technology. It's already racking up steady sales growth, with above-estimate results in each of its last 4 reported quarters:



The company won't be profitable for some time as it builds up its manufacturing capabilities and installed base of machines, but the numbers are running in the right direction.

Outset's losses have been smaller than expected in each of its last 4 quarters.

Analysts expect the company to lose ($2.80) a share this year, dropping to ($2.63) a share in 2022, with losses shrinking still further to ($1.54) a share in 2023.

Lastly the folks who control Medicare spending - the Centers for Medicare & Medicaid Services (or CMS for short) - recently approved Outset's machines for payment/reimbursement. Private insurance providers are climbing onboard as well.

I expect Outset to become a star stock in 2022 as more investors realize how disruptive and profitable “mobile kidney dialysis” is in this corner of the healthcare universe.

goodBUY #3: ReNew Power (RNW)

I think **ReNew Power (RNW)**’s stock price can double in the next 12 months. And there are only three words you need to remember about this company:

“India” and “alternative energy.”

ReNew is India’s largest provider of solar, wind and hydropower-generated electricity, but it’s barely scratching the surface of the opportunity still to come.

Electricity demand is growing at an astonishing rate.

For example, for the month of April 2021, Indian analysts say power consumption rose by more than 38% across the country on a year-over-year basis.

By comparison, US electricity demand has been nearly flat for the last 20 years, hovering between 3.8 to 4 billion kilowatt hours a year.

With a population of more than 1 billion people, we can chalk up India’s massively growing energy demand to 4 huge trends - an expanding economy, a still-growing populace, urbanization, and industrialization.

Power demand in India is rising so quickly that by 2030, India will likely be the world’s third largest consumer of electrical power behind the United States and the European Union (with China ranked fourth).

And yet, around 80% of India's power generation for heat and electricity comes from "thermal generation" - burning coal, natural gas, and in outlying areas - diesel, oil, and 'solid biomass' - wood, farm chaff and other combustible material.

So the opportunity for ReNew Power is vast.

That's a key reason why the company, which was founded in 2011 and is headquartered near New Delhi, decided to raise more than $600 million for expansion, by listing it's shares on a US stock exchange for the first time.

The stock listing, via a SPAC merger (special purpose acquisition company) was overseen by the gold standard of US investment banks, Goldman Sachs in 2021.

But you may recall the mania for SPAC-type stocks in late 2020 and early 2021. Quite predictably, as the mania for "SPAC stocks" faded over the course of 2021, so has interest - and the share price - for ReNew Power.

Like many of the other stocks listed in this report, I don't expect ReNew's currently overlooked status to remain that way for much longer.

So as far as I'm concerned, the decline in the shares represents a huge opportunity. While other investors have been selling, we should be buying.

The important thing to remember is that ReNew is a profitable company with solid revenue growth.

For fiscal 2022, analysts expect the company to generate sales of $920 million and report a profit of $0.21 a share.

In 2023 and 2024, ReNew's revenue should rise to $1.2 billion and then nearly $1.4 billion, while its profits jump 53% to $0.32 a share, and then another 17% to $0.38 a share.

For the present time, the majority of investors are ignoring that fact. The only reason ReNew's share price is as low as it is, has mainly to do with former SPAC companies being in Wall Street's "doghouse" (whether they deserve it or not), and because ReNew - despite its connection to Goldman Sachs - remains relatively unknown on Wall Street.

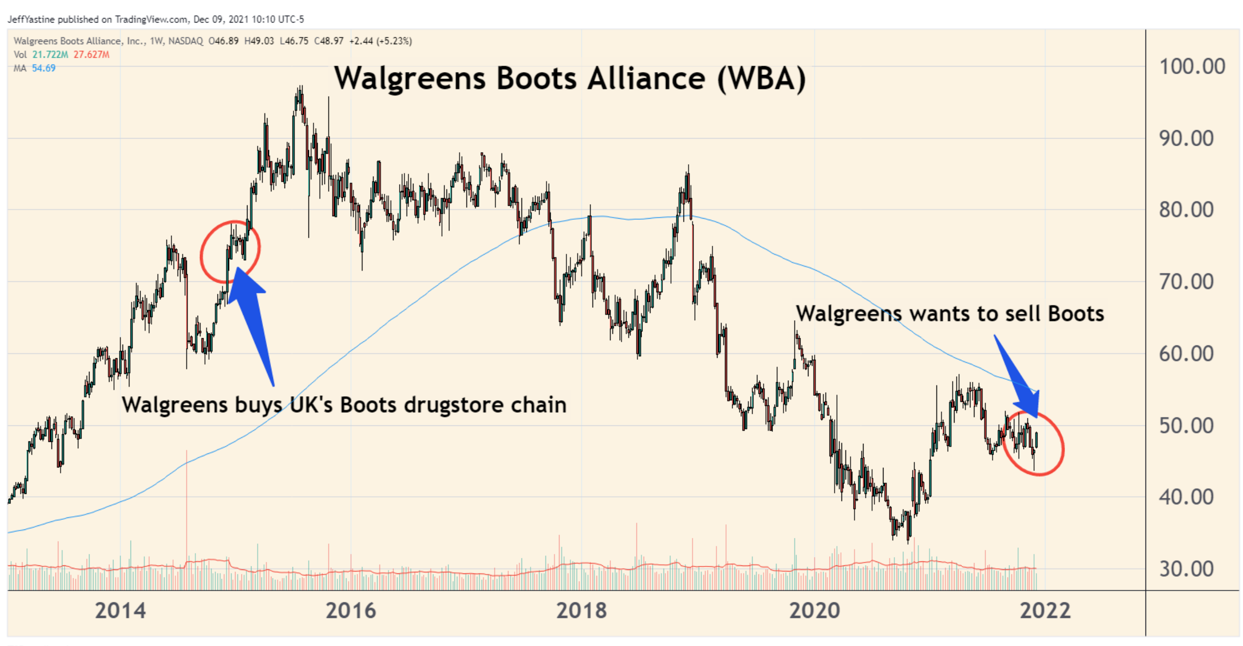
Another reason why I expect ReNew's stock price to rise: It should become a favorite holding of "ESG" investment funds. That is, mutual funds and other institutional shareholding groups with active support for companies that contribute to strong environment, social and corporate governance.

If an investor is looking to buy the equivalent of a US-type electric utility stock, we usually are left with state-run power companies that are often not particularly well-run, and have a mix of generating assets that are un-friendly to the environment.

So the opportunity to buy a clean energy provider, in the world's second most-populous country, that's a "pure play" on solar and wind - is rare indeed.

goodBUY #4: Walgreens Boots Alliance (WBA)

No, that's not a typo. I think Walgreens - the drugstore chain - is going to be one of the important large company winning ideas for 2022 for a couple of reasons.



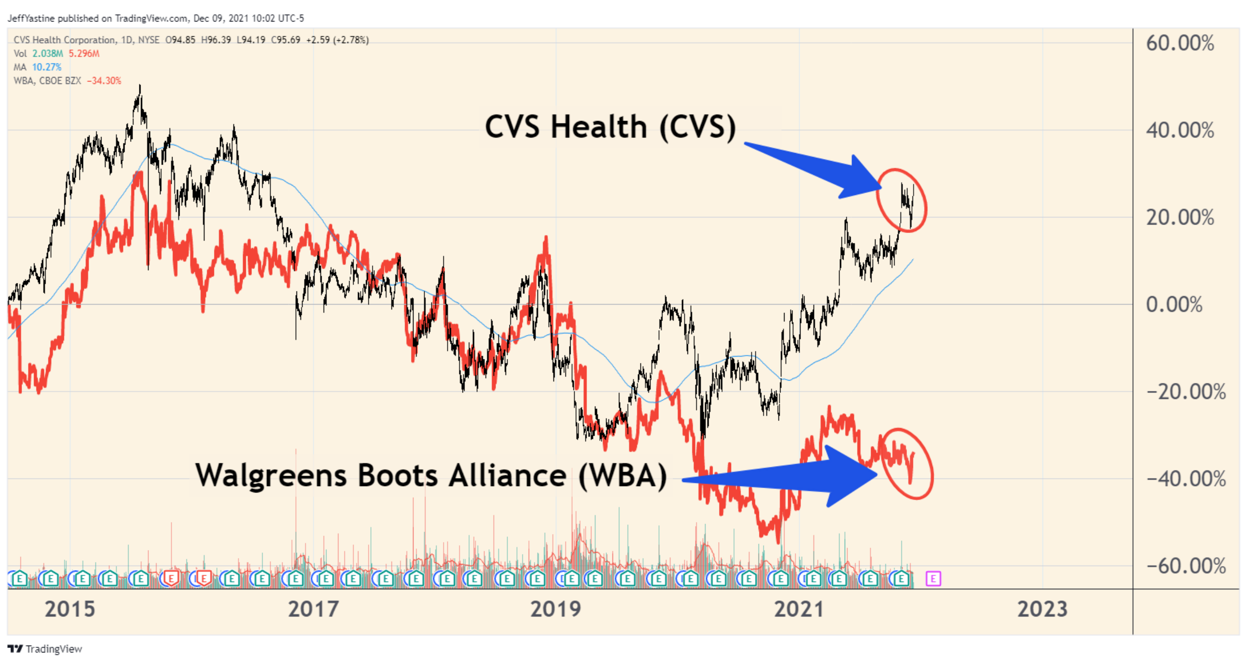
As you can see from the chart, Walgreens merged (bought) UK's Boots drugstore chain, completing the deal in the last days of 2014.

I remember that deal. I never thought it would work. Trying to manage a business that works with one kind of healthcare system in the US...and then another in the UK...and then figuring out how to expand both to grow profits - seemed like a real distraction to me.

Anyway, I guess Walgreens' chief honchos decided the same. Recently, the company let it be known it's shopping for a buyer for the UK Boots division.

I think the action is long overdue - and part of why I think the stock can double in value, rising 100%, over the next 12-18 months.

See, Walgreens' chief US competitor is CVS (CVS). I happen to be a longtime shareholder of CVS shares - look at the divergence in the share prices between the 2 companies on the chart below:



The reason for the divergence?

CVS is laser focused on its US business operations, while Walgreens, almost from the day the Boots merger was announced, has been lugging a ball-and-chain.

So my bet is that as Walgreens begins shopping its Boots unit for a buyer, I expect the shares to start rising back to Walgreens' prior 2015 highs - which would be a doubling in price.

The other nice thing is that Walgreens is a big, venerable company with strong cash flow and improving profits. In recent quarters, management has done a good job cutting costs and increasing cash flow as well.

One last point. The major drugstore chains - CVS and Walgreens - sometimes get short shrift from investors because there's always a constant flow of overhyped headlines about how Amazon is in the process of putting them out of business.

I've been reading that same story for years now. It just isn't true. The real story is how major retailers are learning to play Amazon's game by investing in their own e-commerce warehouses, automation robots and other innovations pioneered by the folks from Seattle.

Walgreens - while a little late to the party - has been making similar kinds of investments, along with pharmacy automation machinery. In April 2021, the chain announced the rollout of contactless 2-hour delivery of e-commerce orders nationwide.

On top of all that, Walgreens' stock pays a nice 3.8% dividend.

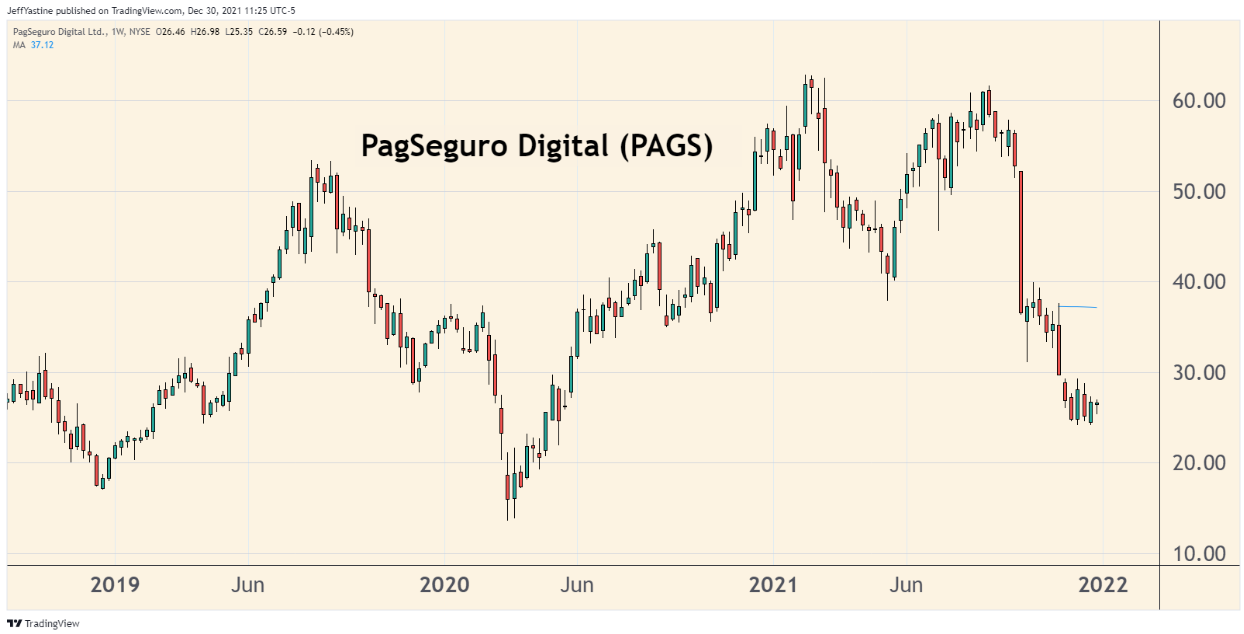
When I bought CVS for my own account a handful of years ago, the stock was misunderstood and temporarily undervalued - I'm up about 68% on my purchase since then, not including dividends.

If I'm right, I expect Walgreens' stock to travel a similar path over the next year to 18 months.

goodBUY #5: PagSeguro Digital (PAGS)

Have you ever wished that a great, dominant and most importantly, *highly profitable*, e-commerce company like Amazon would sell off in a panicky way that scares lots of investors - just so you could buy the stock at 40-50% cheaper?

That's the opportunity in front of us with **PagSeguro Digital (PAGS)**.



As you can see from the chart, PagSeguro's share price is down more than 50% from the first half of 2021. I don't think this highly discounted situation will last much longer into 2022. More on that in a moment…

PagSeguro, in spanish, means "secure payment" - and that's what the company provides: financial technology payment solutions for consumers, entrepreneurs, micro-merchants, and small and medium-sized businesses in Brazil and the rest of Latin America (as well as internationally).

In a nutshell, PagSeguro is an app-based bank and payment processor, much like Paypal or Square is in the US.

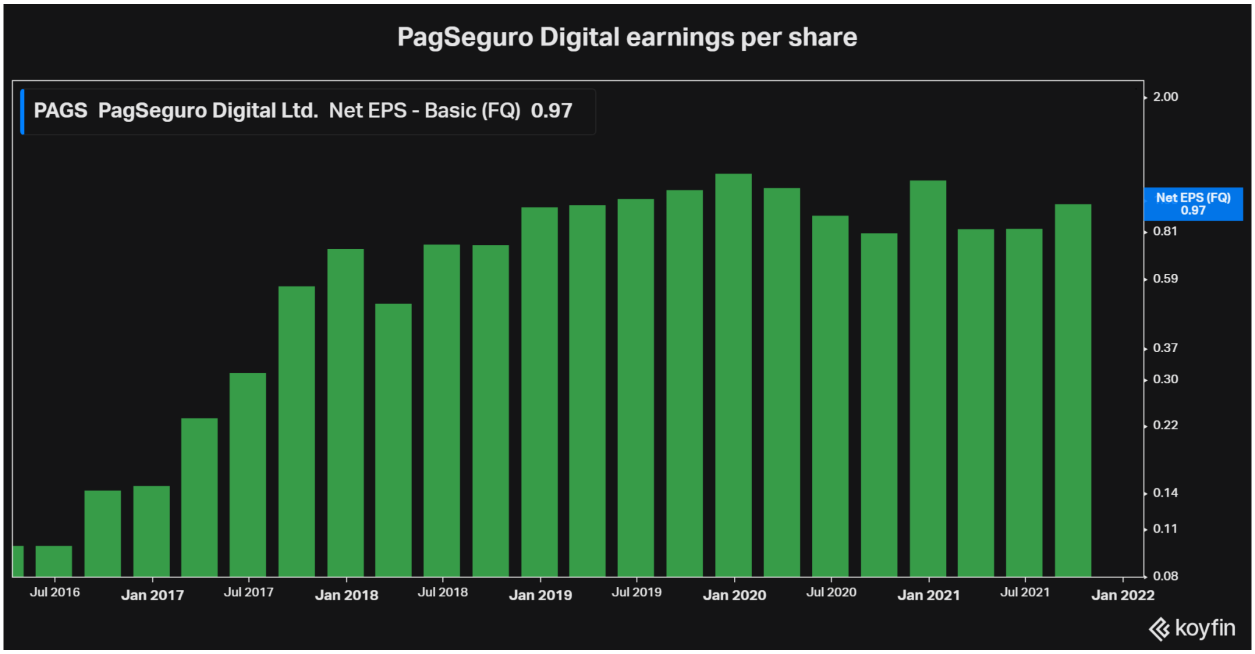
In Latin America, traditional banking and payment processing services are run by big, slow national banks, and geared towards established businesses - not the fast-moving, highly-entrepreneurial operations that are making use of Latin Americans' love affair with smartphones and once-rare high speed wireless internet connections.

So that's where PagSeguro steps in.

If you're a small business owner, you can use PagSeguro's point-of-sale devices to process a customer's credit- or debit-card payment.

The money is then processed and transferred within PagSeguro's own digital ecosystem, where business clients can meet their day-to-day financial needs, receiving and spending funds, and managing and growing their businesses.

The thing about PagSeguro…it's a very profitable company. While the pandemic has depressed business operations to a degree in Latin America, just like everywhere else, the company continues to generate strong quarterly earnings.



But the key to any company like this is *growth* of those quarterly profits, which - as you can see from the chart above - have been stuck more or less in neutral for the past 2 years.

But that's going to change in the coming year, if my estimates and those of Wall Street analysts are on the mark:

- 2021 earnings per share: $0.82
- 2022 earnings per share: $1.14
- 2023 earnings per share: $1.64

The other thing we need to keep in mind…stocks move up (or down) in anticipation of future events. That's why I expect PagSeguro's stock to start moving higher again in the new year, as investors try to front-run the company's profit recovery.

With that in mind, I think PagSeguro's stock could rise more than 300%, and hit $80 a share, within the next 12-18 months.

I believe the stock is undervalued. If we use the 2023 profit estimate, and divide that into the current price of the stock (not quite $27 a share), it gives us a price-to-earnings ratio of 16, which is far too low for a company with this kind of profitability and business model.

So my bet is that investors will re-assess the company over the coming year and a half, and decide it should have a much higher valuation level of 40 or 50 (which isn't uncommon for a firm that's growing its annual profits by a similar percentage level).

So if we multiply 50 by PAGS' 2023 profits of $1.64…that's how I arrive at my price target of $80 by sometime in 2023.

We don't always get what we wish for in the stock market. And I continually remind myself, and subscribers, there are always risks when we invest or trade stocks as well.

But we're compelled to look closely and take advantage of situations where a selloff of a fast-growing, well-run company temporarily puts a stock into "bargain" territory.

Best of goodBUYs,

Jeff Yastine