

Canadian Equity Research

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Priced as of 11 December 2019 unless otherwise stated.

Top Picks from Canaccord Genuity Research

The world economy is poised to enter 2020 on a weak note, with 70% of OECD countries posting a deceleration or contraction in Q3 GDP growth. We project further growth deceleration in H1 as a global inventory destocking cycle takes place. However, the lagged impact of global rate cuts and quantitative easings should allow for some stabilization in H2. The US-China trade agreement should also bolster business confidence and corporate spending. Any economic setback is likely to prompt governments worldwide to launch fiscal stimulus to protect growth. Overall, global GDP growth should muddle through for the bulk of 2020.

While 2019 equity returns have been driven by positive monetary policy shifts by world central banks, 2020 returns should be more about how fast the global economy recovers. Given our view of subpar growth, we project stable bond yields and mid-single-digit returns for equity indexes. As such, our sector strategy remains geared toward late-cycle dynamics with a bias to a value cyclicals/defensive barbell. More precisely, we believe that the combination of much-undervalued resource sectors along with defensive yielders and non-yielders may provide the best reward-to-risk ratio to investors.

On resources sectors, investors appear to have abandoned these stocks just when industry free cash flows are surging, owing to capex austerity and rising commodity prices. Beyond cheap valuations, we believe high free cash flow yields and increased share-buyback activity provide solid backstops to investors (**Figure 1**). On defensive yielders, low bond yields and demographics provide cyclical and structural tailwinds (**Figure 2**). Moreover, they provide downside protection to portfolios in the event that global growth momentum fails to re-accelerate and recession risks re-emerge for 2021.

With the above considerations in mind, we have asked our fundamental research analysts in Canada to select their top picks, and we provide a technical overview for each one.

- Martin Roberge, MSc, CFA

Quantitative/Technical Commentary

Our quantitative/technical analyst, Javed Mirza, has provided a Quantitative/Technical overlay to the stocks highlighted in this report.

Technical Review: The six charts with the most constructive technical profiles are **AKU**, **ARX**, **BAM.A**, **LUN**, **MFC**, and **SU**.

The three charts that suggest further downside risk are **LABS**, **SMU.UN**, and **RAY.A**.

Quantitative Review (see Figure 3): Of the stocks we screened in this report that are modeled in our proprietary quantitative tool, Quest®, the five highest ranked stocks are **BTO**, **DPM**, **LUN**, **RAY.A**, and **TOG**. **TOG** has the highest Value factor score (30), **RAY.A** has the highest Quality factor score (27), and **BTO** has the highest Momentum factor score (29).

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The recommendations and opinions expressed in this research report accurately reflect the research analyst's personal, independent and objective views about any and all the companies and securities that are the subject of this report discussed herein.

For important information, please see the Important Disclosures beginning on page 57 of this document.

Figure 1

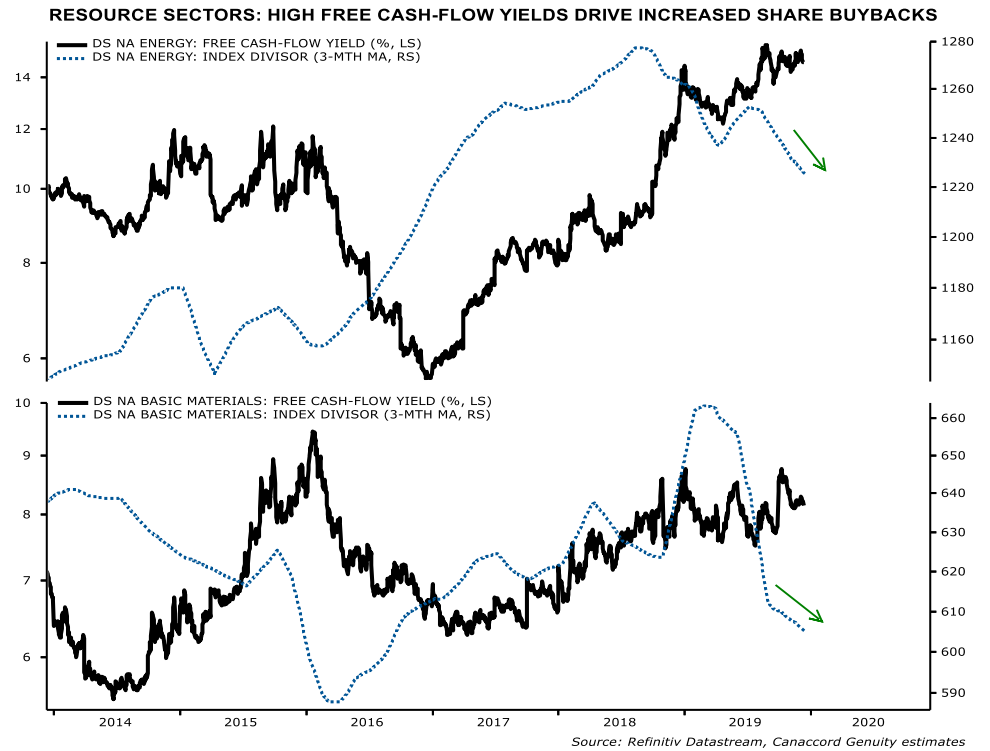
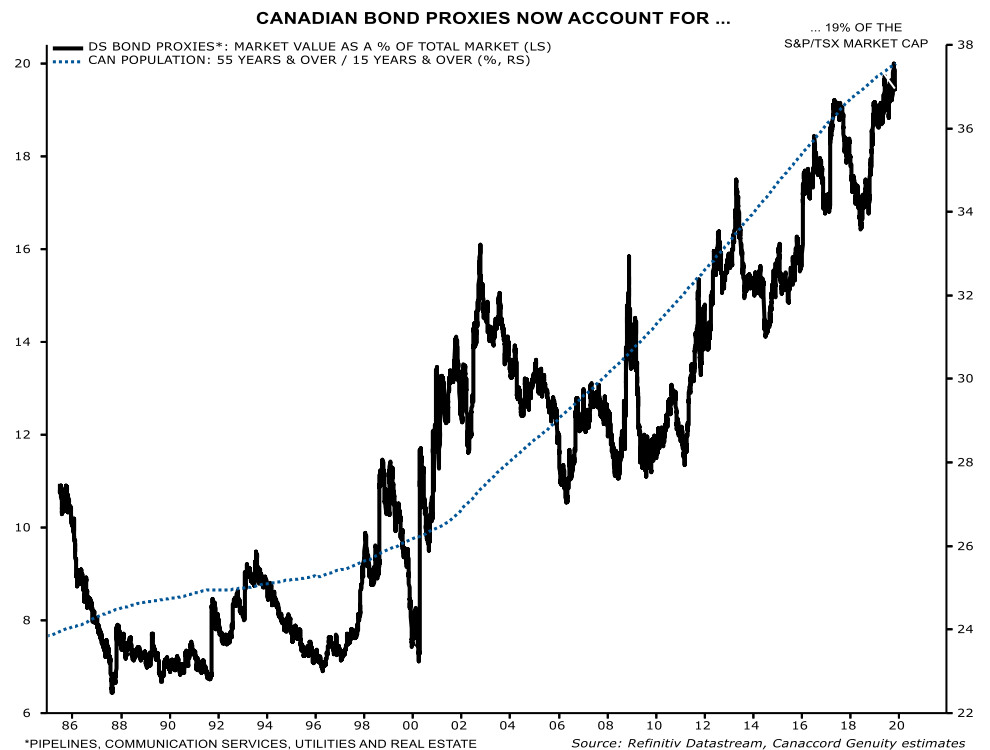


Figure 2



Quantitative Review

Figure 3: Momentum and Quest® triAngle Scores

M-Score Data Updated: December 13, 2019

Each column's colour scale is independent of other columns

Company Name	Ticker	Quest® Quant Score				Momentum		
		triAngle (/100)	Value (/33)	Quality (/33)	Momentum (/33)	Quadrant (Monthly)	Quadrant (Weekly)	Quadrant (Daily)
B2Gold Corp.	BTO-CA	79	24	26	29	2	2	3
Dundee Precious Metals Inc.	DPM-CA	72	24	20	28	2	2	2
Stingray Group, Inc.	RAY.A-CA	69	23	27	18	1	4	4
Lundin Mining Corporation	LUN-CA	69	25	19	25	2	2	2
TORC Oil & Gas Ltd.	TOG-CA	63	29	16	19	1	2	2
Superior Plus Corp	SPB-CA	62	18	23	21	2	2	4
Corus Entertainment Inc. Class B	CJR.B-CA	62	25	17	20	3	2	4
Aritzia, Inc.	ATZ-CA	61	19	18	25	3	2	2
Suncor Energy Inc.	SU-CA	61	22	19	20	1	3	2
SNC-Lavalin Group Inc.	SNC-CA	60	22	23	15	1	2	1
Premier Gold Mines Limited	PG-CA	60	22	18	20	2	1	2
Chorus Aviation Inc.	CHR-CA	59	13	20	25	2	2	4
ARC Resources Ltd.	ARX-CA	59	25	17	18	1	2	2
Questor Technology Inc.	QST-CA	57	13	26	18	3	1	2
Akumin, Inc.	AKU-CA	56	17	17	22	n/a	2	2
MediPharm Labs Corp.	LABS-CA	53	17	17	18	n/a	4	1
Osisko Mining Inc	OSK-CA	48	13	20	15	3	1	2
Probe Metals, Inc.	PRB-CA	45	16	17	12	4	4	1
Onex Corporation	ONEX-CA					1	3	1
Manulife Financial Corporation	MFC-CA					2	2	4
Docebo, Inc.	DCBO-CA					n/a	n/a	3
Curaleaf Holdings, Inc.	CURA-CA					3	1	3
Minto Apartment Real Estate Investment Trust	MI.UT-CA					n/a	3	3
Summit Industrial Income REIT	SMU.UT-CA					3	4	4
Brookfield Asset Management Inc. Class A	BAM.A-CA					2	3	3

Source: Source: Canaccord Genuity Research, Canaccord Genuity Quest®

Curaleaf Holdings, Inc. Cannabis

Rating
SPECULATIVE BUY

Price Target
C\$16.00

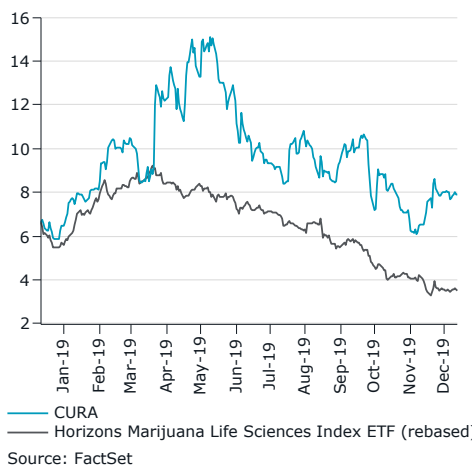
CURA-CSE

Price
C\$7.79

Market Data

52-Week Range (C\$) :	5.43 - 15.75
Avg Daily Vol (000s) :	389
Market Cap (C\$M) :	5,429.4
Shares Out., FD (M) :	697.0
Total Return to Target (%) :	105.4
Net Debt (Cash) (C\$M) :	(73.4)
Enterprise Value (C\$M) :	5,356

FYE Dec	2019E	2020E	2021E
Economic Revenue (US\$M)	485	1,044	1,599
IFRS Revenue (US\$M)	349	973	1,432
SG&A (US\$M)	88.1	294.6	438.2
Economic EBITDA (US\$M)	22.4	306.6	488.9
IFRS EBITDA (US\$M)	150.3	279.9	424.7
EPS Adj&Dil (US\$)	0.21	0.24	0.40
EV/EBITDA (x)	181.3	13.2	8.3



Priced as of close of business 11 December 2019

Canaccord Genuity Corp. acted as financial advisor to Cura Partners and provided a fairness opinion to the Board of Directors of Cura Partners in its proposed acquisition by Curaleaf Holdings Inc.

Canaccord Genuity Corp. acted as financial advisor to Grassroots and provided a fairness opinion to the Board of Directors of Grassroots in its proposed acquisition by Curaleaf Holdings Inc.

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Favourably positioned for 2020 after sector-wide 2019 pressure, as US market continues to de-risk

Investment Recommendation

Following negative sector headlines in 2019 (including Cdn operators missing numbers and pushing out profitability, increasing health concerns over vaping, slow-moving regulatory platforms, and perceived funding gaps with limited access to capital), the sector saw its valuation down 35%-40% YTD (and >70% from Mar/Apr highs).

Despite a tumultuous 2019, we believe many US players continue to track in the right direction with respect to fundamentals. In particular, unlike most Canadian producers, CQ3 resulted in a slight boost to investor confidence after many MSOs posted strong sequential growth and continued profitability. Further, recent M&A headlines continue to track in the right direction after the re-pricing of several deals (including CURA's Select deal) that should pave the way for material sector M&A to close in the coming weeks/months. And, although still in very early stages, Q4 saw the House Judiciary Committee pass the MORE Act, a bill that in its current form looks to end the federal prohibition of cannabis in the US. We believe this represents another positive indication (in addition to the SAFE Banking and STATES Acts) that de-stigmatization of cannabis at the federal levels continues to track in the right direction.

Given our more bullish view of the US cannabis sector as a whole, **we are re-introducing Curaleaf as our Top Pick**. Although valuations saw accelerated pressure in the back half of 2019 (with many US operators down >50%), we note that CURA was one of the better-performing names, rounding out 2019 up +20% YoY. Consistent with our previously telegraphed view of the company, we believe CURA is best positioned among its peers in terms of geographic exposure and existing infrastructure (i.e. operational stores and facilities) to see continued upside should sector sentiment start to turn.

Investment Highlights

- **CURA reiterates industry-leading 2020 guidance.** During its most recent quarter, the company once again reiterated its industry-leading guidance (even after considering current vaping headwinds), which includes pro forma revenues (assuming a Jan 1 close date) of **US\$1.0B to US\$1.2B** and an adj. EBITDA margin of **>30%** (or >US\$300M).
- **Attractive US exposure.** With the addition of Select, Grassroots and other tack-on acquisitions, Curaleaf has ~76 retail locations open today in ~19 states, with the ability to expand its retail presence to 131 dispensaries nationwide.
- **Balance sheet true-up could be next notable catalyst.** With ~US\$91M of cash on its balance sheet (and US \$75M required to close its acquisition of Grassroots in Q1/20), Curaleaf will likely require a capital injection to ensure its growth objectives for 2020 are met. Given the depressed nature of US cannabis equities across the board, we believe the anticipation of a near-term raise is likely keeping investors on the sidelines and that an announcement to fully fund its 2020 objectives (particularly with debt) could be the next major catalyst for the stock.

Valuation

We value Curaleaf using an SOTP analysis for each market where it has exposure. We utilize a DCF methodology, with discount rates ranging from 8% to 13% and a TGR of 2%. Based on this analysis, our target price remains unchanged at C\$16.00 and continues to support our SPECULATIVE BUY rating.

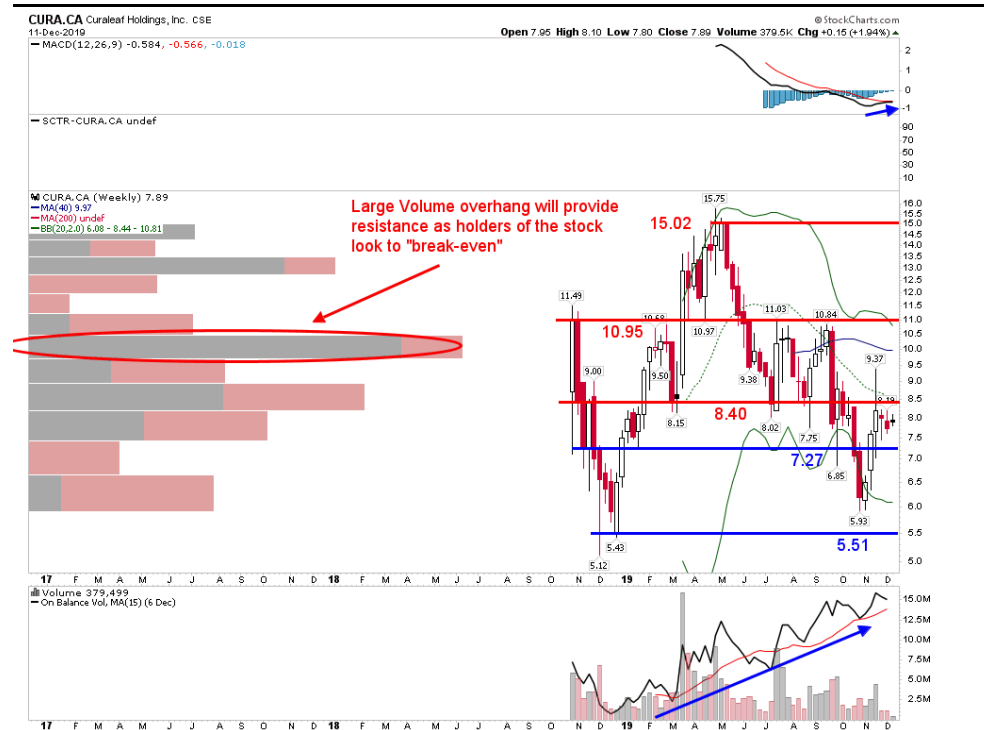
Curaleaf Holdings, Inc. (CURA)

Technical Overview - CURA

We recently highlighted that CURA is a good candidate for Tax Loss Buying, as the stock is attempting to forge a new intermediate-term price low, an early technical positive.

The following two technical positives are taking hold which are supportive of further upside: 1) Improving price momentum (see top panel) and 2) Volume and On-Balance-Volume are showing signs of buying pressure (see bottom panel).

Figure 1: CURA – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical sell” signal, a technical negative. However, downward momentum is slowing, an early technical positive (see blue arrow).
- Second Panel: Relative Strength (SCTR) – N/A
- Third Panel: Price – First resistance is near 8.40, followed by the 40-week moving average, currently at 9.97. Important resistance is near 10.95, then 15.02. First support is near 7.27. Important support is near 5.51 and this is where we would limit any risks on new positions. Significant selling resistance is between 9.50 – 10.50 (see red circle), as the purchasers of the stocks at that level will look to “break-even”.
- Bottom Panel: Buying/Selling Pressure (OBV) – **Volume and On-Balance-Volume are showing signs of buying pressure, a technical positive (see blue arrow).**

MediPharm Labs Corp.

Canadian Cannabis

Rating
SPECULATIVE BUY

Price Target
C\$7.25

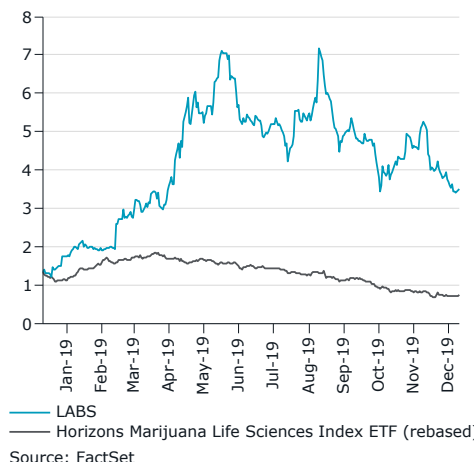
LABS-TSX

Price
C\$3.40

Market Data

52-Week Range (C\$) :	0.91 - 7.39
Avg Daily Vol (000s) :	719
Market Cap (C\$M) :	529.8
Shares Out., FD (M) :	155.8
Total Return to Target (%) :	113.2
Net Debt (Cash) (C\$M) :	(84.2)
Enterprise Value (C\$M) :	446

FYE Dec	2018A	2019E	2020E	2021E
Revenue (C\$M)	10.2	141.3	201.8	260.7
EV/Sales (x)	-	3.2	2.2	1.7
EBITDA Adj (C\$M)	(1.4)	32.3	48.1	80.8
EV/EBITDA (x)	-	13.8	9.3	5.5
EPS Adj&Dil (C\$)	(0.12)	0.06	0.13	0.28
P/E (x)	-	54.0	28.2	12.6
Free Cash Flow (C\$M)	-	(45.4)	6.4	52.5
FCF /Shr (C\$)	-	(0.29)	0.04	0.34
FCF Yield (%)	-	(8.6)	1.2	9.9



Priced as of close of business 11 December 2019

MediPharm Labs Corp. is a medicinal cannabis company engaged in pharmaceutical-grade production of cannabis oil products. The company focuses on downstream secondary extraction, distillation, and cannabinoid isolation and purification.

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Solid foundation in shaky industry

Investment recommendation

In the current risk-off environment, we believe cannabis companies with positive operating cash flows, international exposure and strong balance sheets should outperform. Based on those criteria, MediPharm is currently our top pick. In Q3/19, MediPharm reported revenues of \$43.4M, placing the company among the top three Canadian cannabis companies by revenue. In 2020, we believe MediPharm's focus on global markets and as an API supplier to the Cannabis 2.0 market positions the company for another strong year. With a large number of expected catalysts, we believe the stock should continue to outperform. We reiterate our SPECULATIVE BUY rating and C\$7.25/sh TP. While MediPharm has executed well since inception, given the risks inherent in the nascent cannabis sector (i.e. pricing, margin, regulatory, production, start-up and financial) we believe a speculative risk qualifier is appropriate.

Investment highlights:

- The company has been EBITDA positive over the last four quarters and most recently generated \$10.1M in EBITDA in the third quarter.
- MediPharm has a natural commodity price hedge and expects to access higher-priced international markets in 2020. We believe these factors could help shield against falling Canadian commodity prices over the coming year. We believe fixed take-or-pay contracts will also help the company maintain high revenue run rates. Currently, the company has eight long-term private and white label agreements in place.
- In 2020, we expect MediPharm to continue to benefit from demand for high-quality extracts as taste, smell and purity become increasingly important for edibles and vape products launching in the near term.
- Potential catalysts for 2020 include a NASDAQ listing, EU-GMP certification, the start of Australian operations, export milestones, facility expansions and incremental sales contracts (potentially including both licensed and unlicensed CPG companies).
- According to management, EU-GMP is a "game changer" that will allow for export opportunities into Asia and Europe. Moreover, following recent news that Brazil will allow medical cannabis imports, we see this as another potential revenue opportunity.
- Construction of the company's 10,000 sq. ft plant in Australia is now complete. The Australian facility was designed to have annual capacity of 75,000 kg and will replicate the high-quality standards of the company's Canadian production facility. We believe Australia could play an increasingly important role in revenue generation by the second half of 2020.

Valuation

Using a SOTP DCF model (WACC of 10.1% and 2.8% terminal growth rate) we arrive at a value of C\$7.18/sh, which is the basis of our C\$7.25/sh target. Based on our estimates, LABS is trading at a 2021E EV/EBITDA multiple of 5.5x, versus our target multiple of 12.8x and peer average of 3.5x.

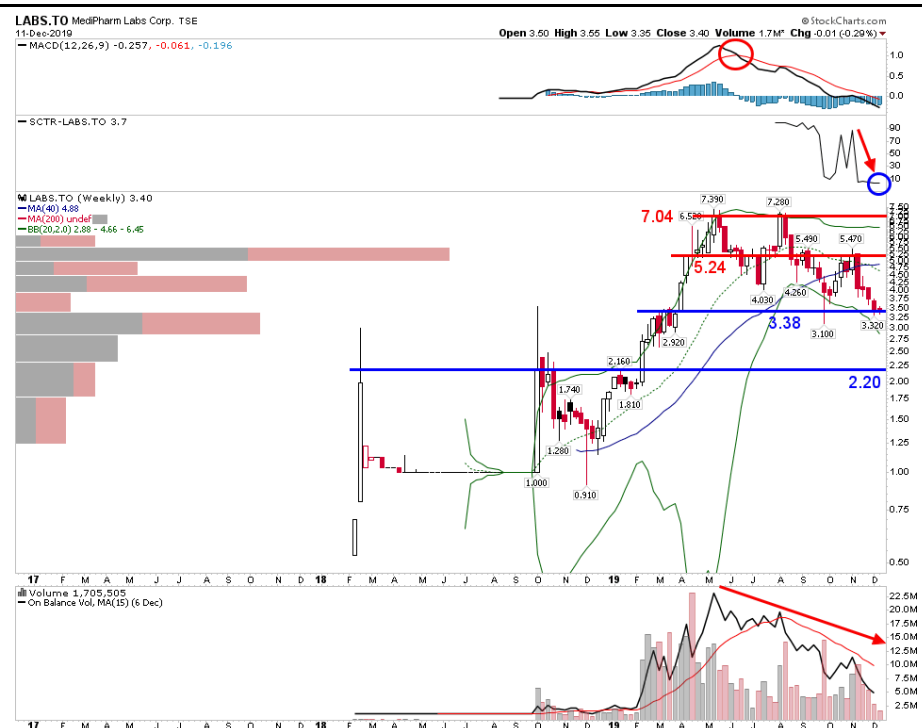
MediPharm Labs Corp. (LABS)

Technical Overview – LABS

The technical profile of LABS is negative. A close below important support near 3.38 would reinforce the current intermediate-term downtrend, with important support near 2.20.

The following three technical negatives are in place: 1) Price momentum is trending lower (see top panel), 2) Intermediate-term trend is down as the stock is trading below the 40-week moving average (see third panel), and 3) Volume and On-Balance-Volume are showing signs of selling pressure (see bottom panel).

Figure 1: LABS – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical sell” signal, a technical negative (see red circle).
- Second Panel: Relative Strength (SCTR) – **Relative strength versus the TSX Composite is attempting to turn up, an early technical positive (see blue circle).**
- Third Panel: Price – First resistance is near the 40-week moving average, currently at 4.88, followed by 5.24. A close above this level sees next technical upside target near 7.04. First support is near 3.38. Important support is near 2.20 and this is where we would limit any risk on new positions.
- Bottom Panel: Buying/Selling Pressure (OBV) – Volume and On-Balance-Volume are showing signs of selling pressure, another technical negative (see red arrow).

Aritzia, Inc.

Lifestyle Brands and Retailers

Canadian Equity Research
16 December 2019

Rating
BUY

Price Target
C\$24.00

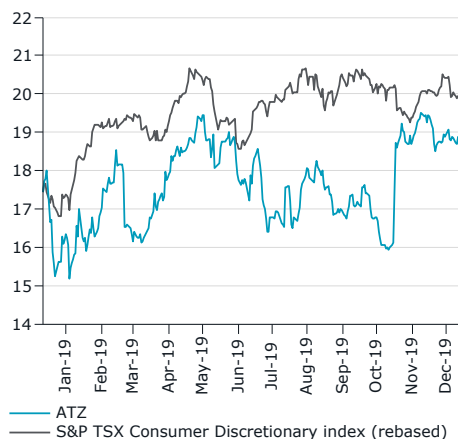
ATZ-TSX

Price
C\$18.83

Market Data

52-Week Range (C\$) :	15.08 - 19.59
Avg Daily Vol (M) :	0.1
Market Cap (C\$M) :	2,100.2
Shares Out. (M) :	111.5
Implied Return to Target (%) :	27.5
Net Debt (Cash) (C\$M) :	44.7
Enterprise Value (C\$M) :	2,145
Net Debt/EBITDA :	0.23

FYE Feb	2019A	2020E	2021E
Revenue (C\$M)	874.3	999.2	1,145.0
EBITDA (C\$M)	161.0	180.7	215.2
Net Income (C\$M)	94.5	104.1	127.7
EPS (C\$)	0.81	0.93	1.14
EV/EBITDA (x)	13.3	11.9	10.0
P/E (x)	23.4	20.2	16.5



Source: FactSet

Priced as of close of business 11 December 2019

Founded in 1984, Aritzia designs, develops, and sells aspirational women's fashion apparel and accessories at attainable price points. The company is an affordable, luxury, omni-channel retailer with 67 store locations in Canada and 26 within the United States.

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A standout in a challenging retail landscape

Investment recommendation:

We are introducing Aritzia as our Top Pick within the Consumer Products space, and reiterating our C\$24.00 target price. Aritzia underperformed the broader Consumer Discretionary index in 2019, increasing 7% YTD vs the index at 17%. We believe 2020 will be a banner year for Aritzia with continued strength in same-store sales, margin expansion, and the introduction of new long-term targets midway through the year.

Investment highlights:

- **Impressive same-store sales growth:** Aritzia has delivered 21 consecutive quarters of same-store sales growth. Notably, on a two-year stacked basis, same-stores sale growth has averaged nearly 20% over the last four quarters, putting the company's organic growth performance among the industry leaders. With continued growth in e-commerce penetration, and growing brand awareness in the US, we expect the company to continue to drive robust same-store sales growth throughout 2020.
- **Long runway for network growth:** Aritzia has added 19 stores since its IPO three years ago, and is targeting an additional five new stores in F2020. We forecast the company ending F2020 with 96 locations; however, we believe Aritzia could easily operate up to 200 stores within North America, while remaining selective and procuring only class "A" locations. The company has an average payback target of two years for new store openings, and has exceeded this target since its IPO with average payback periods approaching 18 months. This in turn has led to robust ROE and ROIC generation of 25.3% and 26.6%, respectively.
- **Exceeding IPO growth metrics, update coming mid-2020:** When Aritzia IPO'd in late 2016, the company set aggressive 5-year growth targets which included increasing revenue at a 15-17% CAGR and growing EBITDA by 18-21%. Thus far, the company has exceeded these targets, with 17% annual revenue growth and 24% annual EBITDA growth over the first three years of the plan. Looking ahead to 2020, we believe the company will provide its next three- to five-year growth targets, and believe this will be a positive catalyst for the share price.
- **Well-aligned management team, secondary overhang eliminated:** While Aritzia has exceeded its growth targets set out at the time of its IPO, the company's share price has remained challenged over the last three years. We believe this is due in part to the perceived overhang of its previous private equity partner Berkshire selling its position. In March 2019 Berkshire sold its remaining stake in Aritzia, which in our view has eliminated any concerns about large secondary offerings in the future. Meanwhile, CEO and Founder Brian Hill continues to own 22% of the shares outstanding, leaving management well aligned with shareholders.

Valuation:

Our target represents 12.6x our F2021 EBITDA estimate of \$215 million (which excludes the positive effect of IFRS 16), compared to peers which trade at an average of 14.3x their respective FY+2 EV/EBITDA estimates. With 21 consecutive quarters of same-store sales growth, a robust pipeline of new store openings, a healthy balance sheet to support growth and margin enhancement initiatives, and a well-aligned management team, we believe Aritzia is deserving of a premium valuation, yet currently trades at a discount to peers at 10.0x.

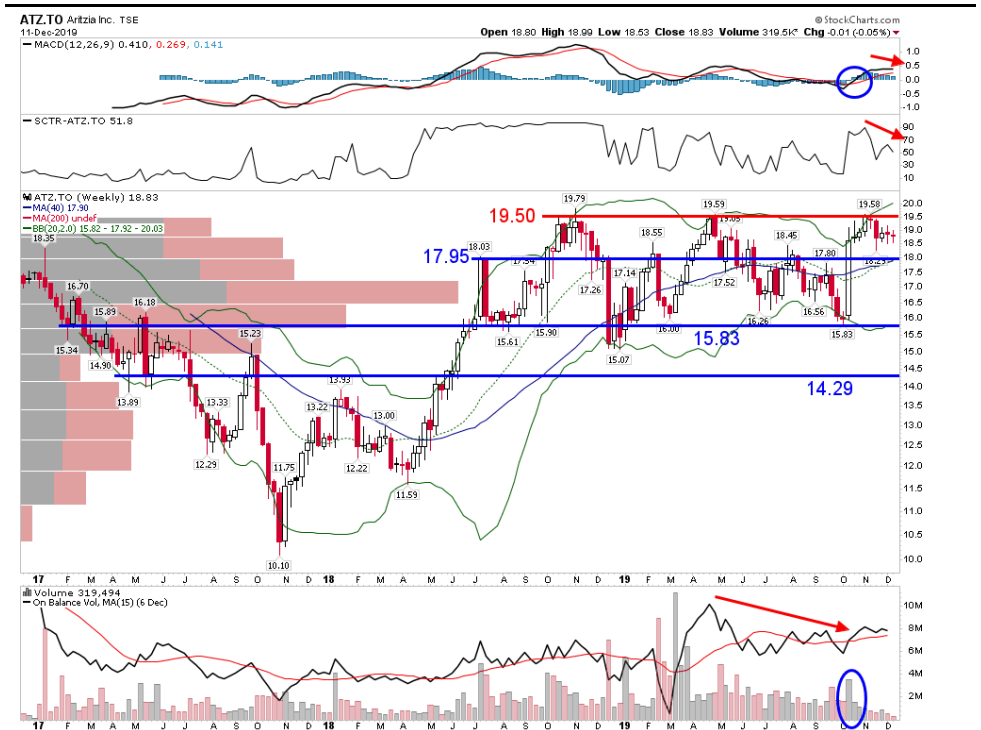
Aritzia, Inc. (ATZ)

Technical Overview - ATZ

The technical profile of ATZ is consolidating within a 17-month trading range. A close above 19.50 would confirm an upside breakout, a strong technical positive, with next upside technical target near 23.50.

The following two technical negatives are currently in place and suggest that a near-term pause/pullback is likely: 1) Weakening price momentum (see top panel) and 2) Relative Strength versus the TSX Composite is trending lower (see second panel).

Figure 1: ATZ – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- **Top Panel: Price Momentum (MACD)** – The stock remains on a weekly “mechanical buy” signal, a technical positive (see blue circle). However, upward momentum is slowing, an early technical negative (see red arrow).
- **Second Panel: Relative Strength (SCTR)** – Relative strength versus the TSX Composite is trending lower, a technical negative (see red arrow).
- **Third Panel: Price** – The stock remains in a 17-month trading range bound by 19.50 to the upside and 15.83 to the downside. First resistance is near 19.50. A close above this level sees next technical upside target near 23.50 (not shown). First support is near 17.95, followed by the 40-week moving average, currently at 17.90. Important support is near 15.83, followed by 14.29.
- **Bottom Panel: Buying/Selling Pressure (OBV)** – On-Balance-Volume has been trending lower, a technical negative (see red arrow). However, Volume is showing signs of buying pressure, an early technical positive (see blue circle).

Superior Plus Corporation

Consumer Products

Rating
BUY

Price Target
C\$14.50

SPB-TSX

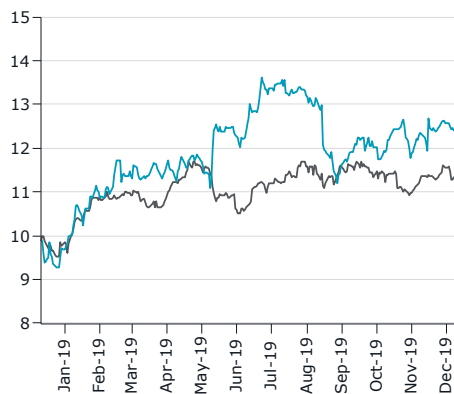
Price
C\$12.09

Market Data

52-Week Range (C\$) :	9.17 - 13.70
Market Cap (C\$M) :	2,114.5
Shares Out. (M) :	174.9
Dividend /Shr (C\$) :	0.72
Dividend Yield (%) :	6.0
Total Return to Target (%) :	25.9
Net Debt (Cash) (C\$M) :	1,904.4
Enterprise Value (C\$M) :	4,019

FYE Dec	2018A	2019E	2020E
Gross Profit (C\$M)	938.1	1,152.8	1,090.9
EBITDA (C\$M)	374.3	519.3	512.0
EV/EBITDA (x)	10.7	7.7	7.8
Free Cash Flow ¹ (C\$M)	173.4	295.4	252.3
Net Debt/EBITDA (x)	4.9	3.7	3.6
Payout Ratio (%)	64.9	42.6	49.9

¹ : Free cash flow defined as adjusted operating cash flow (excluding W/C changes) less maintenance capital expenditures.



Source: FactSet

Priced as of close of business 11 December 2019

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Propane market consolidator, attractive valuation and near-term catalyst

Investment Recommendation

SPB delivered a total return (including dividends) of ~30% in 2019, compared with the TSX benchmark performance of ~19%.

Superior Plus is in the process of selling its Specialty Chemicals (SC) division, which should help significantly de-lever its balance sheet. This should encourage defensive investors attracted to its ~6% dividend yield and growth investors who want to see a well-capitalized SPB consolidating the large and fragmented U.S. propane market.

Investment Highlights

- Specialty Chemicals sales process appears to be progressing well:** On the last earnings call, management noted the sales process is proceeding in line with expectations and intends to have an announcement on the Strategic Review process by December. We expect strong interest in this division from international chemical conglomerates, as it is very difficult to enter the North American market organically, and the Specialty Chemical division boasts a significant cost advantage due to low electricity prices. We believe the timeline could slip into January, putting near-term pressure on the share price and offering an attractive entry point.
- SC division appears undervalued and sale should help unlock value:** At the current share price, we believe the SC division is valued at under 6.0x EV/EBITDA, while the Energy division is being valued closer to 8.5x. To put this in perspective, we estimate the SC division is generating over \$100M in free cash flow. At a 6.0x multiple, this implies a FCF yield of over 13%. Hence, we expect the division to be sold for 7.0x–8.0x EV/EBITDA, supported by its attractive FCF yield and precedent transactions.
- Strengthened balance sheet should position SPB competitively to consolidate the U.S. propane market:** Following the potential sale of the SC division, we estimate net debt to EBITDA of 2.6–2.8x, from 3.8x currently. This compares with average net debt to EBITDA of over 4.0x for publicly listed propane companies with an MLP structure in the U.S.
- Attractive propane market fundamentals:** First, SPB has a ~5% market share of the U.S. propane market, while the majors still have only a cumulative 25% market share. Hence, this is a large and fragmented market. Second, propane demand is flat but resilient (outside of weather-related volatility) as propane is typically used in areas where there is a weak economic case for building out natural gas infrastructure. It is a clean-burning fuel, used in residential and multiple commercial and industrial applications, and generally cheaper than electricity as a heating source. Third, the company has a cost-plus retail model, which offers insulation from changes in the underlying commodity price, and propane supply is abundant, which bodes well for a retailer. Fourth, the customer base is sticky, with an average residential customer length of ~10 years. Finally, SPB has a demonstrated track record of realizing operational synergies following acquisitions, which has helped reduce upfront acquisition EV/EBITDA multiples by ~2x (Canwest & NGL).

Valuation: We estimate an intrinsic share price of \$13.30/sh, assuming the SC division is sold for 7.0x (or ~\$860M) and the Energy division continues to be valued at 8.5x on our 2020 EBITDA estimates. However, following the sale of the Specialty Chemicals division, we would expect a positive re-rating for the Energy division closer to the peer group average of ~9.0x. We derive our C\$14.50/sh TP using a 9.0x EV/EBITDA multiple for the Energy Division and 7.0x for the SC division.

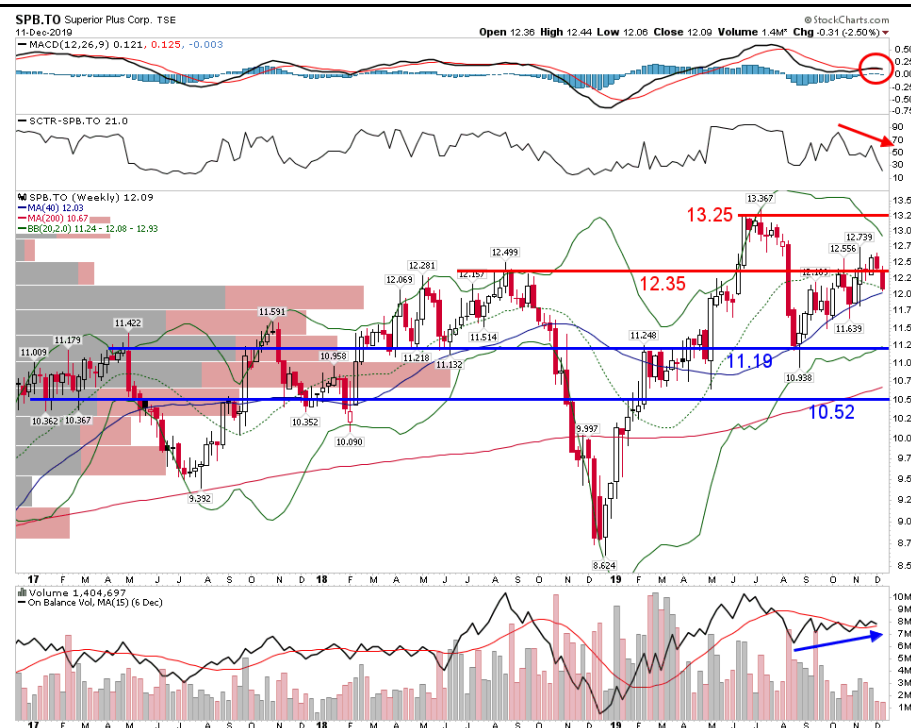
Superior Plus Corp (SPB)

Technical Overview - SPB

The technical profile of SPB is neutral as the stock is weakening within an intermediate-term uptrend, an early technical negative. A close below the 40-week moving average, currently at 12.03, would confirm a new intermediate-term downtrend was taking hold, a strong technical negative.

The following two technical negatives are in place and suggest a short-term pause/pullback is underway: 1) Price momentum is trending lower (see top panel) and 2) Relative strength is trending lower versus the TSX Composite (see second panel).

Figure 1: SPB – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock just triggered a new weekly “mechanical sell” signal, a technical negative (see red circle).
- Second Panel: Relative Strength (SCTR) – **Relative strength versus the TSX Composite is trending lower, another technical negative (see red arrow).**
- Third Panel: Price – First resistance is near 12.35. A close above this level sees next technical upside target near 13.25. First support is near the 40-week moving average, currently at 12.03, then 11.19. Important support is near the 4-Year (200-week) moving average, currently at 10.67, followed by 10.52.
- Bottom Panel: Buying/Selling Pressure (OBV) – Volume and On-Balance-Volume are showing signs of buying pressure, a technical positive (see blue arrow).

ARC Resources Ltd.

Oil and Gas, Exploration and Production

Canadian Equity Research
16 December 2019

Rating
BUY

Price Target
C\$10.00

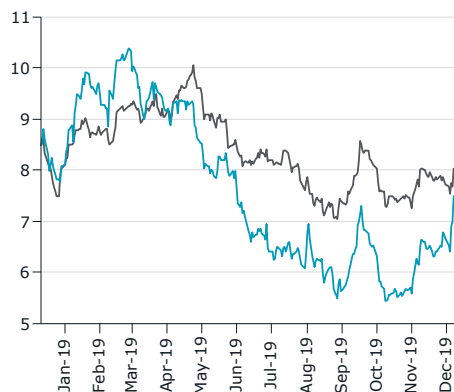
ARX-TSX

Price
C\$7.66

Market Data

52-Week Range (C\$) :	5.37 - 10.49
Avg Daily Vol (M) :	2.3
Market Cap :	2,707.2
Dividend / Shr (C\$) :	0.60
Dividend Yield (%) :	7.8
Shares Out., Basic (M) :	353.4

FYE Dec	2018A	2019E	2020E
Oil Production (b/d)	37,297	35,238	38,395
Gas Production (MMcf/d)	573.5	620.4	718.4
Total Production	132,885.3	138,639.4	158,132.1
EV/BOEPD (C\$)	27,598	26,453	23,192
CFPS (C\$)	2.31	2.01	2.17
EV/DACF (x)	4.4	5.0	4.6
Net Debt (Cash) (C\$M)	703	960	907
DACF (C\$M)	833.90	734.98	786.39
D/CF	0.9	1.3	1.2



Source: FactSet

Priced as of close of business 11 December 2019

ARC Resources is an intermediate sized dividend paying Canadian E&P company. ARC's assets are focused in the Montney region in Alberta and northeast British Columbia, and the Pembina Cardium region in Alberta.

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2020 forecasts suggest top tier growth and fully funded 8% yield

Investment recommendation

Our top pick in the Canadian E&P space is ARC Resources, which has production of ~145,000 boe/d (75% natural gas). The company's assets are focused in the Montney region in Alberta and NE British Columbia, and the Pembina Cardium region in Alberta. Given the state of the E&P market, we believe investors are seeking high-quality companies with strong balance sheets that possess the potential for a significant rebound should sentiment improve. In our view, ARC meets these criteria best among the junior/intermediate producers in our coverage, and also provides investors with a robust dividend while they wait (current yield of 8%).

ARX declined ~5% YTD in 2019 versus the S&P capped Energy Index, which is down 1% YTD.

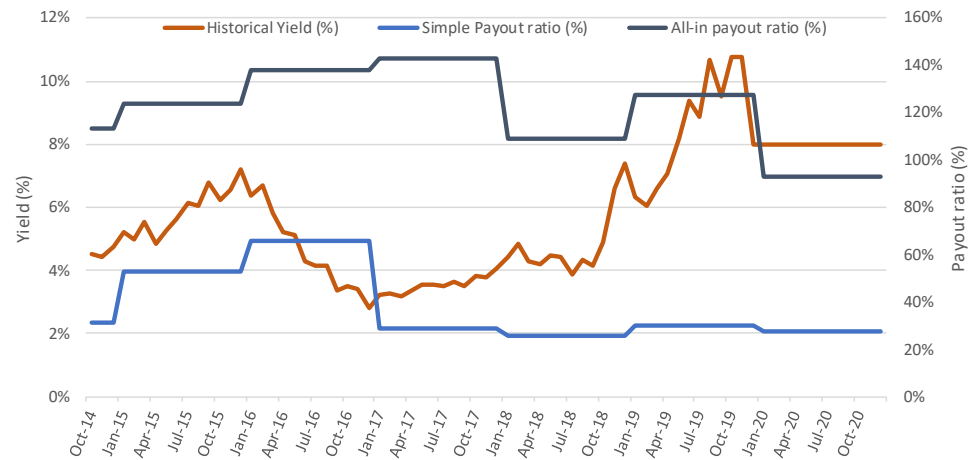
Investment highlights

- **History of success.** ARX is a liquids-rich Montney producer, with current production of ~140,000 boe/d. ARX has a long history of providing steady returns to investors, through both consistent production growth (CAGR of ~7% over the last 10 years, or 4% per share), and a healthy dividend (total of \$11/share paid over the last 10 years).
- **2020 guidance suggests top tier growth, fully funded dividend, and FCF to spare.** We believe some of the pressure on ARX's stock price over the last year was the result of a large capital spend in 2019, given a significant build-out in infrastructure. In 2020, ARX's budget returns to a more modest level of \$500M, along with the current dividend level suggesting ~\$212M in payments. Our cash flow estimate of ~\$765M suggests ARX will have ample funds available to fully fund its capital program and dividend requirements in 2020. With forecast growth of ~15% (top decile) and a dividend yield of 8%, we believe ARX offers significant value at these levels.
- **Attractive entry point.** As shown in Figure 1, ARX has typically traded at a yield of ~5% and has generally kept its all-in payout ratio above 100% as it has funded significant growth. As noted above, our expectations for 2020 include a payout ratio below 100%, and yet the company's yield is at the high end of its historic range. A return to a 5% yield suggests a share price of ~\$12.00/share, or an ~60% return from current levels.

Valuation

ARX is trading at a 2020E EV/DACF of 4.6x, which is well below its historical range of ~8.5x (Figure 3), and largely in line with its peer group at 3.9x. ARX's 2020E D/CF of 1.2x is below peers at 2.0x. Our C\$10.00 price target is a 1.0x multiple of our CNAV and maps to a 2020E EV/DACF of 5.6x.

Figure 1: Yield vs. payout ratio over time



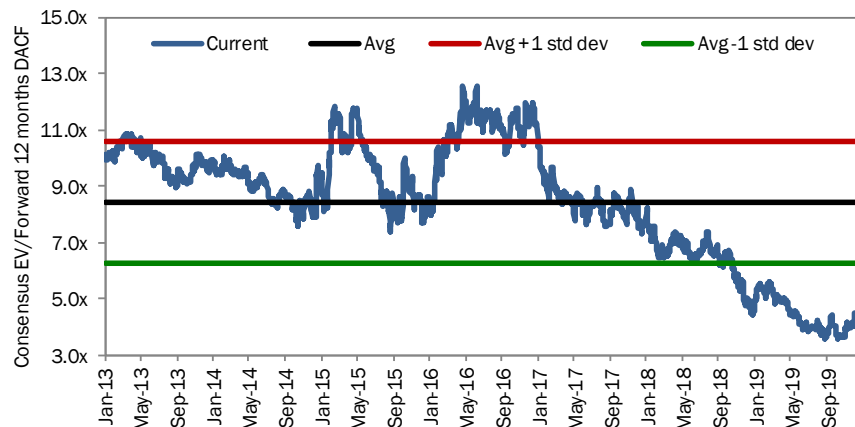
Source: Company Reports, Canaccord Genuity estimates, Factset

Figure 2: Production per share growth



Source: Company Reports, Canaccord Genuity estimates

Figure 3: Historical EV/DACF chart



Source: Bloomberg, Canaccord Genuity

In Figure 1 we show yield vs. payout ratio (forecast post November 2019). As shown, the forecast for 2020 has its lowest payout ratios (simple and 'all-in'), yet the yield is at its highest historical level.

In Figure 2, we show ARX's production per share growth and debt/boe since 2013. The company has reduced its net debt steadily while growing production.

In Figure 3, we show ARX's historical EV/DACF. ARX is trading at a 2020E EV/DACF of 4.6x, which is well below its historical range of ~8.5x.

ARC Resources Ltd. (ARX)

Technical Overview - ARX

The technical profile of ARX is showing signs of improvement consistent with a new intermediate-term uptrend, a strong technical positive. The close above 7.48 sees next upside technical target near 11.18.

The following four technical positives are taking hold: 1) Price momentum is trending higher (see top panel), 2) Relative Strength versus the TSX Composite is reaccelerating (see second panel), 3) Intermediate-term trend is up, as the stock is trading above the 40-week moving average (see third panel), and 4) Volume is showing signs of accumulation (see bottom panel).

Figure 1: ARX – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical buy” signal, a technical positive (see blue circle).
- Second Panel: Relative Strength (SCTR) – Relative strength versus the TSX Composite is reaccelerating, another technical positive (see blue circle).
- Third Panel: Price – ARX is trading above the 40-week moving average, a technical positive. First resistance is near 11.18. A close above this level sees next technical upside target near the 4-Year (200-week) moving average, currently at 13.06. First support is near 7.48, followed by the 40-week moving average, currently at 6.81. Important support is near 5.42 and this is where we would limit any risk on new positions.
- Bottom Panel: Buying/Selling Pressure (OBV) – On-Balance-Volume has been trending lower, a technical negative (see red arrow). However, Volume is showing signs of accumulation, an early technical positive (see blue circle).

Suncor Energy Inc.

Oil and Gas, Integrated

Rating
BUY

Price Target
C\$58.00

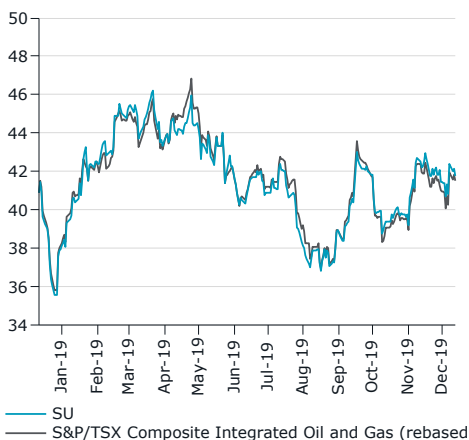
SU-TSX
SU-NYSE

Price
C\$41.78

Market Data

52-Week Range (C\$) :	35.53 - 46.50
Avg Daily Vol (000s) :	3,656
Market Cap :	63,927.5
Dividend /Shr (C\$) :	1.68
Dividend Yield (%) :	4.0
Shares Out., Basic (M) :	1,530.1
Net Debt (Cash) (C\$M) :	15,981.1
Enterprise Value :	79,909
NAV /Shr (C\$) :	53.42

FYE Dec	2018A	2019E	2020E
EV/DACF (x)	6.5	6.4	6.0
EV/BOEPD (C\$)	108,507	102,302	95,361
CFPS (C\$)	6.24	6.77	7.77
Oil Production (b/d)	668,600	736,957	837,269
Gas Production (MMcf/d)	3.0	0.0	0.0
Total Production (boe/d)	669,093	736,957	837,269
Free Cash Flow (C\$M)	4,766	5,245	5,756
FCF /Shr (C\$)	2.93	3.36	3.85
DACF (C\$M)	12,314.00	12,581.07	13,342.90
D/CF	1.5	1.5	1.4
Net Debt (Cash) (C\$M)	15,499	15,981	15,915
FCF Yield (%)	7.5	8.2	9.0



Source: FactSet

Priced as of close of business 11 December 2019

Suncor is the largest Canadian integrated oil company, with the largest position in the Canadian oil sands industry.

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Robust integration and focus on shareholder return

Investment recommendation

We are keeping Suncor as our top integrated pick due to its robust integration, focus on shareholder return and clean balance sheet, which we believe gives it the strength and flexibility needed in a volatile commodity environment. We expect Suncor will continue to reward shareholders at an accelerated pace, focus on low capital intensity projects and look to achieve its outlined ESG goals.

Notwithstanding the near-term impact of IMO2020 mandating low sulphur content in fuels, we view demand for synthetic barrels increasing over time given higher diesel, kerosene and middle distillate yields compared to traditional light oil. Further to this, we believe that Suncor's refining exposure insulates it from potential wider differentials as refineries de-emphasize higher sulphur content feedstocks and could translate into strong downstream cash flows. We highlight SU as the company with the highest proportion of synthetic (primarily) and/or heavy oil production within our coverage universe (Figure 1).

YTD, Suncor has returned ~10%, compared to the peer group average of -2%.

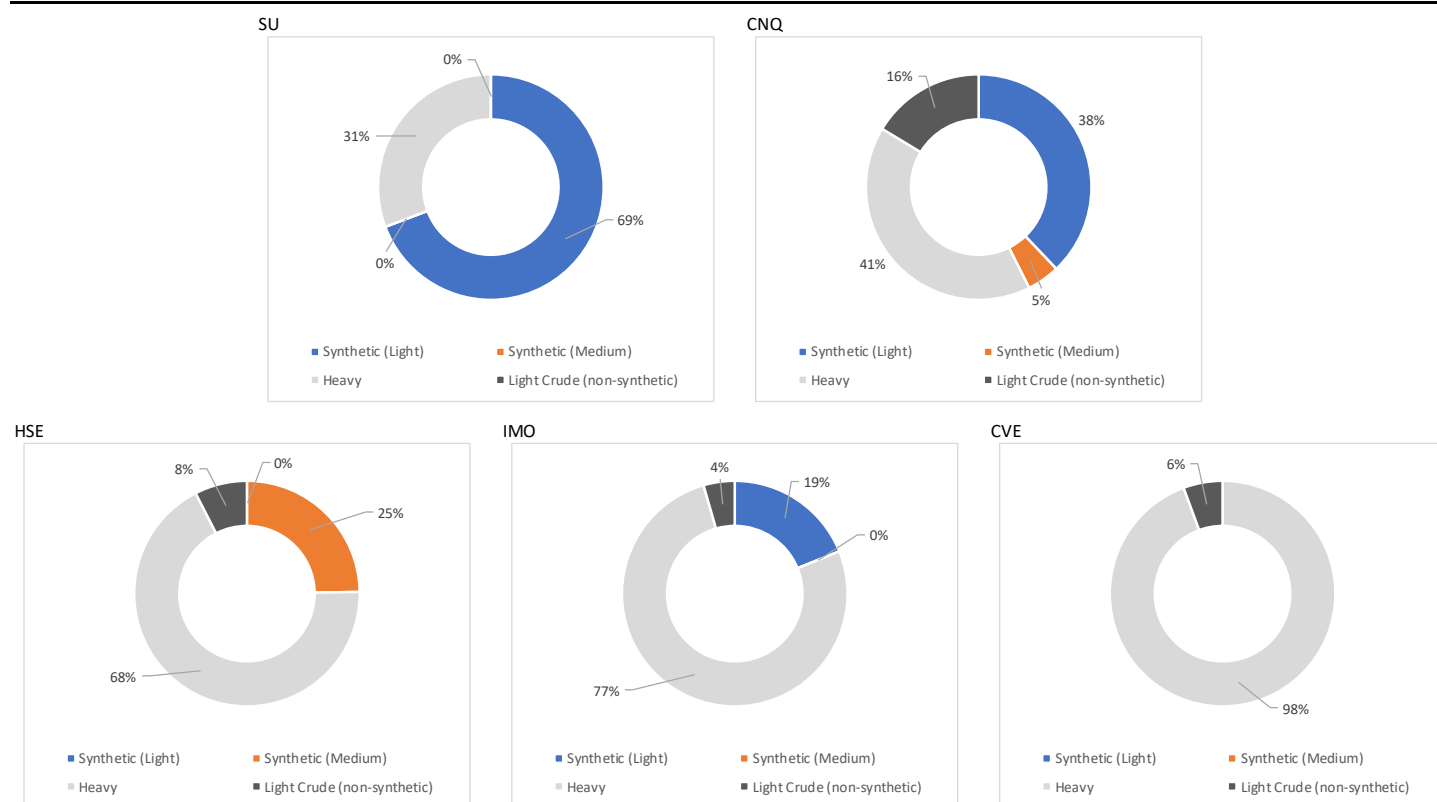
Investment highlights

- We expect Suncor to increase its dividend by 10-15% in 2020.
- We expect the share buyback program to be renewed for at least ~\$2.5 billion, subsequent to the end of the current program in February 2020.
- Suncor expects to spend \$5,400 to \$6,000 million in 2020, or ~49% of our 2020E cash flow, with the range giving the company the ability to scale-up production should the government decide to roll back its mandatory curtailment program.
- 2020 capital spending is expected to be focused on improving reliability and efficiency at existing facilities, advancing digital technology adoption in lieu of the company's recent deal with Microsoft, sanctioning of the Forty Mile Wind Power project in south Alberta and advancing longer-term projects.

Valuation

Suncor trades at 72% of our CNAV, a 2020E EV/DACF of 6.0x and a 2020E FCF yield of 9%, vs. the large-cap group average of 78%, 5.1x and 13%, respectively. Our price target for Suncor of C\$58.00 is based on a ~1.0x multiple to our contingent net asset value (CNAV) estimate of \$58.17 per share.

Figure 1: Upstream exposure to crude feedstocks with higher relative diesel-yields



Source: Company Reports, Canaccord Genuity estimates

Note 1: We have excluded diesel from upgraders and contributions from refineries.

Note 2: We have assumed VGO from AOSP as a medium synthetic and Albian heavy synthetic as heavy oil.

Note 3: We have combined light sweet and light sour volumes from Suncor's U1 and U2 upgraders.

Note 4: The above does not include refining capacity (which would convert heavy barrels into refined product in Western Canada)

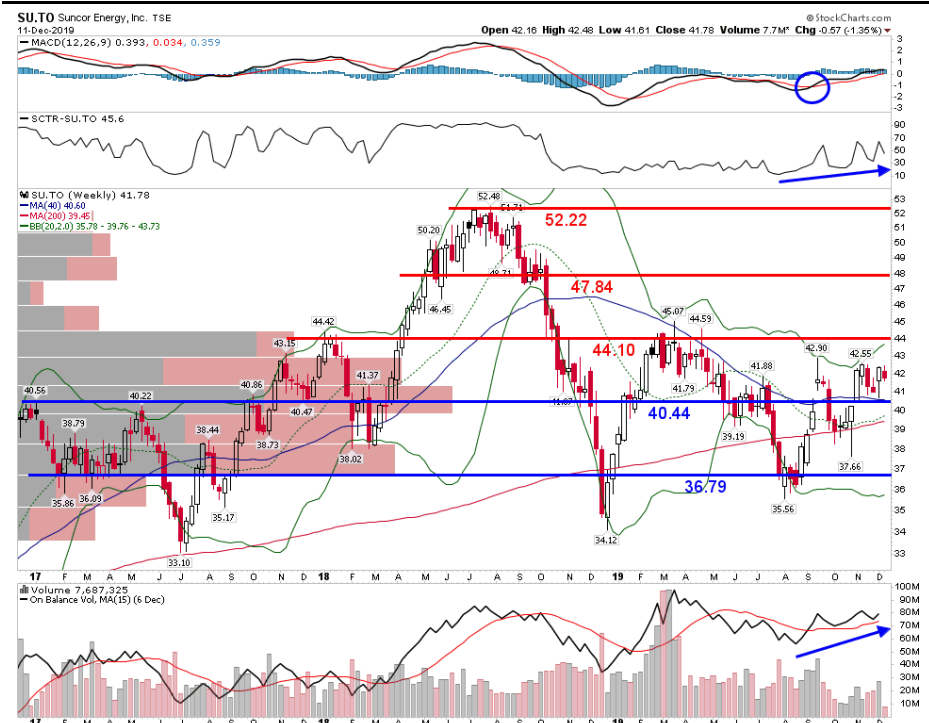
Suncor Energy Inc. (SU)

Technical Overview – SU

The technical profile of SU is showing signs of improvement consistent with a new intermediate-term uptrend, a strong technical positive. A close above important resistance near 44.10 sees next upside technical target near 47.84.

The four technical positives are developing: 1) Price momentum is trending higher (see top panel), 2) Relative Strength versus the TSX Composite is trending higher (see second panel), 3) Intermediate- and Long-term trends are up, as the stock is trading above the 40/200-week moving averages (see third panel), and 4) Volume and On-Balance-Volume are showing signs of buying pressure (see bottom panel).

Figure 1: SU – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical buy” signal, a technical positive (see blue circle).
- Second Panel: Relative Strength (SCTR) – Relative strength versus the TSX Composite is trending higher, another technical positive (see blue arrow).
- Third Panel: Price – First resistance is near 44.10, followed by 47.84. A close above this level sees next technical upside target near 52.22. First support is near the 40-week moving average, currently at 40.60, then 40.44. Important support is near the 4-Year (200-week) moving average, currently at 39.45, then 36.79.
- Bottom Panel: Buying/Selling Pressure (OBV) – Volume and On-Balance-Volume are showing signs of buying pressure, another technical positive (see blue arrow).

TORC Oil & Gas Ltd.

Oil and Gas, Exploration and Production

Rating
BUY

Price Target
C\$7.50

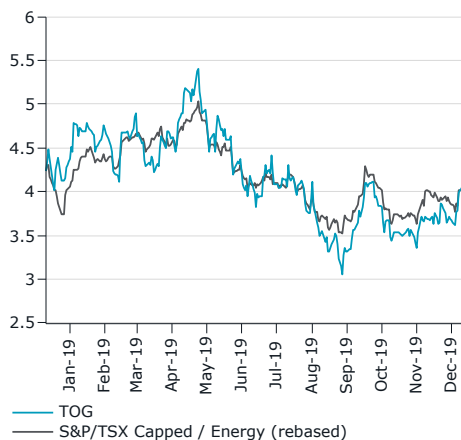
TOG-TSX

Price
C\$4.02

Market Data

52-Week Range (C\$) :	3.03 - 5.46
Avg Daily Vol (M) :	0.8
Market Cap (C\$M) :	891.8
Dividend /Shr (C\$) :	0.30
Dividend Yield (%) :	7.5
Shares Out., Basic (M) :	221.8
Net Debt (Cash) (C\$M) :	344.3
Enterprise Value (C\$M) :	1,236
NAV /Shr (C\$) :	4.21

FYE Dec	2018A	2019E	2020E
Oil Production (b/d)	22,308	25,002	24,858
Gas Production (MMcf/d)	18.2	19.8	20.7
Total Production (boe/d)	25,338	28,309	28,308
EV/BOEPD (C\$)	51,192	43,664	42,627
EV/DACF (x)	4.1	3.9	4.0
CFPS (C\$)	1.39	1.35	1.29



Priced as of close of business 11 December 2019

TORC is a dividend paying junior oil & gas company with assets in Alberta and Saskatchewan.

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Responsible oil exposure, with a healthy yield and upside potential

Investment recommendation

Our top oil-weighted pick in the Canadian E&P space is TORC Oil & Gas, which has production of ~28,000 boe/d (88% oil). The company has two primary assets – mature SE Sask assets (providing the cash flow for the dividend) and the Cardium near Pembina (development assets). Also noteworthy are the company's unconventional Torquay and Midale plays in Saskatchewan. TOG declined 8% YTD in 2019 versus the capped Energy Index, which is down 1% YTD.

We believe TOG is attractive due to its best-in-class assets (low decline, high netback, strong well results), access to sufficient egress, top tier management team, reasonable valuation, and strong balance sheet, while offering significant upside potential for organic growth if pricing improves.

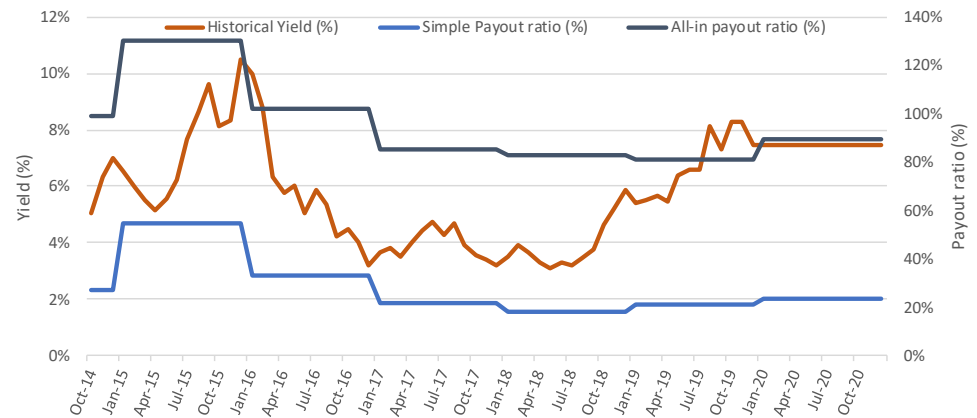
Investment highlights

- **Best-in-class asset base.** TOG benefits from its low-decline (~23%), high-netback production base. The company modestly grew production in 2019, while funding its dividend within cash flow. Once again in 2020, our estimates suggest TOG's capital spending and dividend payments will be well below expected cashflow levels, with an all-in payout ratio of ~90% @US\$55 WTI (Figure 1).
- **Organic growth runway.** Between the company's Alberta Cardium assets and SE Saskatchewan conventional and unconventional assets, TOG has amassed a well inventory of ~1,000 locations in premier light oil plays, suggesting 10+ years of runway.
- **Proven quality.** As shown in Figure 3, TOG has increased its production every quarter over the last 5+ years, the only Canadian producer we are aware of that has accomplished this feat. In addition, the company continues to reduce its debt on a per barrel basis (Figure 2), which further reduces the risk in our view.
- **M&A potential.** In our view, TOG has the potential to create additional value through acquisitions by using its excess free cashflow to augment organic growth. TOG has been active with "tuck-in" acquisitions over the years, and we anticipate more of the same in 2020.
- **8% yield provides great opportunity.** As shown in Figure 1, in recent years the company has traded at a yield of 4-5% and has kept its all-in payout ratio below 100%. Despite its payout ratios remaining amongst the lowest levels in its history, TOG is currently yielding close to 8%. A return to a 5% yield suggests a share price of ~\$6.00, or a ~50% premium from current levels. We believe this represents a compelling entry point into the stock for investors seeking responsible oil exposure.

Valuation

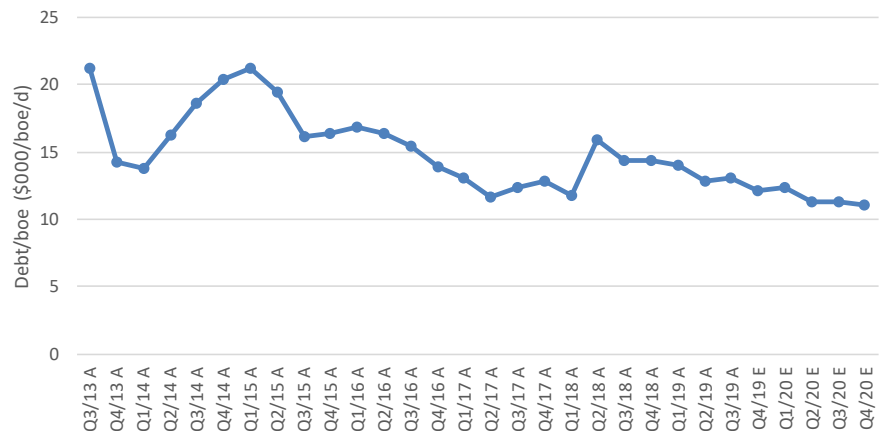
TOG is trading at a 2020E EV/DACF of 4.0x, in line with its peer group at 3.8x. In addition, TOG's 2020E D/CF is 1.1x, well below its peer group at 3.0x. Our C\$7.50 price target is a 1.2x multiple of our CNAV and maps to a 2020E EV/DACF of 6.7x.

Figure 1: Yield vs payout ratio over time



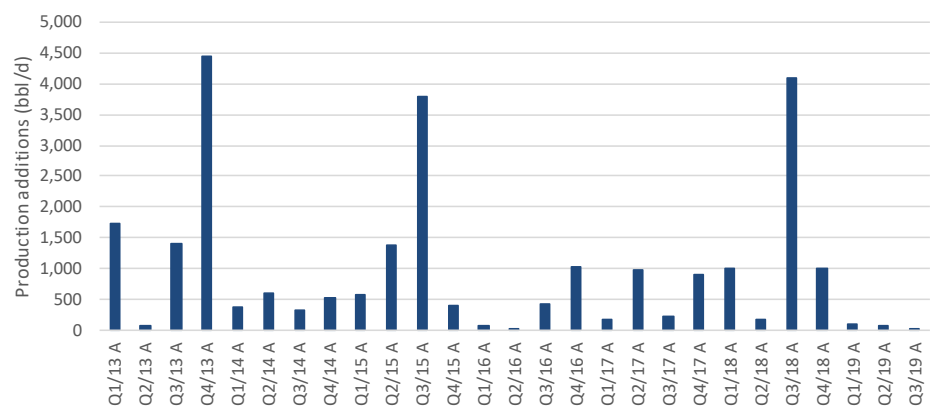
Source: Company Reports, Canaccord Genuity estimates

Figure 2: Debt/ boe



Source: Company Reports, Canaccord Genuity estimates

Figure 3: Quarterly production adds



Source: Company Reports, Canaccord Genuity estimates

In Figure 1 we show yield vs. payout ratio (forecast post November 2019). In recent years the company has traded at a yield of 4-5% and has kept its payout ratio below 100%. Despite its payout ratios remaining amongst the lowest levels in its history, TOG is currently yielding close to 8%.

In Figure 2, we show TOG's debt/boe since 2013. The company has reduced its net debt steadily while growing production.

In Figure 3, we show TOG's quarterly production adds. The company has consistently added production every quarter since Q1/13.

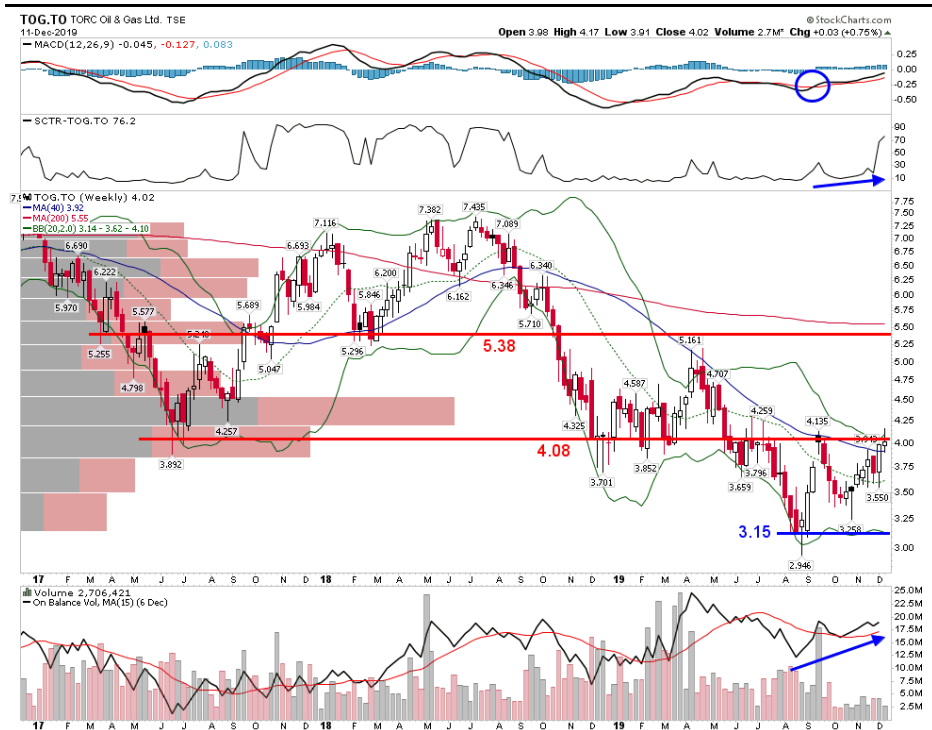
TORC Oil & Gas Ltd. (TOG)

Technical Overview - TOG

The technical profile of TOG is showing signs of improvement consistent with a new intermediate-term uptrend, a strong technical positive. A close above important resistance near 4.08 would be another technical positive, and sees next upside technical target near 5.38.

Four technical positives are in place which are supportive of further upside: 1) Price momentum is trending higher (see top panel), 2) Relative strength is reaccelerating versus the TSX Composite (see second panel), 3) Intermediate-term trend is up as the stock is trading above the 40-week moving average (see third panel), and 4) Volume and On-Balance-Volume are showing signs of buying pressure (see bottom panel).

Figure 1: TOG – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical buy” signal, a technical positive (see blue circle).
- Second Panel: Relative Strength (SCTR) – **Relative strength versus the TSX Composite is reaccelerating, another technical positive (see blue arrow).**
- Third Panel: Price – First resistance is near 4.08, followed by 5.38. Important resistance is near the 4-Year (200-week) moving average, currently at 5.55. First support is near the 40-week moving average, currently at 3.92. Important support is near 3.15 and this is where we would limit any risk on new positions.
- Bottom Panel: Buying/Selling Pressure (OBV) – Volume and On-Balance-Volume are showing signs of buying pressure, another technical negative (see blue arrow).

Brookfield Asset Management Inc.

Diversified Financials

Rating
BUY

Price Target
US\$66.50

BAM-NYSE
BAM.A-TSX

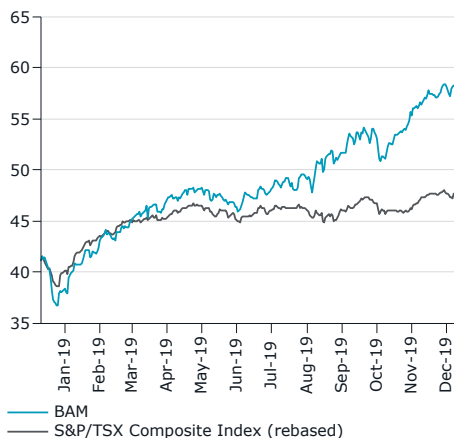
Price
US\$57.73

Market Data

52-Week Range (US\$) :	36.58 - 58.10
Avg Daily Vol (000s) :	1,607
Market Cap (US\$M) :	60,864.7
Shares Out. (M) :	1,054.3
Dividend /Shr (US\$) :	0.64
Dividend Yield (%) :	1.1
Implied Return to Target (%) :	8.5
NAV /Shr (US\$) :	63.73
Prem (Disc)/NAV (%) :	(9.4)

FYE Dec	2018A	2019E	2020E	2021E
FFO (US\$)	2.80	3.06	3.45	3.59
P/FFO (x)	20.6	18.9	16.7	16.1

Quarterly FFO	Q1	Q2	Q3	Q4
2018A	0.67	0.64	0.66	0.83
2019E	0.81A	0.78A	0.68A	0.79
2020E	0.85	0.86	0.86	0.88
2021E	0.89	0.90	0.90	0.91



Source: FactSet

Priced as of close of business 11 December 2019

Brookfield Asset Management is a global asset manager and operator, specializing in property, renewable power, and infrastructure assets.

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Rising management fees continue to drive cash flow growth

Investment Recommendation

Brookfield Asset Management (BAM) is a global alternative asset manager with large investments in property, infrastructure and renewable energy as well as a growing asset management business. Following the recent closing of the Oaktree acquisition, it has more than \$274 billion of fee-bearing capital, which generates substantial and recurring fees. Each of the business lines is conducted through publicly traded subsidiaries in which BAM maintains a large equity stake and is also the manager, whereby it earns various fees. We expect steady cash flow growth from all of its key operating platforms as fundamentals are generally healthy, and cash flows are, for the most part, locked in on long-term leases/contracts.

BAM's total return year-to-date is 53.0%, and we expect that strong growth will continue through 2020.

Investment Highlights

- **BAM continues to rapidly grow its management fees.** BAM has been very successful in growing its fee-bearing capital, and its fee-related earnings have accelerated as a result. Base management fees are now US\$1.3 billion annually, and including incentive distributions, carried interest and other performance/transaction service fees, BAM's annualized asset management fees total US\$2.8 billion.
- **Management has set ambitious targets to grow its management fees** through both raising larger private funds and growing its public subsidiaries. Should fee-bearing capital grow in line with management's targets, fee-related earnings would increase dramatically, from the current annualized run rate of US\$1.3 billion to US\$2.5 billion in five years. Including cash flow from its equity investments, the five-year plan would lead to US\$5.1 billion annually in free cash flow, rising to US\$6.3 billion when including carried interest. This would allow for material dividend growth and/or share buybacks.
- **Healthy balance sheet positions BAM well for new opportunities.** Brookfield has historically completed its most important and valuable acquisitions during times of distress. While there do not appear to be many large distressed acquisition opportunities currently, this could rapidly change. Therefore, while management fees and cash flow continue to rise, Brookfield is preparing for a more difficult operating environment by operating conservatively and increasing its financial flexibility.

Valuation. Our current estimate of BAM's public market NAV is US\$63.73 per share and the company's shares currently trade at a 9.4% discount to our NAV estimate. Our target price of US\$66.50 equates to a 5% premium to our NAV estimate and, based on the current share price, implies a forecast total return of 8.5% over the next 12 months.

Brookfield Asset Management Inc. Class A (BAM.A)

Technical Overview – BAM.A

The chart of BAM.A remains in intermediate- and long-term uptrends, and the stock recently scored new all-time price highs. All of these are technical positives and are supportive of further upside.

The following three technical positives are in place and support further upside:
1) Relative Strength is reaccelerating versus the TSX Composite (see second panel),
2) Intermediate- and Long-term trends are up as the stock is trading above the 40/200-week moving averages (see third panel), and 3) Volume and On-Balance-Volume are showing signs of buying pressure (see bottom panel).

Figure 1: BAM.A – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- **Top Panel: Price Momentum (MACD)** – The stock remains on a weekly “mechanical buy” signal, a technical positive (see blue circle). However, upward momentum is slowing, an early technical negative (see red arrow).
- **Second Panel: Relative Strength (SCTR)** – **Relative strength versus the TSX Composite is reaccelerating, a technical positive (see blue arrow).**
- **Third Panel: Price** – First resistance is near 80 (not shown). A close above this level sees next technical upside target near 85 (not shown). First support is near 75.50, followed by 71.36. Important support is near 67.00, followed by the 40-week moving average, currently at 66.78.
- **Bottom Panel: Buying/Selling Pressure (OBV)** – Volume and On-Balance-Volume are showing signs of buying pressure, another technical positive (see blue arrow).

Manulife Financial Corp. Insurance

Rating
BUY

Price Target
C\$34.00

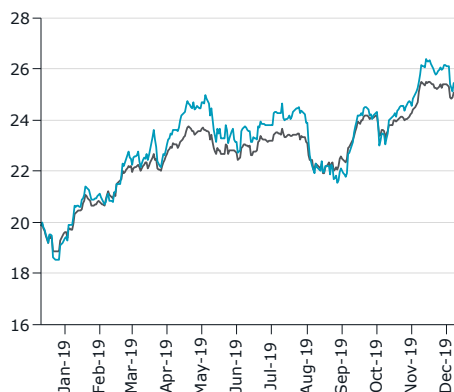
MFC-TSX

Price
C\$25.48

Market Data

52-Week Range (C\$) :	18.33 - 26.47
Market Cap (C\$M) :	49,656.9
Shares Out. (M) :	1,948.9
Dividend /Shr (C\$) :	1.06
Dividend Yield (%) :	4.2
Total Return to Target (%) :	37.6
Book Value (C\$) :	23.51
Price/Book Value (x) :	1.1

FYE Dec	2018A	2019E	2020E
EPS Adj&Dil (C\$)	2.74	3.00	3.13
P/E (x)	9.3	8.5	8.1
Book Value / Shr (C\$)	21.38	25.15	28.29
P/Book (x)	1.2	1.0	0.9
ROE (%) Adj	13.7	12.9	11.8
Div. Yield (%)	3.6	4.0	4.2



Source: FactSet

Priced as of close of business 11 December 2019

Manulife Financial is a leading Canada-based financial services group operating in 22 countries and territories worldwide. Funds under management/administration by Manulife Financial and its subsidiaries were C\$1.1 trillion as of December 31, 2018.

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Sound growth prospects in Asia & WAM

Investment recommendation

MFC remains our top pick in the Cdn. Lifeco universe. YTD, MFC has generated stellar returns of >37%, notably outperforming the TSX and TSX Financials indices. The Lifeco Group has appreciably outperformed as well, on the heels of a large decline in 2018. We expect this streak to continue near-term, as current valuations remain near trough levels ([see link](#)). MFC trades slightly below our NTM BVPS, with a prospective RoE of ~13% this year. We forecast core EPS growth of 10% / 4% in 2019E / 2020E, respectively (tough comp of 23% in 2018). In our view, key catalysts for a re-rating include: (1) net neutral US LTC and actuarial reviews; (2) strong core earnings growth, driven by higher ROE businesses (Asia and WAM); (3) noteworthy progress towards balance sheet optimization target; (4) efficiency program benefitting the bottom line; and (5) considerable dry powder to support organic / acquisitive growth, share repurchases and dividend raises (CGE: 6% for 2020E).

Investment highlights:

- **Solid growth in Asia.** MFC's Asia operations currently generate more than one third of group earnings, which is an engine for sustainable long-term growth, in our view. In Q3/19, the Asia segment's core earnings grew 10% YoY (US\$). The momentum was primarily driven by strength in Hong Kong (despite protests, APE sales rose 58% YoY) and Asia other, partially offset by softness in Japan. We expect better performance on the latter, with the resumption of COLI product sales. Furthermore, the Asian new business value increased 13pp YoY. With ample capital at its disposal, the company continues to expand its Asia footprint (e.g., partnerships in China, Vietnam), and could add further scale through M&A activity.
- **Global Wealth platform.** MFC plans to fortify its Global Wealth franchise by improving EBITDA metrics. The firm targets EBITDA margin of >30% medium term, mainly from better efficiencies across three primary regions (Asia, US and Canada). The asset manager platform is well diversified by client segment, with a large growth benefit from Asia and its Retirement business. In Q3/19, the WAM segment experienced net outflows of >\$4B, mainly attributable to a single institutional client in Canada. Meanwhile, relative Fund performance remains favourable. Management expects the WAM segments to be accretive to earnings over the medium term.
- **Balance Sheet optimization.** The firm continues to make good progress on its optimization initiatives, having accomplished \$4.4B out of a \$5B capital release target by 2022. In Q3, MFC disclosed that it will realize \$120M of capital from the renegotiation of reinsurance agreements on a universal life block in Canada. In our view, any further capital releases and balance sheet de-risking should be viewed positively by the market. The company has a peer-leading LICAT ratio of 146% (well above the 100% regulatory minimum). MFC recently announced a new NCIB of 58M shares (~3% of o/s), which could provide additional share support.
- **US LTC overhang removed.** In Q3, MFC completed its triennial US LTC and annual actuarial reviews, both net neutral to earnings. The firm remains confident in the adequacy of its US LTC reserve PfADs. We view this positively, as it should help narrow the valuation gap vs. peers.

Valuation. Our C\$34.00 target price is based on an equally weighted blend of 10.5x our 2020E core EPS and 1.3x towards our NTM BVPS. MFC trades at a P/E (2020E) of 8.5x (13% discount to 5-year avg.), and modestly below our NTM BVPS forecast. We believe that inexpensive valuation metrics, complemented by growth opportunities, suggest large potential upside on re-rating.

Manulife Financial Corporation (MFC)

Technical Overview – MFC

MFC is consolidating within an intermediate-term uptrend, following the sharp move higher that began in September. A time consolidation would be healthy, and next upside technical target is near 27.50.

The following three technical positives are in place and support further upside:

- 1) Relative Strength is reaccelerating versus the TSX Composite (see second panel),
- 2) Intermediate- and Long-term trends are up as the stock is trading above the 40/200-week moving averages (see third panel), and
- 3) Volume and On-Balance-Volume are showing signs of buying pressure (see bottom panel).

Figure 1: MFC – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical buy” signal, a technical positive (see blue circle). However, upward momentum is slowing, an early technical negative (see red arrow).
- Second Panel: Relative Strength (SCTR) – **Relative strength versus the TSX Composite is reaccelerating, another technical positive (see blue arrow).**
- Third Panel: Price – First resistance is near 27.50 (not shown). A close above this level sees next technical upside target near 30 (not shown). First support is near 25.33, followed by the 40-week moving average, currently at 23.51. Important support is near 22.62, followed by the 4-Year (200-week) moving average, currently at 21.28.
- Bottom Panel: Buying/Selling Pressure (OBV) – Volume and On-Balance-Volume are showing signs of buying pressure, a technical positive (see blue arrow).

Onex Corp. Private Equity

Rating
BUY

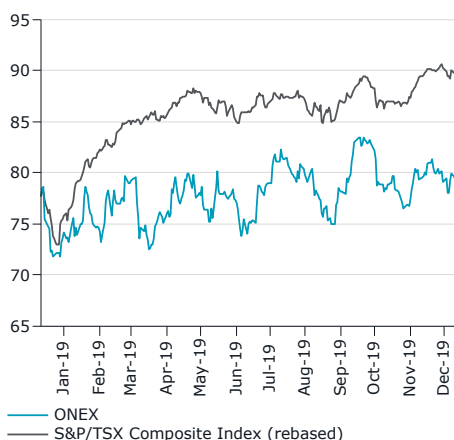
Price Target
C\$97.00

ONEX-TSX

Price
C\$79.49

Market Data

52-Week Range (C\$) :	84.28 - 71.28
Market Cap (C\$M) :	7,951.1
Dividend /Shr (C\$) :	0.40
Dividend Yield (%) :	0.5
Shares Out., FD (M) :	100.0
Total Return to Target (%) :	22.5
Discount to NAV (%) :	(18)
NAV /Shr (C\$) :	96.67



Source: FactSet

Priced as of close of business 11 December 2019

Onex Corporation is a private equity investor and alternative asset manager. As of Dec 2018, its businesses had assets of ~US\$51 billion, generating annual revenues of US\$32 billion, with ~217,000 employees worldwide. Onex has offices in Toronto, New York, New Jersey and London.

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OPIV Fund trends improving

Investment recommendation

Onex is our top pick in the Private Equity (PE) space. YTD, Onex shares are up >7% vs. the TSX at ~22% and the TSX Financials Index at 21%. The firm manages ~US \$7B of capital in its PE and Credit franchises, with ~US\$31B of capital in its Asset Management (AM) platform. Onex PE mainly comprises Onex Partners (larger deals) and ONCAP (mid-market and smaller transactions). Since its establishment ~35 years ago, Onex has built >100 companies and acquired ~645 businesses (~US\$80B), generating exceptional returns (gross MOIC of 2.6x, gross IRR of ~27% on average). We believe ONEX is compelling, trading at a 9% discount to NAV excluding AM (growing AM business for free). Key catalysts for narrowing ONEX's valuation gap are improvement in the underlying portfolio (private/public holdings) and continued strength in the OPIV Fund.

Investment highlights

- **Strong OPIV Fund performance.** The OPIV fund once again improved in Q3/19, with gross IRR up QoQ by 2pp to 9%. This was mainly on monetization from the sale of **Jack's Family Restaurants** (gross MOIC of 3.6x; gross IRR of 38%) and secondary offerings at SIG Combibloc and Clarivate Analytics (CCC-NYSE | NR; recently merged with Churchill Capital. YTD, CCC has delivered outstanding returns, up 78%. It is noteworthy that Onex recently closed the ~\$5B **WestJet** acquisition by its OPV fund (>US\$7B capacity).
- **Solid deployment potential and liquidity.** Onex had a strong cash and near-cash position of US\$1.6B in Q3 (+45% QoQ), closer to management's targeted position at 25% of NAV (majority of increase attributable to monetization and secondary offerings). The firm also had >US\$5B of committed uncalled third-party capital, available to be deployed in new PE investments. We note that excess capital could be utilized for funding requirements after Q3 (e.g., WestJet, new OP / Credit funds, business investments). Onex is currently building its Credit and Wealth verticals. In Credit, the company manages ~US\$12B of capital (17th US CLO closed in Q3; overall 20 CLOs closed to date). Management is keen on boosting origination capabilities in the firm's private debt platform (US\$1.1B investing capacity).
- **Hedged from adverse impact of challenged companies.** Three problematic companies in Onex's portfolio are Save-A-Lot, Survitec and Parkdean Resorts. The latter one seems to have turned a corner, while the former two have generally delivered worse results. In Q3, Save-A-Lot's LTM EBITDA declined 63% QoQ, while net debt/EBITDA rose to ~65x. Survitec's LTM EBITDA declined 5% QoQ, with net debt/EBITDA rising to ~12x. Recall **Investor Day** commentary that these two distressed assets have been appropriately marked down, shielding Onex going forward. On the other hand, Parkdean Resorts' LTM EBITDA increased 7% QoQ (better summer bookings, new CEO's cost control measures), while deleveraging to 6.7x.
- **Gluskin Sheff (GS) integration and cross-selling underway.** YTD, Onex's Wealth Management outflows have considerably improved, decelerating vs. H1/19. Post closing the **GS acquisition**, progress has been made on integration of support functions and cross-selling (nice uptake of Onex credit products by GS clients). The firm is currently upgrading its Wealth Planning offerings.

Valuation. Our target price is derived on an SOTP basis, driven mainly by a 0% premium to: (1) our forward NAV calculation on Onex's proprietary investment capital; (2) a net cash position (no debt), unrealized carried interest and value of potential cash from management stock options; and (3) a 12x P/E multiple on our pro-forma NI estimate applied to Onex's asset management business.

ONEX Corporation (ONEX)

Technical Overview – ONEX

The technical profile of ONEX is improving, consistent with a new intermediate-term uptrend, which supports further upside from current levels. A close above major resistance near 86.59 would be a strong technical positive, with next upside technical target near 94.18.

The following three technical positives are in place and are supportive of further upside: 1) Price momentum is trending higher (see top panel), 2) Intermediate-term trend is up as the stock is trading above the 40-week moving average (see third panel), and 3) Volume is showing signs of accumulation (see bottom panel).

Figure 1: ONEX – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock just triggered a new weekly “mechanical buy” signal, a technical positive (see blue circle).
- Second Panel: Relative Strength (SCTR) – Relative strength versus the TSX Composite is stalling, an early technical negative (see red circle).
- Third Panel: Price – First resistance is near the 4-Year (200-week) moving average, currently at 86.26, followed by 86.59. A close above this level sees next technical upside target near 94.18. First support is near the 40-week moving average, currently at 78.24, followed by 78.13. Important support is near 71.39 and this is where we would limit any risk on new positions.
- Bottom Panel: Buying/Selling Pressure (OBV) – On-Balance-Volume has been trending lower, a technical negative (see red arrow). However, Volume is showing signs of accumulation, an early technical positive (see blue circle).

Akumin Inc

Healthcare Services

Rating
BUY

Price Target
US\$6.00

AKU.U-TSX

Price
US\$3.63

Market Data

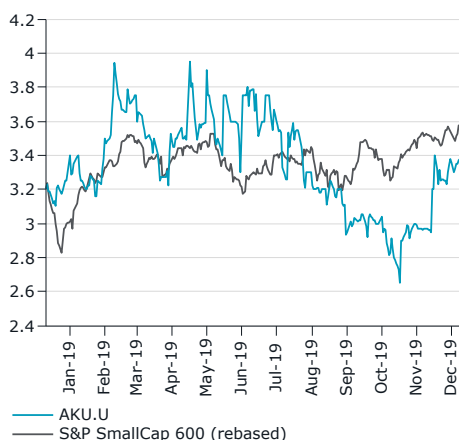
52-Week Range (US\$) :	2.65 - 3.95
Avg Daily Vol (000s) :	43
Market Cap (US\$M) :	251.3
Shares Out. (M) :	69.2
Net Debt (Cash) (US\$M) :	310.5
Enterprise Value (US\$M) :	562

FYE Dec	2018A	2019E	2020E
Sales (US\$M)	154.8	240.3	306.5
EBITDA ¹ Adj (US\$M)	31.8	59.0	83.6
EPS Dil (US\$)	0.09	0.09	0.26
EV/EBITDA (x)	17.7	9.5	6.7

¹ : EBITDA and EPS are to common shareholders

Quarterly Sales	Q1	Q2	Q3	Q4
2018A	33.4	36.8	39.1	45.5
2019E	47.6A	54.0A	68.9A	69.9
2020E	71.6	74.6	78.1	82.2

Quarterly EBITDA Adj	Q1	Q2	Q3	Q4
2018A	6.8	8.3	8.3	9.2
2019E	9.3A	12.3A	18.0A	19.4
2020E	17.1	19.7	21.3	25.5



Source: FactSet

Priced as of close of business 11 December 2019

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“2020 vision” of the future of medical imaging

Investment recommendation

At 132 centers, Akumin is the second-largest freestanding medical imaging chain in the US after RadNet (RDNT-NASDAQ | Not Rated) with 340 centers. Year-to-date, AKU has added 36 centers, revenue is up 56% Y/Y and adjusted EBITDA is up 69% Y/Y. Growth has outpaced that of RDNT and the outpatient medical service peer group, while producing superior EBITDA margins of 23%. The stock is up 7% YTD, trading at a discount to RDNT and peers. Now at scale, AKU is ready to implement the final and possibly most transformational phase of its business plan. The roll-out of the new ERP system in 2020 is expected to normalize DSOs, extract additional EBITDA margin, turn FCF green, and accelerate the speed at which new centers are integrated. We have a US\$6.00 price target on the stock and believe there is a compelling case for shares at current levels.

Investment highlights

Thinking outside the box: Coming from an industry outside healthcare, AKU’s CEO was able to identify and chart a course to fix the inefficiencies within. At inception, AKU took the time to build a centralized cloud-based back office platform. The resulting administrative synergies provide up to 10% of incremental EBITDA margin on newly acquired centers. The platform also improves service quality and facilitates M&A integration. This has allowed AKU to grow at the speed it has, reaching critical mass (phase one of the business plan) a year ahead of schedule.

Attractive operating leverage: Now at sufficient scale, AKU has advanced to phase two, organic same-center volume growth. This is driven by deeper penetration of the referring physician network, direct-to-patient digital marketing and enhanced equipment utilization. Moreover, at roughly three times cost differential, private payers have begun to shift volumes away from hospitals to freestanding centers. AKU’s largely fixed-cost infrastructure yields ~46% of incremental EBITDA margin on same-center volume growth (which YTD is up 7% Y/Y).

Technological transformation: Having been in “build mode” for several years, certain financial metrics (i.e. DSOs, FCF) have lagged investor expectations, causing the stock to stagnate. We believe the outstanding issues will be cleared up in 2020. Phase three involves the deployment of a brand new, technology-driven ERP system. We expect it to encompass (1) revenue cycle management, which is forecast to bring DSOs down to ~80 days and generate consistent FCF by the end of 2020; (2) digital workflow and centralized clinical delivery, which should enhance organic growth and reduce costs; and (3) data integrity and analytics, which is expected to reduce M&A integration time to 30-60 days. AKU will gradually roll out the ERP in 2020, with the whole company targeted to be onboarded by year-end.

Valuation

RDNT trades at a forward EV/EBITDA of 12.5x vs medical service peers at 10.0x. AKU boasts wider EBITDA margins than RDNT (23% vs 14% YTD) and is forecast to grow at a faster pace, which we believe will support a decline in leverage from 4.4x today (equal to RDNT) to ≤4.0x by 2020 year-end. Still, it trades at only 7.2x our NTM adjusted EBITDA estimate of \$77.5M. Moreover, AKU’s intent to list on the NASDAQ in H1/20 provides a near-term potential catalyst for the stock. For now, we value shares in line with the group at 10.0x; however, as the benefits of workflow optimization emerge, it may ultimately warrant a multiple commensurate with the technology space.

Akumin, Inc. (AKU)

Technical Overview – AKU

The technical profile of AKU is reaccelerating within a new intermediate-term uptrend. The strong Volume (see bottom panel) suggests institutional investors are accumulating the stock, a strong technical positive and which is supportive of further upside.

The following four technical positives are in place and are supportive of further upside: 1) Price momentum is trending higher (see top panel), 2) Relative strength versus the TSX Composite is reaccelerating (see second panel), 3) Intermediate-term trend is up as the stock is trading above the 40-week moving average (see third panel), and 4) Volume is showing signs of buying pressure (see bottom panel).

Figure 1: AKU – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical buy” signal, a technical positive (see blue circle).
- Second Panel: Relative Strength (SCTR) – Relative strength versus the TSX Composite is reaccelerating, another technical positive (see blue arrow).
- Third Panel: Price – First resistance is near 5.40. A close above this level sees next technical upside target near 6 (not shown). First support is near 4.76, followed by the 40-week moving average, currently at 4.44. Important support is near 3.99 and this is where we would limit any risk on new positions.
- Bottom Panel: Buying/Selling Pressure (OBV) – On-Balance-Volume has been trending lower, a technical negative (see red arrow). However, Volume is showing signs of accumulation, an early technical positive (see blue circle).

Chorus Aviation Inc. Airlines

Rating
BUY

Price Target
C\$9.25

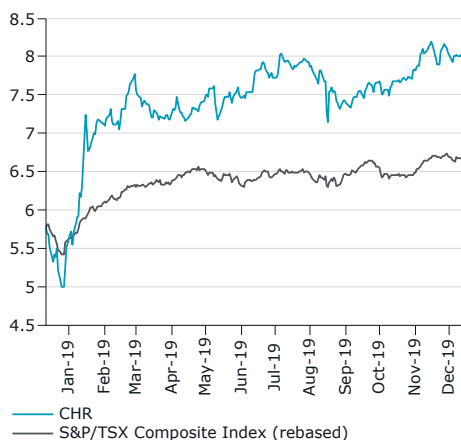
CHR-TSX

Price
C\$7.96

Market Data

52-Week Range (C\$) :	4.54 - 8.30
Avg Daily Vol (000s) :	260
Market Cap (C\$M) :	1,282.2
Shares Out. (M) :	161.1
Dividend /Shr (C\$) :	0.48
Dividend Yield (%) :	6.0
Total Return to Target (%) :	22.2
Net Debt (Cash) (C\$M) :	1,625.8
Enterprise Value (C\$M) :	2,908

FYE Dec	2018A	2019E	2020E
Revenue (C\$M)	1,451.2	1,393.6	1,465.3
EBITDA (C\$M)	342.7	347.4	412.2
EBITDAR (C\$M)	349.1	347.4	412.2
EPS Adj&Dil (C\$)	0.88	0.69	0.84
EV/EBITDA (x)	8.5	8.4	7.1
EV/EBITDAR (x)	8.3	8.4	7.1
P/E (x)	9.1	11.6	9.5



Priced as of close of business 11 December 2019

Chorus Aviation is Canada's largest regional carrier, operating an extensive network of destinations across Canada and the US with a fleet of >170 aircraft.

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A solid two-way player for 2020

Investment recommendation

Chorus is BUY rated with a \$9.25 one-year target. The company has had a strong year in 2019 (41% total return YTD) after renewing its vows with Air Canada early in the year and off a particularly low floor set last December. Despite recent gains, we see the opportunity for another year of attractive returns as growth in Chorus' leasing business drives profit expansion and the company laps the new CPA agreement. We model 22% EPS growth for 2020, the fundamental valuation driver. While the 22% total return to our one-year target is meaningful, Chorus' model is also well insulated economically. We see the risk/reward for 2020 as favourable.

Investment highlights

- **The growth driver: the leasing portfolio.** Chorus has had a very active year of deal-making for its rapidly expanding regional aircraft leasing portfolio. The company's leasing business has now committed capital to purchasing 60 aircraft, vs. 34 at 2018. Most of these aircraft entered service in the back half of the year or are expected in early 2020, so the positive impact should continue into the new year. This includes the most recent, and most significant, transaction: leasing five new Airbus A220-300 (C-series) aircraft to airBaltic. This brings Chorus into a new, larger aircraft-type and further diversifies the portfolio.
- **Lapping the Air Canada CPA should return Chorus to positive Y/Y comps.** Recall that in January 2019 Chorus and Air Canada (AC-TSX: \$48.95 | BUY, \$55 target) agreed to an extension of the longstanding CPA agreement. This brought Chorus' certainty in this arrangement through 2035 (previously 2025). Air Canada also invested \$97M in Chorus' equity (9.9% at the time) which helped fuel leasing portfolio growth and eliminated any question of alignment of interests. In exchange, Chorus gave up two years of "above market" rates per the old contract. This was undoubtedly a positive move; however, it had the impact of producing a ~\$40M operating income drag (~18%), masking the growth from leasing. This growth should show through better in 2020 Y/Y comps.
- **We model 22% EPS growth in 2020 – this is the key valuation driver.** Next year, we model the company adding 16 aircraft to the fleet (vs. management's target of 20) without requiring common equity. In addition to lapping the new CPA, our model reflects 22% growth in EPS in 2020.
- **A well-insulated model means an attractive risk/reward, in our view.** One of the attractive features in Chorus model is that the new CPA and leasing business is comprised of large, long-term fixed contracts for which the profitability is well known and not economically sensitive. We believe the model has a significant degree of downside protection.

Valuation

Chorus currently trades at 10.1x NTM consensus EPS. Key regional comp SkyWest (NASDAQ-SKYW: US\$63.43 | Not Rated) trades at 9.7x, leasing companies at 10.7x and MRO comps at >15x. Our target of \$9.25 reflects 10x our NTM EPS estimates, one year out. Note the company pays a dividend yield of 6.0%.

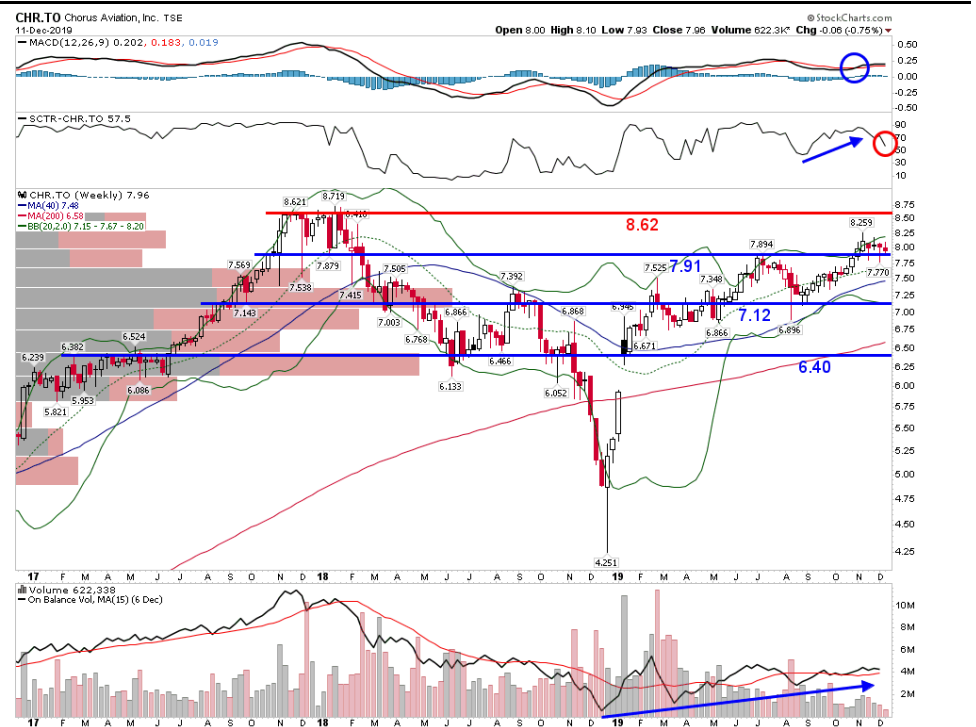
Chorus Aviation Inc. (CHR)

Technical Overview - CHR

The technical profile of CHR is stalling as the stock is consolidating within an intermediate-term uptrend, following the move higher that began in September. A time consolidation would be healthy, and next upside technical price target is near 8.62.

The following three technical positives are in place and are supportive of further upside: 1) Price momentum is trending higher (see top panel), 2) Intermediate- and Long-term trends are up, as the stock is trading above the 40/200-week moving averages, and 3) Volume and On-Balance-Volume are showing signs of buying pressure (see bottom panel).

Figure 1: CHR – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- **Top Panel: Price Momentum (MACD)** – The stock remains on a weekly “mechanical buy” signal, a technical positive (see blue circle).
- **Second Panel: Relative Strength (SCTR)** – Relative strength versus the TSX Composite is stalling, an early technical negative (see red circle).
- **Third Panel: Price** – First resistance is near 8.62. A close above this level sees next technical upside target near 9.50 (not shown). First support is near 7.91, followed by the 40-week moving average, currently at 7.48. Important support is near the 4-Year (200-week) moving average, currently at 6.58, then 6.40.
- **Bottom Panel: Buying/Selling Pressure (OBV)** – Volume and On-Balance-Volume are showing signs of buying pressure, another technical positive (see blue arrow).

Questor Technology Inc.

Sustainability - Energy & Power Technologies

Rating
BUY

Price Target
C\$6.00

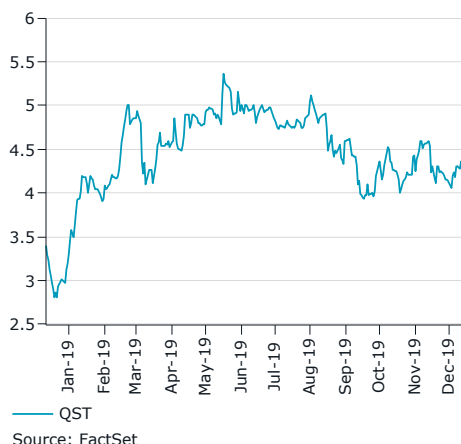
QST-TSXV

Price
C\$4.24

Market Data

52-Week Range (C\$) :	2.73 - 5.36
Avg Daily Vol (M) :	0.04
Market Cap (C\$M) :	115.1
Dividend /Shr (C\$) :	0.00
Dividend Yield (%) :	0.0
Shares Out., Basic (M) :	27.2
Net Debt (Cash) (C\$M) :	(8.6)
Enterprise Value (C\$M) :	107
Tangible Book Value (C\$) :	1.19

FYE Dec	2018A	2019E	2020E
Sales (C\$M)	23.5	32.0	39.5
EBITDA (C\$M)	11.8	15.1	18.6
EV/EBITDA (x)	9.0	6.5	5.2



Priced as of close of business 11 December 2019

Questor is a Calgary-based provider of high efficiency waste gas incinerator systems that dramatically reduce the emission of greenhouse gasses and pollutants relative to conventional flare stacks. These systems have established a ~20-year track record of reliability and have been independently tested to operate at ~99.99% efficiency. In recent years, Questor has benefitted from more stringent emissions standards and has gained significant traction in the Colorado and North Dakota oilfield markets. We believe the company is well positioned to benefit from ongoing development of the Permian basin as operators look to "get ahead" of evolving emissions standards.

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Green machine poised to outperform

Investment recommendation

We believe Questor Technology (QST) is positioned to outperform in 2020. Our view is based on the company's growing US and international presence as well as by increasingly stringent emission standards in many global markets. Questor has established an enviable record of growth and compelling ROIC in recent years, which has allowed it to fund capital investment with free cash flow while exiting Q3/19 with a healthy cash position of \$10.2 million (\$0.38/sh). While Questor is not immune to current cyclical headwinds, we nonetheless believe the company remains well positioned to benefit from strong secular growth drivers given its history of performance and reliability in the field. We also note Questor has been led by its current President & CEO Audrey Mascarenhas since 1999, with insiders holding ~19% of the company's outstanding common shares.

Investment highlights

- We expect Questor to generate more than 90% of its revenue outside of Canada in 2020 as the company enjoys a continued rental presence in Colorado and North Dakota, with positive sales momentum in Mexico.
- We estimate Questor currently markets a fleet of ~112 rental combustor units, of which ~40% operate under contract (with terms ranging from six months to two years). The company is also making inroads in the Permian market, which management believes could ultimately support ~180 rental units. We believe Questor's ability to secure a rental agreement with a meaningful Permian operator could represent a positive catalyst event for the company in 2020.
- In our view, Questor has been able to differentiate itself from competitors via a 20-year track record in the field, repeated third-party testing (that substantiates its 99.99% efficiency status), and an established service and support presence. Questor is also actively pursuing new complementary offerings for its clients that include field data monitoring, waste gas power generation, and produced water treatment.
- We estimate Questor generated y/y EBITDA growth of 28% in 2019, with the company's shares gaining 28% last year (relative to the S&P TSX Oilfield Index, which declined 36% in 2019).
- Based on our 2020 estimates Questor trades at 5.2x EV/EBITDA, versus a domestic oilfield sector average of ~5.8x. Questor also trades at a significant discount to our sampling of proximate cleantech companies, which command an average EV/EBITDA multiple of ~11.0x based on 2020 consensus expectations.

Valuation

We reiterate our BUY recommendation and \$6.00 target price based on an 8.0x EV/EBITDA multiple applied to our 2020 estimates.

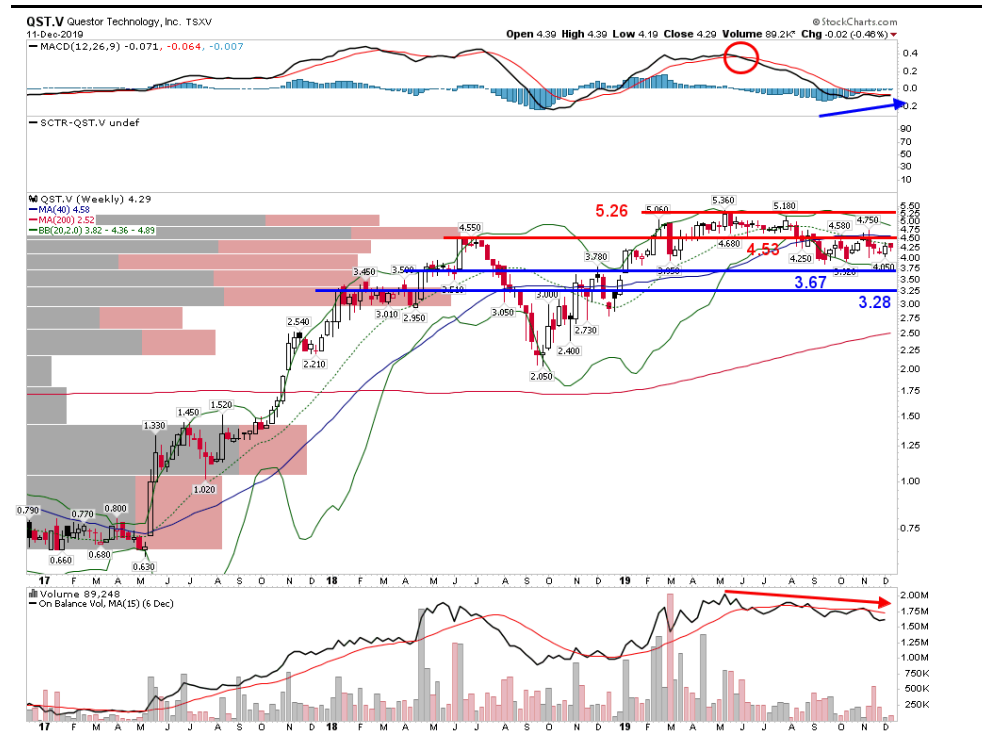
Questor Technology Inc. (QST)

Technical Overview - QST

The technical profile of remains neutral as the stock remains in a sideways trading range, bounded by 5.26 to the upside and 3.67 to the downside.

A close above 5.26 would confirm a new intermediate-term uptrend was taking hold, a strong technical positive, with next upside technical target near 7.50 (not shown). A close below 3.67 would be a strong technical negative, with next downside technical target near 3.28.

Figure 1: QST – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical sell” signal, a technical negative (see red circle). However, downward momentum is slowing, an early technical positive (see blue arrow).
- Second Panel: Relative Strength (SCTR) – N/A
- Third Panel: Price – First resistance is near 4.53, followed by the 40-week moving average, currently at 4.58. A close above this level sees the next technical upside target near 5.26. First support is near 3.67, followed by 3.28. Important support is near the 4-Year (200-week) moving average, currently at 2.52.
- Bottom Panel: Buying/Selling Pressure (OBV) – Volume and On-Balance-Volume are showing signs of selling pressure, a technical negative (see red arrow).

SNC-Lavalin Group Inc.

Engineering and Construction



Rating
BUY

Price Target
C\$34.00

SNC-TSX

Price
C\$23.06

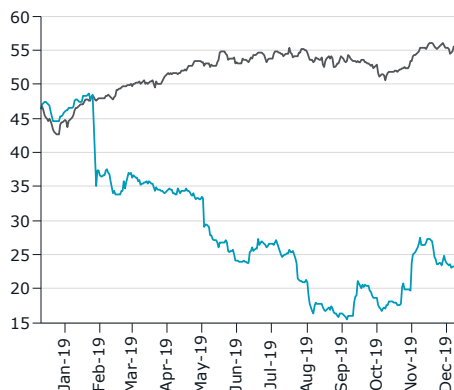
Market Data

52-Week Range (C\$) :	15.47 - 48.78
Avg Daily Vol (M) :	1,390.2
Market Cap (C\$M) :	4,048.3
Dividend /Shr (C\$) :	0.08
Dividend Yield (%) :	0.3
Enterprise Value (C\$M) :	4,286
Net Cash (C\$M) :	(236.9)
ROIC (%) :	(1.2)

Note: The following table excludes Capital

FYE Dec	2018A	2019E	2020E	2021E
	A	E	E	E
Sales (C\$M)	9,819	9,148	8,979	9,083
EBITDA (C\$M)	385.2	287.1	734.3	766.3
EV/EBITDA (x)	4.7	6.4	2.5	2.4
EPS (C\$)	0.24	(0.89)	1.77	1.92

Quarterly EPS	Q1	Q2	Q3	Q4
2018A	0.51	0.65	0.71	(1.62)
2019E	(0.08)A	(1.71)A	0.47	0.43
2020E	0.41	0.43	0.48	0.45
2021E	0.42	0.46	0.52	0.52



Source: FactSet
SNC
S&P/TSX Capped / Industrials (rebased)

Priced as of close of business 11 December 2019

SNC-Lavalin provides EPC and EPCM services across several industries and invests directly in infrastructure.

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New year, new SNC

Investment recommendation

BUY-rated SNC-Lavalin is our top pick. The shares are currently down 50% YTD following a major loss on a mining project in Chile and, to a lesser extent, losses in its Oil & Gas (O&G) business. These losses spurred the most dramatic change in tack SNC has undergone in its nearly 110-year history. Last July, the company walked away from lump-sum turnkey (LSTK) construction work and focused purely on its lower-risk, higher-margin consulting business, where it is a top global player. This move is being led by Ian Edwards, who was promoted to President & CEO from COO last June. Mr. Edwards is a seasoned engineering and construction (E&C) executive who possesses, in our view, the right skill set to make this evolution a success.

Investment highlights

Earlier this year, SNC changed its reporting structure to make the high-value nature of its consulting business more evident. The company now reports in two segments: SNCL Projects and SNCL Engineering Services. The former contains the company's LSTK contracts that will be wound down through 2024, as well as the O&G business, which may be monetized in whole or in part in 2020.

Risks in the SNCL Projects' LSTK backlog appear manageable. The primary contributor to LSTK underperformance was the mining contract with Codelco and this project is complete and SNC is not bidding any new LSTK contracts. As of Q3/2019, 84% of SNCL Projects' \$3.2 billion LSTK backlog is in Canadian light-rail transit projects, where execution for SNC and the broader industry has been solid, making a large negative cost reforecast even less likely. The remaining 16% is in smaller O&G contracts and mining contracts that will be complete in 2021.

Despite the fact LSTK risk appears manageable, investors appear to have priced exceptionally large losses into SNC shares. Valuing the Engineering Services business at \$28.00 per share using a 9.0x 2020E EV/EBITDA multiple and the capital portfolio at \$14.00 per share, we back into ~\$19.00 per share, or \$3.2 billion, in losses expected in Projects. We note this is the size of the segment's total LSTK backlog and find it unlikely the company would underbid its projects by an average of 50%.

The FCF generating potential of SNCL Engineering Services should become more evident in 2020. Early indications are encouraging as we can now peg FCF potential under the new reporting structure. On 2020E EBITDA, a 50% FCF conversion (in line with YTD Engineering Services results and the peers) would result in \$338 million in FCF, or \$1.92/share, representing a 21% yield on the SNCL Engineering Services stub. Global engineering firms currently yield ~4%.

In fact, we caught a glimpse of the Engineering Services business' potential when the company reported Q3/2019 results. Engineering Services EBIT was 36% higher y/y leading to a dramatic improvement in FCF, as operating cash flow was (\$51 million) compared to (\$367 million) in Q2/2019.

Lastly, any issues investors may have had with the balance sheet are in the past. The sale of 10.01% of Highway 407 ETR, brought in net proceeds of \$2.6 billion, helping to bring net-debt-to-EBITDA to 3.4x (as per the company's credit agreement), which we see gradually improving further.

Valuation

SNC currently trades at 5.1x 2020E E&C EPS, versus global E&C peers at 12.9x. We derive our C\$34.00 target price by applying an 11.0x multiple to our Q4/2020 - Q3/2021 E&C EPS estimate, plus \$14.00 for the capital portfolio.

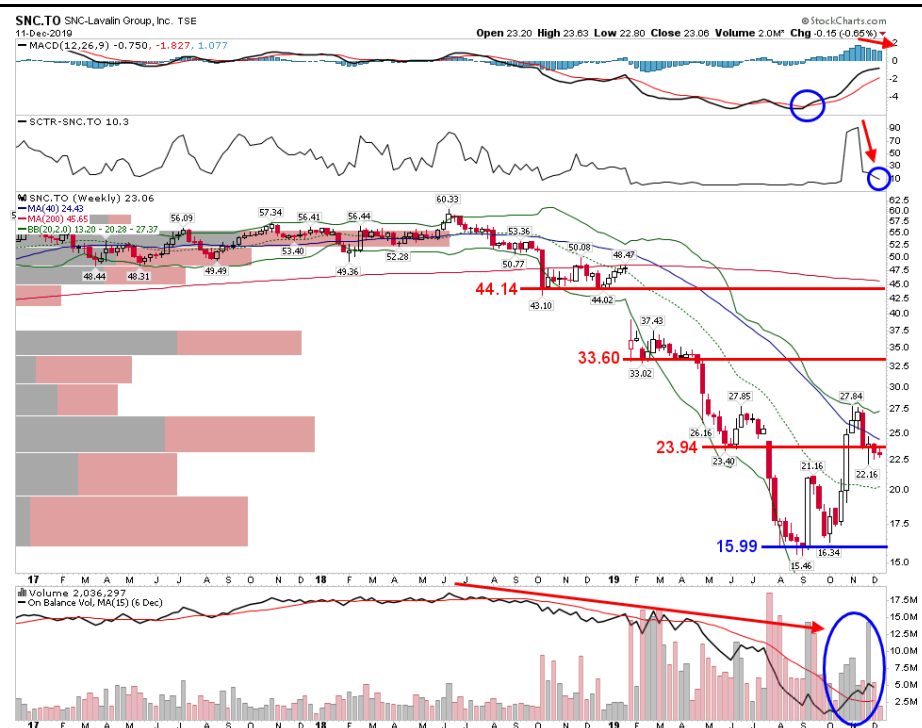
SNC-Lavalin Group Inc. (SNC)

Technical Overview – SNC

The technical profile of SNC is showing signs of improvement consistent with a new intermediate-term uptrend, a strong technical positive. The strong Volume over the last two months is consistent with institutional accumulation, and is supportive of further upside.

The following two technical positives are attempting to take hold: 1) Relative Strength is attempting to stabilize versus the TSX Composite (see second panel) and 2) Volume is showing signs of accumulation (see bottom panel).

Figure 1: SNC – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical buy” signal, a technical positive (see blue circle). However, upward momentum is slowing, an early technical negative (see red arrow).
- Second Panel: Relative Strength (SCTR) – Relative strength versus the TSX Composite is turning up, an early technical positive (see blue circle).
- Third Panel: Price – First resistance is near 23.94, followed by the 40-week moving average, currently at 24.43. Important resistance is near 33.60, followed by 44.14. Important support is near 15.99, and this is where we would limit any risk on new positions.
- Bottom Panel: Buying/Selling Pressure (OBV) – **On-Balance-Volume has been trending lower, a technical negative (see red arrow). However, Volume is showing signs of accumulation, another early technical positive (see blue circle).**

B2Gold Corp.

Precious Metals - Producer

Rating
BUY

Price Target
C\$7.00

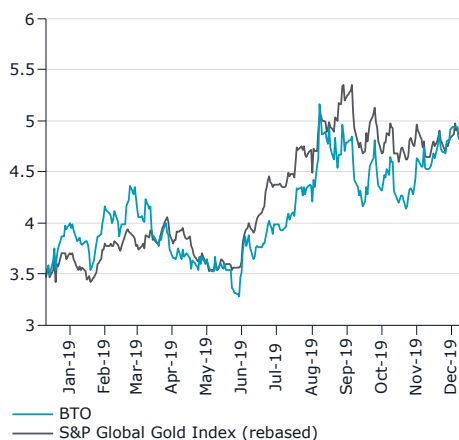
BTO-TSX
BTG-NYSE
American

Price
C\$4.83

Market Data

52-Week Range (C\$) :	3.24 - 5.36
Avg Daily Vol (000s) :	3
Market Cap (C\$M) :	4,888.4
Dividend /Shr (US\$) :	0.04
Dividend Yield (%) :	1.1
Shares Out., Basic (M) :	1,012.1
Enterprise Value (US\$M) :	3,908
Cash (US\$M) :	117.4
Long-Term Debt (US\$) :	259.9
NAV /Shr :	4.10
Net Debt/EBITDA :	0.21
P/NAV (x) (C\$) :	0.90
Working Capital (US\$M) :	131.9
Total NAV 5 (US\$) :	4,224.5

FYE Dec	2018A	2019E	2020E
Gold Production (000oz)	954	969	1,039
Total Cash Cost Co-Prod.(Gold) (US\$/oz)	589	613	561
Free Cash Flow (US\$M)	133.8	245.5	416.7
EBITDA (US\$M)	614.9	665.1	920.4
EPS Adj&Dil (US\$)	0.16	0.24	0.30
CFPS (US\$)	0.43	0.53	0.68



Priced as of close of business 11 December 2019

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Focused on organic growth

Investment recommendation

2019 was a strong year for B2Gold as the company completed its transition to a senior gold producer, initiated a dividend, and repaid debt. We expect the focus from here to be on building out the next phase of organic growth, which we believe can be funded from operating cash flow. In 2019, BTO's share price rose 28%, outperforming gold, up 16%, but underperforming the S&P/TSX gold index, up 41%. In 2020, we believe increasing visibility and confidence in the longer-term production profile should reduce investor concerns about near-term M&A and a perceived declining production profile post 2023. B2Gold remains one of our top picks among the senior producers on strong FCF generation, a strengthening balance sheet, exploration potential, and organic growth opportunities at Fekola and Gramalote.

Investment highlights

- **Proven management team:** After Bema Gold was acquired by Kinross for US\$3.1 billion, B2Gold was founded in 2007 by President & CEO Clive Johnson and other members of the former Bema Gold management team. Management has a successful track record of acquiring and building mines, growing BTO from no operating mines in 2007 to three producing mines today (after having sold two along the way).
- **Tracking to be a 1 Moz producer in 2020:** We forecast 2020 production of 1.04 Moz, +5% over our 2019 estimate of 969 koz, with growth from Fekola expected to offset the sale of the Nicaraguan assets.
- **Strong production profile anchored by Fekola:** Since starting production in late 2017 the operation has exceeded expectations, with annualized throughput approaching 7 Mtpa, well above the original 4 Mtpa design (later increased to 6 Mtpa). With a further 1.5 Mtpa expansion planned for 2020, it is possible to envisage the mill operating at >8.0 Mtpa, supporting prolonged production of >550 koz with a new resource, reserve, and mine plan expected in 2020.
- **Balance sheet continues to de-lever:** We forecast BTO generating \$417 million in FCF in 2020 based on our \$1,526/oz forward curve-derived precious metals price deck, up from an estimated \$245 million in 2019 (+70% y/y). At spot \$1,450/oz, we forecast \$368 million in FCF (+50% y/y). With strong FCF, we forecast BTO becoming debt free (excluding equipment financing) by Q3/20.
- **5-year guidance of ~950 koz at <\$825/oz AISC:** Although slightly better than our current estimates, we note upside remains from the Fekola expansion (updated resource in Q4/19, reserves & mine plan in Q1/20) and Wolfshag u/g (construction decision in Q4/19). Additionally, BTO could grow production with its own pipeline, including Anaconda (exploration drilling continues) and Gramalote (PEA in Q1/20, resource in Q3/20, and FS in Q4/20). In our recent note, [Investor Day takeaways: Focused on organic growth](#), we analyze BTO's path to sustained production of 1.2 Moz by 2025, continuing through 2028.
- **Able to fund its organic growth opportunities:** Management has noted BTO will likely only proceed with one major project at a time. On our estimates (at \$1,450/oz Au), we expect BTO will be able to fund growth from ongoing cash flow.

Valuation

Our C\$7.00 target price is predicated on a 50/50 blend of a 1.20x multiple applied to our forward curve-derived operating NAV less net debt and other corporate adjustments and a 6.5x multiple applied to 2020E EBITDA. We maintain our BUY rating.

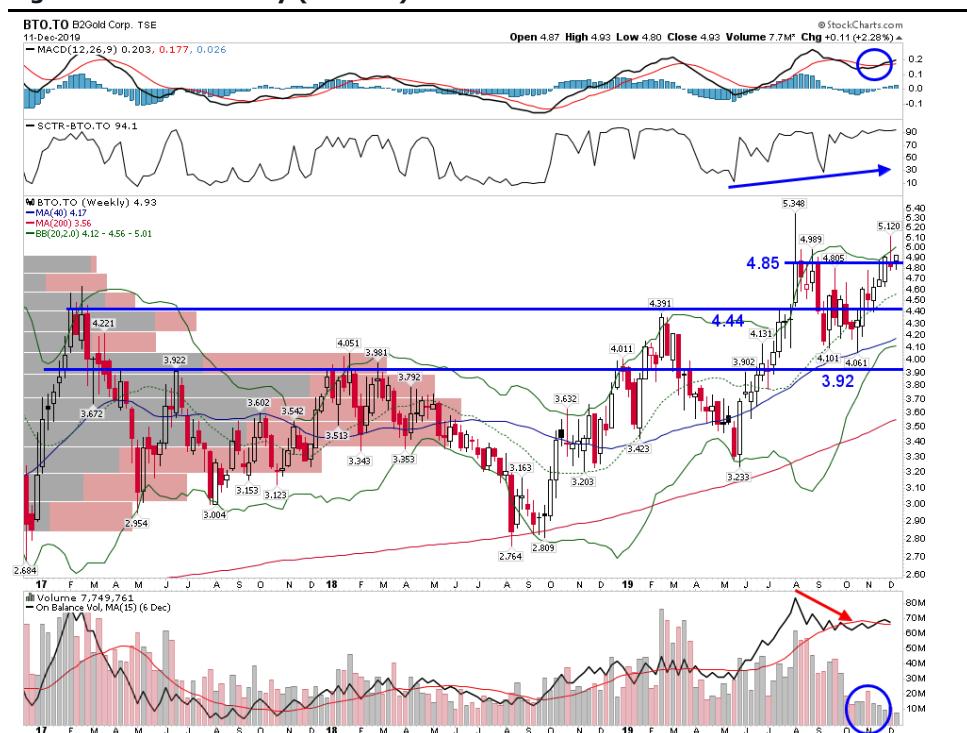
B2Gold Corp. (BTO)

Technical Overview - BTO

The technical profile of BTO is strong as the stock is reaccelerating within a long-term uptrend and recently scored new all-time price highs, both of which are strong technical positives, and are supportive of further upside.

The following four technical positives are in place 1) Improving price momentum (see top panel), 2) Relative strength versus the TSX Composite is trending higher (see second panel), 3) Intermediate- and Long-term trend is up as the stock is trading above the 40/200-week moving averages (see third panel), and 4) Volume is showing signs of buying pressure (see bottom panel).

Figure 1: BTO – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock recently triggered a new weekly “mechanical buy” signal, a technical positive (see blue circle).
 - Second Panel: Relative Strength (SCTR) – Relative strength versus the TSX Composite is trending higher, another technical positive (see blue arrow).
 - Third Panel: Price – Important resistance is near 6 (not shown). First support is near 4.85, followed by 4.44. Important support is near the 40-week moving average, currently at 4.17, followed by 3.92.
- Bottom Panel: Buying/Selling Pressure (OBV) – On-Balance-Volume has been trending lower, a technical negative. However, Volume is showing signs of buying pressure, an early technical positive (see blue circle).

Dundee Precious Metals Inc.

Precious Metals - Producer

Rating
BUY

Price Target
C\$8.50

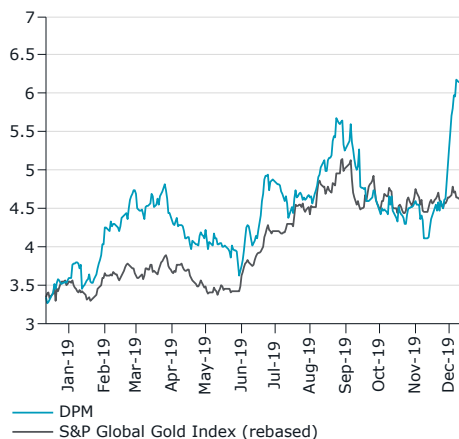
DPM-TSX

Price
C\$6.37

Market Data

52-Week Range (C\$) :	3.18 - 6.66
Avg Daily Vol (000s) :	347
Market Cap (C\$M) :	1,143.0
Shares Out. (M) :	179.5
Enterprise Value (C\$M) :	921
NAV /Shr (C\$) :	10.02

FYE Dec	2019E	2020E	2021E
Gold Production (000oz)	237	287	286
Total Cash Cost By-Prod.(Gold) (US\$/oz)	561	466	443
Sales (US\$M)	464.2	563.2	588.8
EBITDA (US\$M)	177.6	260.1	273.2
FCF /Shr (US\$)	0.43	0.76	0.95
Net Debt (Cash) (US\$M)	(67)	(203)	(374)
Cash & Equiv. (US\$)	94.5	230.4	401.0



Priced as of close of business 11 December 2019

Dundee Precious Metals Inc. is a multi-mine precious metals producer with two operating mines in Bulgaria, a promising gold project in Serbia, and a smelter in Namibia. In addition, the company owns minority stakes in Sabina Gold & Silver Corp. and INV Metals Inc.

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Bulgarian Rhapsody

Investment Recommendation

DPM has been one of our best-performing precious metals equities under coverage in the midcap space in 2019, up 77% since January 1, versus the peer group average of 33%. DPM brought its Ada Tepe mine online in June and under budget. DPM is now a multi-mine, low cost producer with a diversified commodity mix.

Risks pertaining to development and capex have been minimized with Ada Tepe entering production. DPM has a clean balance sheet and is expected to grow its net cash position in 2020. As such, we expect further outperformance in 2020, driven by a re-rating of the stock as its valuation comes into line with that of its peers in the mid-cap producer space.

Investment highlights

- **Substantial FCF on the horizon:** With Ada Tepe now built and ramped up, DPM is expected to generate substantial FCF from 2020 onward, given ~50% overall AISC margins vs. peers at 36%. We forecast a 16% FCF yield for 2020 based on the current share price, with similar yields for 2021 and 2022, and we note that DPM offers the highest FCF yield in our mid-cap precious metals coverage universe. Given the substantial FCF, we forecast DPM to exit 2019 with a net cash position, in spite of recently completing Ada Tepe. The net cash position allows DPM to contemplate capital allocation by investing in current assets, organic growth via its Timok project, shareholder returns via a dividend and M&A for development and operating assets.
- **Pending re-rate from an improvement in risk perception:** DPM has substantially de-risked itself in 2019 with Ada Tepe entering commercial production, and we believe the stock will re-rate over 2020 as the market begins to realize this. We note that the company is now a multi-mine, low-cost producer with a diversified commodity mix (~20% copper), clean balance sheet and no more development or capex risk. While perceptions around Bulgaria may always be a concern for some investors, we note that Bulgaria is a member of the European Union, has been a stable democracy without a major economic dependency on mining, and has no history of attempting to re-negotiate mining contracts.

Attractive relative valuation: From a relative value perspective, we note that despite DPM's growth and risk profile, the company trades at a discount to its peers. At the current share price, the company trades at just 3.1x our 2020 EBITDA estimate and 0.64x NAV, vs. the peer group averages of 5.4x and 1.28x, respectively. We attribute this discount to the fact that until recently, DPM has been a single-mine producer with a significant copper component, high arsenic production, and assets located in Bulgaria, which is fairly misunderstood. As such, we believe the company is poised for a significant re-rate.

We maintain our C\$8.50/sh target price on DPM, which remains based on an equal weighting of 4.0x NTM EBITDA and 0.7x NAV, both measured as at January 1, 2021. We reiterate our BUY rating.

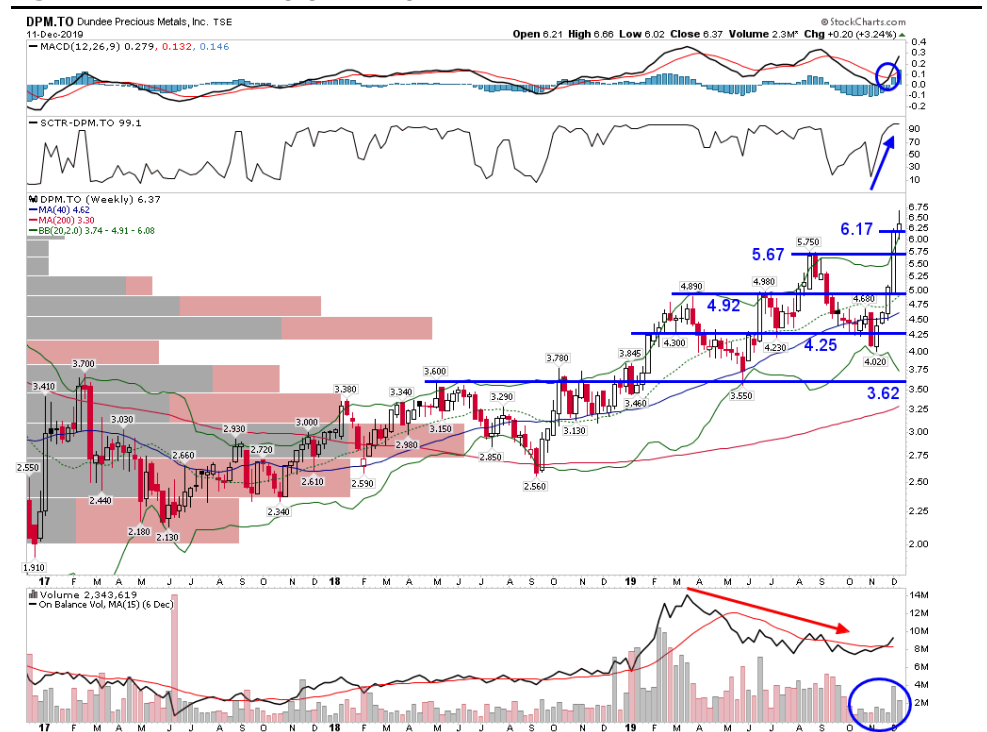
Dundee Precious Metals Inc. (DPM)

Technical Overview - DPM

The technical profile of DPM is strong as the stock is reaccelerating within a long-term uptrend and recently scored new all-time price highs, both of which are strong technical positives, and are supportive of further upside.

Four technical positives are in place: 1) Price momentum is trending higher (see top panel), 2) Relative strength versus the TSX Composite is reaccelerating (see second panel), 3) Intermediate- and Long-term trends are up as the stock is trading above the 40/200-week moving averages (see third panel), and 4) Volume is showing signs of accumulation (see bottom panel).

Figure 1: DPM – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock just triggered a new weekly “mechanical buy” signal, a technical positive (see blue circle).
- Second Panel: Relative Strength (SCTR) – **Relative strength versus the TSX Composite is reaccelerating, another technical positive (see blue arrow).**
- Third Panel: Price – First resistance is near 6.75 (not shown). A close above this level sees next technical upside target near 7.50 (not shown). First support is near 6.17, followed by 5.67. Important support is near 4.92, followed by the 40-week moving average, currently at 4.62.
- Bottom Panel: Buying/Selling Pressure (OBV) – On-Balance-Volume has been trending lower, a technical negative (see red arrow). However, Volume is showing signs of accumulation, an early technical positive (see blue circle).

Lundin Mining Corporation

Base Metals - Producer

Rating
BUY

Price Target
C\$8.50

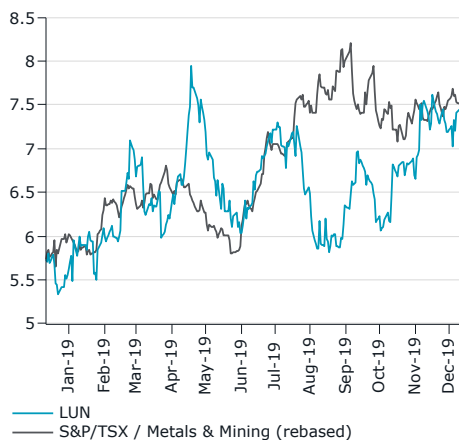
LUN-TSX

Price
C\$7.73

Market Data

52-Week Range (C\$) :	5.30 - 7.96
Avg Daily Vol (000s) :	2,306
Market Cap (C\$M) :	5,600.0
Shares Out. (M) :	734.5
Dividend /Shr (C\$) :	0.12
Enterprise Value (C\$M) :	6,549
Debt/Capitalization (%) :	8
NAV /Shr (US\$) :	7.91

FYE Dec	2018A	2019E	2020E
Copper production (000t)	200	238	284
C1 Cash Cost (US\$/lb)	1.58	1.43	1.40
Zinc Production (000t)	152	150	176
Sales (US\$M)	1,726	1,912	2,434
EBITDA (US\$M)	651.2	702.0	1,016
FCF /Shr (US\$)	(0.42)	(0.13)	0.26



Priced as of close of business 11 December 2019

Lundin Mining is a producer of copper, zinc, and nickel with operations in Chile, Sweden, Portugal and the USA,

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Stars Aligning

Investment recommendation

LUN has been one of our better performing base metals equities under coverage in 2019, up 32% since January 1, versus the peer group average of 5%. LUN had a busy year in 2019, announcing a long-awaited acquisition of Chapada from Yamana Gold (YRI-TSX: C\$4.89 | BUY, C\$6.50 PT; Carey MacRury). This acquisition attests to the patience and quality of LUN's management team, in our view.

We expect further outperformance in 2020 driven by significant growth in copper and zinc production, a strong balance sheet, and potential fruition of near-term optimization initiatives at Chapada. These attributes combined with LUN's low-risk profile of high performing assets should be a tailwind for the share price over the next year.

Investment highlights

Significant production growth on the horizon: We expect significant increases in production relative to 2019. We estimate a 28% increase in copper production by 2021, driven by the acquisition of Chapada and the asset's strong performance to date in addition to the ongoing ramp-up at Candelaria. With advancement and completion of the Neves-Corvo ZEP project, we also forecast a 58% increase in zinc production by 2021 relative to 2019.

Strong balance sheet despite the acquisition: LUN was in a net debt position of \$183 million at the end of Q3 after the close of the Chapada deal. We forecast a return to a net cash position by Q1 2021 and significant growth in free cash flow from 2020 onward. On the back of this sound balance sheet, LUN announced a 33% increase to its quarterly dividend and a renewal of its NCIB program. We see room for further increases and/or special one-time dividends over the medium term, barring a potential use of capital for growth (brownfield or greenfield acquisitions).

Near-term optimization upside at Chapada: We are encouraged by the recently initiated optimization efforts at Chapada. At the site visit in November (see our note [here](#)), management highlighted a number of near-term opportunities to improve throughput, grade and recoveries. These opportunities include upgrades to the current grinding circuit (the primary bottleneck) as well as the use of ore-sorting technology to improve grade profiles. As a rough estimate, a 10% increase in throughput and grade along with a 2% improvement in recovery over the life of mine would increase our Chapada valuation by 27%, all other factors remaining equal.

Valuation

Despite LUN's strong growth profile, low risk asset base, ongoing optimization and sound balance sheet, LUN does not command a premium to its peers. The company currently trades at 4.8x NTM EBITDA and 0.97x NAV, versus the peer group average of 5.1x and 0.95x, respectively.

We maintain our C\$8.50/sh target price on LUN, which remains based on an equal weighting of 5.0x NTM EBITDA and 0.8x NAV, both measured as at January 1, 2021. We reiterate our BUY rating.

Lundin Mining Corporation (LUN)

Technical Overview - LUN

The technical profile of LUN is strong as the stock is reaccelerating within an intermediate-term uptrend and Volume is showing signs of buying pressure, all of which are technical positives.

The following four technical positives are supportive of further upside: 1) Improving price momentum (see top panel), 2) Relative Strength reaccelerating versus the TSX Composite (see second panel), 3) Intermediate- and Long-term trends are up as the stock is trading above the 40/200-week moving averages (see third panel), and 4) Volume and On-Balance-Volume are showing signs of buying pressure (see bottom panel).

Figure 1: LUN – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical buy” signal, a technical positive (see blue circle).
- Second Panel: Relative Strength (SCTR) – **Relative strength versus the TSX Composite is reaccelerating, another technical positive (see blue arrow).**
- Third Panel: Price – First resistance is near 9.32. A close above this level sees next technical upside target near 10.50 (not shown). First support is near 7.57, followed by 6.73. Important support is near the 40/200-week moving averages, currently at 6.67 and 6.62, respectively, followed by 5.94.
- Bottom Panel: Buying/Selling Pressure (OBV) – Volume and On-Balance-Volume are showing signs of buying pressure, another technical positive (see blue arrow).

Osisko Mining Inc.

Precious Metals - Developer/Explorer

Rating
SPECULATIVE BUY

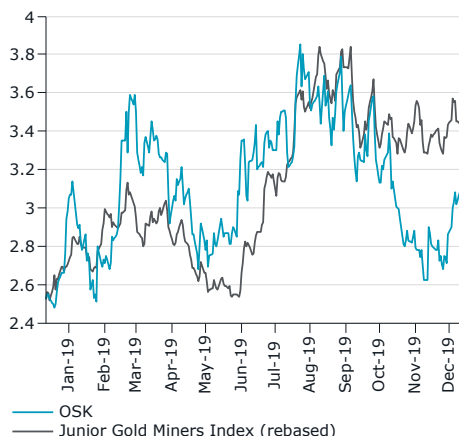
Price Target
C\$5.25

OSK-TSX

Price
C\$3.20

Market Data

52-Week Range (C\$) :	2.42 - 3.90
Avg Daily Vol (000s) :	319
Avg Daily Vol (M) :	0.4
Market Cap (C\$M) :	926.0
Shares Out. (M) :	289.4
Enterprise Value (C\$M) :	885
Cash (C\$M) :	110.0
NAV /Shr (C\$) :	5.14
NAV /Shr (5%) (C\$) :	5.95
P/NAV (x) (C\$) :	0.52



Source: FactSet

Priced as of close of business 11 December 2019

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Looking to grade for near-term re-rating

Investment recommendation

Osisko Mining remains one of our Top Picks within the precious metals exploration/development space. We highlight the company as one of the most active/well financed junior explorers within the industry, backed by a proven management team (sold Canadian Malartic for \$3.9B in 2014). Year to date, Osisko is up 8.8%.

Investment highlights

- **Project update.** Through 2019, the company made significant progress in advancing towards production its 100%-owned Windfall Lake gold project located in Quebec. Since completing an initial project resource and PEA in 2018, Osisko has continued its aggressive exploration campaign at Windfall Lake (Quebec), with the global drill budget (2015-2020) recently increased to 1,000,000m (currently 24 rigs onsite). The results of this ongoing drilling will serve as the basis for an update project resource (Q1/20) and feasibility study (H2/20).
- **Infill drilling expected to drive higher grades.** We highlight the results of the pending resource update as a potential near-term re-rating point for Osisko, this as we expect the updated estimate to outline a material grade bump (1.0-1.5g/t Au) to that of the 2018 estimate (6.91g/t Au global grade). This bump in grade is expected to be the product of a greater percentage of the project's resource being captured by higher cap search parameters as the result of tighter infill drill spacing. We find support for this outlook in both the 2018 Lynx Zone resource update, and subsequent results of the Zone 27 and Lynx Zone bulk samples. Our expectation for the pending resource update is for a global ~4.0Moz grading 8.0-9.0g/t Au.
- We note that a 1.0g/t grade bump to that of the July 2018 applied PEA resource (6.70g/t Au) is projected to yield an additional 30,000oz/yr in production and \$50M in total profit. This would serve to further strengthen the project's already robust economics, which based on a sub-set of the project maiden resource estimate, highlights a production profile of 218,000oz/yr over 8.1 years, a LOM AISC of US \$704/oz, and an after-tax IRR of 32.7% (at US\$1,300/oz).
- **Exploration upside.** While the Windfall Lake project is increasingly being positioned for development (5.2km of ramp access established to date), Osisko remains committed to exploration/discovery. Since the last project resource update, the company has made multiple high-grade discoveries (including Triple 8 and Triple Lynx) and continues to successfully extend the Lynx Corridor (mineral footprint now 550m down plunge of resource). In addition, we highlight the 3.5km Discovery 1 drill hole in progress which is designed to test for a possible causative porphyry intrusion at depth.

Valuation

We continue to see significant upside to Osisko's current market valuation (64% return to \$5.25 target, predicated on a C\$1,225M NPV_{7%} valuation of its Windfall Lake asset plus other non-operating/balance sheet items). We note that relative to the precious metals development companies under coverage, Osisko currently trades at a 13% premium to the average normalized P/NAV_{5%} (0.52x vs. 0.46x). Overall, we view this premium to be warranted given A) the exploration/development momentum associated within the Windfall Lake project, B) Osisko's strong financial position (~\$110M in cash), and C) management's previous success in developing, permitting and constructing the Canadian Malartic mine located in Quebec. We rate Osisko a SPECULATIVE BUY to reflect the risk associated with a non-revenue generating company and the technical risk associated with a project for which final feasibility has yet to be demonstrated.

Osisko Mining Inc (OSK)

Technical Overview - OSK

The technical profile of OSK is showing signs of improvement consistent with a new intermediate-term uptrend, a strong technical positive.

The following four technical positives are in place: 1) improving price momentum (see top panel) and 2) Relative Strength versus the TSX Composite is trending higher (see second panel), 3) Intermediate- and Long-term trends are up as the stock is trading above the 40/200-week moving averages (see third panel), and 4) Volume is showing signs of buying pressure (see bottom panel).

Figure 1: OSK – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical sell” signal, a technical negative (see red circle). However, downward momentum is slowing, an early technical positive (see blue arrow).
- Second Panel: Relative Strength (SCTR) – **Relative strength versus the TSX Composite is trending higher, a technical positive (see blue circle).**
- Third Panel: Price – First resistance is near 3.86. Important resistance is near 4.85. First support is near 3.20, followed by the 40/200-week moving averages, currently at 3.16 and 3.03, respectively. Important support is near 2.85, then 2.41.
- Bottom Panel: Buying/Selling Pressure (OBV) – On-Balance-Volume is trending lower, a technical negative (see red arrow). However, Volume is showing signs of accumulation, another early technical positive (see blue circle).

Premier Gold Mines Ltd.

Precious Metals - Producer

Rating
BUY

Price Target
C\$5.00

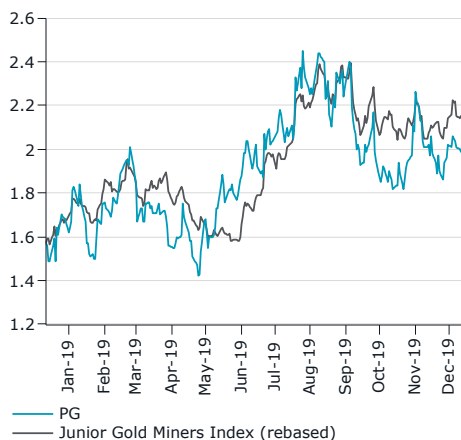
PG-TSX
PIRGF-OTC

Price
C\$2.02

Market Data

52-Week Range (C\$) :	1.39 - 2.55
Avg Daily Vol (000s) :	630
Avg Daily Vol (M) :	1.9
Market Cap (C\$M) :	412.8
Shares Out. (M) :	203.2
EV /oz (C\$) :	1,269.28
Shares Out., Basic (M) :	219.6
Enterprise Value (C\$M) :	369
Cash (C\$M) :	38.4
Long-Term Debt (C\$) :	18,265,000.0
NAV /Shr (C\$) :	5.18
Net Debt/EBITDA :	(4.90)
P/NAV (x) (C\$) :	0.37
Working Capital (C\$M) :	45.0
Total NAV 5 (C\$) :	852.7

FYE Dec	2018A	2019E	2020E
Cash & Equiv. (C\$)	43.9	38.4	110.0
Total Cash Cost By-Prod.(Gold) (US\$/oz)	775	881	652
Gold Production (000oz)	90	76	118
EPS (C\$)	(0.11)	(0.04)	0.18
Net Debt (Cash) (C\$M)	(44)	(20)	(92)



Priced as of close of business 11 December 2019

Premier Gold Mines targets North American projects in established districts. It is focusing on the South Arturo (NV, 40%), Greenstone (ON, 50%) and Cove-McCoy (NV, 100%) gold projects.

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El Nino production could signal re-rate

Investment recommendation

We rate Premier Gold BUY with a C\$5.00 target price. The year 2019 has been a rebuilding one for Premier as the South Arturo assets have started coming back online (September 2019) and extensive work on infrastructure and the geologic model has been completed to stabilize Mercedes. With an increase in its production profile anticipated for 2020, a pipeline of development assets located in stable jurisdictions, and a recent drop below its benchmark, the Junior Gold Miners Index, we believe now is an excellent entry point, despite the stock being up 20% year to date.

What to look for in 2020

- For 2020, we conservatively expect production to increase by 25% y/y with gold production totaling ~95koz.
- The biggest increase comes from South Arturo, where we expect only 9.6koz of production in 2019 and 17.4koz in 2020.
- At South Arturo, the El Nino Underground mine has already come on line ahead of schedule as it ramps up; we also expect to see results from exploration drilling.
- At Mercedes, operational challenges led to changes in stop sequencing, which we believe will set up the mine for better operational success going forward. Production will come from Diluvio, Lupita and Rey de Oro with some early production from the higher-grade Marianas.
- Hardrock, the 50/50 JV with Centerra Gold (CG-TSX: C\$10.10 | BUY, C\$12.50 PT; Dalton Baretto) is awaiting some finishing touches, though it is nearly shovel-ready with a decision expected in 2020 on project advancement. A large funding package comprised largely of debt but likely some equity would be required by Premier, and we anticipate a funding announcement to act as a potential catalyst.
- At Cove, we expect to see underground defining drilling in advance of a feasibility study and deposit development decision.

Investment Highlights

- We believe Premier Gold offers one of the most robust growth stories in the small cap producer space, with strong production, development and exploration projects.
- In addition to the aforementioned projects, Premier Gold's exploration portfolio is continuing to grow and includes Hasaga (in Red Lake) and the Rye epithermal target in Nevada, which are top-tier projects, in our view.
- We view Premier Gold's top-tier development pipeline, its partnership with Nevada Gold Mines, and the generally low sovereign risk jurisdictions in which it operates as key reasons to consider owning this stock.

Valuation

We assume C\$1,103M in operating NAV (5%) to which we apply a 1.0x multiple. Net corporate adjustments total \$25M with 220M shares outstanding. The corporate NAV is C\$1,129M or \$5.14/sh, which we round to C\$5.00. This generates a 163% 12-month projected return and justifies our BUY rating. Premier Gold trades at 0.38x P/NAV, a deep discount to covered junior producers, which trade at 0.64x.

Premier Gold Mines Limited (PG)

Technical Overview - PG

The technical profile of PG is neutral as the stock consolidates within an 8-month trading range. A close above 2.46 would confirm a new intermediate-term uptrend was in place, a strong technical positive. However, a close below 1.75 would confirm a new intermediate-term downtrend was in place, a strong technical negative.

The following four technical negatives are developing: 1) Price momentum is trending lower (see top panel), 2) Relative Strength is deteriorating versus the TSX Composite (see second panel), 3) Long-term trend is down as the stock is trading below the 4-Year (200-week) moving average (see third panel), and 4) Volume and On-Balance-Volume are showing signs of selling pressure (see bottom panel).

Figure 1: PG – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock just triggered a new weekly “mechanical sell” signal, a technical negative (see red circle).
- Second Panel: Relative Strength (SCTR) – **Relative strength versus the TSX Composite is trending lower, another technical negative (see red arrow).**
- Third Panel: Price – First resistance is near 2.12, followed by 2.46. Important resistance is near the 4-Year (200-week) moving average, currently at 2.76, then 3.28. First support is near the 40-week moving average, currently at 1.95, then 1.75. Important support is near 1.49 and this is where we would limit any risk on new positions.
- Bottom Panel: Buying/Selling Pressure (OBV) – Volume and On-Balance-Volume are showing signs of selling pressure, another technical negative (see red arrow).

Probe Metals Inc.

Precious Metals - Developer/Explorer

Rating
SPECULATIVE BUY

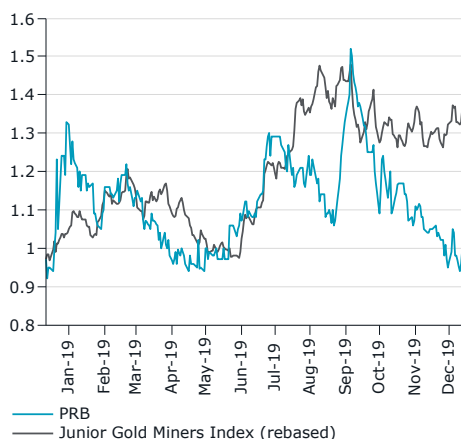
Price Target
C\$2.60

PRB-TSXV

Price
C\$1.16

Market Data

52-Week Range (C\$) :	0.91 - 1.53
Avg Daily Vol (000s) :	41
Market Cap (C\$M) :	128.4
Market Cap :	128.37
Shares Out. (M) :	110.7
EV /oz (C\$) :	33.39
Enterprise Value (C\$M) :	106
Cash (C\$M) :	12.6
NAV /Shr (C\$) :	2.61
NAV /Shr (5%) (C\$) :	8.01
P/NAV (x) (C\$) :	0.14
Working Capital (C\$M) :	14.7



Priced as of close of business 11 December 2019

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A remarkable opportunity to realize hidden value

Investment recommendation

We rate Probe Metals SPECULATIVE BUY with a C\$2.60 target price. Following the announcement of more than doubling its company-wide resource in September, Probe shares have declined compared to its peer group, the GDXJ, and is down 22% year to date; however, we believe Probe will outperform in 2020. Since January 2018, the company has increased the resource size by over 400% and thus the underlying value of the company, while the market cap has remained relatively constant. We think now is as good a time as ever to step into the name, ahead of what is typically a seasonally strong time for the junior gold sector.

Investment highlights

What drives our thesis

- Management's track record delivering value through the drill bit
- We believe the company has just scratched the surface, so to speak, as many of the main resources remain open at depth
- There is also considerable potential for additional parallel lenses to be discovered through more advanced geophysics and confirmed with drilling
- The company is well funded, with \$35M in cash and investments
- It is well located in the Val d'Or Quebec camp, which in our view is one of the top mining jurisdictions
- We believe consolidation in the camp is likely and see Probe as a prime M&A target

What to look for in 2020

- Results from a surface IP geophysics survey, aimed at identifying potential parallel trends, extensions of known mineralized systems and new satellite deposits
- Results from several rounds of drilling throughout the next 8-12 months and delineation of new and existing resources
- Results from metallurgical tests
- Building toward another resource update (early 2021)

Valuation

We value the company using a DCF(9%) on projected cash flows from a conceptual gold mining operation. We outline 16 years of production at an average annual production rate of 175koz at an average grade of 1.97. On our model, the Val d'Or East project produces gold at cash costs of US\$730/oz and all-in sustaining costs (AISC) of US\$857/oz. The project generates a C\$541M NPV and a 40% IRR. We fund the project using a 50/50 debt to equity split at a discount to the market. Our fully funded NAVPS of C\$2.61 is based on 303M shares outstanding and generates a 160% 12-month projected return. As Probe is an exploration-stage company with no revenue generation and significant future reliance on the capital markets to fund development, we qualify our rating as speculative.

Probe Metals Inc. (PRB)

Technical Overview – PRB

The chart of PRB is in an intermediate-term downtrend, a strong technical negative. However, the stock is attempting to stabilize near important support at 0.95, an early technical positive. We would limit risk on new positions near 0.95.

The following two early technical positives are developing: 1) Improving price momentum (see top panel) and 2) Volume is showing signs of accumulation (see bottom panel).

Figure 1: PRB – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – **The stock remains on a weekly “mechanical sell” signal, a technical negative (see red circle). However, downward momentum is slowing, an early technical positive (see blue arrow).**
- Second Panel: Relative Strength (SCTR) – N/A
- Third Panel: Price – First resistance is near the 40-week moving average, currently at 1.11, followed by 1.13. Important resistance is near the 4-Year (200-week) moving average, currently at 1.24, then 1.32. First support is near 0.95 and this is where we would limit any risk on new positions.
- Bottom Panel: Buying/Selling Pressure (OBV) – On-Balance-Volume has been trending lower, a technical negative (see red arrow). However, Volume is showing signs of accumulation, another early technical positive (see blue circle).

Minto Apartment REIT

Real Estate

Rating
BUY

Price Target
C\$28.50

MI.UN-TSX

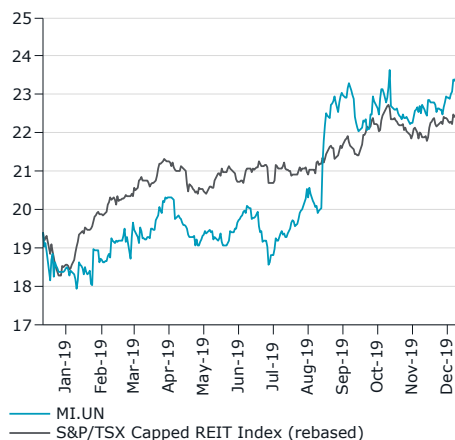
Price
C\$22.79

Market Data

52-Week Range (C\$) :	24.03 - 17.62
Market Cap (C\$M) :	1,101.6
Implied Return to Target (%) :	27.0
Debt/GBV (%) :	43.2
Distribution /Unit (C\$) :	0.44
Distribution Yield (%) :	1.9
NAV /Unit (C\$) :	23.75
Prem (Disc)/NAV (%) :	(4.0)
Units Out. (M) :	48.3
Implied Cap Rate (%) :	3.9

FYE Dec	2018A	2019E	2020E	2021E
FFO (C\$)	0.81	0.85	0.86	0.91
P/FFO (x)	28.1	26.9	26.5	25.0
AFFO (C\$)	0.66	0.72	0.74	0.79
P/AFFO (x)	34.3	31.6	30.9	29.0

Quarterly FFO	Q1	Q2	Q3	Q4
2018A	0.18	0.19	0.22	0.22
2019E	0.20A	0.21A	0.23A	0.20
2020E	0.20	0.22	0.22	0.22
2021E	0.21	0.23	0.24	0.23



Priced as of close of business 11 December 2019

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High-quality apartment portfolio benefiting from strong fundamentals in core markets

Investment Recommendation

Minto Apartment REIT (Minto) owns a portfolio of high-quality apartments in some of Canada's strongest rental markets and is led by a top-tier management team. Currently, Minto's portfolio includes 29 multi-residential properties with ownership interests in 7,240 suites. In addition, Minto benefits from its strategic relationship with the Minto Group, from which the REIT sources many of its high-quality properties. Minto has returned 28.9% year-to-date, and we expect this growth to continue through 2020.

Investment Highlights

- **Significant exposure to three of Canada's strongest rental markets.** Approximately 90% of Minto's portfolio is located within three of Canada's strongest rental markets of Toronto (33%), Montreal (21%), and Ottawa (37%). These markets feature extremely robust fundamentals, including low vacancy and strong rental growth, driven, in part, by a combination of population growth, a lack of new supply and home affordability challenges. The outlook for these rental markets remains positive as these factors are expected to persist for the foreseeable future.
- **High-quality assets within desirable rental nodes.** Minto's portfolio is extremely well located with significant exposure to very desirable rental nodes (often, large urban markets with access to mass transit). These prime locations are not only attractive to tenants but create a barrier to new supply given high land costs and stringent zoning regulations within these mature neighborhoods. New supply that is brought to market requires high rents to make projects economic.
- **Multiple levers to grow NAV and cash flow per unit.** At the end of Q3/19, the REIT's gain-to-lease opportunity was \$15.2 million, which translates into a 16.5% gap between the REIT's in-place and market rents and is consistent with the 16.9% increase on new leases signed during the past quarter. In addition, the REIT has applied for rezoning that will, if approved, allow for an additional 1,077 suites on its existing properties and purchase option agreements, which should allow for additional growth in cash flow. The REIT repositioned 57 suites last quarter, which management believes to be a reasonable run-rate for Minto's annual repositioning capacity (Minto has identified ~2,200 suites for potential repositioning).
- **Growth in float should attract additional interest from institutional investors and passive investment dollars.** Since its IPO in July 2018, Minto Apartment REIT has completed two secondary offerings, raising proceeds of \$398 million. As a result, the REIT's float has increased from 15.9 million units, representing a float capitalization of \$250 million, to 35.4 million units (\$827 million). In our view, the increased liquidity and size of the REIT should lead to higher interest from institutional investors.

Valuation: We utilize a 3.8% cap rate to value Minto's portfolio and our NAV estimate is \$23.75. Our target price, which is set at a 20% premium to NAV, is C\$28.50 and, combined with Minto's 1.9% distribution yield, implies a 12-month total return of 27.0%.

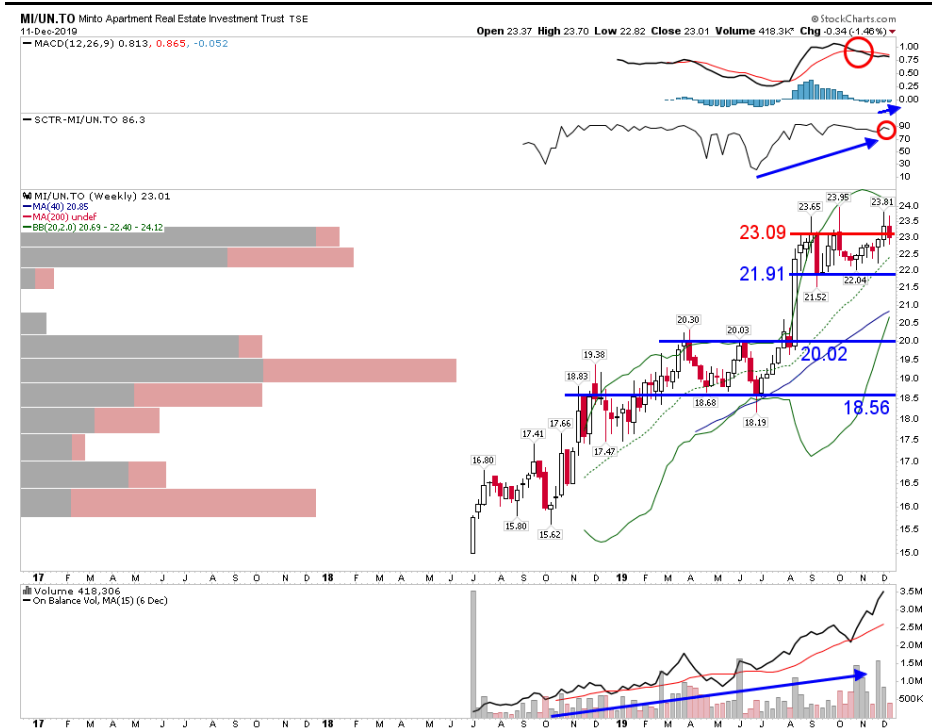
Minto Apartment Real Estate Investment Trust (MI.UN)

Technical Overview – MI.UN

The technical profile of MI.UN is strong as the stock is consolidating within an intermediate-term uptrend. A close above 23.09 would confirm a resumption of the longer-term uptrend, with next upside technical target near 24.

The following three technical positives are in place and support further upside: 1) Improving price momentum (see top panel), 2) Intermediate-term trend is up as the stock is trading above the 40-week moving average (see third panel), and 3) Volume and On-Balance-Volume are showing signs of buying pressure (see bottom panel).

Figure 1: MI.UN – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- **Top Panel: Price Momentum (MACD)** – The stock remains on a weekly “mechanical sell” signal, a technical negative (see red circle). However, downward momentum is slowing, an early technical positive (see blue arrow).
- **Second Panel: Relative Strength (SCTR)** – **Relative strength versus the TSX Composite is stalling, an early technical negative (see red circle).**
- **Third Panel: Price** – First resistance is near 23.09. A close above this level sees next technical upside target near 24 (not shown). First support is near 21.91, followed by the 40-week moving average, currently at 20.85. Important support is near 20.02, followed by 18.56.
- **Bottom Panel: Buying/Selling Pressure (OBV)** – Volume and On-Balance-Volume are showing signs of buying pressure, a technical positive (see blue arrow).

Summit Industrial Income REIT

Real Estate Investment Trusts

Rating
BUY

Price Target
C\$14.00

SMU.UN-TSX

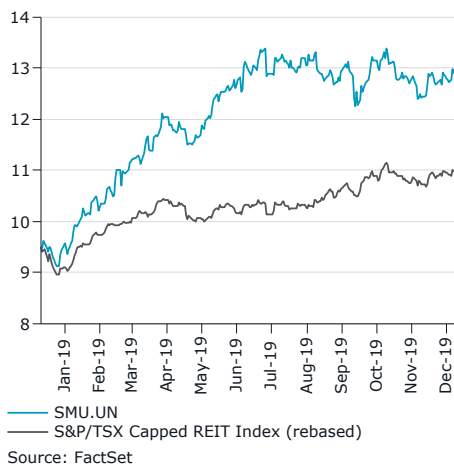
Price
C\$12.65

Market Data

52-Week Range (C\$) :	9.06 - 13.50
Avg Daily Vol (000s) :	448
Market Cap (C\$M) :	1,512.2
Implied Return to Target (%) :	14.9
Debt/GBV (%) :	40.6
Distribution /Unit (C\$) :	0.54
Distribution Yield (%) :	4.3
NAV /Unit (C\$) :	11.41
Prem (Disc)/NAV (%) :	10.9
Units Out. (M) :	119.5
Implied Cap Rate (%) :	4.7

FYE Dec	2018A	2019E	2020E	2021E
FFO (C\$)	0.56	0.58	0.66	0.71
P/FFO (x)	22.6	21.7	19.1	17.9
AFFO (C\$)	0.50	0.53	0.62	0.67
P/AFFO (x)	25.4	23.8	20.5	19.0

Quarterly FFO	Q1	Q2	Q3	Q4
2018A	0.14	0.14	0.14	0.14
2019E	0.15A	0.15A	0.14	0.14
2020E	0.16	0.16	0.17	0.17
2021E	0.17	0.18	0.18	0.18



Priced as of close of business 11 December 2019

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Lack of supply should lead to sustained internal growth

Investment recommendation

Summit Industrial Income REIT owns a portfolio of industrial properties concentrated in four major markets in Canada; the GTA (41% of GLA), Calgary/Edmonton (30%) and Montreal (19%). We believe the REIT is well positioned to benefit from healthy underlying fundamentals for industrial real estate, in particular in its largest market, the GTA.

Investment highlights

Strong industrial fundamentals should continue for a number of years. Vacancy rates in Summit's core markets are extremely low, and the availability rate in the GTA is now an incredibly tight 1.2%, down from the previous record-low of 1.5% set in Q2/19 (CBRE). The strong demand has led to growing rental rates, and in the GTA, rental rates have reached a record high of \$8.57 per square foot (sf), up 28.3% year over year. Looking forward, while there is 14.4 million sf slated for completion in the GTA during 2020, the highest annual delivery on record, this represents only 1.8% of existing inventory. Therefore, there is potential for further upward pressure on rental rates. Similar conditions are occurring in Montreal where availability fell 40 bps sequentially, to 2.8%, in Q3/19 while asking rental rates increased 10.1% year over year, to \$6.21 per sf.

Greatest exposure to GTA and Montreal industrial markets. The markets of the GTA and Montreal account for more than 70% of Summit's portfolio and is the key reason for our bullish view. Reflecting strong demand for industrial space, Summit should see continued rent growth on turnovers and lease renewals in these markets, along with extremely high tenant retention. During 2019, Summit renewed or signed contracts for substantially all the 1.4 million sf of leases expiring this year at rental rates that were, on average, 11.1% above expiring rental rates (17.8% for space in the GTA). We expect renewal spreads to remain strong, which should translate to same-property NOI growth of above 5% annually over the next few years.

Valuation

Summit has returned 39.7% year-to-date, and we expect 2020 to be another solid year. Using a 5.00% cap rate to value Summit's portfolio, our NAV per unit estimate is C\$11.41. Summit currently trades at a 10.9% premium to our NAV estimate, or an implied cap rate of 4.7%. This compares with Canadian industrial peers which trade at a premium to NAV of, on average, 6.3% and an implied cap rate of, on average, 5.5%. We believe this valuation is justified by the REIT's exposure to the GTA and Montreal. Our target price of C\$14.00 is set at a 20% premium to our NAV estimate, and combined with a 4.3% distribution yield, implies a 12-month forecast total return of 14.9%.

Summit Industrial Income REIT (SMU.UN)

Technical Overview – SMU.UN

The technical profile of SMU.UN is weakening within a multi-month trading range, bounded by 13.08 to the upside and 11.63 to the downside. A close below 11.63 would confirm a new intermediate-term downtrend was taking hold, a strong technical negative.

The following three technical negatives are in place: 1) Price momentum is trending lower (see top panel), 2) Relative strength is trending lower versus the TSX Composite (see second panel), and 3) Intermediate-term trend is down as the stock is trading below the 40-week moving average (see third panel).

Figure 1: SMU.UN – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical sell” signal, a technical negative (see red circle).
- Second Panel: Relative Strength (SCTR) – **Relative strength versus the TSX Composite is trending lower, another technical negative (see red arrow).**
- Third Panel: Price – First resistance is near 13.08. A close above this level sees next technical upside target near 14 (not shown). First support is near the 40-week moving average, currently at 12.39, followed by 11.63. Important support is near 10.57, followed by the 4-Year (200-week) moving average, currently at 7.78.
- Bottom Panel: Buying/Selling Pressure (OBV) – Volume and On-Balance-Volume are showing signs of buying pressure, a technical positive (see blue arrow).

Corus Entertainment Inc.

Broadcasting

Rating
BUY

Price Target
C\$9.00

CJR.B-TSX

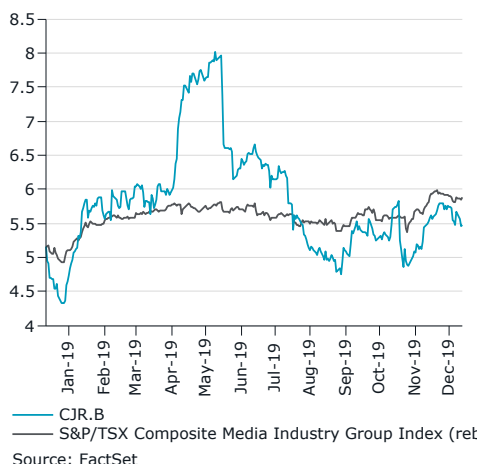
Price
C\$5.48

Market Data

52-Week Range (C\$) :	5.10 - 8.11
Avg Daily Vol (000s) :	727
Market Cap (C\$M) :	1,143.3
Shares Out. (M) :	208.6
Dividend /Shr (C\$) :	0.24
Dividend Yield (%) :	4.4
Net Debt (Cash) (C\$M) :	1,857.4

FYE Aug	2019A	2020E	2021E
Revenue (C\$M)	1,687.5	1,648.1	1,623.7
EBITDA (C\$M)	585.1	562.6	546.1
EBITDA Margin (%)	34.7	34.1	33.6
EPS Adj&Dil (C\$)	0.85	0.95	0.90
FCF /Shr ¹ Dil (C\$)	1.46	1.47	1.68
EV/EBITDA (x)	4.8	4.6	4.2
P/E (x) Adj&Dil	6.5	5.8	6.1
P/FCF (x) Dil	3.8	3.7	3.3

¹2018 : \$1.45 recurring F2018E FCF/sh.
(excl. \$24.6M non-recurring proceeds from termination of interest rate swaps)



Priced as of close of business 11 December 2019

Corus Entertainment is a Canadian-based media and entertainment company. Corus is a market leader in specialty television and radio.

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FCF yield of 27% with rapid de-levering and a stabilizing top line

Investment recommendation

As we look to 2020, we see Corus Entertainment (CJR.B) as the most compelling pick within our coverage. It offers a rare combination of a robust FCF yield of 27% on F2020E (with potential upside to 31% in F2021E) and a de-levering balance sheet. Typically, a highly elevated FCF yield can suggest an over-levered balance sheet and at times lead to a debt trap for investors who are simply focused on the yield consideration. We believe this case is different, as Corus has lowered its leverage ratio from 3.5x (net debt/LTM EBITDA) in early F2018 to 2.8x by end-F2019, and is projected to ease further to 2.5x by current year-end. Importantly, following a period of notable TV ad declines from 2016 through mid-2018, we have since seen a period of stable TV ad revenues, with the trend turning to meaningful growth through F2019.

Investment highlights

A wild ride for the stock in 2019: While the stock is up 15% YTD, CJR.B experienced a volatile period through 2019. Initially, buoyed by improving ad trends, the stock rose 68% to its peak in early August. However, this was followed by Shaw Communications unloading nearly 40% of the outstanding shares, which placed significant pressure on the stock, pushing it to what we believe are artificially low current levels. While there has been a modest recovery off the bottom, we believe there is meaningful upside ahead.

A multi-component case to sustaining the TV segment: On the back of an exceptional year in TV ad sales (+7% y/y growth), the key question is around maintaining some degree of stability in TV ad trends throughout F2020. While visibility on the TV ad piece is still generally low, we do have some guidance from management suggesting stability in Q1/20. However, what is really encouraging to us is that there are a number of drivers that can potentially combine to deliver stable or even growing TV segment revenues in F2020. First is the traction in ad-tech, which we have addressed in prior research. The audience-based buying component of it continues to grow strongly, now representing 22% of TV ads (in Q4). Later in F2020 and beyond, we expect the DAI (dynamic ad insertion) leg of the stool also to start building, with Rogers on board and Shaw also starting a trial. Second, the industry-level revision or reassessment of the TV/digital ad mix appears to be continuing, further boosted by new sales from direct-to-consumer advertisers (e.g., Trivago, Skip the Dishes, etc.). Third, we believe that initiatives like the introduction of Adult Swim (which has massive audiences in the US) can further offer meaningful tailwinds. Fourth, the advent of vMVPDs (starting with Amazon prime video channels) opens incremental sub revenue streams for Corus. Early indications appear to be positive for StackTV.

Index inclusion could drive additional demand: With the elevated public float created by the divestiture of the Shaw block, Corus is now expected to re-enter the TSX index in late December. We believe this, together with the company's newly deployed NCIB programme, will drive up additional demand for the stock.

Valuation

Our \$9.00 target is derived on 5.5x EV/EBITDA 2021E. The stock currently trades at 4.2x EV/EBITDA 2021E, a historic low. We reiterate our BUY rating.

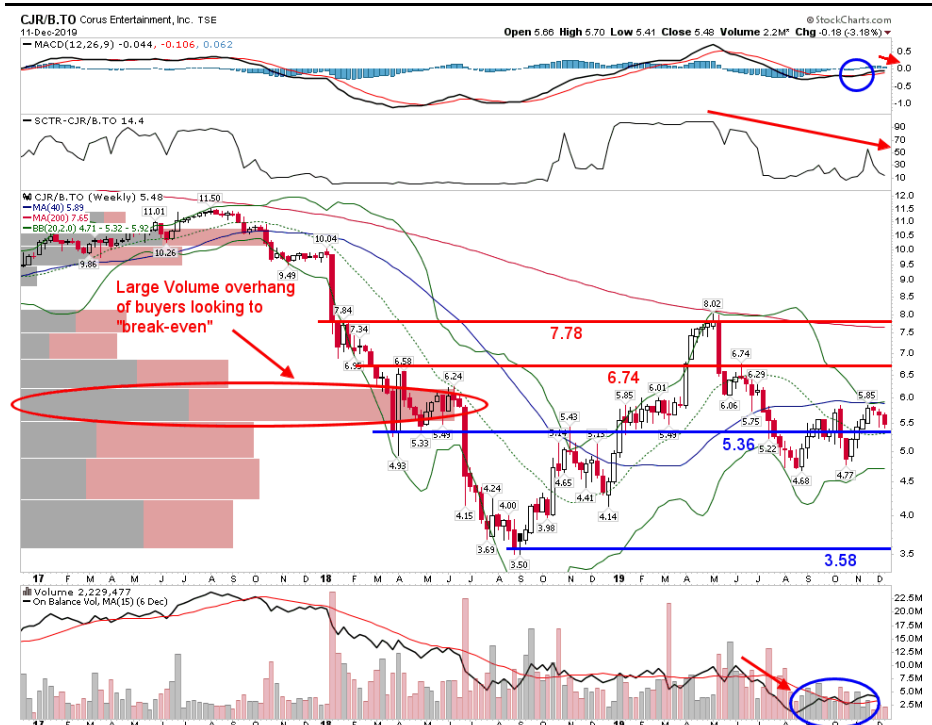
Corus Entertainment Inc. Class B (CJR.B)

Technical Overview – CJR.B

The technical profile of CJR.B is neutral as the stock is stalling within a new intermediate-term uptrend. A close above important resistance near 6.74 would be a strong technical positive, and opens the door for a test of major resistance near 7.78.

The following three data points are early technical negatives and suggest a near-term pause/pullback is likely: 1) Price momentum is weakening (see top panel), 2) Relative strength is trending lower versus the TSX Composite (see second panel), and 3) Intermediate- and Long-term trends are down as the stock is trading below the 40/200-week moving averages (see third panel).

Figure 1: CJR.B – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- **Top Panel: Price Momentum (MACD)** – The stock recently triggered a new weekly “mechanical buy” signal, a technical positive (see blue circle). However, upward momentum is slowing, an early technical negative (see red arrow).
- **Second Panel: Relative Strength (SCTR)** – **Relative strength versus the TSX Composite is trending lower, a technical negative (see red arrow).**
- **Third Panel: Price** – First resistance is near the 40-week moving average, currently at 5.89, followed by 6.74. Important resistance is near the 4-Year (200-week) moving average, currently at 7.65, then 7.78. First support is near 5.36. Important support is near 3.58. A large volume overhang is between 6.50 – 5.50 (see red circle), which will provide overhead resistance.
- **Bottom Panel: Buying/Selling Pressure (OBV)** – On-Balance-Volume has been trending lower, a technical negative (see red arrow). However, Volume is showing signs of buying pressure, an early technical positive (see blue circle).

Docebo Inc.

Enterprise Software - Software as a Service

Rating
BUY

Price Target
C\$20.00

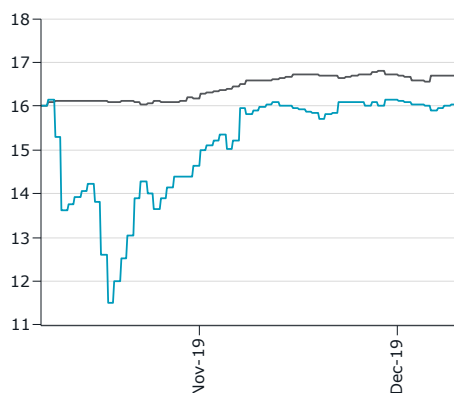
DCBO-TSX

Price
C\$16.08

Market Data

52-Week Range (C\$) :	11.29 - 16.30
Avg Daily Vol (000s) :	97
Market Cap (C\$M) :	483.9
Shares Out., Basic + Dil. (M) :	30.1
Total Return to Target (%) :	24.4
Enterprise Value (C\$M) :	410
Net Cash (US\$M) :	46.8
Net Cash / Shtr (US\$) :	1.55

FYE Dec	2019E	2020E	2021E
Sales (US\$M)	40.5	56.5	78.0
EBITDA (US\$M)	(6.0)	(4.8)	0.4
EPS Dil (US\$)	(0.45)	(0.21)	(0.04)
EV/Sales (x)	7.6	5.4	3.9



Source: FactSet

Priced as of close of business 11 December 2019

Docebo is a cloud vendor of enterprise employee, partner and customer training software. Docebo supports all forms of learning including social, collaborative and on-the-job learning. The software provides robust tools for administration and is an early company to leverage AI and machine learning to improve outcomes in corporate learning.

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Docebo offers growth at a reasonable price

Investment recommendation

Docebo is a SaaS vendor of leading-edge enterprise learning management software. The company is growing at an impressive clip, with expectations post the recent IPO set at a reasonable level, in our view. We expect that Docebo can grow subscription revenue at 35%+ over the next several years, with a path to EBITDA profitability in late 2021. This puts Docebo at the upper end of the overused but relevant "Rule of 40".

Since the IPO, Docebo has done what it said it would do, yet the stock is suspended at the IPO price. We acknowledge a competitive HR software market, low liquidity, and a control position with Toronto-based InterCap (private). That said, we view Docebo as a solid company that offers investors growth at a reasonable price when comparable high growth SaaS companies are trading at high valuations. We are BUY rated with a price target of C\$20.00, based on 7.0x 2020E EV/Sales. We believe a strong Q4/19 report in 2020 will serve as the next catalyst to move the stock higher.

Investment highlights

- **Unlocking a constrained go-to-market** - The LMS space is one where product differentiation is measured in inches, not miles. A solid go-to-market can outperform a premium product. Pre-IPO, we believe Docebo was constrained and with new funds, has the opportunity to expand its historical CAC ratio of \$1 of sales for each incremental \$1 of revenue.
- **Solid product** - We believe that the Docebo solution has functionality and usability advantages in a competitive marketplace, which has enabled the company to achieve recent 50%+ subscription sales growth. We believe stable investment in R&D and continued product development will keep Docebo ahead of the curve and unlock the company's targeted 35-40% growth profile for years to come.
- **A new channel opportunity** - Docebo has begun to generate revenue as a white-label provider of LMS functionality to Ceridian. We view this as an attractive template for another leg of growth as Docebo embeds LMS function into 3rd party enterprise software.
- **Q3 was a beat with confidence into Q4 report** - Docebo reported subscription growth of 55% in its debut Q3, sufficiently ahead of expectations, driven in part by two large deals. This underscored the shift toward larger enterprise customers, which has yielded strong growth in ACV and longer, stickier 3-year contracts which shield from churn. Docebo also released v7.8 on time and with functionality consistent with their roadmap and reputation as an innovative company in the LMS space.
- **Rounding out our top picks** - While we highlight Docebo as our top pick, we view **Kinaxis (KXS-TSX: C\$104.24 | BUY)** and **Real Matters (REAL-TSX: C\$12.80 | BUY)** as strong candidates. We are cognizant of the recent run-up in Kinaxis shares closing some of the valuation gap with SaaS peers, but remain bullish on the opportunities in 2020 as sales expansion, channel investment and platform opportunities widen the funnel. We remain bullish on Real Matters although we highlight the sensitivity to the US treasury rate which appears to be in an easing bias in 2020.

Valuation

Docebo currently trades at 5.4x EV/2020E revenue. Our target valuation of 7.0x remains a discount to Canadian software peers of 11.0x and relevant US peers at 10.9x. On our least squares regression analysis, Docebo's 35-40% revenue growth profile suggests a valuation multiple of 10-11x. Considering revenue growth and FCF margin, we believe 7-9x is appropriate. We believe Docebo will re-rate higher should the company report strong consecutive quarters in H1/20.

Docebo, Inc. (DCBO)

Technical Overview - DCBO

The technical profile of DCBO is reaccelerating within an intermediate-term uptrend, a technical positive. A close above first resistance near 16.16 sees next upside technical target near 17.

The following two technical positives are attempting to take hold and are supportive of further upside: 1) Relative strength is reaccelerating versus the TSX Composite (see second panel) and 2) Volume and On-Balance-Volume are showing signs of buying pressure (see bottom panel).

Figure 1: DCBO – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – N/A
- Second Panel: Relative Strength (SCTR) – **Relative strength versus the TSX Composite is reaccelerating, a technical positive (see blue arrow).**
- Third Panel: Price – First resistance is near 16.16. A close above this level sees next technical upside target near 17 (not shown). First support is near 15.00. Important support is near 13.61 and this is where we would limit any risk on new positions.
- Bottom Panel: Buying/Selling Pressure (OBV) – Volume and On-Balance-Volume are showing signs of buying pressure, another technical positive (see blue arrow).

Rating
BUY

Price Target
C\$9.00

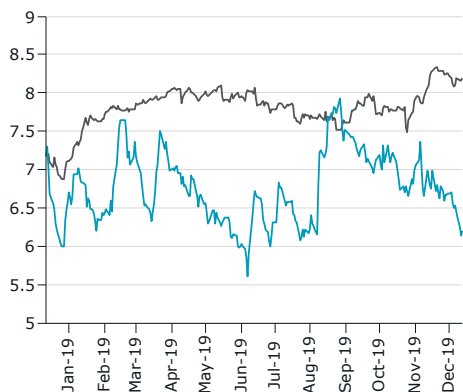
RAY.A-TSX

Price
C\$6.20

Market Data

52-Week Range (C\$) :	5.51 - 8.49
Avg Daily Vol (000s) :	80
Market Cap (C\$M) :	473.6
Shares Out. (M) :	76.4
Dividend /Shr (C\$) :	0.28
Dividend Yield (%) :	4.5
Net Debt (Cash) (C\$M) :	353.7

FYE Mar	2019A	2020E	2021E
Sales (C\$M)	212.7	316.1	324.1
EBITDA (C\$M)	72.2	116.5	121.2
EPS Adj&Dil (C\$)	0.57	0.73	0.82
EV/EBITDA (x)	6.5	6.3	5.7
P/E (x)	8.4	7.6	7.6
FCF Yield (%) Adj	9.5	15.1	15.2



Source: FactSet

Priced as of close of business 11 December 2019

Stingray is a multiplatform music provider offering a vast suite of products from conventional radio to music TV channels and karaoke. The company has operations across the world with subscribers in 156 different countries and reaches over 400 million Pay TV subscribers, as well as over 88,000 businesses.

Stingray's business is split into four distinct segments: music broadcasting, commercial music, conventional radio, and B2C/SVOD.

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RAY's growth and FCF are music to investors' ears

Investment recommendation

Stingray is our small-cap media top pick. We believe that with the radio acquisition complete, RAY will begin to demonstrate its ability to generate 5%+ organic EBITDA growth, driven by strength in the commercial segment, expansion into ad-based streaming services, and continued uptake of its SVOD/B2C services. The company's growth is complemented by a 15% FCF yield and 5% dividend. With the shares pulling back recently as a result of tax-loss selling (shares have declined 8% YTD in F19) and pressure from a mixed Q2, we see an opportunity for significant upside going into 2020. We maintain our BUY rating and C\$9.00 target, which implies a 50% projected return to the current share price (including dividend yield).

Investment highlights

- **Music broadcasting and commercial music firing on all cylinders.** The music broadcasting and commercial music segment continues to be the key growth driver for the overall business. The SVOD/B2C services maintain double-digit revenue growth, and we note that as we enter the holiday season, we believe RAY should see upwards of 20% subscriber growth q/q. In addition, the traditional music broadcasting product (music TV channels) is performing well, with most major Canadian BDUs signed to long-term deals. On the commercial music front, growth continues with the newly announced contract with Metro and several additional contracts in the pipeline. We expect the segment to see 6% organic revenue growth and 9% EBITDA growth in F2020.
- **Radio remains stable and could see a longer-term boost with Audio 360.** We expect radio to experience relatively flat revenue and EBITDA growth in 2020 as management works to optimize the segment's sales team and streamline the cost structure. Looking into F21, we expect RAY to begin seeing some revenue benefits related to the Audio 360 offering, which we believe is experiencing good initial traction with agency clients.
- **Free cash flow makes debt load manageable.** RAY's leverage ratio currently sits at 2.95x EBITDA, which we believe is reasonable given our estimate that the company will generate \$72M in FCF (or \$0.94 per share). We expect that by the end of F20 (March year end), net debt will have declined to 2.70x.

Valuation

Based on December 11 pricing, RAY.A currently trades at 6.3x EV/F20E EBITDA while offering a 15% FCF yield and 5% dividend. We believe this is modest given the company's consistent ability to drive 5%+ EBITDA growth. We expect that as Stingray proves its ability to consistently drive solid growth pro forma the radio acquisition (which closed in Q3/19), the shares should see a positive re-rating. Our C\$9.00 target price is based on 7.8x EV/F21E EBITDA.

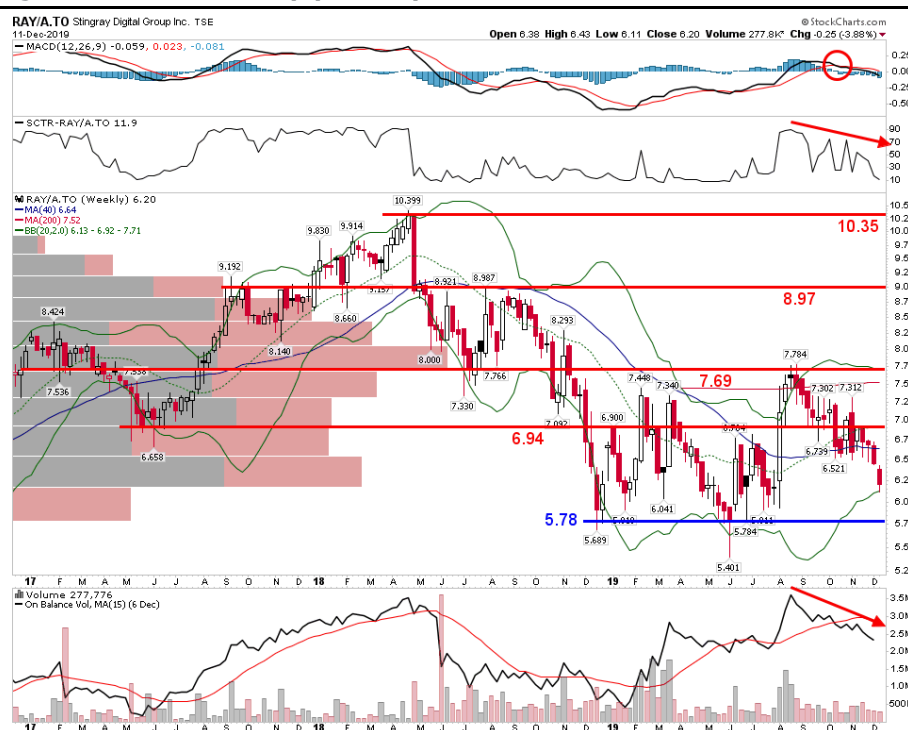
Stingray Group, Inc. (RAY.A)

Technical Overview – RAY.A

The technical profile of RAY.A is negative as the stock is trending lower within an intermediate-term downtrend. A close above 6.94 would be needed in order to confirm a new intermediate-term uptrend was in place, a strong technical positive.

The following three technical negatives suggest further downside risks remain: 1) Price momentum is weakening (see top panel), 2) Relative strength is deteriorating versus the TSX Composite (see second panel), 3) Intermediate- and Long-term trends are down as the stock is trading below the 40/200-week moving averages (see third panel), and 4) Volume and On-Balance-Volume are showing signs of selling pressure (see bottom panel).

Figure 1: RAY.A – Weekly (3 Years)



Source: StockCharts.com, Canaccord Genuity Research

- Top Panel: Price Momentum (MACD) – The stock remains on a weekly “mechanical sell” signal, a technical negative (see red circle).
- Second Panel: Relative Strength (SCTR) – Relative strength versus the TSX Composite is deteriorating, another technical negative (see red arrow).
- Third Panel: Price – First resistance is near the 40-week moving average, currently at 6.64, followed by 6.94. Important resistance is near the 4-Year (200-week) moving average, currently at 7.52, then 7.69. Important support is near 5.78 and this is where we would limit any risk on new positions.
- Bottom Panel: Buying/Selling Pressure (OBV) – Volume and On-Balance-Volume are showing signs of selling pressure, another technical negative (see red arrow).

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Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

Investment Recommendation

Date and time of first dissemination: December 16, 2019, 00:01 ET

Date and time of production: December 15, 2019, 23:17 ET

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Distribution of Ratings:

Global Stock Ratings (as of 12/16/19)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	527	60.16%	51.80%
Hold	209	23.86%	36.36%
Sell	19	2.17%	21.05%
Speculative Buy	121	13.81%	78.51%
	876*	100.0%	

*Total includes stocks that are Under Review

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