HILBERRY GROUP
WEALTH MANAGEMENT

Oct 29, 2021

Ghosts, Goblins, Spooks and Shape Shifters Edition

The annual United Nations **Climate Change Conference Of The Parties #**26 (COP26) is on in Glasgow, Scotland, Oct 31 to Nov 11. Politicians have been buffing off their earnest buttons prior to carbon-adventure air travel. Activists have been in full throat. The Federal Liberal Govt even rolled out a new cabinet showcasing green credentials.

United Nations Climate Change Conference #26 Glasgow Scotland Oct 31-Nov 12, 2021

https://ukcop26.org/

COP26 opening on Halloween doesn't have the significance in Europe as in North America. Wags could poke fun at playing dress-up with demands for tricks or treats. Not me!

The emissions debates are likely to descend into the picayune over the historical vs. the current vs. the per-capita vs. actual. Canada was fingered by activists this week as 'one of the worst emitters' (based on per-capita emissions not actual). They then argued *'we should plant millions of trees'.* The latter makes sense but hold on…doesn't Canada already have a few trees? Don't we plant some too? What is our per-capita tree-to-human ratio?

For those pondering the global carbon picture 'World-O-Meters' has the answer. India and China combine to 36%. Canada = 1.89%.

https://www.worldometers.info/co2-emissions/co2-emissions-by-country/

'COP26 & Net-Zero – a game of 'Snakes and Ladders'; rolling the dice with green power stocks' Natl Bank Oct 28, 2021

NBF's ESG analyst Amber Brown provides a preview of the COP26 event.

https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=6144db92-9085-450f-bd32-1f346e6c54cc&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail

On that flying and driving thing …

Commercial flights that fly 'entirely on hydrogen' planned for 2024 **CNBC Oct 27, 2021**

https://www.cnbc.com/2021/10/27/commercial-flights-that-fly-entirely-on-hydrogen-planned-for-2024.html

Hertz Said to Order 100,000 Teslas in Rental-Market Shake-Up (1)

- Company exited bankruptcy four months ago under new ownership
- Electrification plan to eventually include most of Hertz fleet

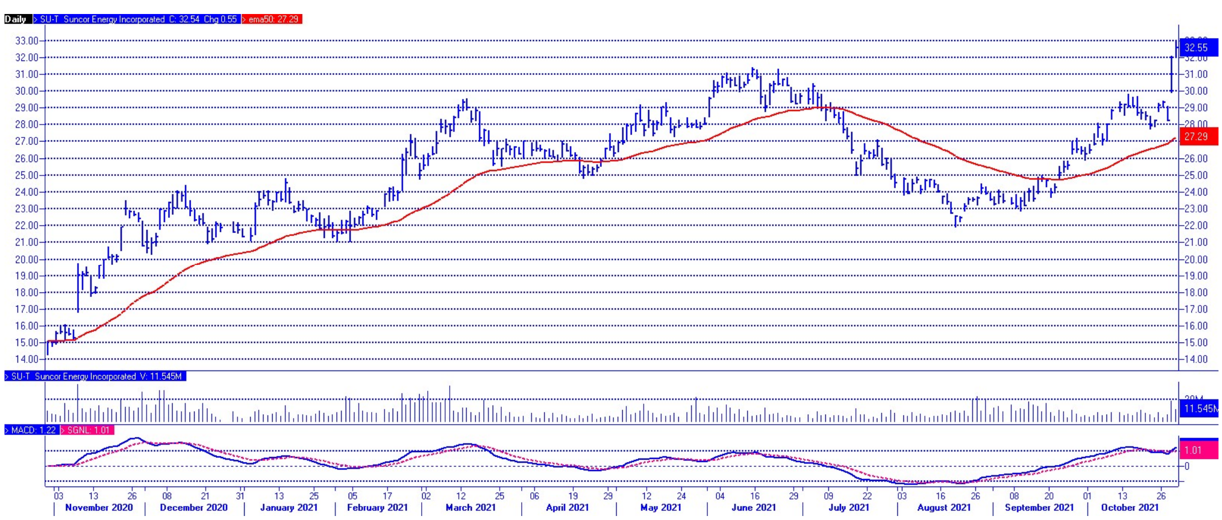
By Erik Schatzker

(Bloomberg) -- Hertz Global Holdings Inc., barely four months out of bankruptcy, placed an order for 100,000 Teslas in the first step of an ambitious plan to electrify its rental-car fleet, according to people with knowledge of the matter.

It's the single-largest purchase ever for electric vehicles and represents about $4.2 billion of revenue for Tesla Inc., according to the people, who asked not to be identified because the information is private. While car-rental companies typically demand big discounts from automakers, the size of the order implies that Hertz is paying close to list prices.

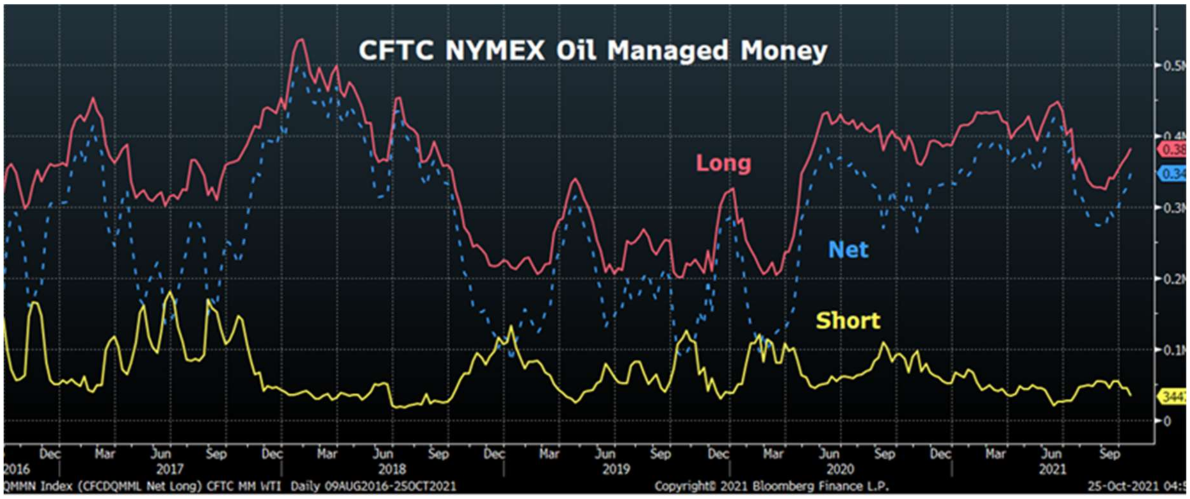
Is Canada's oil market back or, as the current political narrative has it, is this just an upward blip in a downward trend? Suncor (SU-T-$32.54) surprised investors by doubling their cash dividend to $1.68 per share. At today's close the new dividend represents 5.1% yield. Investors rushed in. The stock has doubled over the past 12 months.

Suncor (SU-T-$32.54) daily ranges – 12 months.



DISCLAIMER: I hold Suncor personally, for family members and for client accounts over which I have trading authority. We have traded in the security in the past 60 days.

Where is The Street on oil?



The pro's (red line) are still bullish on crude oil prices. Here's why. With COP26 in mind…Excerpt from NBF's daily energy desk notes...

The trajectory for green project financing to overtake O&G? *A picture says a thousand words and the chart below suggests loans for O&G vs. green industry is nearing an inflection point. Recall, the latest IEA World Energy Outlook projected that US$4 trillion would need to be invested before 2030 in clean energy projects to be on track for 1.5 degrees. It is unlikely that loans to the fossil fuel industry are completely abandoned, instead its more likely loan book relative growth between the two favors green project financing going forward.*

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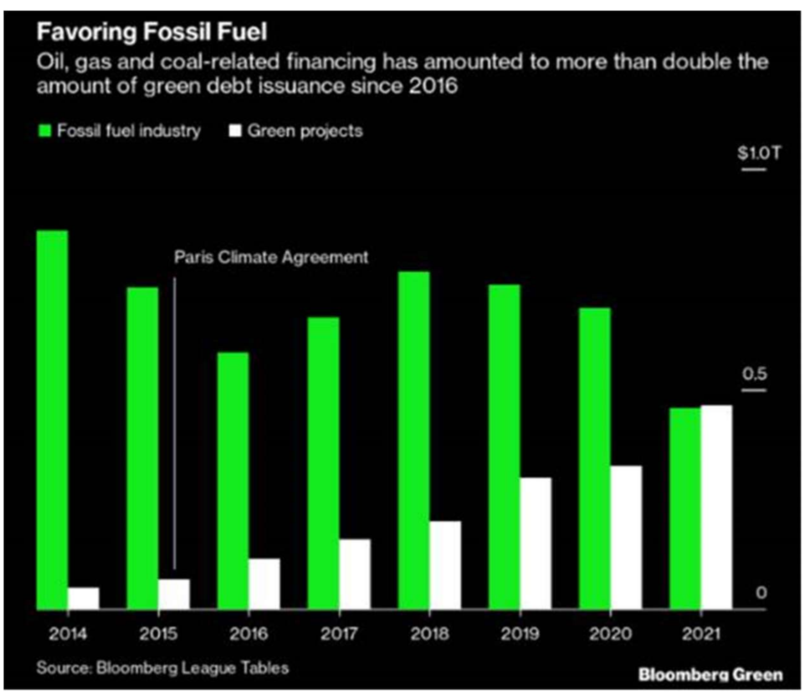


Our Take: The rush for funding the green energy transition and 'divestment' has seen conventional energy investment decline by 50% (yes Five-Oh) from 2014. The result is evident in oil prices. We've predicted this for some time.

'EIA forecasts U.S. winter natural gas bills will be 30% higher than last winter' – Oct 25, 2021

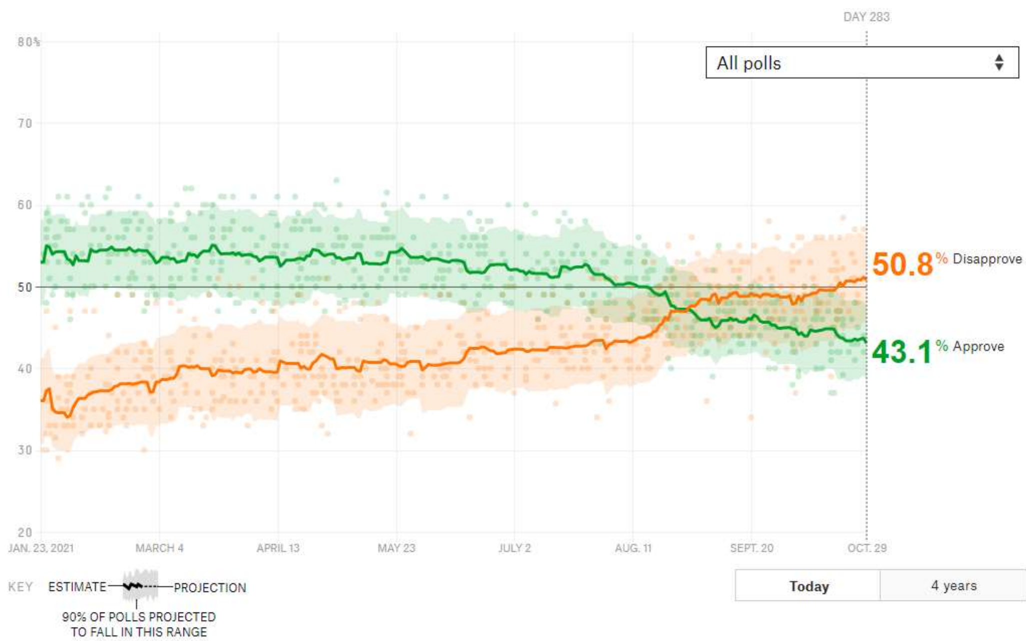
"We forecast that U.S. households that primarily use natural gas for space heating will spend an average of $746 on heating this winter (October–March), which is $172, or 30%, more than last year."

https://www.eia.gov/todayinenergy/detail.php?id=50076

Econ 101 says increased productivity is the only way to growth. Increased productivity enables all to benefit. Productivity thrives with co-operation and mutual support. Lack of productivity forces "Heads I Win. Tails You lose". Low productivity economies are rife with corruption as the only way to get more money is to steal it from someone else. There's no way to earn it, leading to a downward spiral of discouragement, apathy, and cynicism. Productivity has lifted millions out of poverty, improved health, extended life spans, reduced family sizes and allowed a working-class family to live like kings of the past.

We've predicted, contrary to the common narrative, the conversion to green energy, **using existing solutions** hasn't increase productivity…yet. This is likely to change with new technology. We predicted the **existing solutions** would result in rising costs. This has occurred. We've predicted those rising costs might lead voters to turn on politicians. We'll see.

'How unpopular is Joe Biden?' FiveThirtyEight.com



The site plots Joe Biden's approval ratings (green lines) vs. past presidents at this point in their tenure. Of elected Presidents only Donald Trump was less favored (Gerald Ford became President after the resignation of Richard Nixon) .

https://projects.fivethirtyeight.com/biden-approval-rating/

Biden's steepest decline is in working class families earning less than $50K US per year who once dependably favored the Democrats.

https://www.bloomberg.com/news/articles/2018-11-28/how-occupational-class-influences-u-s-voting-patterns

The economy continues to be #1 issue for all US voters. 'The economy' means pocket books. The US mid-terms in Nov/2022 could be interesting.

Shape Shifters…

This week Facebook announced they were changing their brand name to Meta. Creepy. The media had a field day. Why would they change their image?

'Mocking Meta: Facebook's virtual reality name change prompts backlash'

https://www.theguardian.com/technology/2021/oct/29/mocking-meta-facebooks-virtual-reality-name-change-prompts-backlash

There's something seriously wrong when a company decides to change their brand name. Guess who's been selling a lot of Facebook (um Meta) stock?

…and Goblins (gobble-ers)?

'Ranked: Big Tech CEO Insider Trading During the First Half of 2021' – Visual Capitalist Sept 22, 2021

https://www.visualcapitalist.com/ranked-big-tech-ceo-insider-trading-during-the-first-half-of-2021/

Is all this Tech CEO insider selling simply raising money for expensive toys, a 'cash out' based on valuations, or flight from future tax hikes?

'The Billionaire Tax: The Worst Tax Idea Ever?' – Aswath Damodaran Oct 25, 2021

Dr Damodaran takes on the 'Wealth Tax' notion this week.

"If you have been tracking the torturous workings of the infrastructure bills working their way through Congress, consideration is now being given to a "billionaire" tax, focused on a extraordinarily small subset of Americans, and intended to raise tens, perhaps even hundreds, of billions of dollars in revenues, to cover the costs of the bill. I am constantly amazed by the capacity of legislatures to write bad tax law, but this one takes the cake as perhaps the worst thought-through and most ineffective attempt ever, at rewriting tax code. That is a little unfair, I know, because the details are still being hashed out, and it is conceivable that the final version will be redeemable, but given that the clock is ticking, I am not hopeful!"

https://aswathdamodaran.blogspot.com/2021/10/the-billionaire-tax-worst-tax-idea-ever.html

DISCLAIMER: Hilberry Team (sadly) doesn't have any Billionaire clients. We'd love some.

Costume drama: Rogers / Shaw

of Billionaires, this week the Roger's family, heirs of Ted Rogers and 97% owners of Roger's Communications, proved inheriting a lot of money doesn't make you smart. The family fight is worthy of TV.

Shaw is the object of a Roger's takeover of $40.50 per SJR share in cash. Subject to regulatory approval (hearings are scheduled for November) the deal is expected to conclude Q2 next year. NBF updates their opinion on Shaw, confident the deal will conclude.

https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=dd8976d2-7fcf-4986-b87f-421f50043601&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail

DISCLAIMER: I hold Shaw Communications (SJR.A-TSX-$35.52) personally, for family and for client accounts over which I have trading authority.

Clients have been asking about the deal. The following is a casual email exchange with an industry peer regards the goings on at Rogers Communications and the Shaw deal. ('Big Ed' and 'Eddy boy' refers to recently deposed Rogers Chairman Edward Rogers). Please tolerate the attempts at humor.

Dave,

We've rarely held RCI and hold very little now. Never liked the ownership structure.

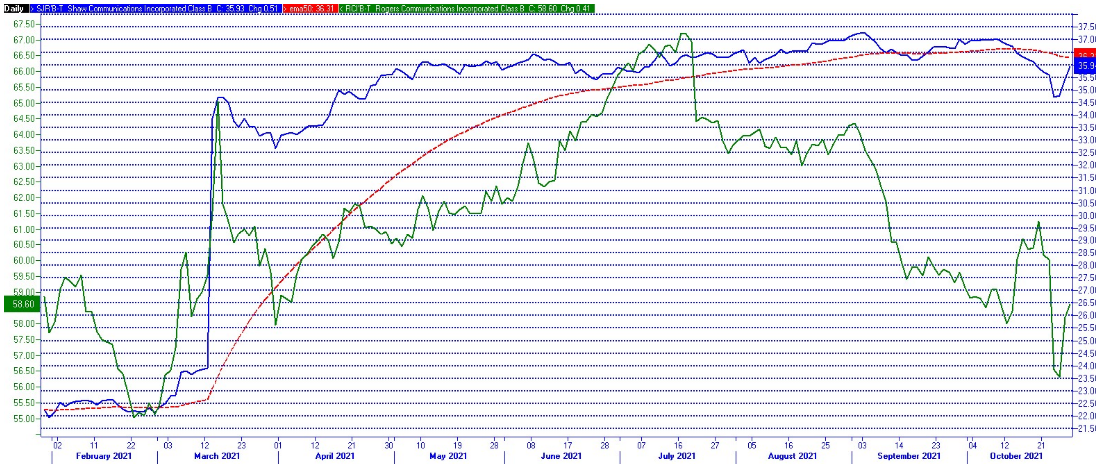
We bought loads of Shaw over the past 5 years in the low $20's thinking they'd either…

A. Get their act together
B. Get bought out

B) has occurred for $40.5 cash some time Q2 2022 (maybe). We're obviously pleased.

Now we're fretting over RCI's internal politics. Is seems Mr. Big Ed doesn't like the deal. After an initial pop in both stocks on the deal announcement back in March/2021 over the past two weeks it's been an episode from 'Dallas'. The market is not amused to the tune of -15% with Eddy's antics and seems somewhat nervous on the Shaw deal completing.

Shaw Communications (SJR.B-TSX-$35.93 - blue) | Roger's Communications (RCI.B-TSX-$58.65 – green) Daily Ranges – 9 mos.



Shaw Communications (SJR.B-TSX-$35.93 - blue) | Roger's Communications (RCI.B-TSX-$58.65 – green) 15 min intervals – 2 weeks

I'm not sure RCI really has any other options though as without the step-up from Shaw, they themselves become fodder for even larger fish. Maybe that's Teddy-boy's notion? Sell the thing?

My original thoughts on the Shaw cash offer from Rogers were as follows:

- *Own Shaw until the deal concludes.*
- *Collect $40.50 + divs now to maybe March/2022 being one year from the deal's announcement (welcome to Canadian regulations).*
- *Assume RCI would fall <u>AFTER</u> the transaction completes as that's when the cash leaves RCI and lands in Shaw shareholder pockets and the debt lands on RCI's balance sheet.*

The supposed 'synergies' of these kinds of deals rarely work out as hoped. The buyer's share price often sags by the amount of premium paid to the sellers once the deal is done and earnings are updated. This time however the Roger's Family has thrown a wrench in that tidy timeline assumption. The market price has already discounted Rogers by the premium

The March/2021 newswire takeover $20 billion announcement stated the deal was done at a "70% premium to Shaw's market price"

The following is <u>some back of the envelope</u> math….

Assume $20 billion represents at 70% premium to the previous market cap for Shaw implies a Shaw pre-deal market cap of approximately $11.76 billion = $8.23 billion in 'premium' paid.

Roger's share price was roughly where it is now before the deal was announced.

- *RCI market cap: roughly $30 billion*
- *RCI Enterprise Value: roughly $50 billion*

I'll take the premium paid to Shaw from the RCI share-holders only. $8.23 billion premium vs. $30 pre-deal (and current) market cap = -27% premium. This 27% premium implies roughly $33 per $60 of value RCI.B share pre-deal (ouch – no wonder Eddy's not happy)

That calculation maybe complicated by the very small public float of RCI.A family shares. I'm not clear if the market data includes all implied and actual RCI A &B shares outstanding. NOTE: It is entirely possible some of that premium could be re-earned through corporate synergies (IE employees losing their jobs and sales of assets at higher prices). If we used 'Enterprise Value' (EV) instead of market cap we find a 16% premium factor against RCI's total value. If potential RCI'B investors used that lower 16% premium figure, the market already recently washed out -15% slide in RCI.B.

My Current Assumptions

- *Shaw deal gets done.*
- *The Shaw deal isn't a disaster. There are no skeletons in closest. The debt doesn't turn into a bomb (what are the debt roll-over terms? Interest rate sensitivity?)*
- *Over time the deal is 'accretive'.*
- *A chunk of the premium gets washed out of RCI's price, but anything below -20% would be excessive for most deals I've watched.*

NOTE: There were rumours waaaaay back that both AT&T & Verizon were interested in Canada. At the time the CRTC puffed it's chest out that bidding for bandwidth would be intense, expecting a windfall. The two US firms had a close look at the Canadian market and decided "Nah. We'll just focus on market share in Texas". To the CRTC's chagrin, both politely declined to bother bidding. Are they still interested? They could gobble up Rogers without a hiccup.

Sincerely,

Long Shaw and nervous in Duncan

Taking Profits in Your Financial Portfolio | Don't Make This Common Investment Error

Watch Anna's latest video here

https://www.youtube.com/watch?v=5ML6wHaq5iY

Steve & Anna Hilberry

Have a Great Weekend

FOR THE RECORD Oct 29, 2021

DOW INDUSTRIALS:	35,819
S&P 500:	4,605
S&P/TSX COMP:	21037
WTI:	$83.11 $US
LOONIE IN $USD:	$0.8067 $US

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