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NATIONAL BANK OF CANADA

FINANCIAL MARKETS

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Highlights

Economy

- In March, the JPMorgan/Markit PMI index reported the fastest improvement in worldwide manufacturing in more than 10 years. The excess demand in manufacturing has entailed a rapid rebound of international merchandise trade and a rise in shipping costs. This problem was only exacerbated by the recent grounding of a container ship in the Suez Canal. Apart from shipping difficulties, factories around the world have been hit by a fire at a Japanese manufacturer of microprocessors and from a cold wave in the U.S. Midwest that has disrupted petrochemical operations. All of these factors combined have both markedly extended delivery times and driven up input prices substantially. The inflation uptrend is likely to continue in the coming months, thanks to a positive base effect for CPI data and acceleration of the economic recovery in many regions. Our forecast of 2021 global growth is unchanged at 6.0%. There is no doubt that China will be a driver of expansion this year, its economy being well-placed to benefit from strong demand for goods. The U.S. is also likely to be a growth driver, given its progress in vaccination and the heft of Washington's fiscal assistance. The Eurozone, meanwhile, is likely to lag, handicapped by shutdowns decreed to brake the third wave of Covid-19.
- U.S. GDP growth, though still strong, could come in lower for the first quarter than we anticipated in the last issue of the Economic Monitor. In February the U.S. Midwest was hit by an unprecedented cold wave whose effects were reflected in a number of indicators. This soft patch does not put the recovery at risk. At this writing about 35% of Americans had received at least one vaccine shot, a showing second only to the U.K. among major economies. This progress in immunization made possible the easing of physical distancing rules in several states. Employment was quick to show the effects. In March the U.S. gained no fewer than 916,000 jobs, the largest rise since August. Consumer confidence, bolstered by the improving jobs outlook and the arrival of the assistance cheques promised by the Biden administration, registered its third-highest monthly rise since the 1970s. The services sector, left in the lurch by the pandemic, is likely to be the main beneficiary of reopening. A revival of non-manufacturing businesses was already quite visible in the March ISM report, whose services index, pulled up by unprecedented growth in business activity and new orders, came in at a record 63.7. With the rebound of services, good times are at hand for the U.S. economy. We accordingly leave our 2021 growth forecast unchanged at 6.6%.
- Many people were hoping that the progress of vaccination would limit the next wave, but the story appears to be "too little too late." The third wave of Covid-19 has the bit in its teeth in almost all regions of Canada. Despite tightening of restrictions, which is likely to intensify, the economic data from the second wave give us confidence in the resilience of the economy. In the first quarter, GDP is set for an enviable first-quarter gain of 5.7% annualized. Q1 could come in with an even more spectacular advance in nominal terms thanks to the surge of commodity taking GDP past its pre-recession peak after only five quarters. This outlook augurs well for profits, and for investment and hiring once the pandemic has been reined in. Though the coming federal budget could prompt us to revisit our forecast, we are for now moving our 2021 growth forecast up to 5.6% (formerly 5.4%), since the slowing we expect in Q2 as a result of public-health measures will only partly offset the spectacular surge of Q1.

Interest rates and currency

- We see markets continue to walk a path towards higher yields and (modestly) steeper curves this spring, punctuated by brief periods of consolidation. Policy maker caution is understandable in the face of an unprecedented health event, but to us, the recovery remains very real, making inflation less of a transitory (mechanical) threat, and arguing for the removal of extreme monetary accommodation. When (not if) central bankers concede the fact, the flattener will be in full effect… that could well be the story come summer.
- Momentum towards earlier rate hikes is very clearly building within the FOMC. The number of participants expecting a higher Fed funds in 2023 rose from one in September to five in December and to seven in March. Moreover, there are now four (out of eighteen) that have signalled a higher fed funds rate by the end of 2022 (there was just one in December). That momentum should continue at the June meeting, particularly if, as we expect, the rapid pace of job recovery continues over the coming months.
- For the BoC, the firmer economic environment has shifted market expectations to fully anticipate a QE taper at the April meeting from $4 billion per week to $3 billion per week. In a speech last month, Deputy Governor Toni Gravelle said nothing to derail those expectations. Rather, he all but confirmed that the Bank of Canada planned to step down its bond purchases near term. And consistent with the Bank's earlier taper announcement in October, we think they will modestly move remaining purchases out the curve (on a relative basis).
- With a BoC QE stepdown seemingly a lock, the biggest wildcard looks to be the Bank's forward guidance on the policy rate. While earlier projections saw the output gap closing in 2023 (and thus, creating scope for rate hikes), the firmer backdrop should result in the BoC projecting economic slack being absorbed in 2022. This begs the question: Will the Bank structurally change its forward guidance to push back against 2022 rate hike expectations? Or will they leave their framework intact, simply updating it with earlier (i.e. 2022) date-based guidance? For the sake of maximum flexibility, we'd lead towards the former.
- The Canadian dollar was the best-performing major currency in Q1. Stronger-than-expected GDP growth, high commodity prices and an ebullient housing market supported by record employment in high-paying industries set the stage for more QE tapering by the Bank of Canada as early as this month. We remain comfortable with our target of C$1.20 to the USD in the second half of this year.

Recommended asset mix and stock market

- After a brief pullback between mid-February and March, global equities rose to a new record in April. Encouragingly, the gains remain widespread among both sectors and global regions. Emerging markets, meanwhile, are still struggling.
- The main headwind for emerging markets (roughly 60% of the global economy) is the rapid rise of bond yields in

Highlights

advanced economies and a potential surge in the U.S. dollar that would increase interest payments in several countries with substantial USD-denominated debt.

› The 10-year Treasury is back where it was before the pandemic. Is this enough to drive the USD much higher? We think not. Given our inflation forecast, we expect negative real interest rates for the foreseeable future. This backdrop, together with a swelling twin deficit (current-account and fiscal), argues for renewed USD weakness.

› The performance of the S&P/TSX remains stellar so far in 2021. Looking ahead, we remain upbeat on Canadian earnings and continue to expect a narrowing of the P/E gap with the S&P 500. Though the Canadian vaccination campaign trails that of the U.S. and has forced large provinces to restrict activity in a number of sectors through May, labour markets continue to show uncanny resilience and government programs to support households and corporations have been extended through the summer.

› Our asset mix is unchanged this month: Overweight in equities and underweight in fixed income with a geographic allocation favouring Canada and Emerging Markets.

NBF Sector Rotation

S&P/TSX Sectors	Weight*	Recommendation	Change
Energy	12.2	Market Weight	
Materials	12.4	Overweight	
Industrials	12.2	Market Weight	
Consumer Discretionary	4.0	Market Weight	
Consumer Staples	3.6	Market Weight	
Healthcare	1.4	Market Weight	
Financials	31.1	Overweight	
Information Technology	10.2	Underweight	
Telecommunication Services	4.9	Market Weight	
Utilities	4.8	Underweight	
Real Estate	3.2	Underweight	
Total	100.0		

* As of April 09, 2021

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The Economy

The Economy

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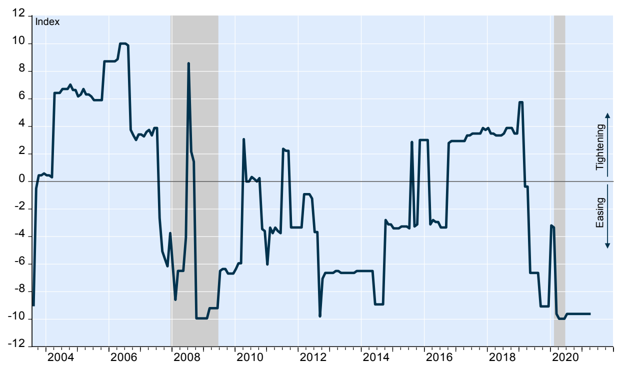
World: Supply chains under pressure

What is the output gap of the global economy? It's hard to say at this point. Most of the major central banks say output is well below potential. Covid-19 continues to limit production in many regions of the world and many sectors remain constricted by physical distancing rules. There is accordingly no reason for central bankers to reduce monetary stimulus.

World: Monetary policy remains highly accommodative
Council on Foreign Relations Global Monetary Policy Tracker

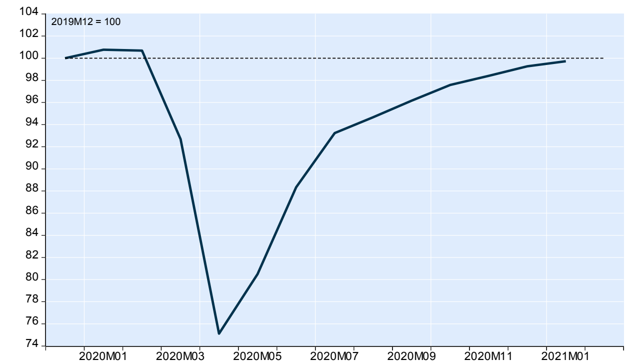


NBF Economics and Strategy (data from Council on Foreign Relations)

It must be acknowledged, however, that the current crisis is unique in its concentration of effects in parts of the economy where physical proximity is required. As a result, the world now seems to have two distinct economies operating in parallel. The first consists of the sectors most affected by the pandemic. Many segments of this economy – most of them in services – are at present stopped or slowed, making estimates of the output gap very difficult. Only after complete withdrawal of physical distancing measures can we get a better idea of the longer-term Covid damage to the services sector. Meanwhile, these segments will continue to brake growth, especially in parts of the world where vaccination has made little progress and the daily numbers of new Covid cases are rising fast. The Eurozone, Brazil and India seem especially at risk at this time.

The other economy consists of the sectors that have benefited from reallocation of demand since the onset of the pandemic. Consumers in the developed countries, unable to eat out or travel abroad (and whose incomes have in many cases risen during the pandemic) have switched their spending to goods. This shift has favoured manufacturing, which is likely to contin-ue driving the global economy until mass immunization allows a fuller reopening of economic life.

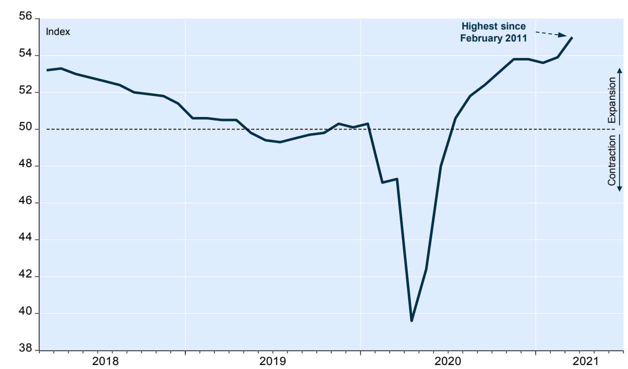
World: Manufacturing output back to pre-Covid level
Global manufacturing production. Last observation January 2021



NBF Economics and Strategy (data from IMF)

In March, the JPMorgan/Markit PMI index reported the fastest improvement in worldwide manufacturing in more than 10 years. Factory output was expanding in 23 of the 27 countries covered, with Germany, the U.S., France and Canada facing especially high demand.

World: Factory output soars
JPMorgan PMI index of global manufacturing, last observation March 2020



NBF Economics and Strategy (Markit data via Refinitiv)

Since it is more often goods than services that need to be imported, the excess demand in manufacturing has entailed a rapid rebound of international merchandise

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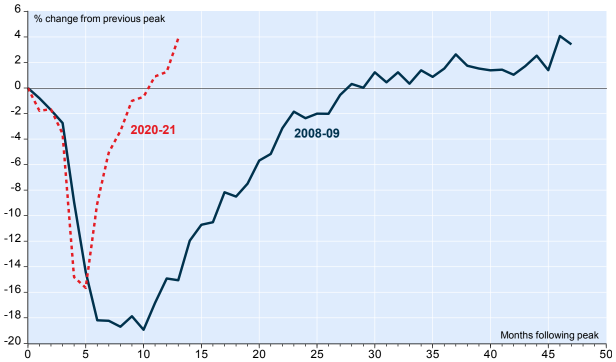
trade. Its volume in January was up 3.9% from the pre-Covid peak. By way of comparison, it took more than two years for trade volume to recover from the losses of the Great Recession of 2008-09.

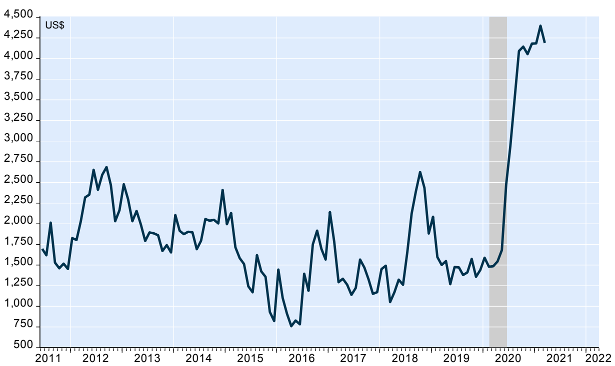
World: Rapid rebound in international merchandise trade
International trade volumes



NBF Economics and Strategy (CPB data, https://www.cpb.nl/en/worldtrademonitor)

Shipping by sea, operating under pandemic constraints, is struggling to meet this rapid rebound and costs are rising accordingly. This problem was only exacerbated by the recent grounding of a container ship in the Suez Canal.

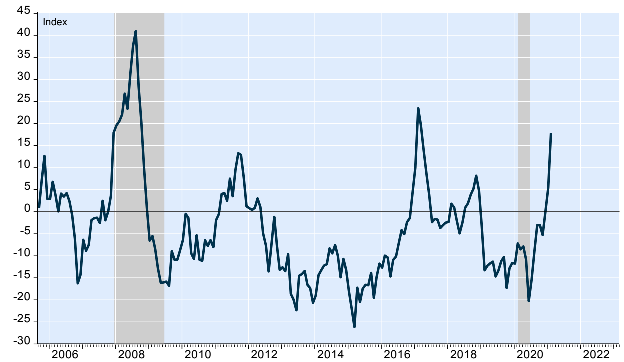
World: Resurgent demand drives up shipping costs
Cost of shipping a 40-foot container from Hong Kong to Los Angeles



NBF Economics and Strategy (data from Drewry Shipping Consultancy via Bloomberg)

Apart from shipping difficulties, factories around the world have been hit by a fire at a Japanese manufacturer of automobile microprocessors and from a cold wave in the U.S. Midwest that has disrupted petrochemical operations. All of these factors combined have both markedly extended delivery times and driven up input prices substantially (by the most in 10 years, according to Markit). Part of this rise seems to have been passed on to customers – prices at factory gates rose at a record rate in March – and to end-consumers, resulting in an upside inflation surprise in recent weeks.

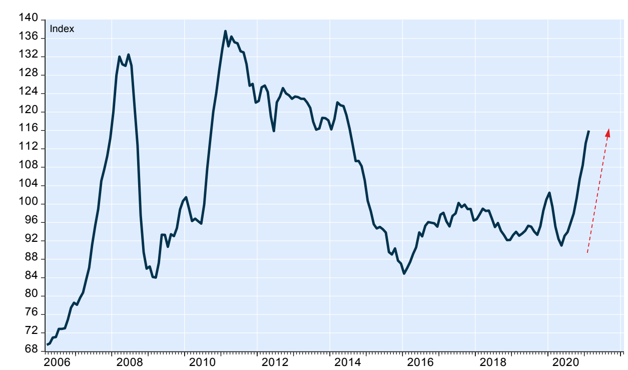
World: An upside inflation surprise
Global Citi Inflation Surprise Index



NBF Economics and Strategy (data from Bloomberg)

In particular we note the rapid increase of food prices, a major component of the consumption basket, especially in emerging countries.

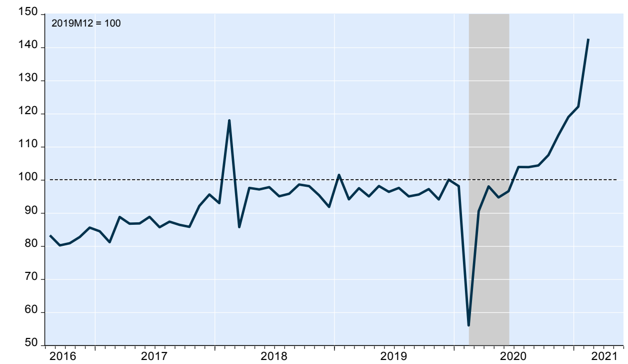
World: Food prices inflating rapidly
Food Price Index of the UN Food and Agriculture Organization



NBF Economics and Strategy (source: United Nations via Bloomberg)

The inflation uptrend is likely to continue in the coming months, thanks to a positive base effect for CPI data and acceleration of the economic recovery in many regions. Our forecast of 2021 global growth is unchanged at 6.0%. There is no doubt that China will be a driver of expansion this year, its economy being well-placed to benefit from strong demand for goods. In March Chinese data already showed merchandise exports up about 40% from before the pandemic.

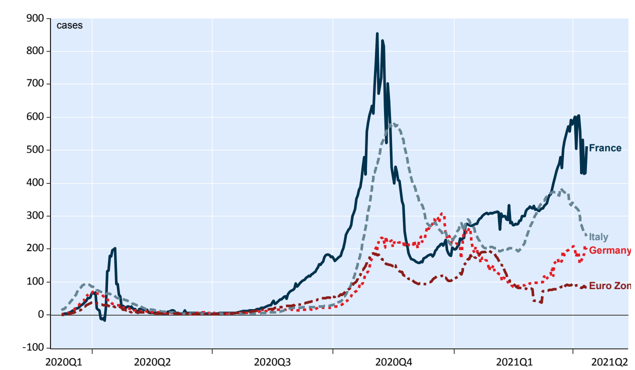
China: An economy supported by foreign demand
Merchandise exports, seasonally adjusted by NBF



NBF Economics and Strategy (source: People's Republic of China General Administration of Customs via Bloomberg)

The U.S. is also likely to be a growth driver, given its progress in vaccination and the heft of Washington's fiscal assistance (see next section). The Eurozone, meanwhile, is likely to lag, handicapped by shutdowns decreed to brake the third wave of Covid-19.

World: New Covid cases still elevated
Daily new cases per million population, 7-day moving average



NBF Economics and Strategy (data via https://coronavirus.jhu.edu/map.html)

Our outlook for 2022 growth is also unchanged, at 4.4%.

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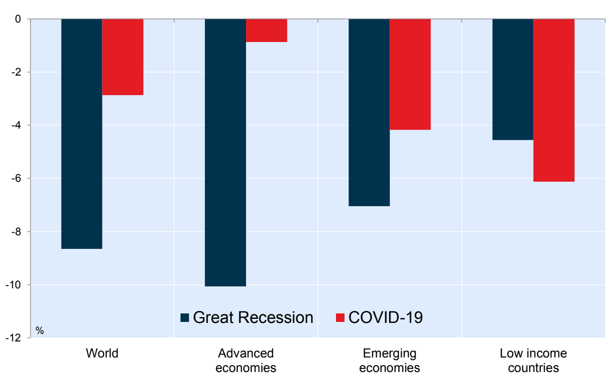
World Economic Outlook

	2020	2021	2022
Advanced Economies	**-4.7**	**5.2**	**3.8**
United States	-3.5	6.6	3.8
Eurozone	-6.6	4.3	4.0
Japan	-4.9	3.3	2.5
UK	-10.0	5.5	4.9
Canada	-5.4	5.6	4.0
Australia	-2.4	4.5	3.0
Korea	-1.0	3.5	3.0
Emerging Economies	**-2.1**	**6.6**	**4.9**
China	2.3	8.4	5.4
India	-7.4	12.0	6.5
Mexico	-8.2	5.0	3.0
Brazil	-4.1	3.5	2.6
Russia	-3.1	3.8	3.5
World	**-3.2**	**6.0**	**4.4**

NBF Economics and Strategy (data via NBF and Conensus Economics)

The spectacular rebound of global GDP that we anticipate over the next two years will not eliminate long-term effects of the Covid crisis. On the contrary, the IMF forecasts that in 2024 global GDP will be 3% lower than it would have been without SARS-CoV-2. Though no region will be entirely spared, the losses are likely to be greater in emerging and developing economies, where fiscal assistance in countering the pandemic has been less substantial. In general, however, the long-term economic effects of the crisis are likely to be less pronounced than those of the Great Recession.

World: The Covid crisis will leave marks
Effect on real GDP four years after the crisis, Great Recession vs. Covid-19



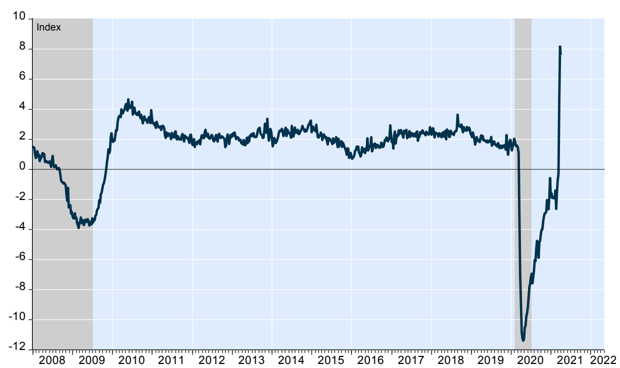
NBF Economics and Strategy (IMF data)

U.S.: Pedal to the metal!

U.S. GDP growth, though still very strong, could come in slightly lower for the first quarter than we anticipated in the last issue of the *Economic Monitor*. In February the U.S. Midwest was hit by an unprecedented cold wave whose effects were reflected in a number of indicators. Household consumption, after several monthly gains in a row, retreated in February, as did business and residential investment.

This soft patch does not put the recovery at risk. At least that is what is suggested by the spectacular advance of the New York Fed's Weekly Economic Index since the end of February.

U.S.: An economy resurgent
New York Fed weekly index of economic activity

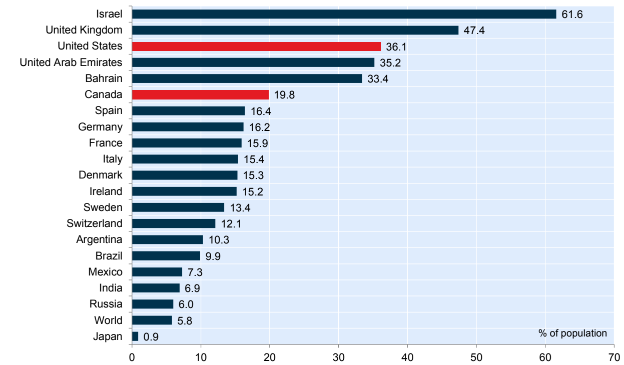


* This index follows 10 daily and weekly indicators of economic activity

No need to look very far for the cause of this sudden jump. It stems directly from the improving pandemic picture, itself related to the rapid advance of vaccination. At this writing about 36% of Americans had received at least one shot, a showing second only to the U.K. among major economies.

"The spectacular rebound of global GDP that we anticipate over the next two years will not eliminate long-term effects of the Covid crisis."

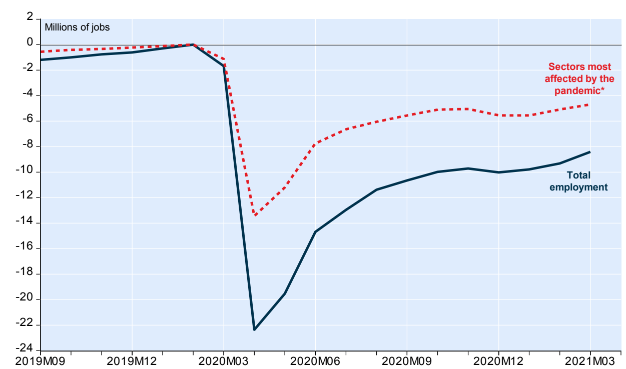
U.S.: Vaccinating swiftly
Share of population having received at least one dose of COVID-19 vaccine



NBF Economics and Strategy (data via https://ourworldindata.org/covid-vaccinations)

This progress in immunization made possible the easing of physical distancing rules in several states. Employment was quick to show the effects. In March the U.S. gained no fewer than 916,000 jobs, the largest rise since August. Leisure/hospitality (+280K) and education/health (+101K), sectors hard hit by the pandemic, did well in this report.

U.S.: Employment rebounding as sectors reopen
Variation of nonfarm payroll employment since February 2020



* Recreation/accommodation, education/healthcare, retail trade
NBF Economics and Strategy (data from Refinitiv)

Solid as they were, the March gains left U.S. nonfarm payroll employment still 8.4 million short of its pre-pandemic peak. A number of indicators justify much optimism about the long remaining road. The latest Job Openings and Labor Turnover Survey, for example, reported an increase in job openings from 7,099K at the

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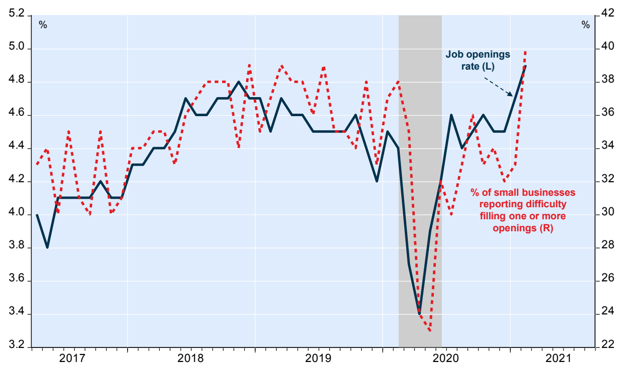
end of January to 7,367K at the end of February. The latter figure was the highest in 25 months and a record percentage of total employment. The March report of the U.S. National Federation of Independent businesses also flagged a rise in job openings: a record 42% of small businesses surveyed reported difficulty in filling one or more openings.

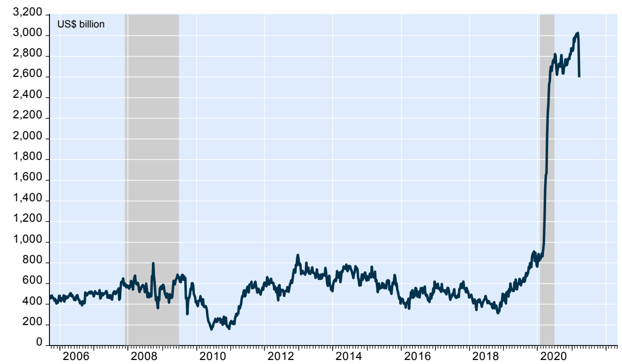
U.S.: A cheering outlook for the labour market
Job openings as % of total employment vs. % of small businesses with difficulty filling one or more openings



NBF Economics and Strategy (data from Refinitiv)

This cheer augurs well for consumer spending in the coming months. U.S. households are well-positioned to benefit from reopening of the economy. Not only has their disposable income risen significantly since the beginning of the pandemic, but a good part of the increase is currently sleeping in bank deposits, easily accessible for deployment to spending.

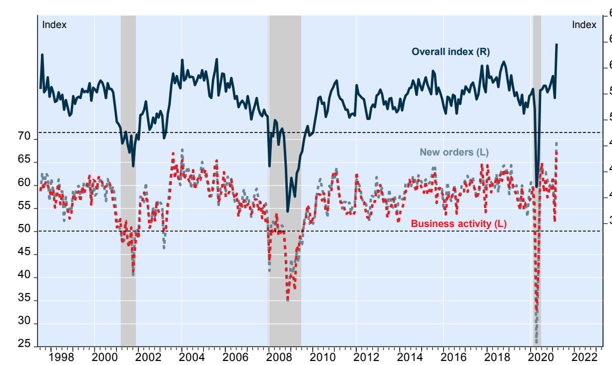
U.S.: Households are well-placed to take advantage of reopenings
12-month change in deposits with chartered banks



NBF Economics and Strategy (data from FRED St. Louis)

A revival of non-manufacturing businesses was already quite visible in the March ISM report, whose services index, pulled up by unprecedented growth in business activity and new orders, came in at a record 63.7. All 18 non-manufacturing sectors in the survey showed expansion during the month.

U.S.: The services sector is already showing signs of recovery
ISM non-manufacturing index



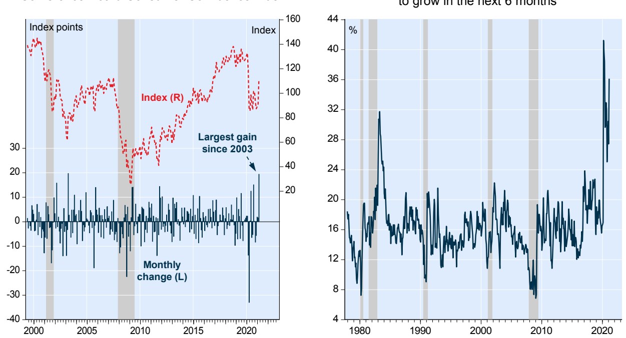
NBF Economics and Strategy (data from Refinitiv)

Consumer confidence, bolstered by the improving jobs outlook and the arrival of the assistance cheques promised by the Biden administration, registered its third-highest monthly rise since the 1970s.

U.S.: A return of consumer confidence

Conference Board Consumer Confidence Index

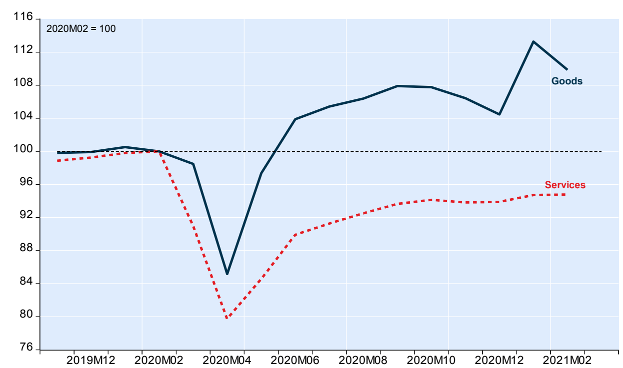
% of respondents expecting employment to grow in the next 6 months



NBF Economics and Strategy (data from Refinitiv)

The services sector, left in the lurch by the pandemic, is likely to be the main beneficiary of reopening.

Personal consumption expenditures

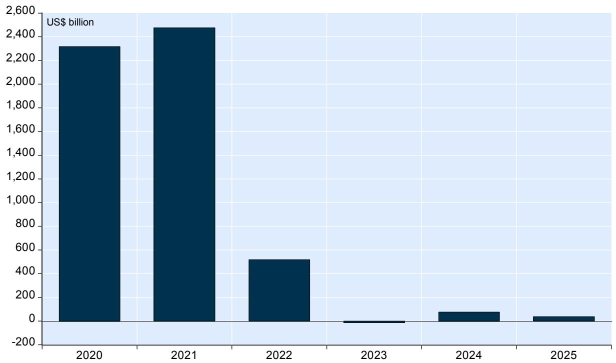


NBF Economics and Strategy (data from Refinitiv)

With the rebound of services, good times are at hand for the U.S. economy. Employment is gradually recovering from the pandemic shock, consumer confidence is at the ready, real estate is booming and business investment surprises on the upside. The Federal Reserve, meanwhile, seems determined to keep its monetary policy highly accommodative. As if this were not enough, the federal government continues to pour cash into the economy. The Congressional Budget Office calculates that spending related to the fiscal measures put in place to counter the effects of the pandemic will be even greater in 2021 than it was last year. For all these reasons we see a solid rebound of GDP this year. We accordingly leave our 2021 growth forecast unchanged at 6.6%.

The Economy

U.S.: Washington goes big against the pandemic
Estimated effect on federal deficit of fiscal measures to counter pandemic effects

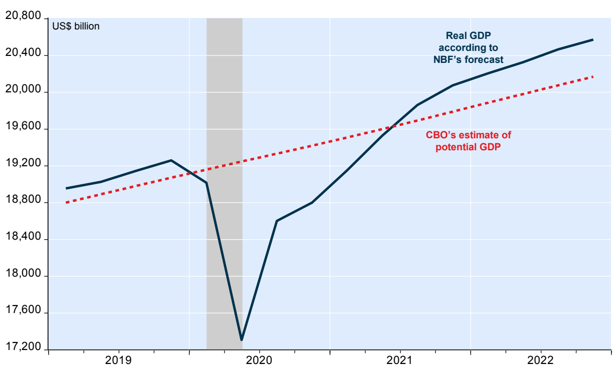


NBF Economics and Strategy (CBO data)

For now, our 2022 outlook of 3.8% is also unchanged, though we recognize that the $2-trillion infrastructure plan proposed by the Biden administration is an upside risk to this outlook.

In light of the most recent available data, we anticipate that U.S. real GDP will be back to potential by 202n Qn.

U.S.: GDP back to potential by 2021Q3?
Path of real GDP forecast by NBF and potential GDP estimated by CBO

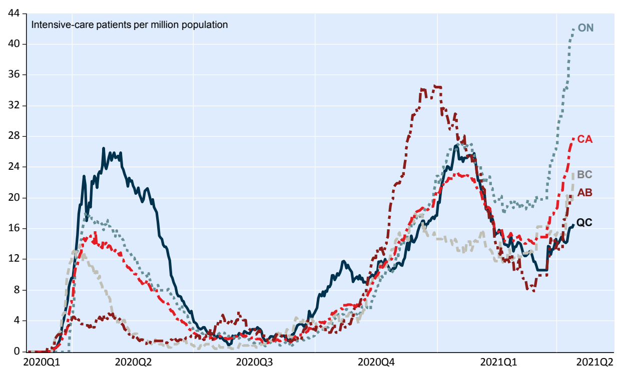


NBF Economics and Strategy (CBO data)

Canada: Too little, too late

The third wave of Covid-19 has the bit in its teeth in almost all regions of Canada. At this writing, the average number of new cases in the last seven days was higher than the average for last 28 days in nine of the 10 provinces. More striking in the Covid numbers is the rapid rise of the number of people in hospital intensive care, which now exceeds the peak number of the second wave. In Ontario, soaring ICU admissions have forced the provincial government to tighten public health restrictions once again. Other provinces have followed suit. Many people were hoping that the progress of vaccination would limit the third wave, but the story appears to be "too little too late." Barely 20% of Canadians have received a dose, compared to 36% of Americans (see second chart on page 5). The contagiousness and virulence of variants have cut short the respite for the health care system.

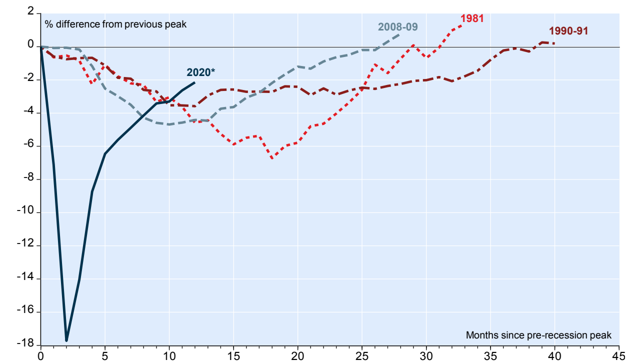
Canada: Covid-19 burden on hospital intensive care
Number of intensive-care patients per million population



NBF Economics and Strategy (data from Institut national de santé publique du Québec – Radio Canada https://ici.radio-canada.ca/info/2020/coronavirus-covid-19-pandemie-cas-carte-maladie-symptomes-propagation/)

Despite tightening of restrictions, which is likely to intensify, the economic data from the second wave give us confidence in the resilience of the economy. GDP of the Eurozone may have contracted again in Q1 and the economist consensus expects that the U.K. will also come in below the previous quarter, but Canada will show an expansion. Not only was GDP up 0.7% in January despite the shutdown of non-essential Ontario and Quebec businesses in that month, but Statistics Canada's preliminary estimate suggests 0.5% increase in February. That would make a 10th straight month of expansion, leaving GDP down only 2.0% from its pre-recession peak after just one year (a much better showing than in the three previous recessions), and set for an enviable first-quarter gain of 5.7% annualized.

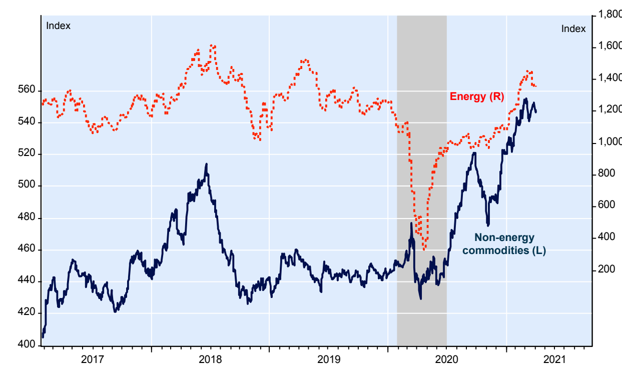
Canada: Path of GDP in the last four recessions
Monthly data



* Includes Statistics Canada preliminary estimate for February 2021
NBF Economics and Strategy (Statistics Canada data)

Q1 could come in with an even more spectacular advance in nominal terms. The surge of commodity prices is such that we expect close to 13% annualized, taking nominal GDP past its pre-recession peak after only five quarters.

Canada: Commodity prices up strongly
Indexes of commodity prices in Canadian dollars

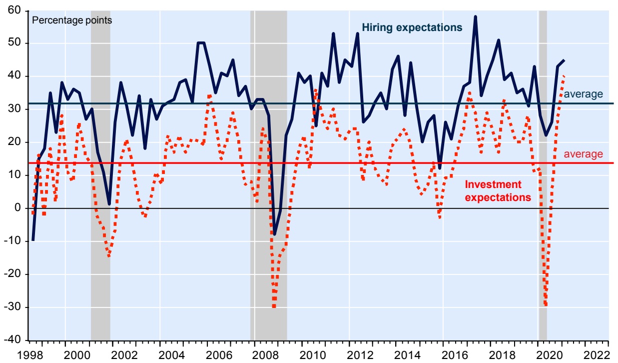


NBF Economics and Strategy (Statistics Canada data)

This outlook augurs well for profits, and for investment and hiring once the pandemic has been reined in. The Bank of Canada's latest Business Outlook Survey shows confidence soaring in March. Investment intentions were more favourable than in any month since tracking of this data began, and hiring intentions were the most favourable in almost three years.

The Economy

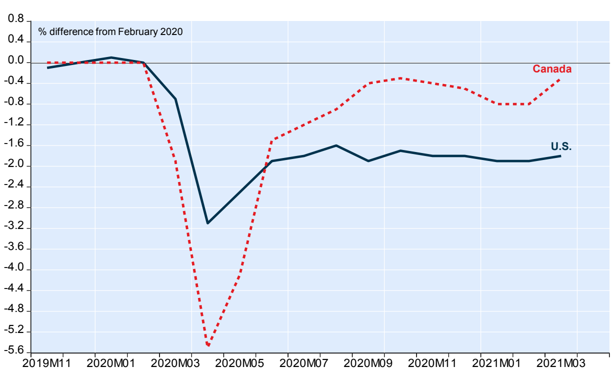
Canada: A spectacularly upbeat business outlook in March
Investment and hiring intentions (balance of expectations*)



* % of businesses surveyed expecting to increase investment / hiring less % expecting to reduce it
NBF Economics and Strategy (data from Bank of Canada Business Outlook Survey)

Such enthusiasm was corroborated by the March employment report, much better than expected. With Covid-19 numbers subsiding across the country, the sectors most affected by physical distancing were up strongly, driving a spectacular gain of 303,000 jobs. Full-time jobs were up for an 11th straight month, to within 1% of their pre-recession peak compared to the 4% shortfall of U.S. full-time jobs. The participation rate improved markedly to only 0.3 percentage points below that of February 2020, another gap that compares well with the U.S. (chart). There is reason to believe that the more spectacular recovery of the labour market in Canada is due in part to the emergency wage subsidy paid by Ottawa to limit layoffs.

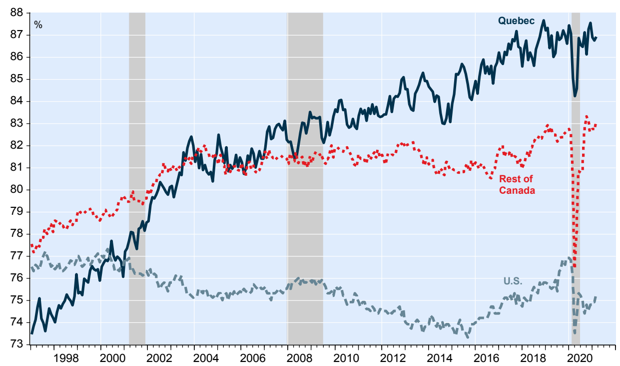
Canadian labour-force participation almost back to pre-pandemic rate
Participation rates, Canada and U.S.



NBF Economics and Strategy (Statistics Canada data)

The spread between Canadian and U.S. participation rates could continue to widen over the coming years if the federal government goes ahead with proposed substantial funding of daycare to reduce the burden on new parents. In 1997 the Quebec government put in place a program of extremely affordable daycare that turned out to be highly successful. Praise for the Quebec experiment has come from observers including the IMF, the Bank of Canada and the San Francisco Federal Reserve. It has brought a strong rise in participation of women in the labour force. At the time of its introduction, women aged 25 to 54 had a participation rate 4 percentage points lower in Quebec than in the rest of Canada. Today that spread has been reversed. If women in the U.S. had the same participation rate as women in Quebec, that country would have 7.5 million more people in its labour force.

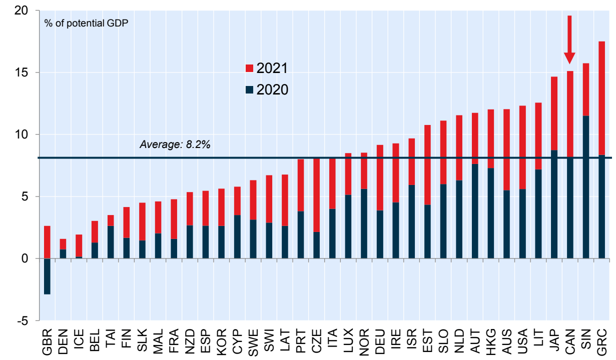
Canada: A Quebec success story
Participation rate of women aged 25 to 54 since 1997



NBF Economics and Strategy (data from Statistics Canada and U.S. BLS)

In our view, this path to maximizing potential GDP should be preferred to a further extension of special income-support programs, which would have the opposite effect, acting as a disincentive to work. Governments in Canada have deployed the third-largest fiscal stimulus of the developed countries as reported by the IMF, setting a promising stage for recovery in the second half of the year. Though the coming federal budget could prompt us to revisit our forecast, we are for now moving our 2021 growth forecast up to 5.6% (formerly 5.4%), since the slowing we expect in Q2 as a result of public-health measures will only partly offset the spectacular surge of Q1.

Canada: Fiscal stimulus third-largest of the advanced economies
Fiscal stimulus defined as change in budget balance from 2019, as % of potential GDP



NBF Economics and Strategy (data via IMF)

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The Economy

United States
Economic Forecast

*(Annual % change)**	*2018*	*2019*	*2020*	*2021*	*2022*	*Q4/Q4 2020*	*Q4/Q4 2021*	*Q4/Q4 2022*
Gross domestic product (2012 $)	3.0	2.2	(3.5)	6.6	3.8	(2.4)	6.8	2.5
Consumption	2.7	2.4	(3.9)	7.5	4.7	(2.7)	8.1	2.9
Residential construction	(0.6)	(1.7)	6.1	15.0	(2.0)	14.3	6.4	(5.0)
Business investment	6.9	2.9	(4.0)	7.1	1.9	(1.4)	5.7	0.3
Government expenditures	1.8	2.3	1.1	1.5	1.4	(0.5)	2.9	1.7
Exports	3.0	(0.1)	(12.9)	7.0	6.4	(10.9)	7.0	5.5
Imports	4.1	1.1	(9.3)	13.1	3.1	(0.6)	6.9	1.0
Change in inventories (bil. $)	53.4	48.5	(77.4)	55.5	50.4	62.1	50.8	11.9
Domestic demand	3.0	2.3	(2.7)	6.7	3.5	(1.5)	6.8	2.0
Real disposable income	3.6	2.2	5.8	0.5	(1.0)	3.1	2.0	-0.1
Payroll employment	1.6	1.3	(5.7)	2.5	3.2	-6.0	4.1	2.0
Unemployment rate	3.9	3.7	8.1	5.1	3.9	6.8	4.2	3.8
Inflation	2.4	1.8	1.3	2.8	2.4	1.2	3.0	2.5
Before-tax profits	6.1	0.3	(5.8)	13.1	6.2	-0.7	7.0	6.0
Current account (bil. $)	(449.7)	(480.2)	(647.2)	(720.2)	(701.4)	...	...	...

** or as noted*

Financial Forecast**

	Current 4/09/21	*Q1 2021*	*Q2 2021*	*Q3 2021*	*Q4 2021*	*2020*	*2021*	*2022*
Fed Fund Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month Treasury bills	0.02	0.03	0.05	0.05	0.10	0.09	0.10	0.20
Treasury yield curve								
2-Year	0.16	0.16	0.25	0.30	0.40	0.13	0.40	0.95
5-Year	0.87	0.92	1.00	1.10	1.20	0.36	1.20	1.65
10-Year	1.67	1.74	1.80	1.90	2.00	0.93	2.00	2.30
30-Year	2.34	2.41	2.45	2.50	2.55	1.65	2.55	2.75
Exchange rates								
U.S.$/Euro	1.19	1.18	1.19	1.23	1.23	1.22	1.23	1.20
YEN/U.S.$	110	111	112	109	108	103	108	104

*** end of period*

Quarterly pattern

	Q1 2020 actual	*Q2 2020 actual*	*Q3 2020 actual*	*Q4 2020 forecast*	*Q1 2021 forecast*	*Q2 2021 forecast*	*Q3 2021 forecast*	*Q4 2021 forecast*
Real GDP growth (q/q % chg. saar)	(5.0)	(31.4)	33.4	4.3	6.5	9.3	7.0	4.4
CPI (y/y % chg.)	2.1	0.4	1.3	1.2	1.9	3.5	3.0	3.0
CPI ex. food and energy (y/y % chg.)	2.2	1.3	1.7	1.6	1.4	2.4	1.9	2.1
Unemployment rate (%)	3.8	13.1	8.8	6.8	6.2	5.3	4.5	4.2

National Bank Financial

Canada
Economic Forecast

*(Annual % change)**	*2018*	*2019*	*2020*	*2021*	*2022*	*Q4/Q4 2020*	*Q4/Q4 2021*	*Q4/Q4 2022*
Gross domestic product (2012 $)	2.4	1.9	(5.4)	5.6	4.0	(3.2)	4.5	3.2
Consumption	2.5	1.6	(6.1)	4.2	5.3	(4.8)	4.6	3.9
Residential construction	(1.7)	(0.2)	3.9	11.5	(1.9)	14.4	(2.6)	0.0
Business investment	3.1	1.1	(13.1)	0.3	7.2	(13.1)	4.7	7.1
Government expenditures	3.2	1.7	(0.3)	3.3	2.0	1.3	1.6	2.1
Exports	3.7	1.3	(9.8)	6.3	4.7	(7.1)	5.2	4.8
Imports	3.4	0.4	(11.3)	5.9	4.9	(6.0)	2.8	4.8
Change in inventories (millions $)	15,486	18,766	(15,533)	10,575	15,525	1,721	15,300	14,300
Domestic demand	2.5	1.4	(4.5)	4.2	3.9	(2.5)	3.1	3.3
Real disposable income	1.5	2.2	9.0	(2.9)	0.2	6.8	(2.4)	1.1
Employment	1.6	2.2	(5.1)	4.5	2.7	(2.9)	3.2	2.0
Unemployment rate	5.9	5.7	9.6	7.6	6.5	8.8	6.8	6.2
Inflation	2.3	1.9	0.7	2.4	2.3	0.8	2.5	2.3
Before-tax profits	3.8	0.6	(6.1)	15.5	5.4	4.3	5.7	6.0
Current account (bil. $)	(52.2)	(47.4)	(42.7)	(25.0)	(35.0)	....	....	....

** or as noted*

Financial Forecast**

	Current 4/09/21	*Q1 2021*	*Q2 2021*	*Q3 2021*	*Q4 2021*	*2020*	*2021*	*2022*
Overnight rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month T-Bills	0.09	0.09	0.10	0.15	0.15	0.07	0.15	0.30
Treasury yield curve								
2-Year	0.25	0.23	0.30	0.35	0.45	0.20	0.45	0.95
5-Year	0.96	0.99	1.00	1.05	1.10	0.39	1.10	1.55
10-Year	1.50	1.56	1.60	1.65	1.75	0.68	1.75	2.10
30-Year	1.92	1.99	2.00	2.05	2.10	1.21	2.10	2.30
CAD per USD	1.26	1.26	1.24	1.22	1.20	1.27	1.20	1.22
Oil price (WTI), U.S.$	60	59	62	64	65	48	65	60

*** end of period*

Quarterly pattern

	Q1 2020 actual	*Q2 2020 actual*	*Q3 2020 actual*	*Q4 2020 forecast*	*Q1 2021 forecast*	*Q2 2021 forecast*	*Q3 2021 forecast*	*Q4 2021 forecast*
Real GDP growth (q/q % chg. saar)	(7.5)	(38.5)	40.6	9.6	5.7	1.0	5.8	5.4
CPI (y/y % chg.)	1.8	0.0	0.3	0.8	1.5	2.9	2.7	2.5
CPI ex. food and energy (y/y % chg.)	1.8	1.0	0.6	1.1	1.1	1.8	2.1	2.0
Unemployment rate (%)	6.4	13.1	10.1	8.8	8.4	7.9	7.4	6.8

National Bank Financial

The Economy

Provincial economic forecast

	2018	2019	2020f	2021f	2022f	2018	2019	2020f	2021f	2022f
	Real GDP (% growth)					**Nominal GDP** (% growth)				
Newfoundland & Labrador	-3.5	4.0	-6.0	3.7	2.8	0.8	4.1	-9.0	12.5	4.6
Prince Edward Island	2.5	5.1	-2.9	4.5	4.0	3.6	7.0	-0.7	6.1	6.9
Nova Scotia	1.9	2.4	-4.0	5.0	3.3	3.6	3.8	-2.7	6.9	5.0
New Brunswick	0.5	1.2	-3.5	4.4	3.3	3.6	3.0	-1.7	8.6	5.5
Quebec	2.9	2.7	-5.3	5.4	4.2	5.4	4.3	-4.0	8.4	6.1
Ontario	2.8	2.1	-5.6	5.6	4.1	4.1	3.8	-3.8	8.2	5.9
Manitoba	1.5	0.6	-3.9	4.7	3.5	2.5	1.0	-3.1	9.5	5.2
Saskatchewan	1.2	-0.7	-4.8	4.9	3.5	3.2	0.1	-8.9	12.8	4.5
Alberta	1.9	0.1	-7.5	6.2	3.7	3.4	2.7	-9.7	16.0	5.0
British Columbia	2.7	2.7	-4.7	5.7	4.2	4.9	4.4	-3.2	10.0	5.5
Canada	2.4	1.9	-5.4	5.6	4.0	4.2	3.6	-4.6	9.8	5.7
	Employment (% growth)					**Unemployment rate** (%)				
Newfoundland & Labrador	0.5	1.3	-5.9	4.1	0.4	14.1	12.3	14.2	13.0	12.4
Prince Edward Island	4.2	3.4	-3.2	4.0	2.2	9.4	8.6	10.6	8.2	7.9
Nova Scotia	1.9	2.3	-4.7	4.5	1.6	7.7	7.3	9.8	8.4	8.0
New Brunswick	0.6	0.7	-2.6	3.0	1.2	8.0	8.2	10.1	8.7	8.5
Quebec	1.5	2.0	-4.8	4.3	2.8	5.5	5.2	8.9	6.9	5.9
Ontario	1.7	2.8	-4.7	4.4	2.9	5.7	5.6	9.6	8.0	6.4
Manitoba	1.1	1.0	-3.7	3.2	2.0	6.0	5.4	8.0	7.1	6.5
Saskatchewan	0.6	1.7	-4.6	3.0	2.3	6.2	5.5	8.4	7.4	7.1
Alberta	1.9	0.6	-6.5	4.6	3.2	6.7	7.0	11.5	9.5	8.2
British Columbia	1.4	2.9	-6.5	5.8	2.6	4.8	4.7	9.0	6.5	5.5
Canada	1.6	2.2	-5.1	4.5	2.7	5.9	5.7	9.6	7.6	6.5
	Housing starts (000)					**Consumer Price Index (% growth)**				
Newfoundland & Labrador	1.1	0.9	0.8	0.8	0.6	1.7	1.0	0.2	2.6	2.5
Prince Edward Island	1.1	1.5	1.2	1.3	1.2	2.3	1.2	0.0	2.1	2.3
Nova Scotia	4.8	4.7	4.9	5.0	4.2	2.2	1.6	0.3	2.3	2.3
New Brunswick	2.3	2.9	3.5	3.6	2.9	2.2	1.7	0.2	2.1	2.2
Quebec	46.9	48.0	54.1	60.0	50.0	1.7	2.1	0.8	2.5	2.3
Ontario	78.7	69.0	81.3	83.0	77.0	2.4	1.9	0.6	2.5	2.3
Manitoba	7.4	6.9	7.3	7.3	6.3	2.5	2.3	0.5	2.2	2.4
Saskatchewan	3.6	2.4	3.1	3.5	3.2	2.3	1.7	0.6	2.2	2.2
Alberta	26.1	27.3	24.0	28.0	27.0	2.5	1.7	1.1	2.2	2.2
British Columbia	40.9	44.9	37.7	38.0	36.6	2.7	2.3	0.8	2.4	2.4
Canada	212.8	208.7	217.8	230.5	209.0	2.3	1.9	0.7	2.4	2.3

e: estimate f: forecast

Historical data from Statistics Canada and CMHC, National Bank of Canada's forecast.

Interest Rates and Bond Markets

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Interest Rates and Bond Markets

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Don't stray from the path (of least resistance)

Stop us if this narrative sounds all too familiar:

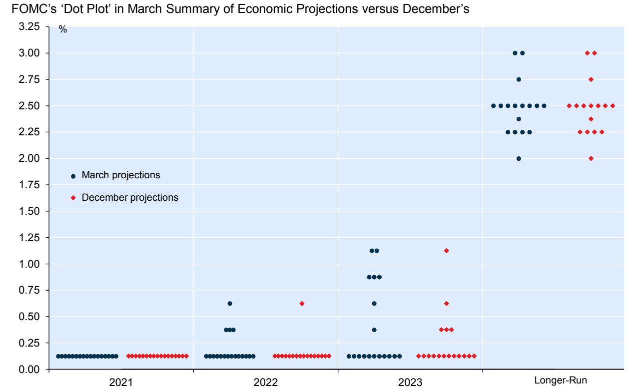
- virus case counts remain elevated (rising in fact), as variants overwhelm some regional health systems and force a third (or is it fourth?) round of government-imposed restrictions;
- policy makers continue to lean in, putting their considerable muscle to work, opting for patience and marginal protection until an all-clear on the virus sounds in more corners;
- fiscal authorities continue to apply stimulus with relish, with President Biden serving as stimulator-in-chief;
- such a massive U.S. fiscal impulse brings us ever closer to a policy transition point, whereby previously unthinkable monetary policy accommodation can be ever so gradually wound down (first via reduced bond purchases in 2021-22 and then via a nudge higher in policy rates starting in early 2023);
- decidedly above-potential growth is quickly erasing economic slack, particularly in advanced economies—North America, in particular, is poised for serious economic outperformance;
- jobs may lag GDP in this recovery and there's greater sensitivity to inequality in income and opportunities than ever before… still, there will be sufficient labour market progress to justify steadily rising (i.e., increasingly less negative) real interest rates in the U.S. and Canada;
- add in legitimate inflation fears and nominal yields should continue to back-up, with U.S. 10s touching 2% before the year is out;
- a steepening tendency could be with us for a few months yet, but come summer, the necessary removal of outsized monetary accommodation will need to be more seriously discounted, keying an inflection point in curve dynamics (i.e., a move from bear steepening to bear flattening);
- the case for the Bank of Canada outgunning the Fed isn't massively compelling to us (but could become more so if March's rapid pace of job gains were to continue), even with retention of a less-flexible BoC policy mandate looking likely;
- asset allocation continues to favour being long equities/credit vs. underweight rates and short duration, even with some liquidity draining from the system and the odd extraordinary program/policy being unwound.

All that to say, we see markets continuing to walk a path towards higher yields and (modestly) steeper curves this spring, punctuated by brief periods of consolidation. Policy maker caution is understandable in the face of an unprecedented health event, but to us, the recovery remains very real, making inflation less of a transitory (mechanical) threat, and arguing for the removal of extreme monetary accommodation. When (not if) more central bankers concede the fact, the flattener will be in full effect… that could well be the story come summer.

Fed: Dots moving slow and steady

Despite the rosier growth outlook with the vaccination campaign and economic reopening ratcheting up, the Fed remained ultra-dovish at its March policy meeting. Yes, they significantly revised up their 2021 growth forecast and 2%+ inflation projections as far as the eye can see but that still wasn't enough to move the median dot in the Fed's closely watched dot plot. This means the median FOMC member does not foresee the Fed tapping on the policy rate breaks until at least 2024.

Fed: Modest movement in the 'dots'
FOMC's 'Dot Plot' in March Summary of Economic Projections versus December's



NBF Economics and Strategy (data via Fed)

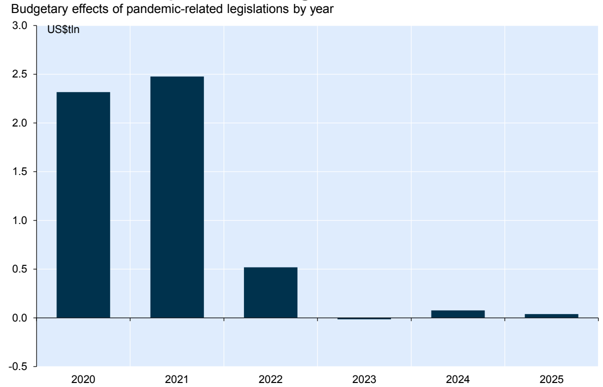
Interest Rates and Bond Markets

That said, momentum towards earlier rate hikes is very clearly building. The number of FOMC participants expecting a higher Fed funds in 2023 rose from one in September to five in December and to seven in March. Moreover, there are now four (out of eighteen) that have signalled a higher fed funds rate by the end of 2022 (there was just one in December). That momentum should continue at the June meeting, particularly if, as we expect, the rapid pace of job recovery continues over the coming months.

While the debate on rate hikes will no doubt continue to rage on, the nearer-term focus is on the Fed's asset purchases. If you were to pour over the March minutes, you'd see that they still have no interest in signalling any kind of taper any time soon. And as they'd tell you, they're still a long way from making significant progress towards their monetary policy goals. They've also made clear that they'll be reacting to observed economic data not forecasts. And reactions include changes to guidance. In other words, the FOMC won't signal any kind of QE taper until it has actually experienced significant progress. To be sure, a single month of nearly 1 million net new jobs won't be enough to move the needle but continuing on that steeper trendline for a string of consecutive months would be, at least in our view. If the COVID-era employment deficit, which had stood at over 10 million at the beginning of the year and stands at 8.5 million today, moves lower by another few million and we get improvement in the participation/employment rates (and other non-headline labour market metrics), the Fed may just feel comfortable teeing up a QE taper at some point in the summer. That wouldn't mean an immediate slowing in purchase pace (Powell's said they intend to give plenty of advanced notice) but would see the punchbowl being removed gradually, starting in late-Q3 or Q4. The following twelve-plus months would give the Fed time to scale its QE to net zero and set up an eventual rate hike early in 2023.

To be clear, we don't mean to be dismissive of the Fed's new mandate which is very clearly manifesting in a "we'll believe it when we see it" approach to employment and inflation. The Fed would have no problem delaying a QE taper or holding off on rate hikes if any major hiccups were to emerge. It should now go without saying but the Fed will let inflation run hot (within reason) without removing stimulus if its not seeing desired progress in the jobs market. It's just that with the fiscally supercharged consumer and vaccinations proceeding at a breakneck pace, we don't see significant scope for any major speedbumps from here. As our colleagues point out in our Monthly Economic Monitor, there will be more stimulus being dropped on the US economy in 2021 than in 2020. Buckle up.

US: 2021 fiscal footprint to be even greater than 2020's
Budgetary effects of pandemic-related legislations by year



NBF Economics and Strategy (data via CBO)

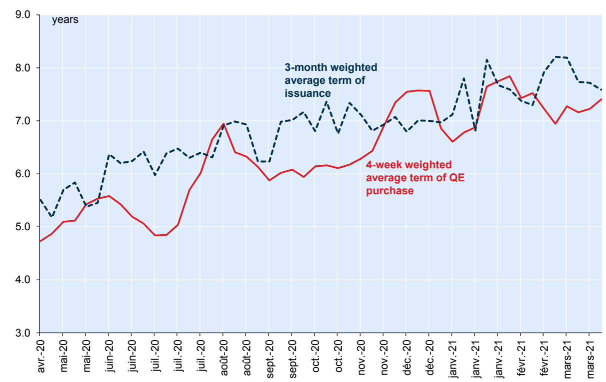
BoC: Bring on the taper... but then what?

While the BoC's March meeting came and went without any fireworks, it was just the metaphorical calm before the storm. Indeed, the March 10th decision came when there was still tremendous uncertainty surrounding the economic impacts of the Ontario/Quebec lockdowns and followed two months of job losses. In the interim, February effectively recovered all of the employment declines in December and January, with March adding another 300 thousand jobs. Meanwhile, GDP growth continued in January (and February, based on StatCan's flash estimate), easily surpassing consensus expectations.

Indeed, the firmer economic environment has shifted market expectations to fully anticipate a QE taper at the April meeting from $4 billion per week to $3 billion per week. In a speech last month, Deputy Governor Toni Gravelle said nothing to derail those expectations. Rather, he all but confirmed that the Bank planned to step down its bond purchases in April. Gravelle reminded us of earlier QE guidance from January that said the economy wouldn't need as much stimulus over time if the recovery was in line with or stronger than expectations and in March when the Bank said it will adjust the pace of our QE purchases "as we continue to gain confidence in the strength of the recovery". Immediately after, he noted that first quarter growth appears to be stronger than previously expected, which will be reflected in fresh April projections. To us, that's recognition that they've gained sufficient confidence. More recent data only further supports that view, though we are now contending with a virus resurgence and increased restrictions, delaying our return to potential.

Consistent with the Bank's earlier taper announcement in October, we think they will modestly move purchases out the curve on a relative basis. This will alleviate some of the pressure on the term structure from both economic/inflationary forces and from the GoC's continued terming out of issuance.

Terming out of QE and issuance continues
4-week moving WAT of QE purchases versus 3-month moving WAT of issuance



NBF Economics and Strategy (data via Bank of Canada)

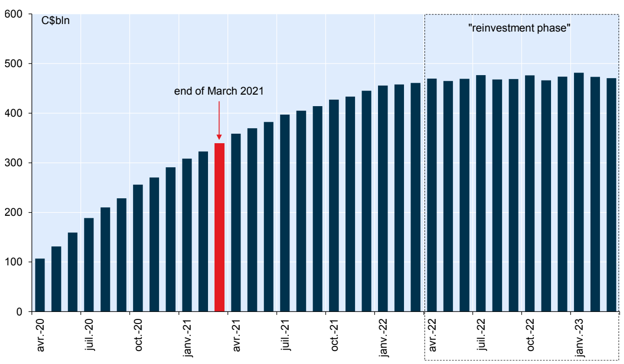
What about beyond April? QE will continue to be wound down as the recovery continues but Deputy Governor Gravelle let us know that the QE program won't be systematically brought to zero on a gross basis. Rather, it will be a more phased approach as we move from the stimulative phase to the "reinvestment phase":

> "[W]e will eventually get down to a pace of QE purchases that maintains—but no longer increases—the amount of stimulus being provided. That is, a pace where our GoC bond holdings are largely stable and we reinvest the proceeds of maturing assets."

Interest Rates and Bond Markets

That steady-state pace is influenced by both the pace of QE that the Bank deploys in the coming months as well as the pace of GoC debt issuance (as the Bank also adds to its bond holdings via regular auction participation), so estimation here is imperfect. However, under reasonable assumptions for QE pacing ($500 million reductions every quarter) and issuance (we've pencilled in ~$275 billion for fiscal year 2021), GoC holdings would effectively top out in April 2022. The pace therein needed to keep holdings more or less steady would be roughly $1 billion per week. It seems that we'd remain in this phase for a while before the Bank opts to let its holding mature without reinvesting some/all of the proceeds.

BoC: The potential evolution of the QE program
Actual/estimated GoC bond holdings at the Bank of Canada based on QE/issuance expectations

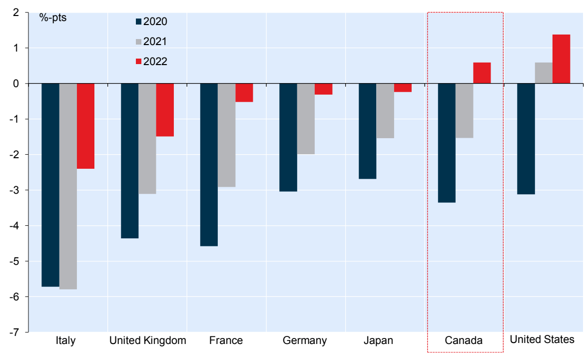


NBF Economics and Strategy (data via BoC) | Note: Assumes quarterly QE reductions of $500 million after April 2021 and 2021-22 issuance of $275 billion

Importantly, being in the 'reinvestment phase' doesn't mean we can't be hiking rates. Gravelle was sure to point out the decision on QE and the decision on the policy rate are two distinct issues. However, while we see scope for net purchases to hit zero by roughly this time next year, we don't think that a mid-2022 rate hike would be imminent. We've previously flagged the BoC's increased focus on employment when it comes to sustainably achieving its inflation goals. So, should we get to net zero on QE but slack remains in labour markets so that the Bank doesn't see on-target inflation as sustainable, we might just keep the policy rate lower for longer. At this point, this is our view. We see the first BoC rate hike coming in early 2023—the same timing as the Fed. To be clear, the BoC's net QE taper should be wrapped up first but we don't think the Bank will want to significantly front-run the Fed on rate hikes.

Undoubtedly, our outlook will be put to the test at the April meeting. The Bank's current forward guidance is predicated on the closure of the output gap. Earlier projections, including in January's MPR, showed that taking place in 2023. However, the improved outlook should leave the Bank showing output gap closure at some point in 2022. That's how we, and the IMF in its new World Economic Outlook now see things.

Canada's output gap closed in 2022; US even earlier
Output gap as a percentage of GDP by year, country



NBF Economics and Strategy (data via IMF)

The Bank could opt to simply update its forward guidance to note that it will "[hold] the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved" which it expects to occur in 2022. To us, that would indicate the Bank is fully comfortable and embracing 2022 rate hike expectations. We don't think it wants to guide markets there, at least not yet (even with March's blowout jobs report). Instead, we think that they'll have to make a more structural adjustment to its forward guidance, perhaps incorporating an employment aspect, to leave themselves with a little bit more flexibility on the policy rate. With the QE taper seemingly a lock for the next meeting, it's this issue that looks to be greatest wildcard we're facing.

A final note on the policy rate outlook: there's also the issue of the red-hot housing market. The Bank has raised concerns about the unsustainable price gains and signs of speculative activity but noted that rate hikes are a 'blunt tool' to deal with this. We'd argued macroprudential measures would be better suited to address this rather than raising borrowing costs for the entire economy. Indeed, we just saw OSFI propose a higher qualifying borrowing rate for uninsured mortgages. While the move from 4.79% to 5.25% is relatively modest, we wouldn't be surprised if there were more measures to come. And assuming these are effective, it would likely afford the Bank more time to hold off from raising its target for overnight. Stay tuned as more information could soon be on its way in a fresh federal budget…

Supply uncertainty soon to be resolved

The 2021-22 fiscal year is now underway and we're just a handful of days away from the release of the first full federal budget since early 2019. The feds provided a *Fiscal and Economic Snapshot and Fall Economic Statement* in July and November (both of which contained some form of Debt Management Strategy) but the economic outlook and interest rate environment has changed dramatically in the interim. So how do recent developments affect the fiscal and borrowing outlook?

Last week, we laid out a ***detailed preview of the April 19 budget and DMS***. For the sake of brevity, we'll summarize our key takeaways and highlight what we'll be looking for in less than two week's time.

When it comes to the budget balance, the stronger economic recovery could result in a deficit roughly in line with earlier guidance, despite tighter COVID restrictions and an additional round of stimulus to come. We're projecting a headline 2021-22 deficit of between $120 billion and $130 billion, though the outlook here is uncertain/subject to many variables and our confidence band on this estimate is wide.

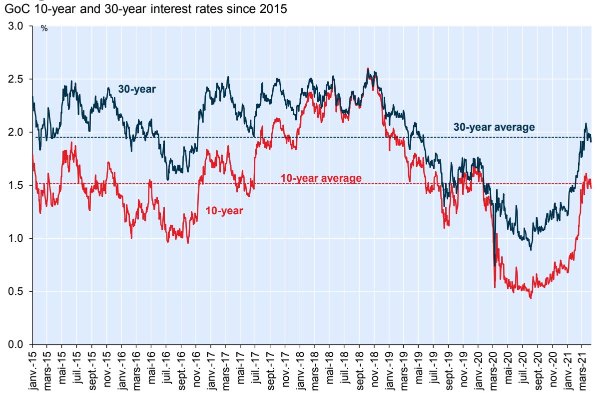
As for the Treasury bill stock, November's DMS update told us that by the end of March 2021, the Canadian T-bill stock would be in and around $329 billion outstanding. At the time, we were at $266 billion so it would've required a rapid acceleration in the pace of issuance. Instead, the bill stock moved significantly lower and at the end of the outgoing fiscal year, outstanding bills stood at $219 billion. Yes, that's $110 billion lower than where we were guided five months ago. This means that today we're much closer to a "steady state" level on the bill stock and there's probably little terming out left to be done. Using some realistic assumptions for the pace of bill issuance in 2021-22, we would see the bill stock fall by a more modest ~$40 billion this year (and thus, be termed out into bonds).

Interest Rates and Bond Markets

Finally, we've got $101 billion in bonds due to mature this fiscal year that will need to be refinanced. Add it all together (deficit/financial requirement, change in bill stock and maturities) and we arrive at a 2021-22 bond program of $250 to $275 billion. That would be about a $100 billion decline from the outgoing year but would remain elevated by pre-COVID standards. (We'd stress here that the confidence band on many of the variables used to arrive at this estimate are a mile wide. It's possible issuance could end up coming in below or above where we're currently estimating).

Beyond the gross size of the borrowing program, a key focus will be on where new bonds are placed on the curve. Back in November's Fall Economic Statement, the narrative was that with interest rates so low, we'd be crazy not to lock in these rock-bottom long-term borrowing costs. Indeed, at the time, 10-year money cost under 70 basis points. 30-year bonds were being issued with coupons just north of 1%. To take advantage of these attractive financing terms, we saw a non-trivial shift in issuance last year. Throughout 2020-21, the average term of new bond supply jumped to multi-year highs. But clearly, things change quickly in financial markets. 10-year interest rates have more than doubled and 30-year bonds were just recently trading with a 2-handle. To be clear, these are still historically attractive financing costs on a long-term basis. But compared to the last handful of years, this is a harder case to make. On a relative basis (i.e. versus other parts of the curve), the narrative for locking in long-term rates is even less compelling.

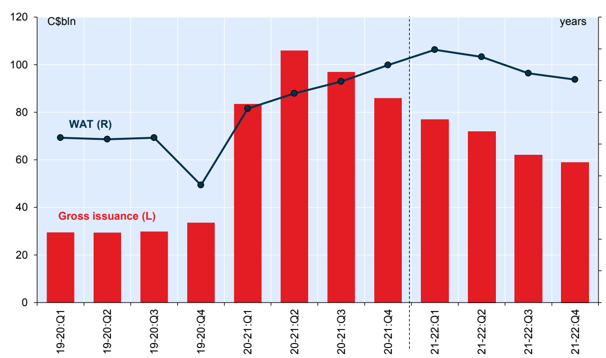
Long-term rates aren't *that* attractive
GoC 10-year and 30-year interest rates since 2015



NBF Economics and Strategy (data via Bloomberg)

Finance Canada has long taken a very short-term approach to its bond program, often leaving the long-end undersupplied. But while long-term rates are back closer to pre-COVID levels, we're not so sure we'll get an immediate reversal in the borrowing strategy. There are other factors at play besides Finance Canada's issuance models. It's likely that the government would still like to continue reciting the narrative of 'locking in' low long-term rates, even if they technically aren't as low as they had been. Optically, it may make the large deficit and growing debt load seem more palatable. Moreover, in the last DMS update, the government suggested that this terming out would be a multi-year plan and not limited to 2020-21. Also, we don't think that Finance would want to introduce significant year-to-year volatility in their funding strategy.

Supply declining, will the term of issuance follow suit?
NBF projections for GoC bond supply and composition



NBF Economics and Strategy (data via Bank of Canada) | Note: WAT refers to weighted average term

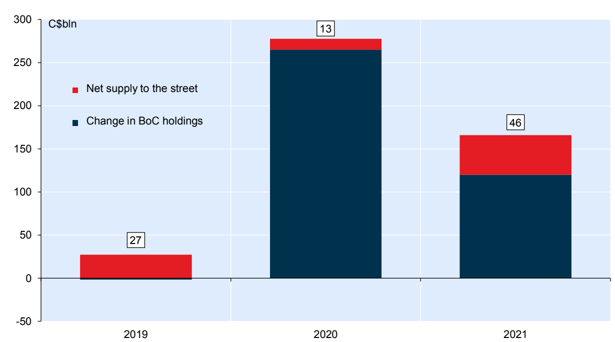
Instead, as we look to the fresh DMS we're looking for a shift towards something of a middle ground between the traditional Finance Canada short-term approach to debt management and the new-era term-out strategy currently underway. Rather than immediately reversing course to the 85% 5-year-and-under split the GoC had previously engaged, starting to move back towards a 70% shorter-end tilt might be in order. This would keep intact that Canada is locking in long-term money while acknowledging the recent interest rate back-up leaves terming out a less enticing proposition. The term of issuance would decline over the year but would overall remain well above pre-COVID (and even 2020-21) levels.

BoC: This is 40

As of the end of the week, the Bank of Canada's ownership share of GoC bond stock looks to *cross the 40% threshold* and we thought it appropriate to mark the milestone. We're not really celebrating mind you, but that's what tends to happen when your age (or in this case bond ownership share) gets elevated. So put the streamers and balloons away. Actually, it makes you wonder if there's a potential mid-QE life crisis taking shape in Ottawa. As in, when, where and how quickly to taper outsized bond purchases? How much unconventional support does the economy still need? How badly are bond purchases distorting the market? When and how fast will the Fed be tapering? These are but a few questions Tiff and Company are presumably pondering.

It's taken just one year to radically transform GoC bond ownership. Pre-COVID, the central bank held a fairly constant ~13% of outstandings, a position accumulated via less-than-invasive/ normal course auction participation. But since setting up its GBPP, BoC ownership has all-but-raced through key ownership milestones, surpassing 20% last May, breaching 30% last September and arriving this week at 40%. Of note, an October 2020 QE taper (from C$5 billion to C$4 billion per week), slowed but did not arrest the crowding out effect in the GoC bond market. With more and more term repos now rolling off, GoC bonds account for a larger share of total BoC assets (62% and rising). Looked at another way, central bank purchases offset 95% of what was overwhelmingly record net GoC bond issuance in the just completed 2020-21 fiscal year—an absorption rate that's really hard to overemphasize.

Smaller net supply, but greater net supply to the street
Y/Y change in GoC outstandings (full bar), BoC holdings (blue), net supply outside to the market (red)



NBF Economics and Strategy (data via Bank of Canada) | Note: Refers to fiscal years. 2021-22 based on NBF assumptions for QE, GOC issuance

Interest Rates and Bond Markets

Based on our supply projections and QE projections for the fiscal year, the Bank will continue to be active in sopping up marginal bonds, albeit to a lesser extent. With 70-75% of bond looking to be absorbed by the central bank, that would leave just $46 billion of net new bonds that would have to find their way to the market. That's more than the $13 billion and $27 billion in net issuance in the last two fiscal years but remains a manageable stream of net supply. Of course, a more dovish BoC that kept QE at a faster pace than we've assumed, the ask of the market to take down bonds would be even smaller. In any event, if you were looking for a supply indigestion and a related sell-off, you're unlikely to see it in the coming twelve months.

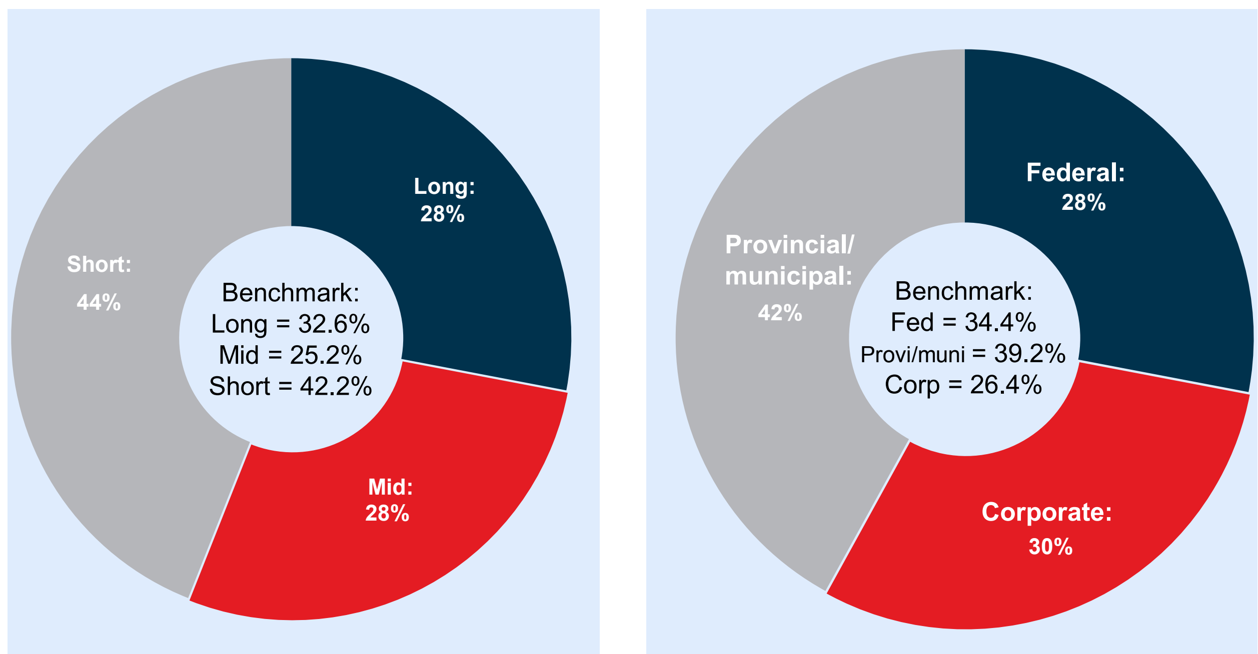
Canadian Bond Market: Interest rates, spreads and currencies

Close on:	9-Apr-21	8-Jan-21	9-Oct-20	10-Jul-20	10-Apr-20
Interest Rates					
3 months	0.089	0.064	0.105	0.185	0.253
2 years	0.241	0.19	0.262	0.29	0.413
5 years	0.965	0.446	0.379	0.357	0.599
10 years	1.523	0.814	0.628	0.55	0.762
30 years	1.949	1.431	1.231	1.073	1.335
Spreads					
3 months - 2 years	15.2	12.6	15.7	10.5	16
2 - 5 years	72.4	25.6	11.7	6.7	18.6
5 - 10 years	55.8	36.8	24.9	19.3	16.3
10 - 30 years	42.6	61.7	60.3	52.3	57.3
Currencies					
CAD/USD	1.2577	1.2702	1.3121	1.3592	1.3956
EUR/CAD	0.6687	0.645	0.6444	0.651	0.6552

NBF Economics and Strategy (data via Bloomberg)

NBF recommended bond allocations

We are short duration and long credit in light of our interest rate forecast



NBF Economics and Strategy (data via PC Bond) | Note: Based on FTSE Canada Universe Bond Index

Stock Market and Portfolio Strategy

Stock Market and Portfolio Strategy

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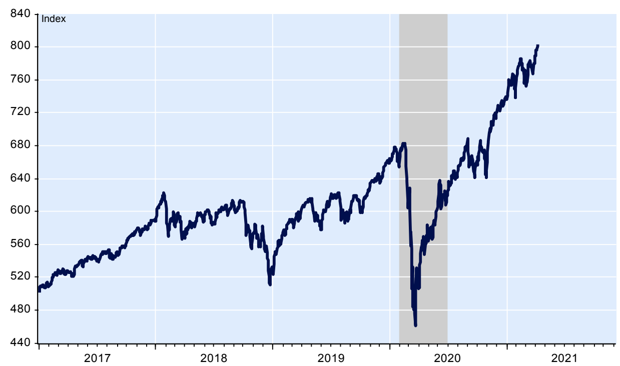
World: Earnings vs. bond yields

After a brief pullback between mid-February and March, global equities rose to a new record in April (chart). The MSCI ACWI is already up a whopping 8.6% so far in 2021.

World: After a brief pause, a new high in April
MSCI ACWI



NBF Economics and Strategy (data via Refinitiv)

Encouragingly, the gains remain widespread among both sectors and global regions. Of the 10 main sectors of the MSCI ACWI, five rose to new highs early in April: Materials, Industrials, Staples, IT and Telcos. Among regions, the U.S., Canada and Europe are at all-time highs, each with year-to-date gains of more than 9% (table).

MSCI composite index: Price Performance

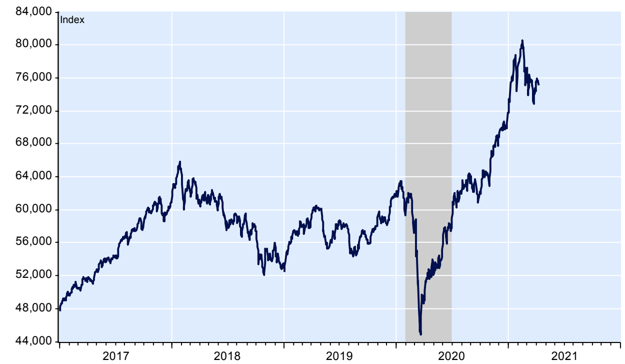
	Month to date	Quarter to date	Year to date
MSCI ACWI	3.0	3.0	8.6
MSCI World	3.3	3.3	9.2
MSCI USA	4.0	4.0	9.3
MSCI Canada	2.7	2.7	10.4
MSCI Europe	2.0	2.0	9.1
MSCI Pacific ex Jp	2.3	2.3	7.2
MSCI Japan	0.5	0.5	8.4
MSCI EM	1.1	1.1	4.7
MSCI EM EMEA	-0.1	-0.1	8.4
MSCI EM Latin America	1.0	1.0	0.7
MSCI EM Asia	1.3	1.3	4.6

4/9/2021

NBF Economics and Strategy (data via Refinitiv)

Emerging markets, meanwhile, are still struggling. The MSCI EM index is up 4.7% for the year to date but it peaked February 17 and has retreated 6.4% since then (chart).

World: Emerging markets struggle
MSCI EM



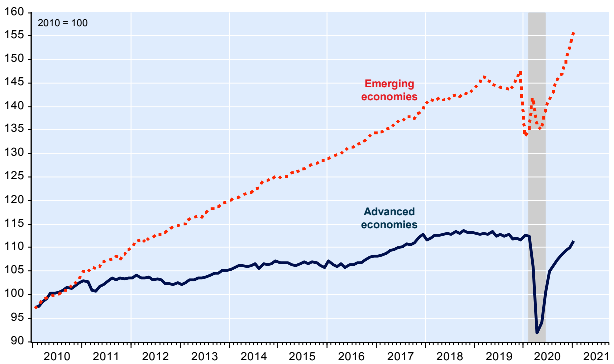
NBF Economics and Strategy (data via Refinitiv)

The main headwind for emerging markets (roughly 60% of the global economy) is the rapid rise of bond yields in advanced economies and a potential surge in the U.S. dollar that would increase interest payments in several countries with substantial USD-denominated debt. We understand such concerns, but to the extent that rising interest rates reflect an improving economy and better prospects for earnings, we doubt the current EM weakness will last long. For one thing, EM industrial production hit a new high recently (chart). With pro-growth policies still being deployed in the OECD economies, we think expansion still has legs in EMs (especially in countries with a relatively large manufacturing base).

"The MSCI ACWI is already up a whopping 8.6% so far in 2021."

Stock Market and Portfolio Strategy

World: Emerging economies are expanding
Industrial production (volume)



NBF Economics and Strategy (data via CPB)

For another, EM earnings revisions are keeping up with those for the rest of the world (table). Estimates of earnings per share (EPS) for the coming year have been revised up 5.2 percentage points in the last three months, the largest such revision in more than a decade. It is unusual for EM equity markets to pull back when earnings have such momentum.

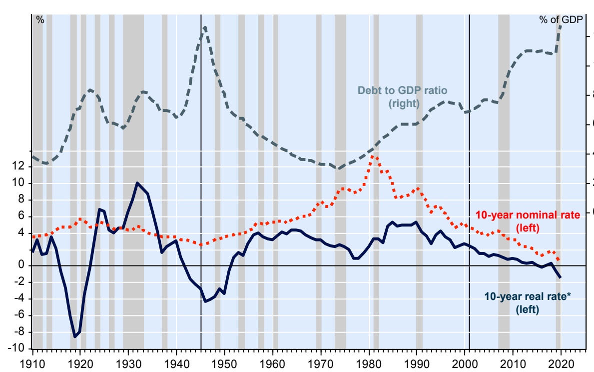
MSCI : change in 12-month forward earnings

	3-month change		1-month change		1-month diffusion (% up)	
	3-month change	10 year historical average	1-month change	10 year historical average	1 month diffusion	10 year historical average
MSCI ACWI	5.3	-0.6	1.3	-0.6	57%	43%
MSCI World	5.3	-0.6	1.2	-0.6	60%	45%
MSCI USA	5.6	-0.4	1.1	-0.4	64%	47%
MSCI Canada	9.2	-0.7	2.1	-0.7	57%	43%
MSCI Europe	3.3	-1.1	1.2	-1.1	54%	39%
MSCI Pacific ex Jp	6.1	-0.6	0.9	-0.6	51%	41%
MSCI Japan	6.0	-0.4	1.9	-0.4	67%	49%
MSCI EM	5.2	-0.7	1.8	-0.7	53%	40%
MSCI EM EMEA	8.4	-0.6	3.1	-0.6	54%	42%
MSCI EM Latin America	16.7	-1.1	7.1	-1.1	62%	40%
MSCI EM Asia	3.2	-0.5	0.9	-0.5	52%	40%

4/9/2021
NBF Economics and Strategy (data via Refinitiv)

As noted above, the compression of the MSCI EM forward P/E is linked to fears of higher U.S. bond yields and a strengthening USD. U.S. president Joe Biden announced on March 30, on the heels of a recently approved $1.9-trillion package, that he intends to stimulate the U.S. economy even more via an infrastructure plan that could exceed $2 trillion in spending over eight years. Unsurprisingly, investors have pushed U.S. bond yields higher in recent weeks. The 10-year Treasury is back where it was before the pandemic. Is this enough to drive the USD much higher? We think not. Our latest ***Fixed Income Monitor*** notes that despite the rosier U.S. growth outlook as the vaccination and economic reopening ratchet up, the Federal Reserve remained ultra-dovish at its March policy meeting. At this juncture, the FOMC has no interest in signalling any kind of QE taper anytime soon. By the same token, Mr. Powell is still a long way from raising the fed funds rate. In the circumstances, we see the nominal 10-year Treasury yield drifting slowly up to 2% by the end of this year. Given our inflation forecast, that means negative real rates for the foreseeable future (chart). And as mentioned in this month's Forex, the USD is more likely to be driven by real than by nominal interest rates in the months ahead. This backdrop, together with a swelling twin deficit (current-account and fiscal), argues for renewed USD weakness.

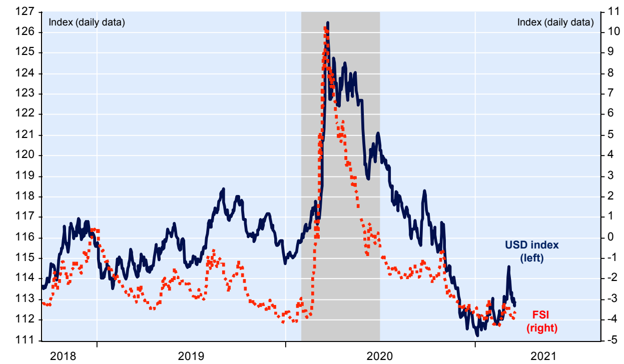
World: Negative real interest rates for longer
Debt-to-GDP ratio vs. nominal and real interest rate for advanced economies*



* Nominal rate less 5-year moving average U.S. CPI inflation

> *"The USD has lost ground against 26 of 31 currencies since Washington's announcement of the new stimulus package..."*

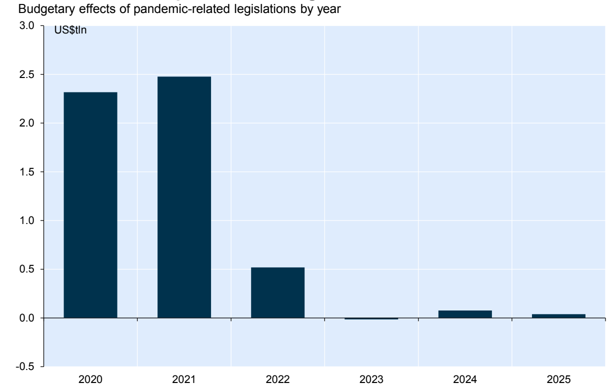
World: Low financial stress argues against strong USD
Global OFR Financial Stress Index vs. trade-weighted USD index (26 currencies)



NBF Economics and Strategy (data via Refinitiv and https://www.financialresearch.gov/financial-stress-index/)

The USD has lost ground against 26 of 31 currencies since Washington's announcement of the new stimulus package, which will significantly affect U.S. government finances (chart).

US: 2021 fiscal footprint to be even greater than 2020's
Budgetary effects of pandemic-related legislations by year



NBF Economics and Strategy (data via CBO)

S&P/TSX: Another record

The performance of the S&P/TSX remains stellar so far in 2021. The Canadian benchmark is up 10.3% year to date with double-digit gains in Health Care, Energy, Consumer Discretionary and Real Estate (table).

Stock Market and Portfolio Strategy

S&P/TSX composite index: Price Performance

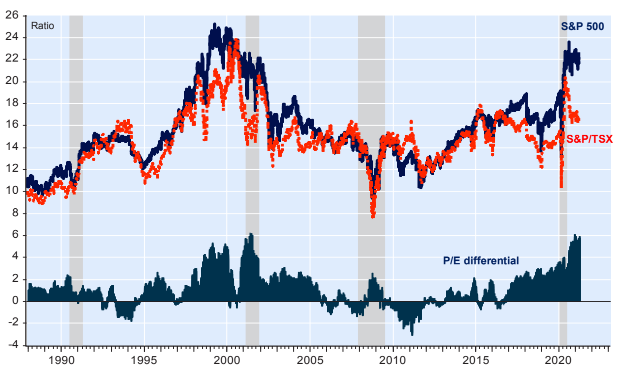
	Month to date	Quarter to date	Year to date
S&P TSX	2.8	2.8	10.3
IT	8.6	8.6	7.4
MATERIALS	7.2	7.2	-0.5
REAL ESTATE	3.4	3.4	12.6
TELECOM	2.7	2.7	8.7
CONS. DISC.	2.7	2.7	15.0
UTILITIES	1.9	1.9	4.4
INDUSTRIALS	1.8	1.8	8.2
CONS. STAP.	1.6	1.6	3.8
FINANCIALS	1.3	1.3	14.2
BANKS	1.0	1.0	14.6
ENERGY	0.7	0.7	19.6
HEALTH CARE	-6.0	-6.0	29.5

4/9/2021

NBF Economics and Strategy (data via Refinitiv)

Despite this surge, the S&P/TSX continues to trade at 16.4 times forward earnings, roughly the same ratio as before the pandemic and a significant discount to the S&P 500 (chart).

S&P/TSX: Cheap relative to U.S. equities
12-month-forward P/Es of S&P 500 and S&P/TSX, and P/E differential

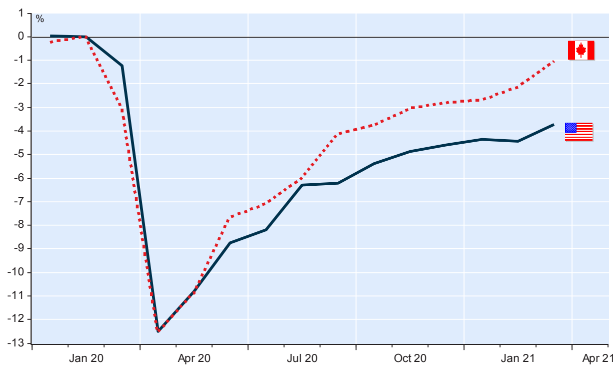


NBF Economics and Strategy (data via Refinitiv)

Looking ahead, we remain upbeat on Canadian earnings and continue to expect a narrowing of the P/E gap with the S&P 500. Though the Canadian vaccination campaign trails that of the U.S. and has forced large provinces to restrict activity in a number of sectors through May, labour markets continue to show uncanny resilience and government programs to support households and corporations have been extended through the summer.

> *"...labour markets continue to show uncanny resilience..."*

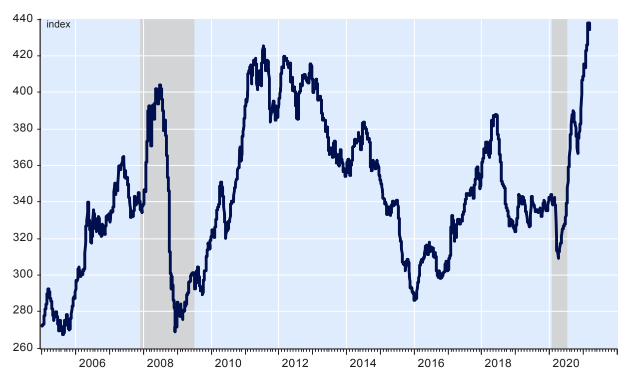
Canada: Full-time jobs are just 1% below pre-COVID level
Household employment: Full-time jobs



NBF Economics and Strategy (data via Refinitiv)

These developments, coupled with a relatively steep yield curve (good for financials) and high commodity prices (good for cyclicals) leaves us optimistic about the ability of Canadian equities to meet 12-month EPS growth expectations of just over 28% (table).

Canada: A new record high for non-energy commodities
Prices of non-energy commodities produced in Canada*



* Non-energy commodities account for 57% of all commodities produced in Canada
NBF Economics and Strategy (data via Refinitiv)

MSCI composite index: EPS Performance

	2020	2021	2022	2023	12 months forward
MSCI ACWI	-12.4	30.6	13.7	10.6	23.4
MSCI World	-13.9	29.2	13.4	10.3	22.5
MSCI USA	-8.8	25.3	13.8	11.1	20.2
MSCI Canada	-25.4	45.5	8.9	7.1	28.1
MSCI Europe	-26.3	33.7	14.2	9.5	25.6
MSCI Pacific ex Jp	-26.4	38.9	6.7	4.5	18.8
MSCI Japan	-28.5	4.1	33.4	13.8	29.9
MSCI EM	-3.3	37.8	15.2	12.1	28.0
MSCI EM EMEA	-25.2	53.1	15.0	8.8	33.2
MSCI EM Latin America	-35.7	131.0	2.8	1.3	62.3
MSCI EM Asia	6.6	28.0	16.9	14.2	23.5

4/9/2021

NBF Economics and Strategy (data via Refinitiv)

Asset allocation

Our asset mix is unchanged this month: Overweight in equities and underweight in fixed income with a geographic allocation favouring Canada and Emerging Markets. The recent rise of bond yields reflects improvement of prospects for the global economy rather than loss of faith in governments and de-anchoring of inflation expectations. There is still a need for considerable healing of labour markets before central banks allow real interest rates to turn positive again.

NBF Asset Allocation

	Benchmark (%)	NBF Recommendation (%)	Change (pp)
Equities			
Canadian Equities	20	23	
U.S. Equities	20	18	
Foreign Equities (EAFE)	5	4	
Emerging markets	5	9	
Fixed Income	45	42	
Cash	5	4	
Total	100	100	

NBF Economics and Strategy

Sector rotation

Our sector allocation is unchanged this month, remaining tweaked toward value over growth stocks.

Stock Market and Portfolio Strategy

NBF Fundamental Sector Rotation - April 2021

Name (Sector/Industry)	Recommendation	S&P/TSX weight
Energy	**Market Weight**	**12.2%**
Energy Equipment & Services	Market Weight	0.0%
Oil, Gas & Consumable Fuels	Market Weight	12.2%
Materials	**Overweight**	**12.4%**
Chemicals	Market Weight	1.5%
Containers & Packaging	Overweight	0.5%
Metals & Mining *	Overweight	2.6%
Gold	Overweight	7.2%
Paper & Forest Products	Market Weight	0.6%
Industrials	**Market Weight**	**12.2%**
Capital Goods	Overweight	2.2%
Commercial & Professional Services	Underweight	3.1%
Transportation	Market Weight	6.9%
Consumer Discretionary	**Market Weight**	**4.0%**
Automobiles & Components	Underweight	1.3%
Consumer Durables & Apparel	Overweight	0.6%
Consumer Services	Market Weight	1.0%
Retailing	Market Weight	1.1%
Consumer Staples	**Market Weight**	**3.6%**
Food & Staples Retailing	Market Weight	2.8%
Food, Beverage & Tobacco	Market Weight	0.8%
Health Care	**Market Weight**	**1.4%**
Health Care Equipment & Services	Market Weight	0.1%
Pharmaceuticals, Biotechnology & Life Sciences	Market Weight	1.3%
Financials	**Overweight**	**31.1%**
Banks	Overweight	21.0%
Diversified Financials	Market Weight	4.1%
Insurance	Overweight	6.0%
Information Technology	**Underweight**	**10.2%**
Telecommunication Services	**Market Weight**	**4.9%**
Utilities	**Underweight**	**4.8%**
Real Estate	**Underweight**	**3.2%**

** Metals & Mining excluding the Gold Sub-Industry for the recommendation.*

Stock Market and Portfolio Strategy

NBF Market Forecast
Canada

Index Level		Actual Apr-09-21	Q42021 (Est.) Target
S&P/TSX		19,228	20,000
Assumptions			Q42021 (Est.)
Level:	Earnings *	829	1120
	Dividend	525	709
PE Trailing (implied)		23.2	17.9
			Q42021 (Est.)
10-year Bond Yield		1.50	1.75

* Before extraordinary items, source Thomson
NBF Economics and Strategy

NBF Market Forecast
United States

Index Level		Actual Apr-09-21	Q42021 (Est.) Target
S&P 500		4,129	4,200
Assumptions			Q42021 (Est.)
Level:	Earnings *	150	180
	Dividend	58	70
PE Trailing (implied)		27.5	23.3
			Q42021 (Est.)
10-year Bond Yield		1.67	2.00

* S&P operating earnings, bottom up.

Global Stock Market Performance Summary

	Local Currency (MSCI Indices are in US$)					Canadian Dollar			Correlation *
	Close on	Returns				Returns			with S&P 500
	04-9-2021	M-T-D	Y-T-D	1-Yr	3-Yr	Y-T-D	1-Yr	3-Yr	
North America - MSCI Index	**4193**	**4.0%**	**9.4%**	**50.8%**	**59.0%**	**7.8%**	**35.7%**	**56.8%**	**1.00**
United States - S&P 500	4129	3.9%	9.9%	48.0%	58.0%	8.3%	33.1%	55.8%	1.00
Canada - S&P TSX	19228	2.8%	10.3%	35.7%	26.3%	10.3%	35.7%	26.3%	0.83
Europe - MSCI Index	**1960**	**2.9%**	**6.5%**	**41.6%**	**10.5%**	**5.0%**	**27.4%**	**8.9%**	**0.70**
United Kingdom - FTSE 100	6916	3.0%	7.1%	18.4%	-3.9%	6.0%	17.2%	-7.9%	-0.31
Germany - DAX 30	15234	1.5%	11.1%	44.2%	24.2%	6.3%	41.0%	18.3%	0.85
France - CAC 40	6169	1.7%	11.1%	36.9%	17.2%	6.4%	33.8%	11.6%	0.51
Switzerland - SMI	11239	1.7%	5.0%	18.9%	29.4%	-1.2%	11.6%	32.1%	0.88
Italy - Milan Comit 30	259	0.0%	0.0%	0.0%	3.7%	-4.3%	-2.2%	-1.3%	0.63
Netherlands - Amsterdam Exchanges	713	1.9%	14.2%	40.4%	32.1%	9.4%	37.3%	25.8%	0.88
Pacific - MSCI Index	**3207**	**1.7%**	**3.4%**	**39.3%**	**13.8%**	**1.9%**	**25.3%**	**12.2%**	**0.78**
Japan - Nikkei 225	29768	2.0%	8.5%	53.9%	37.3%	0.7%	37.0%	32.3%	0.90
Australia - All ordinaries	7252	3.4%	5.9%	33.3%	22.8%	3.1%	45.0%	20.1%	0.67
Hong Kong - Hang Seng	28699	1.1%	5.4%	18.1%	-5.1%	3.5%	5.9%	-5.5%	0.04
World - MSCI Index	**2910**	**3.5%**	**8.2%**	**47.7%**	**41.2%**	**6.6%**	**32.8%**	**39.2%**	**0.99**
World Ex. U.S.A. - MSCI Index	**2268**	**2.5%**	**6.0%**	**41.6%**	**12.9%**	**4.4%**	**27.3%**	**11.4%**	**0.74**
EAFE - MSCI Index	**2262**	**2.5%**	**5.4%**	**40.8%**	**11.8%**	**3.8%**	**26.6%**	**10.2%**	**0.74**
Emerging markets (free) - MSCI Index	**1,330**	**1.1%**	**3.0%**	**49.9%**	**14.4%**	**1.5%**	**34.8%**	**12.8%**	**0.84**

* Correlation of monthly returns (3 years).

Stock Market and Portfolio Strategy

S&P 500 Sectoral Earnings- Consensus*
2021-04-09

	Weight S&P 500 %	Index Level	Variation 3-m Δ	Variation 12-m Δ	EPS Growth 2021	EPS Growth 2022	EPS Growth 12-m forward	P/E 2021	P/E 2022	P/E 12-m forward	5 year Growth Forecast	PEG Ratio	Revision Index**
S&P 500	100	252	13.55	14.36	27.20	15.01	21.66	22.96	19.97	21.73	17.09	1.00	5.45
Energy	2.66	364	16.49	40.34	0.00	35.57	367.47	21.93	16.18	19.61	9.81	0.05	55.62
Materials	2.64	503	4.37	55.53	41.21	6.22	26.69	20.19	19.01	19.71	11.71	0.74	11.65
Industrials	8.72	850	12.16	59.11	75.54	35.94	56.55	27.86	20.50	24.82	24.33	0.44	-1.27
Consumer Discretionary	12.61	1411	4.36	64.74	53.71	35.64	45.79	37.89	27.94	33.93	32.85	0.74	1.22
Consumer Staples	5.99	708	2.68	18.55	6.11	8.23	6.86	21.19	19.58	20.41	8.28	2.97	0.85
Healthcare	12.65	1376	0.51	24.37	14.59	6.50	11.44	16.38	15.38	16.06	9.92	1.40	1.97
Financials	11.25	584	13.76	50.38	25.56	10.63	19.78	15.19	13.73	14.67	12.27	0.74	9.83
Information Technology	27.40	2491	8.25	66.16	21.98	11.98	15.00	27.11	24.21	25.49	15.38	1.70	6.38
Telecom Services	11.07	252	13.84	59.32	11.40	17.62	14.45	24.21	20.59	22.70	20.90	1.57	4.48
Utilities	2.60	330	3.94	6.51	4.69	6.50	5.31	19.22	18.05	18.81	5.49	3.54	0.10
Real Estate	2.42	252	13.55	14.36	-9.07	16.58	-1.06	55.48	47.59	52.58	22.71	neg.	3.88

* Source I/B/E/S
** Three-month change in the 12-month forward earnings

Technical Analysis

Dennis Mark, CFA
Analyst
416-869-7427

Chart Highlights

In the April Vision, we highlight the U.S. dollar index as it turns around from its bear trend in 2020. Generally, a stronger U.S. dollar causes headwinds for commodities and is an overall negative for the sector. Commodity related stocks had spectacular rallies last year and could be vulnerable to profit-taking if their underlying commodities correct.
The prospects for gold and energy along with their underlying equities are highlighted in the following charts.

Technical Analysis

U.S. Dollar index (DXY)

The U.S. dollar index (DXY) fell throughout most of 2020 and supported a rise in most commodities and commodity stocks. We argued for a higher DXY over the past several months as the chart tested support and bearish sentiment reached extreme levels. A slow turnaround eventually took prices across initial short-term resistance at 91.00 and surmounted more important resistance at 92.00. This action completed basing action that reversed its trend to the upside. Recently, further strength took the chart above its 200-day for the first time in almost 10 months. A developing bull trend points to an initial target at 95.00. A strengthening dollar will be a negative for commodities and related stocks.

Source: Refinitiv

Technical Analysis

Gold (XAU=)

Gold is likely one of the most sensitive commodities to the U.S. dollar. As the accompanying chart on gold indicates, a weak U.S. dollar in 2020 translated into a strong bull trend in gold. Failing support at US$1,850 and US$1,765 along with breaking the rising trend line established a bearish trend. The series of lower highs and lower lows set a clearly defined downtrend. Gold prices are testing its next support at US$1,675 with a more than even chance of failing. Breaking down this support opens the door for a round trip move to US$1,500.

Source: Refinitiv

Technical Analysis

Silver (XAG=)

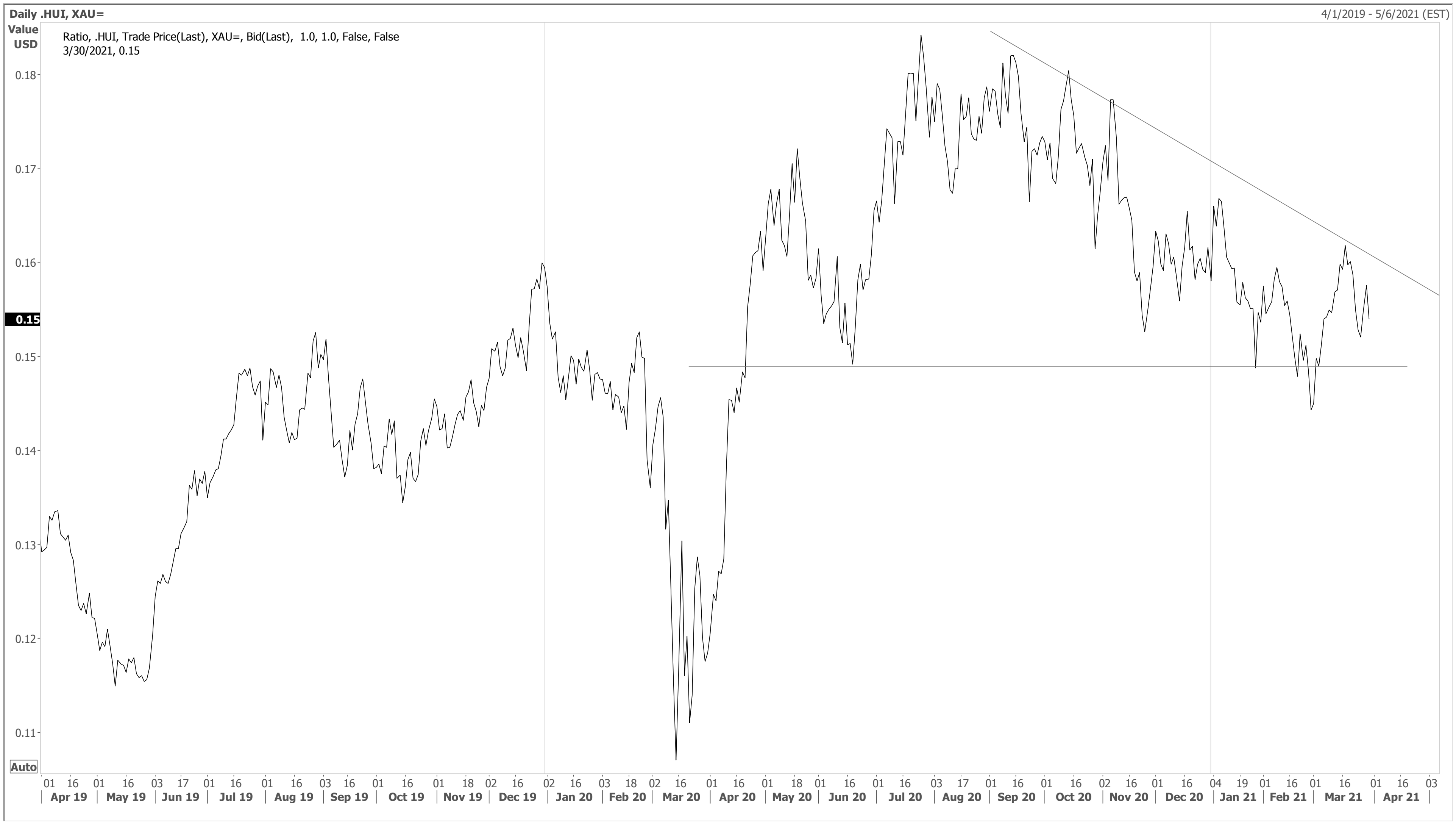
Silver prices are holding up relatively better than gold over the past several months. However, as the U.S. dollar gains strength, silver prices are beginning to feel the heat. Growing technical deterioration is more and more evident as the rising trend falters. The rising trend line over the past year has just broken. Prices are beginning to trade below their 200-day for the first time in almost a year. Chart support at US$24.75 broke recently as the chart completes a four-month top. This action points to a test of support at US$22.25. More importantly, a positive trend is turning more and more negative.

Source: Refinitiv

Technical Analysis

NYSE Arca Gold BUGS Index/Gold (HUI/XAU=)

Gold stocks generally topped out in August 2020 and have since trended lower. Corrections in gold equities range anywhere from 25% to 50% as investors took profits. The accompanying chart of the Gold bugs/Gold ratio indicates that gold stocks underperformed gold over the past six months as a clearly defined downtrend has been established. A top has been carved out on this ratio chart that still holds out prospects for continued weak relative performance from gold stocks relative to gold.



Source: Refinitiv

Technical Analysis

Brent (LCO1)

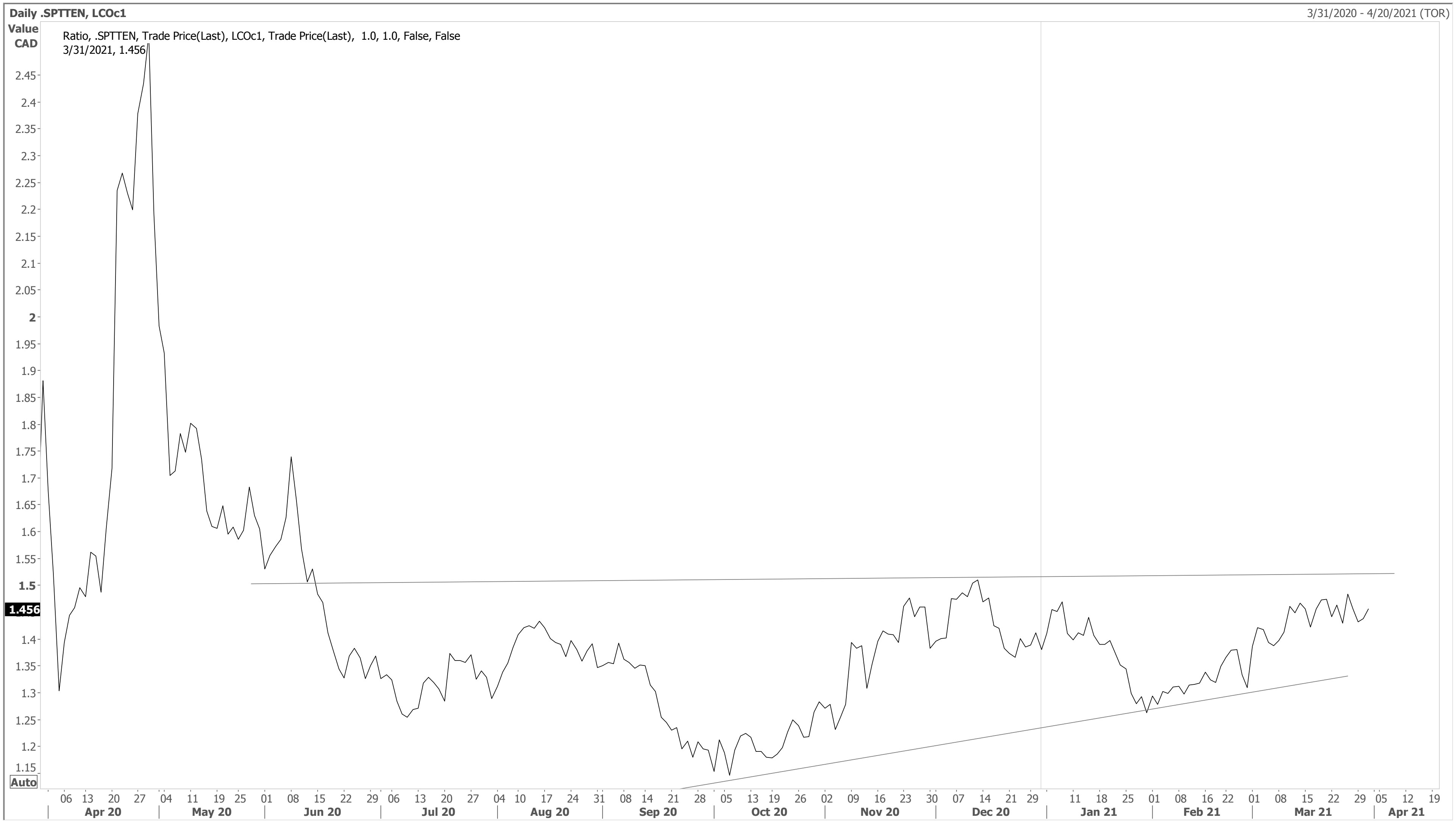
A strong recovery rally in oil prices was turned back at important resistance. The accompanying chart on Brent highlights a rally that challenged major resistance at US$72.00 and was turned back. A short-term rising trend line was recently severed as prices tested its 50-day average. Initial short-term support at US$62.00 is holding for now as prices continue to track along its 50-day. Continued U.S. dollar strength will pose a threat to support and take prices down to the mid US$50s.

Source: Refinitiv

Technical Analysis

S&P/TSX Capped Energy Index/Brent (SPTTEN/LCO1)

Energy stocks have undergone a major multi-year bear market, and within that bear market, energy equities have enormously underperformed WTI/Brent. As the accompanying chart indicates, energy related equities have just started to show some better relative performance to oil. While WTI and Brent turned back from major resistance, energy stocks have not given back much ground. The basing formation in this chart suggests that energy stocks could hold in well in a weaker oil price environment as this chart is near 20-year lows. An upside breakout in this chart would be constructive and a positive sign for an extended recovery in the sector.



Source: Refinitiv

Sector Analysis

In this section, commentaries and stock closing prices are based on the information available up to **March 31st, 2021.**

Information in this section is based on NBF analysis and estimates and Refinitiv.

Back to Research Analysts page

NBF Selection List

	Company	Ticker	Price	Target Price	Div. Yield	Est. TR	Industry
Energy							
	Cenovus Energy Inc.	CVE	$9.61	$13.50	0.71%	41.21%	Oil, Gas & Consumable Fuels
	Enerflex Ltd.	EFX	$8.21	$10.50	0.95%	28.87%	Energy Equipment & Services
	Parex Resources Inc.	PXT	$22.57	$35.00	0.00%	55.07%	Oil, Gas & Consumable Fuels
	Secure Energy Services Inc.	SES	$3.64	$5.50	0.79%	51.92%	Energy Equipment & Services
	TC Energy Corp.	TRP	$58.37	$67.00	5.93%	20.75%	Oil, Gas & Consumable Fuels
	Tourmaline Oil Corp.	TOU	$24.21	$37.50	2.56%	57.54%	Oil, Gas & Consumable Fuels
Materials							
	Dundee Precious Metals Inc.	DPM	$7.50	$14.00	1.89%	88.69%	Gold
	Endeavour Mining Corp.	EDV	$24.20	$58.00	0.00%	139.67%	Gold
	First Quantum Minerals Ltd.	FM	$24.20	$29.00	0.06%	19.90%	Metals & Mining
	Kinross Gold Corp.	K	$8.15	$16.00	1.70%	98.16%	Gold
	New Gold Inc.	NGD	$1.91	$4.00	0.00%	109.42%	Gold
	Sandstorm Gold Ltd.	SSL	$8.33	$13.50	0.00%	62.06%	Gold
	SSR Mining Inc.	SSRM	$17.44	$39.00	1.32%	125.06%	Gold
	Teck Resouces Ltd.	TECK.b	$24.39	$30.00	0.82%	23.82%	Metals & Mining
Industrials							
	Ag Growth International Inc.	AGT	$43.31	$54.00	1.34%	26.07%	Capital Goods
	Dexterra Group Inc.	DXT	$5.81	$8.50	4.96%	51.46%	Commercial & Professional Services
	Finning International Inc.	FTT	$32.10	$37.00	2.52%	17.82%	Capital Goods
	GDI Integrated Facility Services Inc.	GDI	$51.75	$59.00	0.00%	14.01%	Commercial & Professional Services
	Hardwoods Distribution Inc.	HDI	$31.91	$40.00	1.23%	26.61%	Capital Goods
	Heroux-Devtek Inc.	HRX	$16.99	$18.50	0.00%	8.89%	Capital Goods
	NFI Group Inc.	NFI	$27.48	$34.00	2.93%	26.82%	Capital Goods
	Stantec Inc.	STN	$53.55	$56.00	1.21%	5.81%	Commercial & Professional Services
	TFI International Inc.	TFII	$92.70	$110.00	1.21%	19.92%	Transportation
	Toromont Industries Ltd.	TIH	$95.33	$98.00	1.28%	4.10%	Capital Goods
Consumer Discretionary							
	Gildan Activewear Inc.	GIL	$38.60	$43.00	0.00%	11.40%	Consumer Durables & Apparel
Consumer Staples							
	Jamieson Wellness Inc.	JWEL	$37.24	$42.75	1.33%	16.14%	Household & Personal Products
Health Care							
	Chartwell Retirement Residences	CSH.un	$11.73	$13.50	5.16%	20.31%	Health Care Providers & Services
	Medical Facilities Corp.	DR	$7.13	$7.75	3.84%	12.62%	Health Care Providers & Services
	Sienna Senior Living Inc.	SIA	$14.54	$15.00	6.47%	9.60%	Health Care Providers & Services
Financials							
	Bank of Montreal	BMO	$113.17	$121.00	3.75%	10.67%	Banks
	Element Fleet Management Corp.	EFN	$13.85	$19.00	1.86%	39.06%	Diversified Financials
	iA Financial Corporation Inc.	IAG	$69.25	$76.00	2.78%	12.55%	Insurance
	Sun Life Financial	SLF	$64.09	$69.00	3.44%	11.09%	Insurance
	Trisura Group Ltd.	TSU	$114.45	$177.00	0.00%	54.65%	Insurance
Information Technology							
	Kinaxis Inc.	KXS	$146.21	$225.00	0.00%	53.89%	Software & Services
	Real Matters Inc.	REAL	$14.19	$40.00	0.00%	181.89%	Software & Services
	Shopify Inc.	SHOP	US$1048.68	US$1650.00	0.00%	57.34%	Software & Services
Communication Services							
	Cineplex Inc.	CGX	$11.64	$17.00	0.00%	46.05%	Media & Entertainment
	Corus Entertainment Inc.	CJR.b	$5.74	$8.00	4.17%	43.55%	Media & Entertainment
	Shaw Communications Inc.	SJR.b	$33.28	$40.50	3.57%	25.26%	Telecommunication Services
Utilities							
	Boralex Inc.	BLX	$39.39	$50.00	1.59%	28.61%	Utilities
	Capital Power Corp.	CPX	$36.36	$44.00	5.58%	26.65%	Utilities
	Innergex Renewable Energy Inc.	INE	$22.26	$28.00	3.17%	29.02%	Utilities
	Northland Power Inc.	NPI	$44.83	$52.00	2.64%	18.67%	Utilities
Real Estate							
	BSR REIT	HOM.un	$10.95	$13.00	4.55%	23.29%	Real Estate
	European Residential REIT	ERE.un	$4.32	$5.35	3.81%	27.66%	Real Estate
	Flagship Communities REIT	MHC.u	US$15.00	US$19.00	3.36%	30.07%	Real Estate
	H&R REIT	HR.un	$14.50	$16.75	4.73%	20.28%	Real Estate

The NBF Selection List highlights our Analyst’s best investment ideas each Month. A maximum of three names per Analysts are selected based on best Total Estimated Return.
Prices as of March 30, 2021
Source: NBF Research, Refinitiv

Analysts' Tables Glossary

GENERAL TERMS

Stock Sym. = Stock ticker

Stock Rating = Analyst's recommendation

OP = Outperform
SP = Sector Perform
UP = Underperform
TENDER = Recommendation to accept acquisition offer
UR = Recommendation under review
R = Restricted stock

Δ = Price target from the previous month.
↑ or ↓ = Price target upgrade or downgrade.

Price target = 12-month price target

Δ = Recommendation change from the previous month.
↑ or ↓ = Recommendation upgrade or downgrade.

Shares/Units O/S = Number of shares/units outstanding in millions.

FDEPS = Listed are the fully diluted earnings per share for the last fiscal year reported and our estimates for fiscal year 1 (FY1) and 2 (FY2).

EBITDA per share = Listed are the latest actual earnings before interest, taxes, depreciation and amortization for the fiscal year 1 (FY1) and 2 (FY2).

P/E = Price/earnings valuation multiple. P/E calculations for earnings of zero or negative are deemed not applicable (N/A). P/E greater than 100 are deemed not meaningful (nm).

FDCFPS = Listed are the fully diluted cash flow per share for the last fiscal year reported and our estimates for fiscal year 1 (FY1) and 2 (FY2).

EV/EBITDA = This ratio represents the current enterprise value, which is defined as the sum of market capitalization for common equity plus total debt, minority interest and preferred stock minus total cash and equivalents, divided by earnings before interest, taxes, depreciation and amortization.

NAV = Net Asset Value. This concept represents the market value of the assets minus the market value of liabilities divided by the shares outstanding.

DEBT/CAPITAL = Evaluates the relationship between the debt load (long-term debt) and the capital invested (long-term debt and equity) in the business (based on the latest release).

SECTOR-SPECIFIC TERMS

› *OIL AND GAS*

EV/DACF = Enterprise value divided by debt- adjusted cash flow. Used as a valuation multiple. DACF is calculated by taking the cash flow from operations and adding back financing costs and changes in working capital.

CFPS/FD = Cash flow per share on a fully diluted basis.

DAPPS = Debt-adjusted production per share. Used for growth comparisons over a normalized capital structure.

D/CF = Net debt (long-term debt plus working capital) divided by cash flow.

› *PIPELINES, UTILITIES AND ENERGY INFRASTRUCTURE*

Distributions per Share = Gross value distributed per share for the last year and expected for fiscal year 1 & 2 (FY1 & FY2).

Cash Yield = Distributions per share for fiscal year 1 & 2 (FY1 & FY2) in percentage of actual price.

Distr. CF per Share-FD = Funds from operations less maintenance capital expenditures on a fully diluted per share basis.

Free-EBITDA = EBITDA less maintenance capital expenditures.

P/Distr. CF = Price per distributable cash flow.

Debt/DCF = This ratio represents the actual net debt of the company (long-term debt plus working capital based on the latest annual release) on the distributable cash flow.

› *FINANCIALS (DIVERSIFIED) & FINANCIAL SERVICES*

Book value = Net worth of a company on a per share basis. It is calculated by taking the total equity of a company from which we subtract the preferred share capital divided by the number of shares outstanding (based on the latest release).

P/BV = Price per book value.

› *REAL ESTATE*

Distributions per Unit = Gross value distributed per unit for the last year and expected for fiscal year 1 & 2 (FY1 & FY2).

Cash Yield = Distributions per share for fiscal year 1 & 2 (FY1 & FY2) in percentage of actual price.

FFO = Funds from Operations is a measure of the cash generated in a given period. It is calculated by taking net income and adjusting for changes in fair value of investment properties, amortization of investment property, gains and losses from property dispositions, and property acquisition costs on business combinations.

FD FFO = Fully diluted Funds from Operations.

P/FFO = Price per Funds from Operations.

› *METALS AND MINING: PRECIOUS METALS / BASE METALS*

P/CF = Price/cash flow valuation multiple. P/CFPS calculations for cash flow of zero or negative are deemed not applicable (N/A). P/CFPS greater than 100 are deemed not meaningful (nm).

P/NAVPS = Price per net asset value per share.

› *SPECIAL SITUATIONS*

FDDCPS = Fully diluted distributable cash flow per share. Cash flow (EBITDA less interest, cash taxes, maintenance capital expenditures and any one-time charges) available to be paid to common shareholders while taking into consideration any possible sources of conversion to outstanding shares such as convertible bonds and stock options.

› *SUSTAINABILITY AND CLEAN TECH*

Sales per share = revenue/fully diluted shares outstanding.

P/S = Price/sales

› *TRANSPORTATION AND INDUSTRIAL PRODUCTS*

FDFCFPS = Fully diluted free cash flow per share.

P/CFPS = Price/cash flow per share valuation multiple. P/CFPS calculations for cash flow of zero or negative are deemed not applicable (N/A). P/CFPS greater than 100 are deemed not meaningful (nm).

Banking & Insurance

Gabriel Dechaine
Analyst
416-869-7442

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Selections

- › *iA Financial Corporation*
- › *Sun Life Financial*
- › *Bank of Montreal*

Canadian Banks & Lifecos

Canadian Banks – Q1/2021 Earnings Recap: It's the end of the world as we know it (and I feel fine). Q1/21 results were very similar to the previous quarter's, with better than expected credit performance, robust Capital Markets results and capital levels setting new highs. In fact, all of these trends appear sustainable, at least into Q2/21. The longer-term outlook, in our view, is going to be driven by a resumption of household consumption and a commensurate rebound in consumer (excl. mortgages) credit demand. Although these balances are no longer shrinking, their revenue generation is far from pre-COVID levels. Assuming a rebound in the second half, we could see upside potential to our 3% (and consensus 5%) average 2022E EPS growth forecasts. We view next year as more representative of bank earnings/ROE potential. Although the upside scenario is speculative at this point, we do not believe there is much downside risk to bank stocks, with undemanding valuations, strong capital levels and near-term earnings momentum (albeit from credit and Capital Markets).

iA Financial Corporation Inc. (TSX: IAG) – 10%+ growth & mid-teens ROE potential at a discount. What's not to like? Although the virtual format was a new twist, the presentation content was very consistent with previous events. Of note, IAG reiterated its 10%+ EPS growth target and added an ROE "sweetener" with the company targeting ROEs in the 13-15% range by 2023, up from its current 12.5-14% range. This higher ROE range reflects changes that have taken place in the business over the past few years that have made it more capital light (e.g., Canadian product redesign, U.S. expansion). It also indicates no negative impact is anticipated from IFRS 17 accounting, which is scheduled to be adopted in 2023. Given the bullish outlook, we are increasing our target valuation multiples, resulting in a target price increase to $76 from $70.

	Stock Sym.	Stock Rating	Δ	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 3/31	Last Year Reported	FDEPS Last FY	FDEPS est. FY1	FDEPS est. FY2	P/E FY1	P/E FY2	Book Value per Share Last Quarter	Book Value per Share est. FY1	Book Value per Share est. FY2	P/BV FY1	P/BV FY2	Div. %	12-Mth Price Target	Δ
Banking																				
Bank of Montreal	BMO	OP	↑	73,215	647	112.02	10/2020	7.71	10.31	10.55	10.9	10.6	77.76	80.60	85.30	1.4	1.3	3.7%	121.00	↑
Bank of Nova Scotia	BNS	SP		96,373	1,211	78.62	10/2020	5.36	7.08	7.31	11.1	10.8	52.30	55.09	59.17	1.4	1.3	4.5%	77.00	
CIBC	CM	OP		55,271	445	123.05	10/2020	9.69	12.12	12.45	10.2	9.9	85.24	89.28	95.73	1.4	1.3	4.7%	130.00	
National Bank	NA	NR		28,890	337	85.37	10/2020	6.06	7.65	7.93	11.2	10.8	41.48	44.93	50.14	1.9	1.7	3.3%	NR	
Royal Bank of Canada	RY	OP		166,851	1,424	115.87	10/2020	7.97	10.15	10.41	11.4	11.1	58.24	62.41	68.44	1.9	1.7	3.7%	123.00	
Toronto-Dominion Bank	TD	SP		150,260	1,818	81.96	10/2020	5.35	7.01	7.18	11.7	11.4	49.44	52.55	56.86	1.6	1.4	3.8%	82.00	
Canadian Western Bank	CWB	SP		2,821	87	31.99	10/2020	2.93	3.11	3.49	10.3	9.2	32.24	33.21	35.12	1.0	0.9	3.6%	35.00	
Laurentian Bank	LB	UP		1,784	43	40.03	10/2020	2.92	3.62	3.59	11.1	11.1	54.45	55.57	57.06	0.7	0.7	3.9%	34.00	↑
Insurance																				
Great-West Lifeco	GWO	SP		31,192	928	33.44	12/2020	2.67	3.10	3.42	10.8	9.8	22.97	24.13	25.90	1.4	1.3	5.2%	33.00	
iA Financial	IAG	OP		7,423	107	68.33	12/2020	4.87	7.77	8.45	8.8	8.1	55.52	59.84	65.65	1.1	1.0	2.8%	76.00	↑
Manulife Financial	MFC	SP		52,899	1,941	27.03	12/2020	2.22	3.02	3.33	9.0	8.1	25.00	25.09	26.51	1.1	1.0	4.1%	27.00	
Sun Life Financial	SLF	OP		37,514	585	63.51	12/2020	4.14	6.06	6.58	10.5	9.7	37.96	41.67	46.75	1.5	1.4	3.4%	69.00	

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted; NR = Not Rated

Source: Refinitiv, Company financials, NBF analysis

Diversified Financials

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Selections

› *Trisura Group*
› *Element Fleet Management*

Annual Financial Services Conference Takeaways

We present the highlights from our conversations with executives of companies in our Diversified Financials coverage:

- **ECN Capital (TSX: ECN)**
  Strong YTD performance and new initiatives/ relationships (e.g., flooring/tiling distributor and big-box retailer) with upside potential led management to firmly reiterate Investor Day guidance. Mr. Hudson will update 2022 guidance with Q2 2021 results (we think significantly higher).
- **Equitable Group (TSX: EQB)**
  Mr. Moor defends that EQB should trade at a premium valuation to other Canadian Banks given EQB's "challenger" business model that has made it the top-performing bank stock on the S&P/TSX Financials Index over the past 5 and 10 years. Our discussion centred on the company's rapidly growing EQ Bank platform that can help close that valuation gap. In addition, EQB will increase the dividend to "catch up" to the guided 20%-25% annual growth rate when OSFI loosens capital allocation restrictions.
- **goeasy (TSX: GSY)**
  Mr. Mullins reaffirmed guidance for net charge-offs of 9%-10% in Q1 2021 and 10.5%-12.5% through 2023 vs. the historical 13% levels. GSY's growth initiatives (new products, distribution channels and geographical expansion) that will drive 15%-20% annual loan growth are unfolding favourably.
- **Home Capital Group (TSX: HCG)**
  The housing market is on fire, credit is a tailwind and capital is strong. Mr. Bissada talked about a target CET1 Ratio of 15%-17%. That's below the 16%-17% previously discussed. At a 15% CET1 ratio, we estimate excess capital of at least $7 per share or a massive ~23% of tangible book value. Management's capital allocation strategy includes i) acquiring strategic mortgage assets; ii) SIB/ NCIB; and iii) dividends.
- **Intact Financial (TSX: IFC)**
  In the absence of any regulatory/ shareholder roadblocks, IFC is on a smooth path to close the RSA acquisition in mid Q2 2021. Mr. Brindamour updated us on the integration progress and reiterated his confidence in the $250 mln synergy guidance (plus more upside).
- **Morneau Shepell (TSX: MSI)**
  Mr. Liptrap is determined to be the biggest player in the total well-being space by offering all MSI's business services on the LifeWorks platform. Management expects organic revenue growth of 5%-7% per year, with upside from tuck-ins and larger M&A.
- **TMX Group (TSX: X)**
  Mr. McKenzie highlighted Trayport's strong start to 2021 with six to seven net new client wins and higher fee/ longer duration subscriber renewals; not to mention the strong trading and listings activity which should benefit from operating leverage.

Sector Analysis
Diversified Financials

	Stock Sym.	Stock Rating	Δ	Mkt Cap (Bln)	Shares O/S (Mln)	Stock Price 3/31	Last Year Reported	FDEPS Last FY	FDEPS est. FY1	FDEPS est. FY2	P/E FY1	P/E FY2	Book Value per Share Last Quarter	Book Value per Share est. FY1	Book Value per Share est. FY2	P/BV FY1	P/BV FY2	Div. %	12-Mth Price Target	
Mortgage Finance																				
Equitable Group	EQB	OP		2.13	16.9	126.20	12/2020	12.61	14.71	15.80	8.6	8.0	93.35	106.71	120.66	nmf	1.0	1.2%	160.00	
First National Financial	FN	SP		2.97	60.0	49.48	12/2020	3.95	3.91	4.17	12.7	11.9	7.89	9.70	11.67	5.1	4.2	4.2%	50.00	↑
Home Capital Group	HCG	OP		1.60	51.8	30.83	12/2020	3.55	4.38	5.24	7.0	5.9	32.42	36.57	41.20	0.8	0.7	0.0%	42.00	
Timbercreek Financial	TF	SP		0.71	80.9	8.83	12/2020	0.67	0.70	0.70	12.6	12.7	8.47	8.48	8.49	1.0	1.0	7.8%	9.00	
Specialty Finance																				
ECN Capital	ECN	OP		1.90	242.3	7.83	12/2020	0.13	0.39	0.48	16.1	12.9	2.79	2.93	3.08	2.1	2.0	1.5%	10.50	
Element Fleet Management	EFN	OP		6.05	440.2	13.75	12/2020	0.77	0.84	0.97	16.4	14.1	7.43	7.64	8.23	1.8	1.7	1.9%	19.00	↑
goeasy	GSY	OP		1.85	14.8	125.11	12/2020	7.57	8.67	10.02	14.4	12.5	29.97	36.41	44.10	3.4	2.8	2.1%	141.00	
Brookfield Business Partners	BBU	OP		5.97	148.7	40.17	12/2020	NA	NA	NA	NA	NA	23.48	30.89	39.01	1.0	0.8	0.6%	50.00	
HR Companies																				
Morneau Shepell	MSI	OP		2.3	70.0	33.11	12/2020	0.80	0.72	0.98	46.0	33.8	9.39	9.46	9.79	3.5	3.4	2.4%	38.00	↑
Securities Exchange																				
TMX Group	X	SP		7.34	56.2	130.59	12/2020	5.88	6.30	6.82	20.7	19.1	64.22	66.99	70.06	1.9	1.9	2.1%	142.00	
Insurance																				
Intact Financial Corp.	IFC	OP		22.02	143.0	154.00	12/2020	9.92	10.1	10.89	15.2	14.1	58.79	79.04	84.71	1.9	1.8	2.2%	200.00	
Trisura Group Ltd.	TSU	OP		1.22	10.3	119.01	12/2020	3.68	4.74	5.65	25.1	21.1	28.23	32.68	38.05	3.6	3.1	0.0%	177.00	
Fairfax Financial Holdings	FFH	OP		14.36	26.2	548.55	12/2020	6.29	45.50	51.85	9.6	8.4	478.33	515.75	559.92	0.8	0.8	2.3%	625.00	↑
Asset Managers																				
Fiera Capital Corp.	FSZ	SP		1.03	103.7	9.97	12/2020	1.38	1.39	1.53	7.2	6.5	4.54	4.55	4.69	2.2	2.1	8.4%	12.00	↑

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; R=Restricted

Source: Refinitiv, Company reports, NBF

Note: All figures for BBU are in USD. FDEPS and BVPS are in USD for ECN and FFH. All other figures, including multiples are in CAD.

Diversified Industrials

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Selections

- *Enerflex Ltd.*
- *Ag Growth International*

Ag Growth International

Recent round of (virtual) marketing reinforces positive macro-outlook and expectations for balance sheet improvement.

We recently had opportunity to host AFN management for two days of virtual marketing meetings with institutional investors. We come away with an improved margin outlook, increased appreciation for the potential of AGI SureTrack and cautiously optimistic expectations for further balance sheet reduction. AGI noted gross margins have been relatively steady and should trend between 31%-34% throughout the year, with longer-term tailwinds represented by scaling operations in Brazil and India and the growth of higher-margin SureTrack, dampened temporarily by rising steel costs. EBITDA margins are expected to trend positively following the recent international and technological expansion, with management targeting a 100-200 bps increase in the next two years relative to the ~15% posted in 2020 (with a softening USD representing a headwind). AGI is shifting to an omnichannel SureTrack marketing approach (including more digital engagement with farmers, the pursuit of sales through commercial channels as well as existing product channels and the onboarding of dealers for that sales network), which underpins management's expectations for annual technology segment growth rates in excess of the 33% y/y increase posted in 2020, with a near-term goal for technology sales to represent ~10% of total AGI sales. With footholds established for organic growth in key regions and markets, in 2021 AGI will prioritize integrating and leveraging those recent investments and reducing balance sheet leverage (with AFN targeting 3.0x-4.0x total coverage in the next few years). **We maintain our Outperform rating with our $54.00 target driven by an unchanged 8.8x 2022e EV/EBITDA multiple, but note our target price excludes what we view as considerable longer-term upside from AGI's growing ag tech segment.**

Shawcor Ltd.

Shawcor posts +50% fourth quarter beat driven by better than expected EBITDA margins with management, highlighting the positive impact of the rightsizing and cost control initiatives implemented last year.

Shawcor reported fourth quarter adjusted EBITDA of $40.0 mln (excluding a $6 mln lift from government wage subsidy programs), more than 50% above the consensus estimate of $26.0 mln and our $25.3 mln (CEWS-less) forecast. The backlog decreased by $89 mln sequentially to $453 mln exiting 2020, and while the decline is anticipated to continue in the first half of 2021, the addition of conditional awards (pending sanctioning) is expected to drive a backlog rebuild in H2 2021 and into 2022 with management noting an increase in secured order backlog beyond the forward 12-month period Following the Products Business sale in late December SCL's leverage profile improved as expected exiting Q4 with net debt of ~$290 mln (a decrease of ~$120 mln sequentially). While the proportion of the sale proceeds that will be applied to the balance sheet remains to be seen, with EBITDA generation expected to improve moving forward in the recovery, our balance sheet concerns have effectively been laid to rest (with our forecasts pointing to net debt/TTM EBITDA of ~3.0x exiting 2021, well within SCL's covenant limits). **With growing conviction in both a gradual recovery and SCL's balance sheet footing we maintain our $8.75 target driven by an unchanged 7.0x 2022e EV/EBITDA (still a full turn below SCL's historical forward year EV/EBITDA average of 8.0x and well below the current peer group average). We reiterate our Outperform rating and continue to highlight Shawcor as a top value pick.**

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Sector Analysis

Diversified Industrials

	Stock Sym.	Stock Rating	Δ	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 3/31	EBITDA (mlm) 2020	EBITDA (mlm) 2021e	EBITDA (mlm) 2022e	EV/EBITDA 2020	EV/EBITDA 2021e	EV/EBITDA 2022e	Net Debt/ EBITDA 2021e	12-Mth Price Target	12-Mth Price Return	Δ
Ag Growth International Inc.	AFN	OP		830.39	18.7	44.38	149.3	166.8	191.3	10.8	9.6	7.8	4.6	54.00	23%	↑
Enerflex Ltd.	EFX	OP		727.30	89.7	8.11	191.3	142.0	191.0	5.7	7.3	5.2	2.2	10.50	30%	
Mullen Group Ltd.	MTL	OP		1179.66	96.9	12.18	191.5	210.0	228.1	8.1	7.4	6.7	1.8	13.75	17%	
Pason Systems Corp.	PSI	OP		737.83	83.1	8.88	39.3	34.1	60.8	15.0	17.7	9.8	-4.0	11.00	26%	
Shawcor Ltd.	SCL	OP		373.95	70.4	5.31	43.8	100.2	127.2	15.2	6.7	5.0	2.9	8.75	65%	↑

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

US = US Dollars

Source: Company Reports, Refinitiv, NBF

ESG & Sustainability

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Overview

Although once considered a niche investment, ESG is now demanding investor attention, with total global ESG assets under management (AUM) reaching ~US$36 trn at the beginning of 2020, representing one in every ~US$3, and effectively growing by an ~11.7% CAGR over the past four years. If the pace of ESG investment grows at even half this rate, we anticipate ESG AUM rising to ~US$47 trn by 2025. Meanwhile, we highlight that ESG integration surpassed negative screening as the ESG investment style of choice at the start of 2020, with the highest adoption from Canada, Australia, New Zealand, Japan and the United States. Looking into 2021, we continue to expect ESG integration and shareholder engagement and voting to be central to ESG investment style, especially as ESG disclosure and transparency improves at the corporate level and as institutional investors become more educated in the ESG landscape. In our opinion, we view ESG integration, which involves factoring in non-financial metrics into fundamental analysis, as the best way for investors to implement ESG while generating adequate returns, as it allows an investor to understand and hopefully avoid specific ESG risks, while not placing hard restrictions on specific industries.

ESG Updates – Regulatory Updates

On February 23rd, Prime Minister Justin Trudeau and President Joe Biden released the *Roadmap for a Renewed U.S. - Canada Partnership*, which essentially "establishes a blueprint for an ambitious and whole-of-government effort against the COVID-19 pandemic and in support of our mutual prosperity". Part of the proposed Roadmap was to create a partnership on climate change in order to pursue efforts in tandem towards net-zero by 2050 through cooperation and collaboration ahead of the US-hosted Leaders Summit on Climate (LSC). Recall, one of President Biden's main campaign initiatives was to create a Leaders Summit on Climate to increase government commitments ahead of COP26 in November 2021. With this in mind, President Biden encouraged Prime Minister Trudeau to announce enhanced 2030 targets for its National Determined Contribution (NDC) by the LSC, which is set to take place on "Earth Day" on April 22nd and April 23rd, 2021. Of note, President Biden invited 40 leaders to the LSC, which will bring together 17 of the countries that are responsible for ~80% of the global emissions and global GDP, including top emitting countries like China, Russia, Japan and Turkey.

Key themes of the Summit will include mobilizing public and private sector finance to drive the net-zero transition, spurring transformational technologies to reduce emissions, and providing strong job creation towards a new clean energy economy (i.e. "a just transition").

Canada

The Supreme Court of Canada ruled on March 25th the jurisdictional authority of the carbon tax, siding 6-3 in favor of the federal government, which was in line with our expectation. The majority of the judges found the Greenhouse Gas Pricing Pollution Act (GGPPA) constitutional, specifically noting that global warming causes harm beyond provincial boundaries and that it is a matter of national concern under the "peace, order and good government" clause of the Constitution. Following the verdict of the Supreme Court of Canada, the federal government now has the ability to increase the price of pollution by $15/t after 2022 until it reaches $170/t in 2030, allowing the Canadian government to potentially reach its emissions reduction target to 32-40% below 2005 levels by 2030 (was 30%).

United States

On March 2nd, the Democrats re-introduced the U.S. net-zero by 2050 bill into the House, also known as the *Climate Leadership and Environmental Action for our Nation's Future Act* (CLEAN Future Act). Overall, the bill seeks to achieve net-zero GHG emissions by 2050, with an interim goal of 50% reduction by 2030 from 2005 levels, which would be in line with the Intergovernmental Panel on Climate Change (IPCC). Although the *CLEAN Future Act* would set a national standard of carbon neutrality by 2050, the authority would be provided to each state to develop their own plans to meet this standard. Each state would be required to submit a climate plan to the Environmental Protection Agency (EPA) for review and approval, however, if the state's plan should be deemed inadequate then the EPA would implement a backstop carbon fee on major emitters.

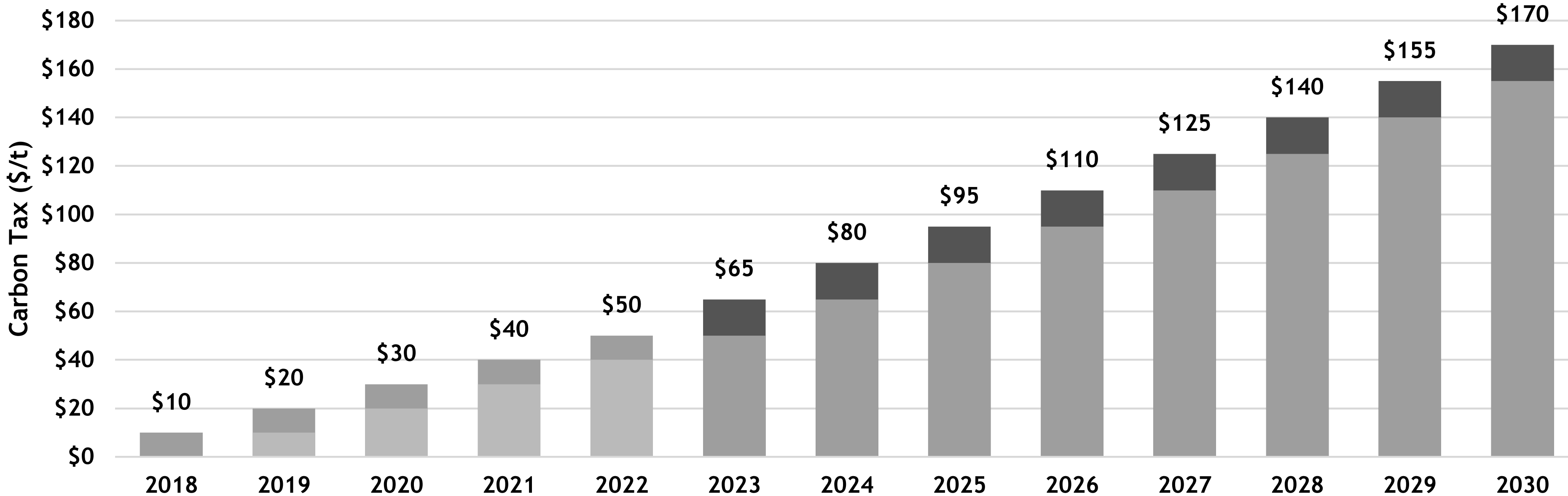
European Union

The EU is developing its sustainable finance rules, also known as the *Sustainable Finance Taxonomy*, which will define what economic activities can be marketed in Europe as sustainable investments. Given that the EU's goal is to steer more capital towards climate friendly projects in order to reduce emissions in line with its 55%

ESG & Sustainability

reduction target by 2030 and net-zero by 2050, the EU decided to clarify what can be considered sustainable. The initial *Sustainable Finance Taxonomy* proposal did not include natural gas in its green labeling, however, due to backlash from 10 member states a new proposal was created that would class gas-fueled plants that generate power plus heating or cooling as green investments if strict conditions on emissions are met (no more than 270 gCO2e/kWh) and they are operational by 2025. Meanwhile, for gas plants that only produce power, the Commission maintained its original plan to restrict the green label to plants with life-cycle emissions below 100 gCO2e/kWh. Elsewhere, the European Parliament's industry and energy committee passed a resolution supporting "low-carbon" hydrogen on March 22nd, which included blue hydrogen made from natural gas and paired with carbon sequestration. Europe's original hydrogen strategy draft document, released in July 2020, promoted the use of low-carbon hydrogen over the short- to medium-term in order to create a full hydrogen market. The draft resolution will be transmitted to the European Parliament for a plenary vote in April.

Exhibit 1: The Carbon Tax



Source: Government of Canada, NBF

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Healthcare, Biotech & Special Situations

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Selections

- *Jamieson Wellness*
- *Medical Facilities*

Highlights as of March 2021

Among several companies in our coverage reporting in March, we highlight K-Bro Linen (KBL: TSX) that reported strong Q4/20 results with Revenues / EBITDA (incl. IFRS 16) ~3% / 56% ahead of our estimates, largely related to the strength in healthcare in late Q4 (+24% y/y in Dec., +19% y/y in Nov. and +12% y/y in Oct. vs. our +12% forecast and +12% in Q3). Healthcare's +18% y/y growth in Q4 was attributable to price increases (3%), permanent conversion to reusable personal protective clothing (3%), temporary services (3%) and increased usage (9%) due to COVID-19. The latter was on account of more testing centres and clearing of backlogged surgeries, although the contribution of each, as per management, hard to determine. In terms of the outlook, while a similar level of growth has so far also been the case in Q1/21 and could continue into Q2/21 as vaccinations ramp up, it is not expected to continue for all of 2021 or in the long term. However, encouragingly, some of the growth should persist (we est. ~7% average in 2021/2022) due to a permanent conversion into reusable (vs. disposable) protective clothing and clearing of surgery backlogs.

In Hospitality, KBL reported revenues decreasing -69% y/y in Q4, largely in line with our -67% forecast, while it continues to be challenged with an approximately -80% y/y decline to date in Q1. Although management does expect to see some sequential improvement in Q2, it should be much more pronounced in late Q2, and especially so in Q3, driven by domestic travel and Scotland potentially following England's suit with a (full) June 2021 reopening.

The company provided other updates including: 1) KBL expects a decision on the AHS RFP in Q2/20, and if selected, implementation would be smooth given its existing AB footprint – a win would likely come, in our view, with price concessions; and 2) 2021 margins (excl. IFRS-16) is expected to be between 13%-18% - we forecast ~16%.

We updated our estimates to reflect the tapering healthcare strength and gradual hospitality improvement resulting in a 5% increase to our 2022 EBITDA/DPCS. On an unchanged 2022e EV/EBITDA of 11x, our target moved to $42.00 (was $40.00). Maintain Sector Perform rating.

	Stock Sym.	Stock Rating	Δ	Market Capitalization (Mln)	Shares O/S (Mln)	Stock Price 3/31	Last Quarter Reported	Current Yield	FDDCPS (A) Last FY	FDDCPS est. FY1	FDDCPS est. FY2	P/DCPS FY1	P/DCPS FY2	EBITDA (mln) (A) Last FY	EBITDA (mln) est. FY1	EBITDA (mln) est. FY2	EV/EBITDA FY1	EV/EBITDA FY2	Net Debt (Mln)	Y1 Net Debt/ EBITDA	12-Mth Price Target	Δ
Healthcare and Biotechnology																						
Akumin	AKU.u	SP		259.66	70.2	3.70u	3/2020	0.0%	0.01u	0.11u	0.12u	32.4	31.8	53.7u	68.5u	79.5u	10.4	9.4	345.6u	4.3	3.25u	
Andlauer Healthcare Group	AND	SP		1,352.21	38.4	35.25	4/2020	0.7%	0.81	1.08	1.29	27.9	23.2	78.9	96.1	105.5	14.0	12.5	208.6	2.0	38.00	
CRH Medical	CRH	T		356.22	71.7	4.97	4/2020	0.0%	(0.34)u	0.22u	-	-	16.4	28.7u	42.7u	-	7.7	-	66.8u	1.6	5.10	
IMV Inc.	IMV	SP		277.77	67.1	4.14	4/2020	0.0%	(0.48)	(0.47)	(0.67)	nmf	nmf	(32.8)	(35.9)	(51.5)	nmf	nmf	0.0	nmf	5.25	↓
Jamieson Wellness	JWEL	OP		1,466.13	39.9	36.77	4/2020	1.4%	1.17	1.27	1.31	27.4	26.6	88.0	100.0	105.4	15.6	14.7	147.9	1.4	42.75	
Knight Therapeutics	GUD	OP		706.11	130.0	5.43	4/2020	0.0%	0.09	0.19	0.25	28.5	22.1	16.8	23.8	30.6	15.4	12.0	-	-	6.75	
Medical Facilities Corp.	DR	OP		226.45	31.1	7.28	4/2020	3.8%	0.96u	0.93u	0.97u	6.5	6.3	57.3u	55.7u	57.9u	5.7	5.6	95.8u	2.1	7.75	
Theratechnologies	TH	SP		456.52	93.7	4.87	4/f2020	0.0%	(0.15)u	0.06u	0.08u	61.4	47.1	(7.1)u	10.4u	12.2u	32.9	28.0	-	-	3.75	
Special Situations																						
K-Bro Linen	KBL	SP		447.68	10.7	41.93	4/f2020	2.9%	2.49	2.28	2.61	18.4	16.0	43.8	43.8	50.3	12.1	10.6	84.2	1.7	42.00	↑
Rogers Sugar	RSI	SP		567.38	103.5	5.48	1/f2021	6.6%	0.37	0.42	0.43	13.0	12.8	92.3	100.4	104.7	9.2	9.1	361.5	3.5	5.00	
Chemtrade Logistics Income Fund	CHE.UN	SP		706.37	103.0	6.86	4/f2020	8.7%	0.52	0.71	0.98	9.6	7.0	265.3	309.5	333.4	6.8	6.0	1,304.5	3.9	7.00	↑

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

u = US Dollars

Source: Company Reports, Refinitiv, NBF

Industrial Products

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Selections

- *Stantec*
- *Finning International*
- *Toromont Industries*

IBI Group Inc.: We reached the inflection point to enable compounding

While it's easy to put numbers into Excel, we do believe that the SaaS offering could double in size over the next five years, putting a $40 million top-line number for this product. Given the high incremental margin (we estimate an EBITDA margin of ~35% vs. 11.9% for the consolidated business currently, on a pre-IFRS 16 basis) on this work, we can see a path towards $70 - $75 million EBITDA on a consolidated basis over the same time horizon (in addition to already telegraphed real estate footprint rationalization). As the market realizes that a greater proportion of revenue comes from the sticky / high-margin vertical, we should see further multiple expansion. If we are to keep FCF generation at the current pace (i.e., converting 100% of net income into FCF), and apply the same 9.0x EV/EBITDA multiple to 2025E EBITDA of $75 million, we end up with $20.50 NAV for IBG in five years (at 10.0x EV/EBITDA NAV would be at $23.00). The 9.0x EV/EBITDA multiple is of course conservative as SaaS businesses typically trade north of 20x sales. This is to say that the upward trajectory is visible while core Infra / Buildings segments are still seeing good (i.e., GDP-like) growth trends. It's important to note that while IBG has seen a run-up in YTD share price (up +23% vs. S&P up +5% and TSX +7%), we don't believe that investors have missed the boat yet. With an uptake increase of high-margin SaaS products which are already seeing good adoption rates in addition to real estate optimization which will further enhance ex. IFRS EBITDA margin, IBG has the strongest organic margin growth prospects in our coverage universe. All in, IBG remains one of our top ideas in the small-cap space ($12.50 target price, using a 9.0x EV/EBITDA multiple on 2022E forecasts).

	Stock Symbol	Stock Rating	Δ	12-mth Price Target	Δ	Stock price 3/31	Market Cap ($mln)	Last Year Reported	EPS (A) Last FY	EPS est. FY1E	EPS est. FY2E	P/E FY1	P/E FY2	EBITDA (mln) (A) Last FY	EBITDA (mln) est. FY1	EBITDA (mln) est. FY2	EV/EBITDA FY1	EV/EBITDA FY2	Div. Yield	Net debt/ FY1 EBITDA
Aecon Group	ARE	OP		**$21.00**		$19.64	$1,179	12 - 2020	$1.16	$0.70	$1.13	17.1x	14.8x	$255	$208	$263	6.6x	6.0x	3.6%	0.9x
Bird Construction Inc.	BDT	OP		**$10.50**	↓	$8.99	$477	12 - 2020	$0.71	$0.58	$0.82	15.4x	11.0x	$69	$77	$94	4.4x	3.6x	3.6%	-1.8x
Finning International Inc.	FTT	OP		**$37.00**		$32.31	$5,243	12 - 2020	$1.14	$1.66	$2.05	19.4x	15.8x	$636	$753	$865	8.1x	7.1x	2.5%	1.1x
IBI Group Inc.	IBG	OP		**$12.50**	↑	$10.11	$316	12 - 2020	$0.48	$0.74	$0.79	13.6x	12.8x	$47	$51	$53	8.6x	8.3x	0.0%	1.1x
North American Construction Group Ltd.	NOA	OP		**$21.00**		$13.80	$385	12 - 2020	$1.74	$1.66	$1.80	8.3x	7.6x	$175	$181	$194	4.2x	4.0x	1.2%	2.1x
Ritchie Bros. Auctioneers	RBA	OP		**U$59.00**	↑	U$59.87	U$6,511	12 - 2020	U$1.59	U$1.85	U$1.95	32.4x	30.6x	U$352	U$363	U$380	19.2x	18.3x	1.5%	1.0x
SNC-Lavalin	SNC	OP		**$33.50**	↓	$27.00	$4,740	12 - 2020	-$0.67	$1.71	$2.41	11.0x	7.9x	$93	$610	$782	7.2x	5.7x	0.3%	1.7x
Stantec Inc.	STN	OP		**$56.00**		$54.26	$6,057	12 - 2020	$2.13	$2.39	$2.50	22.7x	21.7x	$435	$472	$505	13.7x	12.8x	1.1%	0.8x
Toromont Industries Ltd.	TIH	OP		**$98.00**		$96.12	$7,891	12 - 2020	$3.09	$3.81	$4.46	25.2x	21.6x	$539	$605	$674	13.2x	11.9x	1.3%	0.1x
WSP Global	WSP	OP		**$133.00**		$119.65	$14,021	12 - 2020	$3.34	$4.24	$5.51	28.2x	21.7x	$801	$952	$1,167	16.0x	13.0x	1.3%	1.2x
AutoCanada	ACQ	SP		**$29.00**	↑	$29.26	$800	12 - 2020	$0.44	$1.75	$1.78	16.7x	16.5x	$83	$116	$117	8.0x	7.9x	0.0%	1.0x
Stelco	STLC	SP		**$26.50**		$23.85	$2,116	12 - 2020	-$0.60	$4.47	$1.75	5.3x	13.7x	$63	$517	$267	4.1x	7.9x	0.0%	0.1x
ATS Automation	ATA	OP		**$30.00**		$27.19	$2,513	12 - 2020	$0.99	$1.39	$1.56	19.5x	17.4x	$173	$230	$251	12.4x	11.4x	0.0%	1.5x
ABC Technologies	ABCT	SP		**$11.50**		$8.48	$445	12 - 2020	NM	U$0.68	U$0.92	9.9x	7.3x	U$89	U$155	U$165	3.8x	3.5x	1.8%	1.5x
Stella-Jones	SJ	SP		**$51.50**	↑	$51.41	$3,452	12 - 2020	$3.12	$3.23	$3.27	15.9x	15.7x	$343	$350	$359	11.6x	11.3x	1.4%	1.7x
Median												**16.7x**	**15.7x**				**8.1x**	**7.9x**	**1.3%**	

Note: u = USD. Stock Rating: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review, R=Restricted

Source: Company Reports, Refinitiv, NBF

Sector Analysis

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Selection

› *Gildan*

Loblaw Companies Limited

Company Update: Upgrade to Outperform; Building a foundation with proven management team

Upgraded to Outperform

We upgraded L to Outperform and recommend it as a top pick in our staples coverage. Our view on Loblaw has become more favourable as we reflect on several key themes: (1) A new management team with a proven track record; while we believe the prior management team could have executed well, these new appointees will serve to alleviate investor concern in the interim. (2) Our perception is that price investments are behind L for now, and the investment profile is more balanced (L recently introduced 2021 guidance for low double-digit y/y adj. EPS growth, which we believe the new management team will honour). Also, the prospects for solid earnings growth help to insulate against concerns of upcoming negative sssg. (3) An emerging trend towards the discount grocer sector, where Loblaw commands the most market share vs. Canadian peers (the sssg gap in discount vs. conventional has been declining sequentially). (4) A low valuation relative to peers and its historical average (L Retail trades at 7.2x our NTM EBITDA vs. the five-year average of 8.1x and EMP/MRU at 7.5x and 11.0x, respectively).

New management should alleviate investor concerns on execution

On March 23, 2021, George Weston Limited (GWL) and Loblaw jointly announced that L's President, Sarah Davis, will retire on May 6, 2021. She will be succeeded by Executive Chairman, Galen G. Weston (also GWL's Chairman and CEO), who will become Chairman and President of Loblaw. In addition, L also announced that Robert Sawyer will assume the role of COO, while Richard Dufresne (GWL's President and CFO) will assume the role of CFO at Loblaw. We have a favourable view of these management changes as the incoming team has significant grocery/retail experience and a proven track record.

Outperform rating; price target is $75

Our price target is based on a sum-of-the-parts methodology. We value L at 7.0x our 2022 Retail EBITDA and 9.5x our 2022 Financial EPS.

Merchandising & Consumer Products

	Stock Sym.	Stock Rating	Δ	Market Cap. (Mln)	Shares O/S (Mln)	Stock Price 03/31	Last Year Reported	FDEPS (A) Last FY	FDEPS est. FY1	FDEPS est. FY2	P/E FY1	P/E FY2	EBITDA (A) Last FY	EBITDA est. FY1	EBITDA est. FY2	EV/EBITDA FY1	EV/EBITDA FY2	Book Value	Debt/ Total Capital	12-Mth Price Target	Δ
General Merchandise																					
Canadian Tire	CTC.a	OP		10,942	61.4	178.33	12/2020	12.95	13.83	16.04	12.9	11.1	2,181	2,236	2,419	6.2	5.7	73.32	0.40	199.00	
Dollarama	DOL	OP		17,338	312.3	55.52	02/2021	1.81	2.24	2.56	24.8	21.7	1,131	1,331	1,461	15.3	13.9	1.07	0.90	63.00	↑
Specialty Stores																					
Couche Tard	ATD.b	OP		44,973	1,109.9	40.52	04/2020	1.97	2.22	2.01	14.5	16.1	4,363	4,685	4,314	8.8	9.6	10.95	0.36	47.00	↓
Parkland Fuel Corporation	PKI	OP		5,796	153.5	37.76	12/2020	0.54	1.58	1.84	23.9	20.5	967	1,231	1,326	7.7	7.1	14.76	0.62	44.00	
Apparel																					
Gildan	GIL	OP		7,631	198.4	38.46	12/2020	(0.18)	1.53	1.89	19.9	16.2	165	512	590	12.8	11.1	7.86	0.27	43.00	
Roots Corporation	ROOT	SP		131	42.2	3.11	02/2020	(0.06)	0.34	0.35	9.0	8.8	52	63	62	5.2	5.2	3.60	0.56	3.00	
Grocers																					
Empire Company	EMP.a	OP		10,543	269.1	39.18	05/2020	2.15	2.52	2.73	15.5	14.4	1,892	2,122	2,216	7.9	7.6	15.91	0.59	44.00	↑
Loblaw	L	OP	↑	24,761	352.7	70.20	12/2020	4.19	4.64	5.54	15.1	12.7	5,006	5,081	5,397	7.8	7.3	31.52	0.57	75.00	
Metro	MRU	SP		14,436	250.9	57.33	09/2020	3.27	3.36	3.61	17.1	15.9	1,091	1,077	1,069	15.5	15.6	24.77	0.27	61.00	
Food Manufacturer																					
Saputo	SAP	SP		15,529	412.1	37.79	03/2020	1.62	1.64	1.93	23.0	19.6	1,468	1,514	1,684	12.7	11.5	15.7	0.37	39.00	
Lassonde	LAS.a	OP		1,193	6.9	172.00	12/2020	14.11	13.39	14.12	12.8	12.2	217	208	212	6.7	6.6	114.8	0.21	186.00	↑
Premium Brands Holdings	PBH	OP		4,957	41.4	119.74	12/2020	3.04	5.07	5.34	23.6	22.4	313	442	488	13.4	12.1	38.6	0.38	125.00	↑
Mattress Retailing																					
Sleep Country Canada	ZZZ	SP		1,176	37.0	31.76	12/2020	1.95	2.14	2.30	14.8	13.8	171	182	187	8.4	8.1	9.68	0.49	33.00	↑
Beauty and Personal Care																					
MAV Beauty Brands	MAV	SP	↓	236	42.4	5.55	12/2020	0.34	0.47	0.57	11.7	9.7	28	34	38	10.9	9.7	5.55	0.37	6.00	
Restaurants																					
MTY Food Group	MTY	SP		1,424	24.7	57.65	11/2020	3.34	(1.41)	3.03	-40.8	19.0	152	149	166	12.6	11.3	22.93	0.44	57.00	
Online Grocery																					
Goodfood Market	FOOD	OP		579	66.8	8.67	08/2020	(0.07)	(0.08)	(0.01)	NA	NA	5	9	16	NA	NA	0.90	(3.26)	13.75	↓

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

u=US dollars

Source: Refinitiv, Company reports, NBF

Note: Lassonde and Goodfood covered by Ryan Li.

Metals & Mining: Base Metals

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Selections

› *First Quantum*
› *Capstone Mining*
› *Teck Resources*

Price Volatility to Persist in 2021

While much of copper's current bull run has been influenced by the ongoing distribution of COVID-19 vaccines, accommodative government policies/ stimulus spending and reopening of the global economy, the main driver of increased prices in recent months remains a high influx of speculative investor interest. There remains some uncertainty as to the extent countries are able to contain new waves of infection in the near term, which may influence macroeconomic outcomes, and we expect prices to remain volatile in the near term.

In our view, long-term fundamentals remain driven by a lack of an advanced stage project pipeline and building structural deficit in the coming years. Green infrastructure and electric vehicles (EV) are emerging as the dominant story for long-term copper demand, expected to partially offset the reduced production of internal combustion engine vehicles.

Top picks:

- First Quantum Minerals Ltd. (FM: TSX)
  The company's high-quality asset base, organic growth profile and long-term exposure to copper prices maintain its status as a 'go-to' copper producer. FM has the most potential to deliver meaningful news flow over the next 12 months with potential non-core asset sales, which may include a minority interest in its Zambian operations as well as Ravensthorpe. These strategic divestitures would be supportive of deleveraging the balance sheet and reduce the company's overall exposure to future cost increases in Zambia. Any further clarity regarding the long-term tax/royalty structure in Panama and Zambia would further improve the outlook for the company.
- Capstone Mining Corp. (CS: TSX)
  Capstone is set to deliver several catalysts that will define an improved near-term growth outlook including initiatives to achieve a sustained 57,000 tpd mill throughput by mid-year at Pinto Valley and mine life extension at Cozamin via incorporating an additional paste/backfill. Pinto Valley/Cozamin are expected to deliver ~30% production growth and ~10% reduction in costs by 2023. In addition, with the Cozamin silver stream sale and Santo Domingo gold stream sale, the company has eliminated net debt and continues to advance partnership/ financing agreements to deliver transformational growth from Santo Domingo.
- Teck Resources Limited (TECK.B: TSX)
  Near term, Teck will be driven by the optimization of the company's coal division following completion of Neptune Terminals in H1/21 and continued delivery of ~20% coal sales into China at a significant premium to seaborne coking coal prices. Advancement of QB2 towards completion in 2023 will nearly double the company's copper production, increasing the company's long-term exposure to copper, while current market conditions are favourable to potentially monetize several early-stage/non-core copper projects within the portfolio that are ascribed little to no value.

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Sector Analysis

Metals & Mining: Base Metals

	Stock Symbol	Stock Rating	Δ	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 3/31	12-Month Price Target	12-Month Δ	Analyst	EPS FY0	EPS FY1	EPS FY2	P/E FY1	P/E FY2	CFPS FY0	CFPS FY1	CFPS FY2	P/CF FY1	P/CF FY2	Net Asset Value	P/NAV
Producers																					
Capstone Mining	CS	OP		1,693	408.9	4.14	4.50	-	Nagle	0.07u	0.39u	0.45u	7.9x	9.3x	0.34u	0.64u	0.63u	4.9x	4.9x	4.02	1.0x
Copper Mountain Mining	CMMC	OP		646	207.7	3.11	3.25	-	Nagle	0.11u	0.58u	0.52u	5.4x	6.0x	0.61u	1.03u	0.89u	3.0x	3.5x	4.15	0.7x
Ero Copper	ERO	SP		1,877	86.8	21.63	24.00	-	Nagle	0.97u	1.37u	2.01u	11.9x	10.7x	1.54u	2.19u	2.79u	7.4x	5.8x	27.70	0.8x
First Quantum Minerals	FM	OP		16,533	690.3	23.95	29.00	-	Nagle	(0.07)u	1.35u	2.09u	13.3x	11.5x	2.64u	4.32u	4.99u	4.2x	3.6x	23.23	1.0x
Hudbay Minerals	HBM	SP		2,247	261.3	8.60	11.50	-	Nagle	(0.44)u	0.18u	0.63u	35.2x	13.7x	0.93u	1.99u	2.62u	3.2x	2.5x	8.05	1.1x
Lundin Mining	LUN	SP		9,517	736.0	12.93	15.50	-	Nagle	0.31u	0.96u	1.25u	10.1x	10.4x	1.00u	1.92u	2.06u	5.1x	4.7x	11.56	1.1x
Nexa Resources	NEXA	SP		1,757	132.4	13.27	15.00	-	Nagle	(0.82)u	0.90u	1.15u	11.0x	11.5x	1.44u	3.37u	3.96u	3.0x	2.5x	29.61	0.4x
Sherritt International	S	SP		250	397.3	0.63	0.60		DeMarco	(0.34)c	(0.23)c	0.02c	n/a	26.9x	0.03c	0.03c	0.11c	21.7x	5.7x	0.60	1.0x
Taseko Mines	TKO	SP		607	282.1	2.15	2.65	-	Nagle	(0.11)c	0.05c	0.05c	39.7x	42.2x	0.44c	0.54c	0.54c	4.0x	4.0x	3.94	0.5x
Teck Resources	TECKb	OP		12,771	530.6	24.07	30.00	-	Nagle	1.05c	3.36c	3.27c	7.2x	7.4x	3.38c	6.69c	6.52c	3.6x	3.7x	27.74	0.9x
Trevali Mining	TV	SP		193	989.1	0.20	0.25	-	Nagle	(0.03)c	0.06c	0.06c	2.5x	3.1x	0.01c	0.12c	0.11c	1.2x	1.3x	0.44	0.4x
Developers																					
Adventus Mining	ADZN	OP		131	131.1	1.00	1.65	-	Nagle	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.04	0.5x
Filo Mining	FIL	OP		348	110.8	3.14	3.50	-	Nagle	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.35	0.6x
Nevada Copper	NCU	SP		260	1,488.3	0.18	0.20	-	Nagle	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.43	0.4x
Josemaria Resources	JOSE	R		R	R	R	R	-	Nagle	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	R	-
Trilogy Metals	TMQ	OP		386	143.0	2.70	4.00	-	Nagle	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.66	0.6x

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; R = Restricted; T = Tender; UR = Under Review

u = US dollars; c = Canadian dollars

Source: Company Reports, NBF Estimates, Refinitiv

Back to Research Analysts page

Sector Analysis

Metals & Mining: Precious Metals

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Selections

Gold/Silver Producers:

- ***Dundee Precious Metals Inc.*** *(DPM: TSX; C$14.00 target)*
- ***Endeavour Mining Corp.*** *(EDV: TSX; C$58.00 target)*
- ***Kinross Gold Corp.*** *(K: TSX; C$16.00 target)*
- ***New Gold Inc.*** *(NGD: TSX; C$4.00 target)*
- ***SSR Mining Inc.*** *(SSRM: TSX; C$39.00 target)*

Royalties:

- ***Sandstorm Gold Ltd.*** *(SSL: TSX; C$13.50 target)*

Inflation Could Spark Gold Rally

Expectations are for rising U.S. Inflation, which could push the real rate lower and drive gold prices higher.

The economic impact of COVID-19 has forced governments to approve large stimulus programs to protect the economy. In addition to these stimulus measures, interest rates have been slashed and unprecedented support packages have been approved. However, the U.S. 10-year rate has rallied recently, which is improving the trend for the U.S. real rate, which in turn is negatively impacting the spot gold price YTD. Although the global vaccine rollout has begun, the U.S. Fed continues to voice support for keeping interest rates low and continuing with the QE program, focusing on job creation by any means necessary while accepting climbing inflation beyond the Fed target rate for a period of time. We believe a rising U.S. inflation rate could potentially more than offset the rise in the U.S. 10-year and drive the real rate more negative, which should be good for the spot gold price and gold equities.

Top Picks offer dependable results, strong balance sheets and numerous catalysts.

We believe the companies that are most likely to outperform are those with: (1) management teams with solid track records of executing on guidance, (2) strong balance sheets, (3) encouraging Y/Y guidance with growth in production and/or declining costs, (4) exiting heavy capital spending programs, and (5) a catalyst-packed calendar. On an EV/EBITDA valuation basis, we see some names trading at attractive multiples and those that have a history of achieving guidance and showing potential for delivering positive catalysts; we believe these names offer good investment opportunities.

Metals & Mining: Precious Metals

	Stock Symbol	Stock Rating	Δ	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 3/31	12-Month Price Target	Δ	Analyst	EPS FY0	EPS FY1	EPS FY2	P/E FY1	P/E FY2	CFPS FY0	CFPS FY1	CFPS FY2	P/CF FY1	P/CF FY2	Net Asset Value	P/NAV
Senior Producers (>1 Moz production)																					
Agnico-Eagle Mines Ltd	AEM	OP		17,607	242.35	72.65	109.00		Parkin	0.96u	1.85u	3.61u	31.4x	16.0x	3.64u	5.07u	5.07u	11.4x	11.4x	60.21	1.2x
Barrick Gold	ABX	OP		44,329	1,778.13	24.93	40.00		Parkin	0.51u	1.10u	1.14u	18.0x	17.4x	1.81u	3.07u	3.07u	6.5x	6.5x	23.02	1.1x
Kinross Gold Corp	K	OP		10,694	1,277.67	8.37	16.00		Parkin	0.31u	0.70u	0.88u	9.5x	7.6x	0.80u	1.29u	1.29u	5.1x	5.1x	14.15	0.6x
Kirkland Lake Gold Corp	KL	SP	↓	11,205	264.02	42.44	56.00	↓	Parkin	2.74u	3.37u	3.47u	10.0x	9.8x	4.46u	4.75u	4.75u	7.1x	7.1x	34.52	1.2x
Newmont	NGT	OP		60,208	795.56	75.68	109.00		Parkin	1.32u	2.50u	3.50u	24.1x	17.2x	4.31u	6.00u	6.00u	10.0x	10.0x	56.60	1.3x
Royalty Companies																					
Franco-Nevada Corp	FNV	SP		30,054	190.8	157.49	205.00	↓	Nagle	1.82u	2.48u	2.75u	47.7x	57.3x	3.36u	4.00u	4.48u	29.6x	26.4x	74.33	2.1x
Maverix Metals Inc	MMX	SP		926	140.2	6.60	8.00	-	Nagle	0.08u	0.08u	0.05u	n/a	126.9x	0.27u	0.26u	0.25u	25.6x	26.6x	5.16	1.3x
Osisko Gold Royalties Ltd	OR	OP		2,306	166.6	13.84	23.00	-	Nagle	0.26u	0.48u	0.65u	n/a	21.3x	0.65u	1.04u	1.23u	13.4x	11.3x	18.54	0.7x
Royal Gold Inc	RGLD	SP		7,021	65.2	107.62u	150.00u	-	Nagle	2.91u	3.35u	3.85u	32.1x	28.0x	6.28u	6.10u	6.86u	13.3x	11.8x	75.87	1.4x
Sandstorm Gold Ltd	SSL	OP		1,666	195.3	8.53	13.50	-	Nagle	0.11u	0.20u	0.30u	32.1x	28.4x	0.36u	0.39u	0.50u	16.4x	12.8x	10.32	0.8x
Wheaton Precious Metals Corp	WPM	OP		21,565	449.3	48.00	85.00	-	Nagle	0.56u	1.10u	1.47u	32.8x	32.7x	1.14u	1.70u	2.01u	21.2x	18.0x	28.12	1.7x
Intermediate Producers (>250 Koz production)																					
Alamos Gold Inc	AGI	OP		3,845	391.55	9.82	14.50		Parkin	0.21u	0.40u	0.54u	19.8x	14.5x	0.75u	0.95u	0.95u	8.2x	8.2x	11.45	0.9x
B2Gold	BTO	OP		5,698	1,030.4	5.53	10.25		DeMarco	0.25u	0.48u	0.45u	11.6x	12.3x	0.51u	0.82u	0.77u	6.7x	7.2x	5.34	1.0x
Centerra Gold Inc	CG	OP		3,290	295.83	11.12	20.00		Parkin	1.60u	2.64u	1.97u	3.3x	4.5x	1.36u	2.87u	2.72u	3.1x	3.3x	21.04	0.5x
Dundee Precious Metals	DPM	OP		1,358	181.3	7.49	14.00		DeMarco	0.26u	0.99u	1.00u	7.6x	7.5x	0.62u	1.39u	1.82u	5.4x	4.1x	10.84	0.7x
Eldorado Gold Corp	ELD	OP		2,457	180.91	13.58	20.50		Parkin	(0.02)u	0.99u	0.81u	13.7x	16.9x	0.93u	2.41u	2.41u	4.5x	4.5x	21.23	0.6x
Endeavour Mining	EDV	OP		3,845	163.1	23.58	58.00		DeMarco	0.68u	2.14u	2.79u	11.0x	8.5x	2.68u	5.04u	5.76u	4.7x	4.1x	40.30	0.6x
Equinox Gold Corp	EQX	SP		2,966	296.0	10.02	16.00		Parkin	(0.13)u	0.64u	0.98u	15.6x	10.2x	0.68u	1.23u	1.82u	8.1x	5.5x	16.12	0.6x
IAMGOLD Corp	IMG	OP		1,772	473.80	3.74	6.50		Parkin	(0.03)u	0.25u	0.50u	11.8x	5.9x	0.75u	0.82u	0.82u	3.6x	3.6x	8.14	0.5x
Lundin Gold Inc.	LUG	OP		2,269	230.6	9.84	13.75		Egilo	0.47u	0.81u	0.67u	12.1x	14.8x	0.80u	2.08u	1.68u	4.7x	5.8x	12.22	0.8x
New Gold Inc	NGD	OP		1,312	676.05	1.94	4.00		Parkin	(0.08)u	0.01u	0.27u	256.3x	7.3x	0.39u	0.39u	0.39u	3.9x	3.9x	3.92	0.5x
OceanaGold Corp	OGC	OP		1,316	703.99	1.87	3.50		Parkin	0.06u	(0.10)u	0.16u	n/a	12.0x	0.33u	0.32u	0.32u	4.7x	4.7x	3.28	0.6x
Pretium Resources	PVG	SP		2,307	188.0	12.27	17.00		DeMarco	0.54u	0.97u	1.05u	12.6x	11.6x	1.13u	1.76u	1.76u	7.0x	7.0x	15.29	0.8x
SSR Mining Inc	SSRM	OP		3,942	219.36	17.97	39.00		Parkin	0.74u	1.53u	2.31u	9.3x	6.2x	1.59u	2.30u	2.30u	6.2x	6.2x	35.27	0.5x
Yamana Gold Inc	YRI	SP		5,386	986.45	5.46	7.50		Parkin	0.10u	0.30u	0.30u	14.7x	14.5x	0.51u	0.69u	0.69u	6.3x	6.3x	4.98	1.1x
Silver Producers																					
Aya Gold and Silver	AYA	OP		539	92.2	5.85	7.50		DeMarco	(0.05)u	0.01u	0.07u	-	-	1.18u	0.00u	0.09u	-	66.0x	4.16	1.4x
First Majestic Silver Corp	FR	SP		4,575	214.9	21.29	21.50		DeMarco	0.03u	0.23u	0.36u	93.5x	59.6x	0.53u	0.54u	0.77u	39.5x	27.6x	6.86	3.1x
Fortuna Silver Mines Inc	FVI	SP		1,667	184.0	9.06	13.50		DeMarco	0.18u	0.16u	0.83u	58.4x	10.9x	0.45u	0.43u	1.46u	21.1x	6.2x	7.01	1.3x
Pan American Silver	PAAS	SP		8,509	210.1	40.50	55.00		DeMarco	0.60u	0.93u	2.06u	43.6x	19.7x	1.60u	1.76u	3.29u	23.0x	12.3x	24.63	1.6x
Junior Producers (<250 Koz production)																					
Argonaut Gold Inc.	AR	UR		-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Golden Star Resources	GSC	OP		422	109.6	3.85	8.00		DeMarco	0.21u	0.34u	0.63u	11.3x	6.1x	0.40u	0.81u	0.82u	4.8x	4.7x	7.08	0.5x
K92 Mining Inc.	KNT	OP		1,390	218.9	6.35	12.25		Egilo	0.15u	0.20u	0.31u	31.6x	20.4x	0.24u	0.34u	0.40u	18.7x	15.8x	9.51	0.7x
Wesdome Corp.	WDO	OP		1,113	138.4	8.04	15.00		DeMarco	0.32u	0.44u	0.69u	18.5x	11.7x	0.56u	0.71u	1.13u	11.4x	7.1x	10.03	0.8x
Developers																					
Artemis Gold Inc.	ARTG	OP		681	122.7	5.55	10.00		DeMarco	0.00u	(0.07)u	(0.04)u	-	-	0.00u	(0.15)u	(0.07)u	-	-	8.48	8.48
Barsele Minerals Corp.	BME	UR		-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Bluestone Resources Inc.	BSR	UR		-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Falco Resources Ltd.	FPC	UR		-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Integra Resources Corp.	ITR	UR		-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Liberty Gold Corp	LGD	UR		-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
MAG Silver Corp	MAG	OP		2,119	91.2	23.24	35.00		DeMarco	(0.06)u	(0.18)u	0.60u	-	38.8x	(0.04)u	(0.04)u	0.81u	-	28.7x	19.72	1.2x
Marathon Gold Corp.	MOZ	UR		-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Minera Alamos	MAI	UR		-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
O3 Mining Inc.	OIII	OP		150	60.2	2.50	4.75		DeMarco	(0.09)u	(0.20)u	(0.16)u	-	-	(0.09)u	(0.20)u	(0.16)u	-	-	6.13	0.4x
Osisko Development	ODV	OP		925	128.3	7.21	11.00		DeMarco	0.00u	-	0.25u	-	-	(0.02)u	-	0.25u	-	28.9x	9.89	0.7x
Osisko Mining	OSK	OP		923	340.7	2.71	6.25		DeMarco	(0.16)u	(0.03)u	(0.03)u	-	-	(0.00)u	(0.02)u	(0.02)u	-	-	4.99	0.5x
Pure Gold Mining Inc.	PGM	UR		-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Sabina Gold and Silver Corp.	SBB	OP		590	326.1	1.81	4.00		Egilo	(0.02)u	(0.01)u	(0.01)u	n/a	n/a	(0.01)u	(0.01)u	(0.01)u	n/a	n/a	3.99	0.5x
SilverCrest Metals	SIL	OP		1,303	128.5	10.14	17.25		DeMarco	(0.22)u	(0.22)u	(0.03)u	-	-	(0.19)u	(0.21)u	(0.00)u	-	-	9.92	1.0x

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; R = Restricted; T = Tender; UR = Under Review

u = US dollars; c = Canadian dollars

Source: Company Reports, NBF Estimates, Refinitiv

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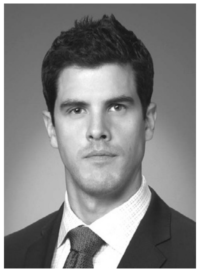
Sector Analysis

Oil & Gas

Intermediate Oil & Gas and Oilfield Services



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Selections

- *Cenovus*
- *Tourmaline*
- *Parex*

Crude Oil Outlook

Optimistically, momentum in crude oil pricing has followed year-to-date on the back of continued positive headlines of successful vaccine trials, albeit set against growing COVID variants and impending lockdowns – most notably in the EU, which were initially reported in early November. WTI entered the year at US$49/bbl and currently sits +25% YTD at ~US$60/bbl, above what we see as the psychological and economical inflection point for producers at US$50/bbl. The uplift in pricing for the commodity can largely be attributed to OPEC+ and its restraint to balance the market towards undersupply coupled with hopes of an economic recovery spurred through an efficacious delivery and application of vaccinations. Recall, in early January, Saudi Arabia made the surprise announcement to unilaterally cut 1 mmbbl/d through February and March, in a bid to keep prices stable in the face of increasing lockdown measures and the threat of the mutated COVID strain, albeit this was partially offset by Russia and Kazakhstan enjoying a modest production increase. With OPEC+ now set to gradually increase oil production from May to July that will see an aggregate 2 mmbbl/d (OPEC+ restoring 350 mboe/d in May) of supply brought back, in the face of forecasted product demand to rise 3 mmbbl/d, which is importantly inclusive of Saudi rolling back its unilateral cut of 1 mmbl/d (adding 250 mboe/d in May). For now, this seems to be priced into the oil market, with pricing having been significantly restored well above economic levels across the strip; however, producers and service companies alike continue to indicate towards disciplined & moderated spending (i.e., below pre-pandemic levels), which is reflected through muted North American rig activity levels (-50% Y/Y & flat vs. last cyclic trough), that should keep volumes impaired. Looking domestically, we see the outlook skewing relatively positively with the demand & differential outlook trending favourably towards the heavy slate (i.e., declining heavy Mexican & Venezuelan barrels at the Gulf Coast; complex refinery demand). The domestic market has generally overcome the volatility of the price & pipeline narrative, with volumes having largely been restored to pre-pandemic levels with strong demand for the heavy slate in the Lower 48 (*as noted above*). With that global and domestic backdrop, we remain cautiously optimistic on the global oil complex and look towards H2/21 as a potential turning point in which crude recovers to mid-cycle pricing levels. Our 2021 forecast for WTI continues to call for US$59.25/bbl, generally in line with the forward strip at US$59.00/bbl.

Natural Gas Outlook

Gas prices continue to retrench with winter fading (shoulder season), and long-term gas price momentum remains a "show-me" story with regards to the forecast undersupply and as expected, gas prices have checked back (-20% M/M) as seasonal strength has dissipated. As such, limited drilling activity in the United States has resulted in supply coming off ~2-3 bcf/d (volumes still off 6-7 bcf/d from Q4/19 peak), while consumption remains strong, led by LNG exports near +11 bcf/d. With that, the Energy Information Administration's (EIA) outlook is better validated, with the administration largely maintaining an outlook for imbalance through its expanded 2022e forecast (now -0.8 bcf/d vs. prior -1.2 bcf/d). The market appears to be relatively well-supported in the near & medium term, and the structure of the market appears to be meaningfully changed, which under the EIA's outlook, storage is expected to reverse course and trend lower to exit next winter towards a deficit of -22% (vs. prior -15%). However, and as always, weather will be the greatest determinant to the outcome of this outlook. All in, under-supply in the market remains (although with a bias to next winter) and continues to support its price forecast in the ~$3.25/mcf range through 2022 (largely unchanged) or 15-20% ahead of strip. Looking domestically, the CER (Canada Energy Regulator; NEB) denied the extension of the temporary service protocol (TSP) on the Nova Gas Transmission system, which had been a large part of the recent normalization of AECO basis pricing (allowing gas to be injected into storage, notably during periods of maintenance); for context, basis hasn't moved much off of extremely solid levels (i.e., 2021 strip sitting at -US$0.65/mcf). We continue to believe AECO should be more resilient and in a structurally stronger position than in previous years, in association with a preferential orientation towards Western markets (driven by supply & demand dynamics). Our 2021 price deck for NYMEX and AECO assumes US$3.00/mcf and C$3.10/mcf, slightly above the current forward strip at US$2.70/mcf and C$2.75/mcf, respectively.

Oil & Gas

We do not expect to see any significant changes in the business strategies of Canadian E&P companies as they progress into 2021. The era of large organic growth is now firmly behind, hindered by low commodity prices, egress constraints, balance sheet repair and continued shareholder pressure for returns. We continue to believe opportunistic value will remain selective, and focused on businesses that hold repeatable strategies for margin expansion (consolidation, synergies, efficiencies, ancillaries) or low capital efficiency growth, which can outpace long-term valuation headwinds to support value under a static to contracting multiple.

Top Picks

Cenovus Energy Inc. (CVE: TSX/NYSE)

Underpinned by its strong base business and integrated capacity, the company can weather this commodity cycle and provide torque to the upside as global oil prices return. Cenovus has a top-quality asset base – in Foster Creek and Christina Lake – and has sustaining and breakeven costs that are amongst the lowest in the sector. Cenovus recently closed on its deal to acquire Husky and capture $1.2 billion in annual cost savings. We view this deal as necessary and strategic given the company's high confidence in achieving the $1.2 billion in annual cost savings. Additionally, the added downstream integration and increased egress capacity will help reduce the company's exposure to the WCS differential, which supports our recommendation for Cenovus as a top pick.

Tourmaline Oil Corp. (TOU: TSX)

As one of Canada's largest gas producers, TOU remains one of our top picks for its exposure to the natural gas trade, the result of well-capitalized and strong organic operations with fundamental tailwinds (cost, capital efficiencies and netback) to support a solid value proposition. Additional strength is seen in the balance sheet, deep inventory and top-tier cost structure as the company continues to generate extensive FCF. In the current macro environment, TOU is one of the most investable names, where it holds positive and well-supported liquidity, exposure to several value-additive themes (gas and Topaz), which in sum, support what is already an attractive valuation.

Parex Resources Inc. (PXT: TSX)

Backstopped by a low decline, highly productive conventional asset base, Parex is set to deliver another year of fully-funded growth, return capital to shareholders through meaningful buybacks, while also investing in future optionality with an exploration program that has predictably grown reserves over the last decade. Through our forecast period, we expect Parex can generate FCF above sustaining and growth capital and return a large portion to shareholders through its NCIB (10% buyback anticipated).

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Oil & Gas

	Stock Sym.	Stock Rating	Δ	Analyst	Share O/S (Mln)	Share Price 3/31	Market Cap. (Mln)	Yield (%)	EV/DACF act. 2019A	EV/DACF est. 2020E	EV/DACF est. 2021E	Net Debt/ Cash Flow 2020E	Net Debt/ Cash Flow 2021E	CFPS - FD act. 2019A	CFPS - FD est. 2020E	CFPS - FD est. 2021E	P/CFPS est. 2020E	P/CFPS est. 2021E	12-Mth Price Target	12-Mth Price Return	Δ
Senior/Integrated																					
Canadian Natural Resources	CNQ	OP		Wood	1183.9	$38.85	$45,993	5%	5.7x	8.9x	4.6x	4.0x	1.1x	$8.60	$4.40	$10.29	6.2x	3.8x	$50.00	34%	
Cenovus Energy	CVE	OP		Wood	2017.4	$9.44	$19,044	0%	5.0x	28.3x	4.4x	46.4x	1.6x	$3.01	$0.12	$2.94	55.9x	3.2x	$13.50	43%	
Ovintiv Inc (US$)	OVV	OP		Wood	259.8	$23.82	$6,189	2%	6.4x	4.4x	3.6x	3.9x	1.8x	$11.22	$7.42	$10.91	1.3x	2.2x	$27.00	15%	
Imperial Oil	IMO	SP		Wood	734.1	$30.44	$22,345	3%	8.3x	27.4x	3.5x	4.3x	-0.1x	$4.59	$1.20	$8.39	24.6x	3.6x	$38.00	28%	
Suncor Energy	SU	SP		Wood	1501.0	$26.27	$39,430	3%	6.8x	10.1x	4.1x	3.7x	0.9x	$6.93	$2.66	$7.35	8.9x	3.5x	$33.00	29%	
Large/Mid Cap																					
Advantage Oil & Gas	AAV	OP		Payne	193.4	$2.37	$458	0%	4.1x	5.1x	2.7x	2.4x	0.8x	$0.83	$0.56	$1.16	3.5x	2.1x	$4.00	69%	
ARC Resources Ltd.	ARX	OP		Wood	722.7	$7.72	$5,579	3%	4.9x	3.9x	4.3x	1.1x	1.1x	$1.97	$1.89	$2.78	3.0x	3.4x	$13.00	72%	
Baytex Energy	BTE	SP		Payne	567.3	$1.31	$743	0%	3.0x	5.4x	3.6x	5.9x	2.9x	$1.62	$0.56	$0.96	1.3x	1.4x	$1.75	34%	
Birchcliff Energy	BIR	OP		Payne	265.9	$2.61	$694	1%	4.1x	6.0x	2.7x	4.1x	1.2x	$1.26	$0.69	$1.69	2.2x	1.5x	$4.75	83%	
Crescent Point Energy Corp.	CPG	OP		Wood	580.0	$5.24	$3,039	0%	2.7x	3.9x	3.6x	2.6x	1.6x	$3.35	$1.65	$2.39	1.7x	2.3x	$7.50	43%	
Enerplus Corporation	ERF	OP		Wood	255.6	$6.31	$1,613	2%	3.6x	3.5x	3.1x	1.5x	1.0x	$3.04	$1.61	$2.74	2.3x	2.3x	$9.50	52%	
Freehold Royalties	FRU	OP		Wood	131.6	$7.25	$954	5%	9.7x	7.8x	6.9x	0.9x	-0.1x	$1.00	$0.61	$1.05	7.2x	7.0x	$9.00	29%	
Headwater Exploration	HWX	OP		Payne	215.3	$3.91	$842	0%	-0.3x	89.2x	9.4x	-9.2x	-0.9x	$0.09	$0.06	$0.39	64.2x	10.1x	$4.50	15%	
Kelt Exploration	KEL	OP		Payne	188.6	$2.66	$502	0%	5.6x	4.9x	4.5x	-0.4x	-0.1x	$0.99	$0.31	$0.58	6.3x	4.6x	$4.00	50%	↑
MEG Energy	MEG	SP		Wood	302.7	$6.52	$1,974	0%	4.6x	7.7x	7.0x	10.0x	6.2x	$2.41	$0.92	$1.38	4.3x	4.7x	$8.00	23%	
NuVista Energy	NVA	OP		Payne	225.7	$2.37	$535	0%	4.3x	4.2x	3.9x	3.8x	2.1x	$1.18	$0.70	$1.05	1.6x	2.3x	$3.00	27%	
Paramount Resources	POU	SP		Payne	121.5	$10.17	$1,236	0%	4.9x	6.1x	3.9x	5.7x	1.4x	$2.29	$1.12	$3.30	2.7x	3.1x	$13.50	33%	
Parex Resources	PXT	OP		Wood	117.8	$22.41	$2,639	0%	3.7x	6.3x	2.4x	-1.1x	-1.0x	$5.02	$2.96	$6.33	7.6x	3.5x	$35.00	56%	
Peyto Exploration & Development	PEY	OP		Wood	164.9	$5.33	$879	1%	5.2x	5.9x	3.7x	5.5x	2.3x	$1.95	$1.29	$2.88	2.0x	1.9x	$8.00	51%	
PrairieSky Royalty	PSK	SP		Wood	223.3	$13.55	$3,026	2%	18.4x	15.4x	14.2x	0.3x	-0.5x	$0.94	$0.64	$0.92	15.3x	14.7x	$15.00	13%	
Seven Generations	VII	T		Wood	333.4	$8.50	$2,834	0%	3.4x	3.3x	3.3x	2.2x	1.2x	$3.98	$2.56	$3.48	1.6x	2.4x	$14.00	65%	
Spartan Delta	SDE	OP		Payne	127.1	$3.95	$502	0%	-92.2x	6.9x	2.7x	0.3x	-0.7x	-$0.89	$0.67	$1.34	0.0x	0.0x	$6.75	71%	↑
Storm Resources	SRX	SP		Payne	121.9	$2.73	$333	0%	5.3x	5.2x	3.1x	2.3x	0.7x	$0.49	$0.47	$1.08	0.0x	0.0x	$4.00	47%	
Tamarack Valley Energy	TVE	OP		Payne	300.2	$2.37	$711	0%	3.0x	3.6x	3.7x	1.8x	0.8x	$0.97	$0.55	$0.77	1.8x	3.1x	$3.50	48%	↑
Topaz Energy	TPZ	OP		Payne	113.0	$14.56	$1,645	5%	-1.7x	14.7x	11.4x	-2.7x	-0.9x	$11.16	$0.98	$1.19	14.0x	12.2x	$18.00	29%	
Tourmaline Oil	TOU	OP		Payne	287.0	$23.92	$6,864	3%	4.9x	4.9x	3.4x	1.5x	0.4x	$4.43	$4.36	$7.55	3.3x	3.2x	$37.50	59%	
Vermilion Energy Inc.	VET	SP		Wood	158.7	$9.13	$1,449	0%	6.2x	5.6x	3.9x	4.0x	2.2x	$5.82	$3.18	$4.45	2.5x	2.1x	$9.50	4%	
Whitecap Resources	WCP	OP		Wood	598.8	$5.52	$3,305	3%	4.2x	4.8x	4.6x	2.5x	1.1x	$1.64	$1.07	$1.50	2.9x	3.8x	$8.00	48%	
Small Cap																					
Crew Energy	CR	SP		Payne	159.8	$1.18	$189	0%	4.1x	6.5x	3.5x	8.7x	2.7x	$0.53	$0.27	$0.88	1.4x	1.3x	$1.50	27%	
Pipestone Energy	PIPE	SP		Payne	278.7	$1.62	$451	0%	32.4x	6.8x	3.6x	4.2x	1.0x	$0.01	$0.15	$0.59	4.9x	2.8x	$2.50	54%	
Surge Energy	SGY	OP	↑	Payne	361.7	$0.61	$221	0%	4.0x	6.1x	4.8x	6.4x	2.8x	$0.55	$0.18	$0.27	2.3x	2.3x	$0.90	48%	↑
Yangarra Resources	YGR	SP		Payne	87.4	$1.12	$98	0%	3.2x	4.5x	2.6x	4.3x	1.9x	$1.08	$0.53	$1.07	1.2x	1.0x	$1.50	34%	

* Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

Source: Company Reports, NBF, Refinitiv

	Stock Sym.	Stock Rating	Δ	Analyst	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 3/31	EBITDA (mm) 2019	EBITDA (mm) 2020e	EBITDA (mm) 2021e	EV/EBITDA 2019	EV/EBITDA 2020e	EV/EBITDA 2021e	Net Debt / EBITDA 2019	Net Debt / EBITDA 2020e	Net Debt / EBITDA 2021e	12-Mth Price Target	12-Mth Price Return	Δ
Oilfield Services																			
CES Energy Solutions Corp.	CES	SP		Payne	$ 422.73	262.6	$1.61	$ 83.3	$ 116.6	$ 126.4	5.7x	5.3x	3.9x	4.6x	2.2x	1.7x	$2.30	43%	↑
National Energy Services Reunited	NESR	OP		Payne	$ 1,111.77	89.9	$12.37	$ 213.2	$ 248.3	$ 292.7	7.0x	5.7x	4.4x	1.5x	1.0x	0.4x	$14.00	13%	
Precision Drilling Corp.	PD	SP		Payne	$ 362.73	13.4	$27.15	$ 285.2	$ 262.8	$ 318.8	5.7x	5.3x	3.9x	4.7x	3.8x	2.6x	$32.50	20%	
Trican Well Services	TCW	SP		Payne	$ 535.91	258.9	$2.07	$ 30.6	$ 56.5	$ 60.2	15.1x	7.7x	6.3x	1.3x	-0.4x	-0.8x	$2.25	9%	

Pipelines, Utilities & Energy Infrastructure

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Selections

- › *AltaGas*
- › *Capital Power*
- › *Keyera*
- › *Secure Energy*
- › *TC Energy*

Overview

We recently released our 2021 Outlook, highlighting the market's insatiable appetite for decarbonization, presenting one of the strongest macro tailwinds in years, with the sector's eye-popping ~$120 billion of free cash flow (net of dividends) through 2030 to plow into environmentally-friendly investments, re-aligning long-term business plans with sustainable energy policies - while driving per share growth and valuation expansion. We note that the S&P TSX was up ~4.0% in March, while the value trade continued to gain attention with both our Midstream and Utilities benchmarks up ~10.0%.

Commodities Update

With continued vaccine dissemination and constructive economic recovery prospects in 2021, commodity prices continued to rally, averaging ~US$62.50/bbl, ~5% higher than February levels of ~US$59/bbl and ~56% above the 2020 average price of ~US$40/bbl. We do note prices have pulled back from March highs of ~US$65/bbl, with WTI currently holding at ~US$61/bbl. On the gas front, warmer weather caused AECO prices to drag, averaging $2.74/mcf, down ~25% from the February average of $3.77/mcf. Recall, we recently revised our forecasted AECO price through 2021 and into 2022 towards $2.40/mcf, in line with strip pricing and ~5% above 2020 levels. Looking at Marketing prospects, the WCS heavy differential continued to remain tight with minimal volatility, averaging ~US$11/bbl (February: ~US$11/bbl), suggesting continued pressure on near-term crude oil marketing results. On the natural gas liquids front, continued strength in C3+ pricing through February (flat q/q), combined with a resilient forward curve for 2021e drives our NGL frac spread forecast up to US$23/bbl, ~50% above 2020 levels of ~US$15/bbl.

Pipelines Update

With President Biden revoking the KXL Presidential Permit on his first day in office, despite TRP's best efforts to partner with First Nations alliances, sign project labour agreements with U.S. unions and recently pledge project-level net neutrality via electrification of KXL, we anticipate the decade-long project gets left in the rearview as the company sets forth on its clean energy transition. However, we anticipate KXL's loss to be ENB's gain, with shippers being more inclined to lock in long-term Mainline commitments. Including Line 3R and TMX, while excluding KXL, we forecast close to ~0.5 mmbpd of excess pipeline capacity available for producers to grow production with market access assurance in 2023.

With construction of the U.S. portion of the Line 3 Replacement project (+270 mbpd including Southern Access Expansion) well underway following the issuance of all outstanding state and federal permits in late 2020, combined with the Minnesota Court of Appeals recently denying opponents' motion for a stay on the Minnesota Public Utilities Commission's (MPUC) issuance of the Authorization to Construct, we note ENB is on track to achieve its planned Q4/21 in-service date. Alongside its Q4/20 results, the company provided a revised cost estimate of ~US$2.9 billion for the U.S. portion of the Line 3 Replacement project, reflecting an incremental US$1.1 billion, doubling up on our previous ~20% cost overrun estimate. Overall, with construction tracking in line with expectations, we maintain our Jan. 1, 2022 in-service date assumption, based on a six-to-nine-month construction window, pending further unimpeded construction progress. Elsewhere, the Army Corps of Engineers, now under the Biden administration, recently requested a two-month delay until April 9th to decide whether to shut in DAPL during its 13+ month environmental review process, representing ~2% downside risk to our annual EBITDA for ENB. On the Line 5 front, ENB received the initial permits for the $500 million Line 5 Tunnel Project from the Michigan Department of Environment, Great Lakes and Energy (EGLE) on Jan. 29th, which address wetlands and submerged land impacts, along with pollutant and water discharge. The next step includes the issuance of permits from the U.S. Army Corps of Engineers and the Michigan Public Services Commission. Meanwhile, the State of Michigan's lawsuit seeking an injunction to halt operations of Line 5 has been moved to the federal court at ENB's request. In other pipeline cost overrun news, Keyera unexpectedly announced a ~23% increase to its Montney-based Key Access Pipelines System (KAPS), bringing its 50% share of the capital investment up to ~$800 million (was $650 mln), while TRP noted it anticipates a significant cost increase and in-service delay for its $6.6 billion Coastal GasLink project.

Pipelines, Utilities & Energy Infrastructure

Meanwhile, in the Midstream space, Brookfield Infrastructure Partners L.P. (NYSE: BIP, Analyst: Merer, Outperform, US$60 target), along with its institutional partners, announced its intent to pursue a privatization transaction of Inter Pipeline (IPL), in which BIP will look to acquire all of the outstanding common shares of IPL not already owned, at an offer price of $16.50/sh (~23% premium to Feb. 10th closing price of $13.40/sh). The IPL Board provided its recommendation during March, urging shareholders to reject the offer, citing differences in fundamental value. Meanwhile, the company's board initiated Strategic Review to evaluate all options to maximize shareholder value remains ongoing, with contract details regarding its Heartland Petrochemical Complex anticipated to be released prior to its Q1/21 results. Continuing with the consolidation trend, SECURE Energy (SES) announced a strategic combination with competitor Tervita (TEV), with SECURE acquiring TEV for 1.2757 common shares of SES for each outstanding TEV share. Overall, the transaction reflects over $400 million in combined annual adj. EBITDA, including ~$75 mln of cost savings (60% operational, 40% corporate), realizable in 12-18 months post-closing (Q4/21). Including cost savings, we calculate a transaction multiple of <5x.

Power & Utilities Update

We continue to highlight Fortis in pole position to benefit from decarbonization in the United States as President Biden seeks to turn his clean energy infrastructure plan into legislation by mid-2021. Recall, with its recently unveiled ~$19.6 billion five-year capital plan (2021-2025), the company is targeting a firm-wide Scope 1 GHG emissions reduction target of 75% by 2035 compared to 2019 levels. The plan is largely supported by its 2020 Integrated Resource Plan (IRP) at TEP, which seeks to fully eliminate coal generation by 2032 and add an incremental ~2,400 MW of new wind and solar power systems and 1,400 MW of new energy storage systems, reflecting $4-$6 billion of opportunities, of which only ~1/5th is incorporated into the 2021-2025 capital plan. Looking at Emera, the company reiterated its $7.4 billion three-year capital plan for 2021-2023, plus $1.2 billion of potential incremental opportunities (was $200-$500 million), extending the company's ~8% rate base CAGR through 2023. Of note, ~70% of the secured capital program is allocated to Tampa Electric and Nova Scotia Power, with ~60% of the total capital spend being allocated towards reliability improvements and delivery of cleaner energy. Within, the $1.2 billion of additional opportunities include the large-scale Atlantic Loop project, which envisions a clean energy loop for Atlantic Canada, supporting Nova Scotia's transition off coal earlier than the proposed 2040 timeline. Meanwhile, EMA reaffirmed its decarbonization strategy by pledging to achieve net-zero carbon emissions by 2050, becoming the first of its Canadian Utility peers. Elsewhere, we continue to highlight Capital Power's clean energy transition, committing to move off coal by the end of 2023, alongside repowering Genesee 1 & 2 into combined-cycle units at a cost of ~$1.0 billion. The repowered units are expected to be 30% hydrogen ready (95% with modest <$10 million incremental capital) while securing its low-cost position in the merit order based on an industry-leading heat rate of ~6.7x and emissions intensity of 0.35 tCO_2e/MWh. Overall, the project is expected to produce an unlevered IRR of ~14% (levered: >20%). Meanwhile, its carbon capture and usage technology (C2CNT: carbon-to-carbon-nanotubes) will reach commercial operations in 2021, producing ~2,500 tonnes of carbon nanotubes to be sold into the cement/concrete industry - reducing carbon emissions at both Genesee and along the construction value chain. Meanwhile, the Supreme Court of Canada has released its decision on the constitutional validity of the federal carbon tax, ruling 6-3 in favour of the federal government's jurisdiction. Recall, the Alberta Court of Appeal sided with Saskatchewan, Ontario and Alberta in its claim the Greenhouse Gas Pollution Pricing Act oversteps Provincial jurisdiction to develop its natural resources. While the headline of a federally mandated price on carbon increasing in magnitude by more than fourfold this decade appears alarming for Alberta power players, we note market leaders Capital Power (CPX) and TransAlta (TA) have already largely realigned their strategies for the future "carbon-neutral" economy. In fact, both companies are supportive of a rising price on carbon, with the economics of each repowering project (CPX: ~$1.0 bln for Genesee 1 & 2; TA: ~$825 mln for Sundance 5) predicated on moving down the cost curve and effectively removing its carbon compliance exposure, while transitioning completely off coal in Alberta by 2021 (TA) and 2023 (CPX).

ESG Update

Elsewhere, we note our revised ESG scorecard for Emera, up to 78 (was 74/100), reflecting clear emission reduction targets, including its recent pledge to achieve net-zero carbon emissions by 2050, combined with a goal of 55% emissions reductions by 2025 and 80% by 2040 (versus 2005 levels). Furthermore, with improved disclosure and independent board representation, including landing retired Fortis CEO, Barry Perry, we increased our ESG Scorecard for Capital Power to 86 (was 84/100), now tied for our top ESG ranking with FTS.

Top Picks

Overall, our 2022 estimates call for AFFO/sh growth of ~8% over 2021e, with dividends up ~2% on average. We continue to screen our top picks using a three-pronged approach for 1) double-digit free cash flow (AFFO) yield; 2) healthy balance sheet metrics; and 3) strong catalyst potential.

Pipelines, Utilities & Energy Infrastructure

	Stock Sym.	Stock Rating	Δ	Units O/S (Mln)	Unit Price 03-31	Market Cap. (Mln)	Distributions per Share est. 2020e	Distributions per Share est. 2021e	Distributions per Share est. 2022e	Cash Yield 2021e	Cash Yield 2022e	Distr. CF per Share - FD est. 2020e	Distr. CF per Share - FD est. 2021e	Distr. CF per Share - FD est. 2022e	P/Distr. CF 2021e	P/Distr. CF 2022e	Net Debt/ 22e EBITDA	12-Mth Price Target	12-Mth Price Return	Δ	Combined Return
Pipeline & Midstream																					
AltaGas	ALA	OP		279.4	$20.94	$5,852	$0.96	$1.00	$1.04	4.8%	5.0%	$2.08	$2.55	$2.88	8.2x	7.3x	5.6x	24.00	14.6%		19.4%
Enbridge Inc.	ENB	OP		2019.0	$45.78	$92,430	$3.24	$3.34	$3.51	7.3%	7.7%	$4.67	$4.90	$5.27	9.3x	8.7x	4.6x	51.00	11.4%		18.7%
Gibson Energy	GEI	SP		148.9	$22.27	$3,316	$1.36	$1.40	$1.40	6.3%	6.3%	$2.01	$1.85	$2.12	12.0x	10.5x	3.0x	22.00	-1.2%		5.1%
Inter Pipeline	IPL	SP		429.2	$17.97	$7,713	$0.48	$0.48	$0.48	2.7%	2.7%	$1.74	$1.47	$1.86	12.2x	9.7x	5.2x	18.00	0.2%		2.8%
Keyera	KEY	OP		221.0	$26.12	$5,773	$1.92	$1.92	$1.92	7.4%	7.4%	$3.26	$2.75	$2.70	9.5x	9.7x	4.0x	28.00	7.2%		14.5%
Pembina Pipelines	PPL	SP		550.0	$36.30	$19,965	$2.52	$2.52	$2.52	6.9%	6.9%	$3.91	$3.83	$3.90	9.5x	9.3x	4.3x	38.00	4.7%		11.6%
Secure Energy	SES	OP		177.3	$3.63	$644	$0.03	$0.03	$0.03	0.8%	0.8%	$0.52	$0.54	$0.81	6.8x	4.5x	2.3x	5.50	51.5%	↑	52.3%
Superior Plus	SPB	SP		176.0	$14.22	$2,503	$0.72	$0.72	$0.72	5.1%	5.1%	$1.37	$1.05	$1.31	13.5x	10.8x	3.5x	14.00	-1.5%		3.5%
Tidewater Midstream	TWM	R		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R		R
TC Energy Corp.	TRP	OP		978.0	$57.61	$56,340	$3.24	$3.48	$3.69	6.0%	6.4%	$6.13	$5.12	$5.86	11.3x	9.8x	5.1x	67.00	16.3%		22.3%
Tervita	TEV	OP	↑	115.7	$4.61	$533	$0.00	$0.00	$0.00	0.0%	0.0%	$0.51	$0.48	$0.78	9.5x	5.9x	2.8x	7.00	51.8%	↑	51.8%
Power Producers & Utilities																					
ATCO Ltd.	ACO	SP		114.7	$41.72	$4,783	$1.74	$1.79	$1.81	4.3%	4.3%	$2.08	$2.47	$2.36	16.9x	17.7x	4.5x	44.00	5.5%		9.8%
Canadian Utilities	CU	SP		273.1	$33.74	$9,214	$1.74	$1.76	$1.78	5.2%	5.3%	$2.69	$2.89	$2.94	11.7x	11.5x	5.3x	35.00	3.7%		8.9%
Capital Power	CPX	OP		107.4	$36.40	$3,910	$1.99	$2.12	$2.25	5.8%	6.2%	$4.96	$5.03	$4.74	7.2x	7.7x	4.5x	44.00	20.9%		26.7%
Emera Inc.	EMA	SP		255.1	$55.93	$14,269	$2.48	$2.58	$2.68	4.6%	4.8%	$1.99	$3.66	$4.36	15.3x	12.8x	6.2x	59.00	5.5%		10.1%
Fortis Inc.	FTS	SP		468.6	$54.53	$25,551	$1.94	$2.05	$2.17	3.8%	4.0%	$3.92	$4.17	$4.66	13.1x	11.7x	6.2x	60.00	10.0%		13.8%
Hydro One Ltd.	H	SP		596.9	$29.27	$17,472	$1.01	$1.07	$1.12	3.6%	3.8%	$1.76	$1.56	$1.72	18.8x	17.0x	5.7x	31.00	5.9%		9.5%
TransAlta	TA	SP		269.8	$11.90	$3,211	$0.17	$0.18	$0.18	1.5%	1.5%	$1.30	$1.41	$1.61	8.4x	7.4x	3.7x	12.00	0.8%	↓	2.4%

Source: Company Reports, NBF Estimates, Refinitiv

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

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Selections

- *Flagship REIT*
- *Chartwell*
- *H&R REIT*
- *ERES REIT*
- *CAP REIT*
- *BSR REIT*
- *Granite REIT*
- *Killam REIT*
- *Sienna*

Toronto, A City on the Mend: Roundtable Discussion Wrap-up

Toronto will rebound coming out of the pandemic. The interest was particularly acute in asset classes like office and retail, in the face of a population working at home and of historic public health measures designed to limit social gatherings. As a result, we spoke with a sample of senior leasing and development executives from our coverage universe with above-average exposure to Toronto. The event was broken into smaller discussions covering individual asset classes (Multi-family, Office & Retail) and additional sessions on development and market fundamentals. We were joined by **George Van Noten (COO, Minto), Tim Low (SVP Leasing, Allied), Carmine Francella (SVP Leasing, First Capital), Andrew Joyner (MD, Tricon) and Jon Ramscar (EVP & MD, CBRE).**

Each asset class is facing different obstacles. Something that came through the different presentations was the importance of intelligence into who your tenants are and their pressure points. Management teams used this data to design better strategies to bridge to the recovery cycle. Below are some of the key highlights of our discussions:

- **Our conversation with Minto highlighted that tenant movement during the pandemic has presented challenges, but affordability issues and the transitory nature of these moves will keep well-maintained apartments competitive.** Departures were driven by a confluence of factors including the rise of work from home, closure of services and shift to online higher education. Management is confident in a near-term reversal of some of these trends (student repopulation of campuses and service resumptions in the city) and continues to believe in a return of urban workers. In response, Minto has prioritized rents over temporary occupancy gains with a view to a quick rebound in H2/21.

- **In speaking with Allied and CBRE, we saw that struggling small tenants have been the primary source of office vacancy/sublet availability in the core.** The sharp rise in Toronto's vacancy from 1.8% pre-COVID to 9.4% was driven in no small part by sublet vacancy (representing 40%+ of total vacancy). 70%+ of these spaces are small and largely offered up as a cost-mitigation strategy. It remains to be seen whether such moves are a leading indicator of a broader approach to office usage. Regardless, Allied has been proactive in working with tenants to maintain occupancy and will have a better sense of market dynamics as health concerns subside.

- **We felt FCR's message really boiled down to its view all retail is not created equally: grocery-anchored retail has been steady and FCR had an average leasing year, in a year where little was average.** The REIT completed 2.8 mln sf of leasing, largely in line with previous years, which was credited to the strength of its leasing team. Coming out of the crisis, FCR is seeing strong demand from well-capitalized and opportunistic retailers and sees the modest rise in vacancy in 2020 off of record lows as a real opportunity to adjust the tenant mix in these properties to make them better.

- **Tricon is using its pandemic experience to inform its multi-family platform's operations in the future, with a particular focus on tenant service and building design.** Tricon currently has a pipeline of ~3,700 units it is bringing to market over the next several years. Its experience launching and operating The Selby through the pandemic required it to be pro-active with tenants and resulted in The Selby outperforming a peer group of comparable buildings by over 200 bps on occupancy and rent changes. Tricon plans to implement lessons learned during COVID into its ongoing developments by maximizing interior unit space, improving HVAC systems and altering interior amenities and common areas to facilitate social distancing.

Sector Analysis

Real Estate

Matt Kornack, Tal Woolley	REIT Sym.	Stock Rating	Δ	Market Cap (Mln)	Analyst	Unit Price 3-31	Distributions per Unit (A) 2019	Distributions per Unit (A) 2020	Distributions per Unit est. 2021	Cash Yield 2019A	Cash Yield 2020A	Cash Yield 2021E	Cash Yield Current Annualized	FD FFO (A) 2019	FD FFO (A) 2020	FD FFO est. 2021	P/FFO 2019A	P/FFO 2020A	P/FFO 2021E	Net Asset Value	12-Mth Price Target	12-Mth Total Return [1]	Δ
Retail																							
RioCan REIT	REI.un	OP	↔	$6,008	Woolley	$19.46	$1.44	$1.44	$1.44	7.4%	7.4%	7.4%	5.0%	$1.87	$1.60	$1.52	10.4x	12.2x	12.8x	$22.40	$21.00	15.3%	↔
Choice Properties REIT	CHP.un	SP	↔	$9,486	Woolley	$13.56	$0.74	$0.74	$0.74	5.5%	5.5%	5.5%	5.5%	$0.99	$0.92	$0.99	13.7x	14.7x	13.7x	$12.20	$13.50	5.0%	↔
First Capital REIT	FCR	SP	↔	$3,613	Woolley	$16.49	$0.86	$0.86	$0.86	5.2%	5.2%	5.2%	2.6%	$1.23	$1.01	$1.10	13.4x	16.4x	15.0x	$17.10	$16.50	5.3%	↔
SmartCentres REIT	SRU.un	SP	↔	$4,568	Woolley	$26.85	$1.76	$1.81	$1.85	6.6%	6.8%	6.9%	6.9%	$2.27	$2.20	$2.14	11.8x	12.2x	12.6x	$28.60	$27.00	7.3%	↔
CT REIT	CRT.un	OP	↔	$3,610	Woolley	$16.35	$0.73	$0.76	$0.79	4.5%	4.6%	4.8%	4.9%	$1.17	$1.18	$1.23	13.9x	13.9x	13.3x	$15.50	$18.00	14.7%	↔
Crombie REIT	CRR.un	OP	↔	$2,400	Woolley	$15.82	$0.89	$0.89	$0.89	5.6%	5.6%	5.6%	5.6%	$1.16	$1.05	$1.13	13.6x	15.0x	14.0x	$14.40	$16.50	9.9%	↔
Automotive Properties REIT	APR.un	OP	↔	$455	Woolley	$11.44	$0.80	$0.80	$0.80	7.0%	7.0%	7.0%	7.0%	$1.00	$0.90	$0.94	11.5x	12.7x	12.2x	$10.00	$12.00	12.8%	↔
Office & Diversified																							
Allied Properties REIT	AP.un	OP	↔	$5,194	Kornack	$40.64	$1.65	$1.70	$1.73	4.1%	4.2%	4.3%	4.2%	$2.30	$2.29	$2.38	17.7x	17.7x	17.1x	$47.25	$44.50	13.7%	↔
DREAM Office REIT	D.un	OP	↔	$1,182	Kornack	$21.16	$1.00	$1.00	$1.00	4.7%	4.7%	4.7%	4.7%	$1.68	$1.52	$1.60	12.6x	13.9x	13.2x	$24.60	$22.00	8.7%	↔
Slate Office REIT	SOT.un	SP	↔	$321	Kornack	$4.39	$0.40	$0.40	$0.40	9.1%	9.1%	9.1%	9.1%	$0.76	$0.68	$0.63	5.8x	6.5x	7.0x	$5.70	$4.25	5.9%	↔
True North Commerical REIT	TNT.un	SP		$627	Kornack	$6.87	$0.59	$0.59	$0.59	8.6%	8.6%	8.6%	8.6%	$0.57	$0.59	$0.60	12.0x	11.6x	11.5x	$7.00	$7.00	10.5%	
NorthWest H.P. REIT	NWH.un	SP	↔	$2,294	Woolley	$12.93	$0.80	$0.80	$0.80	6.2%	6.2%	6.2%	6.2%	$0.73	$0.83	$0.89	17.6x	15.5x	14.5x	$11.00	$13.50	10.6%	↔
H&R REIT	HR.un	OP	↔	$4,303	Kornack	$14.26	$0.92	$0.69	$0.69	6.5%	4.8%	4.8%	4.8%	$1.73	$1.67	$1.60	8.3x	8.5x	8.9x	$19.75	$16.75	22.3%	↔
Cominar REIT	CUF.un	RES		$1,702	Kornack	$9.33	RES	RES	RES	RES	RES	RES	RES	RES	RES	RES	RES	RES	RES	Res	RES	RES	
Artis REIT	AX.un	SP	↔	$1,466	Kornack	$10.84	$0.54	$0.54	$0.56	5.0%	5.0%	5.1%	5.1%	$1.41	$1.41	$1.34	7.7x	7.7x	8.1x	$12.25	$11.50	11.1%	↔
BTB REIT	BTB.un	SP	↔	$266	Kornack	$4.22	$0.42	$0.36	$0.30	10.0%	8.5%	7.1%	7.1%	$0.41	$0.38	$0.41	10.2x	11.0x	10.2x	$3.90	$4.25	9.2%	↑
Industrial																							
Granite REIT	GRT.un	OP	↔	$4,714	Kornack	$76.42	$2.92	$3.00	$3.00	3.8%	3.9%	3.9%	3.9%	$4.06	$4.32	$4.47	18.8x	17.7x	17.1x	$75.15	$88.50	19.7%	↔
DREAM Industrial REIT	DIR.un	OP	↔	$2,570	Kornack	$13.42	$0.70	$0.70	$0.70	5.2%	5.2%	5.2%	5.2%	$0.78	$0.71	$0.81	17.2x	18.9x	16.7x	$14.00	$14.75	15.1%	↔
WPT Industrial REIT	WIR'U-T	OP	↔	$673u	Kornack	$15.10u	$0.76u	$0.76u	$0.76u	5.0%	5.0%	5.0%	5.0%	$0.88u	$0.95u	$1.07u	17.2x	15.9x	14.2x	$15.30u	$17.50u	20.9%	↔
Summit Industrial	SMU.un	OP	↔	$2,391	Kornack	$14.26	$0.54	$0.55	$0.57	3.8%	3.9%	4.0%	3.8%	$0.58	$0.65	$0.68	24.5x	21.9x	21.1x	$13.90	$16.00	16.1%	↔
Hotels																							
American Hotel Income Properties	HOT.un	SP	↔	$320	Woolley	$4.10	$0.65u	$0.65u	$0.65u	20.9%	20.9%	20.9%	20.9%	$0.73u	(0.08)u	$0.11u	4.3x	-40.2x	29.1x	$2.90	$4.25	24.5%	↑
Multi-Res																							
CAP REIT	CAR.un	OP	↔	$9,245	Kornack	$53.86	$1.37	$1.38	$1.43	2.5%	2.6%	2.7%	2.6%	$2.13	$2.24	$2.34	25.3x	24.0x	23.1x	$54.64	$62.00	17.7%	↔
Boardwalk REIT	BEI.un	OP	↔	$1,853	Kornack	$36.31	$1.00	$1.00	$1.00	2.8%	2.8%	2.8%	2.8%	$2.61	$2.81	$2.79	13.9x	12.9x	13.0x	$45.10	$44.00	23.9%	↔
Killam Apartment REIT	KMP.un	OP	↔	$1,979	Kornack	$18.51	$0.65	$0.68	$0.70	3.5%	3.6%	3.8%	3.7%	$0.98	$1.00	$1.02	18.9x	18.5x	18.1x	$20.40	$21.00	17.1%	↔
InterRent REIT	IIP.un	OP	↔	$2,104	Kornack	$14.79	$0.31	$0.32	$0.32	2.1%	2.1%	2.2%	2.2%	$0.49	$0.48	$0.52	30.3x	31.1x	28.2x	$14.40	$16.00	10.3%	↑
Minto Apartment REIT	MI.un	SP	↔	$697	Kornack	$21.71	$0.41	$0.41	$0.41	1.9%	1.9%	1.9%	2.1%	$0.78	$0.86	$0.92	28.0x	25.3x	23.6x	$19.00	$22.00	3.2%	↔
BSR REIT	HOM.un	OP	↔	$421u	Kornack	$13.76u	$0.50u	$0.50u	$0.50u	3.6%	3.6%	3.6%	3.6%	$0.73u	$0.61u	$0.63u	18.8x	22.5x	21.9x	$11.95u	$13.00u	-1.9%	↔
ERES REIT	ERE.un	OP	↔	$1,003	Kornack	$4.33	$0.17	$0.17	$0.17	3.9%	3.9%	3.9%	3.9%	$0.19	$0.20	$0.21	23.4x	21.7x	20.5x	$5.21	$5.35	27.4%	↔
International																							
Inovalis REIT	INO.un	SP	↔	$320	Kornack	$9.54	$0.83	$0.83	$0.83	8.6%	8.6%	8.6%	8.6%	$0.85	$0.66	$0.66	11.2x	14.5x	14.5x	$10.85	$10.00	13.5%	↔
Seniors Housing																							
Chartwell Retirement Residences	CSH.un	OP	↔	$2,556	Woolley	$11.71	0.59	0.60	0.60	5.0%	5.1%	5.1%	5.1%	0.92	0.73	0.77	12.7x	16.1x	15.1x	$11.20	$13.50	20.4%	↔
Sienna Senior Living	SIA	OP	↔	$960	Woolley	$14.32	0.90	0.92	0.94	6.3%	6.5%	6.5%	6.5%	1.38	1.03	1.04	10.3x	13.9x	13.8x	$15.30	$15.00	11.2%	↔
Extendicare	EXE	SP	↔	$689	Woolley	$7.70	0.48	0.48	0.48	6.2%	6.2%	6.2%	6.2%	0.52	0.80	0.33	14.9x	9.6x	23.6x	$7.30	$7.00	-2.9%	↔
Invesque	IVQu	SP	↔	$159u	Woolley	$2.85u	$0.74u	$0.74u	$0.74u	25.8%	25.8%	25.8%	0.0%	$0.75u	$0.70u	$0.58u	3.8x	4.1x	4.9x	$2.50u	$2.75u	22.3%	↑
Self Storage																							
StorageVault Canada	SVI.V	OP	↔	$1,701	Woolley	$4.65	$0.01	$0.01	$0.01	0.2%	0.2%	0.2%	0.2%	$0.09	$0.12	$0.12	52.5x	39.7x	37.4x	$3.45	$4.50	-3.0%	↔
MHC																							
Flagship Communities REIT	MHCu	OP	↔	$192u	Woolley	$15.20u	n/a	n/a	$0.51u	n/a	n/a	3.4%	3.4%	n/a	n/a	$0.87u	n/a	n/a	17.5x	$16.90u	$19.00u	28.4%	↑
Asset Management																							
Tricon Capital Group	TCN	OP	↔	$2,933u	Woolley	$12.86	$0.28	$0.28	$0.28	2.2%	2.2%	2.2%	2.2%	$0.42u	$0.42u	$0.44u	19.9x	19.9x	19.0x	$13.89	$14.00	11.0%	↔

Stock Rating: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; RES=Restricted

u = US Dollars

Source: Company Reports, NBF, Refinitiv

(1) Total return = price return + 12 months rolling forward distribution return.

Special Situations

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Selections

- *Dexterra*
- *GDI*
- *Hardwoods Distribution*

Looking past the COVID-19 pandemic (TSX: GDI)

With 2020 in the rear-view mirror, we take a look at GDI's post-pandemic prospects as the company remains extremely well positioned to grow both organically and via M&A.

Janitorial segments are expected to thrive on long-term tailwinds

While lower occupancy levels related to work-from-home initiatives negatively impacted GDI's janitorial volumes to some degree, the headwind was more than offset by an uptick in demand for additional services. Since the beginning of the pandemic, enhanced, higher frequency cleaning of high-touch areas and special one-time services became much more regular occurrences, resulting in Janitorial Canada's EBITDA margins increasing 490 bps y/y to 11.5% in 2020, due to the incremental work's higher margin profile. While the impact was less pronounced in the U.S. due to the different business mix (greater exposure to educational and industrial end markets), Janitorial USA margins still rose 120 bps y/y to 8.8% in 2020. Given broader concern surrounding contact disease transmission risk, these incremental services are expected to remain a tailwind in the medium term.

Heavy backlog to support Technical Services exiting the pandemic

Revenues in the Technical Services segment were more dramatically impacted during the pandemic than the janitorial segments, as although the ~50% of revenues consisting of maintenance and repair work held up fairly well, the ~50% of business driven by projects was pushed to the right as customers entered cash preservation mode, resulting in negative 11.8% organic growth in 2020. Looking forward, however, the segment has a record backlog of new and delayed projects to drive an uptick in volumes and management foresees increased demand for HVAC and air purification. As Ainsworth is the largest HVAC and building automation service in North America, GDI is well-positioned to capitalize on greater awareness of airborne diseases.

M&A remains the top priority entering 2021

GDI's balance sheet is in exceptional shape at 1.7x Net Debt/EBITDA pro forma the acquisition of BP for US$31.5 million in Q1/21 and management continues to actively evaluate capital deployment opportunities. As the COVID-19 frenzy normalizes, GDI has seen an uptick in inbound calls as owners look to monetize their businesses following an unusually stressful year. We believe GDI will remain disciplined and will not chase acquisition multiples above their comfort zones, which vary from 4-6x for small acquisitions to 6-8x for companies with $100 million and up in revenue. In the absence of M&A, we see FCF bringing down leverage by ~0.5x annually.

Our $59 target is based on 11.5x 2022e EV/EBITDA (10x base, 1.5x M&A growth premium). We rate the company Outperform as we believe GDI is in a strong position to accelerate out of the COVID-19 pandemic, supported by a flexible balance sheet and supportive industry dynamics.

Sector Analysis

Special Situations

Back to Research Analysts page

	Stock Symbol	Stock Rating	Δ	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 3/31	Last Year Reported	FDEPS			P/E		EBITDA (mln)			EV/EBITDA		Div. yield	Net Debt/ FY2 EBITDA	12-Mth Price Target	Δ
								(A) Last FY	est. FY1	est. FY2	FY1	FY2	(A) Last FY	est. FY1	est. FY2	FY1	FY2				
Alaris Equity Partners Income Trust	AD	OP		619.0	38.9	15.90	12/2020	0.51	1.56	1.78	10.2	8.9	85.6	117.0	127.8	7.8	7.2	7.8%	2.3	21.00	
Boyd Group Services Inc.	BYD	OP		4,572.3	21.5	212.94	12/2020	2.57	4.09	6.89	52.1	30.9	293.6	355.3	472.9	15.0	11.2	0.3%	1.4	265.00	↑
CanWel Building Materials	CWX	OP		701.3	77.9	9.00	12/2020	0.78	0.68	0.66	13.2	13.7	143.1	134.2	131.8	7.2	7.1	5.3%	1.7	10.50	↑
Cascades	CAS	OP		1,588.9	101.0	15.73	12/2020	1.95	2.06	2.10	7.7	7.5	675.0	745.2	749.4	4.5	4.3	2.0%	2.2	22.50	
Dexterra Group Inc.	DXT	OP		379.5	64.9	5.85	12/2020	1.24	0.33	0.50	17.8	11.7	36.9	66.5	80.5	6.6	4.9	5.1%	0.7	8.50	
GDI Integrated Facility Services	GDI	OP		1,203.5	22.8	52.83	12/2020	2.11	2.03	1.99	26.0	26.5	104.9	126.5	123.5	10.6	10.4	0.0%	1.3	59.00	↑
Hardwoods Distribution	HDI	OP		677.6	21.4	31.65	12/2020	2.03	2.15	2.36	14.7	13.4	97.5	103.6	109.2	8.3	7.6	1.3%	1.8	40.00	↑
Intertape Polymer Group Inc.	ITP	OP	↑	1,672.9	59.7	28.00	12/2020	1.51	1.60	1.81	17.6	15.5	210.1	225.6	243.1	8.0	7.2	2.8%	1.9	34.00	↑
KP Tissue	KPT	SP	↓	106.0	9.7	10.90	12/2020	0.53	0.31	0.97	35.0	11.3	197.8	183.2	232.6	7.1	7.1	6.6%	3.2	12.00	↓
New Look Vision Group	BCI	R		R	R	R	12/2020	R	R	R	R	R	R	R	R	R	R	R	R	R	
Park Lawn Corporation	PLC	OP		987.6	30.0	32.92	12/2020	1.16	1.31	1.54	25.1	21.4	79.9	90.6	99.2	13.5	11.2	1.4%	2.1	43.00	↑
Richelieu Hardware	RCH	SP		2,325.2	56.3	41.30	11/2020	1.50	1.59	1.79	25.9	23.1	154.5	159.8	174.9	13.7	12.1	0.7%	0.1	37.50	
Savaria Corporation	SIS	SP	↓	897.3	51.2	17.53	12/2020	0.52	0.78	1.02	22.3	17.2	59.8	102.7	126.7	12.7	11.2	2.7%	0.4	20.00	↑
Uni-Sélect	UNS	SP		384.5	42.4	9.07	12/2020	(0.18)	0.54	0.84	16.8	10.8	88.8	119.7	134.7	6.6	5.6	0.0%	2.7	10.00	

Stock Rating: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; R=Restricted

Note: Intertape and Uni-Select data is in USD except stock prices and target prices. KP Tissue: Financial data reflects Kruger Products L.P. (in which KP Tissue has a 14.7% interest).

Source: Company reports, NBF, Refinitiv

Sustainability & Clean Tech

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Selections

› *Innergex Renewable Energy Inc.*
› *Northland Power Inc.*
› *Boralex.*

Company Highlights

Our renewable energy infrastructure coverage has performed well over the past decade benefiting from accretive growth, supportive government policy, a low interest rate environment and of late a scarcity of green investments. It will be hard to replicate the performance of the past five years, but there are plenty of growth opportunities for companies in the sector. The proposed rebalancing of the S&P Global Clean Energy Index has been a headwind to INE and BLX recently, but we believe funds should continue to flow into the sector. Our top picks are INE, NPI and BLX.

Innergex Renewable Energy Inc.
(INE: TSX; Outperform; $28.00 target)

INE is one of Canada's largest renewables focused IPPs with an operating capacity of 2,742 MW (net). INE's production capacity is diversified across different renewable platforms (~29% hydro, ~57% wind and ~14% solar) and across geographies (~53% Canada, ~33% U.S., ~8% France and ~6% Chile). We believe INE's near-term construction activities could bear fruit soon with the 200 MW Hillcrest solar project on track for commissioning during late Q2'21E, while INE has also started construction activities at its Griffin Trail wind project in Texas (COD Q3E). On the development front, INE is progressing with a few solar and battery storage projects that should move to construction soon.
While Q4 results were positive across most of the fleet, the anomalistic weather conditions in Texas are now expected to impact results in Q1 by ~$80 million on a consolidated basis, which is equivalent to more than six months of cash flow, but only ~2% of INE's market cap. While Texas might stretch the payout ratio, INE has visibility on near-term growth, and with that has guided to ~12% growth on normalized EBITDA for 2021.
Our target is based on a long-term DCF with a cost of equity of 5.25% on operating assets and includes $3/sh for growth. We believe the stock should recover after recent headwinds.

Northland Power Inc.
(NPI: TSX; Outperform; $52.00 target)

Northland Power owns 2,266 MW (net) of operational capacity in renewable and thermal power generation and it is a global leader in the development of offshore wind. We believe offshore wind is the most attractive market today, with large projects and high return potential. NPI could have the best visibility on growth within its peer group, after highlighting opportunities of 4 GW to 5 GW for the next decade, primarily in offshore wind between Taiwan, Japan, South Korea, Poland and Germany. With its offshore wind platform, NPI is attracting large partners, like PKN Orlen in Poland and Tokyo Gas in Japan, which could help to boost returns. The first of its growth projects to be constructed should be the 1,044 MW Hai Long project in Taiwan (FID 2022E), possibly followed by the 1,200 MW Baltic project in Poland (FID 2023E). For 2021, NPI expects adj EBITDA of $1.1 billion to $1.2 billion and FCF in the range of $1.30 to $1.50 /sh. Our target is based on a long-term DCF with a cost of equity of 4.5% on operating cash flows and $10/sh of growth.

Boralex Inc.
(BLX: TSX; Outperform; $50.00 target):

BLX is a renewable energy producer with wind, solar and hydro assets in the USA, France and Canada. It has ~2,455 MW of generating capacity, mostly under long-term contracts with an average contract life of ~13 years. BLX targets $200 million to $210 million in AFFO by 2023E while maintaining a payout ratio of 40 - 60%. BLX has good visibility on growing its capacity by 544 MW in 2023E and optimizing its cost structure. In February 2021, BLX acquired controlling interests in seven solar plants in the United States for a purchase price of $277 million (US$215.6 million, weighted average PPA duration of 21.5 years). Additionally, in December 2020, BLX acquired the remaining 49% stake from the CDPQ in three wind farms located in Québec for a cash consideration of $121.5 million. We believe these acquisitions should be able to serve as a platform for future organic growth and provide BLX room to realize operating synergies. With an established foothold in France and now with a beachhead in the United States, we believe that BLX needs to grow by over 200 MW per year to make a difference in growth, and it appears to be on track to do this. Our target is based on a long-term DCF with a cost of equity of 4.5% on operating cash flows and $7/sh of growth.

Sustainability & Clean Tech

	Stock Sym.	Stock Rating	Δ	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 03/31	Last Year Reported	FDEPS (A) Last FY	FDEPS est. FY1	FDEPS est. FY2	P/E FY1	P/E FY2	Sales per share (A) Last FY	Sales per share est. FY1	Sales per share est. FY2	P/S FY1	P/S FY2	Book Value	Debt/ Capital	12-Mth Price Target	Δ
Energy Technology																					
5N Plus	VNP	OP		379.4	82	4.60	12/2020	0.06u	0.18u	0.19u	31.6	30.1	2.14u	2.67u	2.96u	2.2	2.0	1.33u	0.22	5.75	↑
Algonquin Power	AQN	OP		9533.8u	602	15.84u	12/2019	0.65u	0.73u	0.76u	27.4	26.2	2.98u	3.34u	3.36u	6.0	5.9	9.41u	0.44	17.00u	↓
Altius Renewable Royalties Corp	ARR	SP		305.6	28	10.75	12/2019	(0.49)u	(0.23)u	(0.08)u	nmf	nmf	0.08u	0.02u	0.01u	nmf	nmf	5.19u	0.00	12.00	
Atlantic Power	AT	T		339.6u	118	2.89u	12/2019	(0.35)u	0.43u	0.43u	8.5	8.4	2.58u	2.44u	2.63u	1.5	1.4	1.02u	0.71	3.03u	
Ballard Power Systems	BLDP	OP		5930.0u	244	24.34u	12/2019	(0.16)u	(0.19)u	(0.12)u	nmf	nmf	0.46u	0.39u	0.39u	nmf	nmf	3.19u	0.02	35.00u	↓
Boralex	BLX	OP		4091.4	104	39.52	12/2020	0.56	0.87	0.89	57.2	55.7	6.44	7.28	7.30	6.8	6.8	9.57	0.68	50.00	
Brookfield Infrastructure	BIP	OP		24761.3u	465	53.25u	12/2019	1.34u	1.41u	1.42u	47.5	47.1	8.81u	10.30u	10.66u	6.5	6.3	44.40u	0.69	60.00u	
Brookfield Renewable	BEP	SP		27496.2u	645	42.60u	12/2019	0.00u	0.00u	0.00u	na	na	3.46u	3.49u	4.10u	15.3	13.0	24.27u	0.35	42.00u	
DIRTT Environmental Solutions	DRT	OP		261.7u	85	3.09u	12/2020	(0.13)u	(0.13)u	0.01u	nmf	nmf	2.03u	1.96u	2.45u	2.0	1.6	1.38u	0.00	3.00u	
GFL Environmental Inc.	GFL	OP		16865.3	384	43.90	12/2020	(1.61)	(0.34)	(0.25)	nmf	nmf	11.39	13.32	13.96	4.1	3.9	17.40	0.52	44.00	↑
Innergex	INE	OP		3849.9	175	21.97	12/2020	(0.22)	0.43	0.53	64.7	51.8	3.51	3.76	3.80	7.3	7.3	6.11	0.82	28.00	
Lithium Americas	LAC	OP		1468.1u	91	16.07u	12/2019	0.60u	(0.38)u	(0.21)u	nmf	nmf	0.05u	0.00u	0.00u	na	na	1.09u	0.53	23.00u	
Loop Energy Inc	LPEN	OP		436.2	34	12.99	12/2019	-0.08	-0.34	-0.58	nmf	nmf	0.01	0.02	0.06	nmf	nmf	2.76	0.04	20.00	
NanoXplore	GRA	OP		129.7	140	3.22	06/2019	(0.10)	(0.07)	(0.02)	nmf	nmf	0.55	0.46	0.43	8.7	9.5	0.50	0.38	5.00	
Northland Power	NPI	OP		9101.7	200	45.55	12/2020	1.79	1.37	1.17	41.6	49.0	10.31	10.41	10.09	5.5	5.7	9.91	0.80	52.00	
Pinnacle Renewable	PL	SP	↓	377.4	33	11.27	12/2020	(0.15)	0.29	0.87	49.1	16.3	14.70	16.46	19.97	0.9	0.7	4.39	0.72	11.30	↓
Sigma Lithium	SGMA	OP		401.3	77	5.20	12/2019	(0.07)	(0.02)	(0.06)	nmf	nmf	0.00	0.00	0.00	na	na	0.30	0.16	6.25	
TransAlta Renewables	RNW	SP		5471.6	266	20.57	12/2019	0.35	0.63	0.64	41.0	40.5	1.64	1.77	1.82	14.6	14.2	8.28	0.19	20.00	↓
Xebec Adsorption	XBC	SP	↓	656.6	152	4.31	12/2019	(0.33)	(0.05)	0.05	nmf	nmf	0.59	0.83	1.16	6.5	4.7	2.26	0.14	6.00	↓

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

u = US dollar

[1] FD EPS are pro-forma numbers from continuing operations and exludes goodwill amortization, restructuring and one-time charges.

Source: Company Reports, Refinitiv, NBF Estimates & Analysis

Technology

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Selections

- *Docebo*
- *Kinaxis*
- *Lightspeed*
- *Nuvei*
- *Real Matters*
- *Farmers Edge*
- *Shopify*

Rocky Start for Tech – Not if You Have a Long-Term View

2021 has been a volatile year so far for technology. While the first half of Q1 saw continued strength – the back half has been less so. Year to date, the S&P Technology Index is up 0.24% versus the 5.78% increase in the S&P 500. In Canada, the story has been similar with the TSX Technology Index down 3.83% versus the 8.08% increase in the TSX. No doubt a lot of that underperformance has been driven by macro factors such as rising interest rates as well as a rotation into value and "reopening" stocks in the hope that 2021 will have the world firmly on the other side of COVID. While there may have been a shift in sentiment, that has not changed the underlying fundamentals of our favourite names. We continue to believe the secular trends will have some permanency and many of our Outperform-rated names are well-positioned within those trends. With many of those names off all-time highs, we think investors should opportunistically look for entry points. At the same time, we continue to believe legacy names like OpenText and CGI are fundamentally undervalued and those strong underlying fundamentals like considerable free cash flow that's had those names outperforming the broad group so far this year. From a stock selection standpoint, we'd continue to opportunistically add positions in growth names like Docebo, Lightspeed, Kinaxis, Nuvei, Farmers Edge, Shopify and Real Matters while balancing those names with legacy incumbents like CGI and OpenText with select special situations in names like Altus. The following provides an update on some of our Outperform-rated names:

Farmers Edge is an agriculture data and analytics platform provider. The Company's core platform, FarmCommand, offers scalable subscription services that range from soil monitoring to crop planning. The Company has over 3,000 customers and over 23 million subscribed acres. Farmers Edge makes money by charging subscription revenue for its services that range from $1.50 - $6.00 per acre where average contract terms range from three to five years. As we've seen other industries increasingly benefit from overlaying insight from data, we believe that's also a scaling opportunity in farming. The difference is that adoption rates based on our diligence are very early suggesting significant growth potential. We believe Farmers Edge is an early leader with one of the most comprehensive offerings in the market that's further differentiated by its independence.

Lightspeed continues to capture share using a strategy of organic and acquisition measures. That's elevating its ability to fortify a growing leadership position within its targeted segments. Equally impressive has been the Company's resilience and ability to pivot existing and prospective customers to relevant products under the current health backdrop. Looking ahead, as we move out of the rotating global lockdowns, it's our view that if the Company can operate under the conditions of the past year, we think a normalized environment would amplify that ability to execute that much more – which is the main reason why we still think there is plenty of upside ahead.

Kinaxis should be a meaningful beneficiary from the secular changes from supply chain solutions. While it may (or may not) be obvious, supply chain management has been a critical technology / process in the current environment and from what we've heard, the pipeline of opportunity is up considerably, which should be of no surprise given the challenges across supply chains, particularly across larger enterprises. The complexity of the Company's technology caused some delays in conversions of its pipeline; yet, that pipeline has only increased. We think those delays are being misread by the market – in our view, that represents an opportunity.

Shopify remains the leading technology platform for e-Commerce in our opinion. The Company reported a record Q4 GMV with growth of 100% Y/Y. For investors, we see many avenues of growth - namely: 1) International, 2) increased take rate with new services; 3) fulfillment; and, 4) larger enterprise not to mention what we believe to be an overall accelerating industry shift to e-Commerce. It's those drivers that offer the potential for a material lift in revenue going forward and given the execution thus far, we believe it's reasonable to price in those potential drivers given the history of execution.

Technology

	Stock Sym.	Stock Rating	Δ	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 3/31	Last Year Reported	FDEPS (A) Last FY	FDEPS est. FY1	FDEPS est. FY2	P/E FY1	P/E FY2	EBITDA (Mln) (A) Last FY	EBITDA (Mln) est. FY1	EBITDA (Mln) est. FY2	EV/EBITDA FY1	EV/EBITDA FY2	Book Value	Debt/ Total Capital	12-Mth Price Target	Δ
Absolute Software Corp.	ABST	SP		913	52.1	17.53	2020	0.24u	0.22u	0.24u	NMF	NMF	27.4u	28.7u	29.4u	21.1	20.5	(0.8u)	0%	18.00	
Altus Group Limited	AIF	OP		2,475	40.6	60.98	2020	1.46	1.82	1.91	33.5	31.9	88.1	98.7	101.9	25.7	24.9	9.5u	28%	70.00	↑
Blackline Safety Corp.*	BLN	OP		424	52.2	8.13	2020	(0.14)	(0.19)	(0.10)	NMF	NMF	5.5	5.3	10.2	70.5	36.4	0.0u	0%	12.00	
CGI Inc.	GIB.A	OP		27,653	261.8	105.63	2020	4.68	5.40	5.80	19.6	18.2	2426.3	2732.7	2883.4	10.8	10.2	27.7	33%	120.00	
Constellation Software Inc.	CSU	SP		38,018	21.2	1,794.00	2020	27.84u	36.08u	44.00u	39.6	32.5	933.0u	1,194.7u	1,303.4u	25.4	23.3	42.6u	43%	1600.00	
Docebo Inc.	DCBO	OP		1,740	32.2	54.04	2019	(0.35u)	(0.06u)	0.02u	NMF	NMF	(5.7u)	(2.5u)	(0.8u)	NMF	NMF	1.4u	0%	70.00u	
EXFO Inc.	EXFO	SP		241u	54.6	4.41u	2020	0.01u	0.28u	0.38u	16.0	11.5	18.2u	29.8u	30.9u	8.2	7.9	3.2u	10%	3.50u	
Farmers Edge Inc.	FDGE	OP		746u	41.8	17.85u	2020	(2.02u)	(0.50u)	0.36u	NMF	49.2	(45.9u)	(9.2u)	26.9u	NMF	22.8	(7.0u)	0%	25.00u	
Kinaxis Inc.	KXS	OP		4,336	27.8	156.16	2019	1.36u	1.16u	1.90u	NMF	NMF	57.7u	56.8u	81.0u	57.1	40.0	9.9u	0%	225.00	↓
Lightspeed POS	LSPD	OP		7,721u	119.9	64.40u	2020	(0.48u)	(0.51u)	(0.52u)	NMF	NMF	(21.7u)	(29.9u)	(48.7u)	NMF	NMF	5.4u	4%	90.00u	
Maxar Technologies Ltd.	MAXR	SP		2,416u	63.4	38.11u	2020	(3.02u)	3.59u	(1.71u)	10.6	NMF	416.0u	437.0u	451.7u	10.9	10.6	15.7u	71%	52.00u	
mdf commerce inc.	MDF	SP		261	22.7	11.48	2020	(0.03)	(0.20)	(0.09)	NMF	NMF	8.5	6.3	6.9	35.4	32.4	4.7u	11%	13.50	↓
Nuvei Corporation	NVEI	OP		10,266	131.5	78.09	2019	(0.32u)	(0.04u)	0.89u	NMF	NMF	87.2u	157.8u	172.1u	51.8	47.5	8.8u	9%	100.00	↑
Open Text Corporation	OTEX	OP		13,179u	272.8	48.30u	2020	2.89u	3.29u	3.41u	14.7	14.2	1,148.2u	1,231.8u	1,335.6u	12.6	11.6	14.9u	51%	60.00u	
Pivotree Inc.*	PVT	OP		211	26.6	7.95	2019	(0.03)	(0.02)	0.07	NMF	NMF	5.4	5.6	7.1	39.6	31.4	0.5	58%	13.00	↓
Real Matters Inc.	REAL	OP		1,282	88.5	14.49	2020	0.56u	0.81u	1.05u	14.2	10.9	72.2u	90.5u	116.9u	9.8	7.6	2.4u	0%	40.00	
Shopify Inc.	SHOP	OP		144,320u	124.9	1,155.41u	2020	0.30u	3.48u	4.68u	NMF	NMF	71.3u	364.2u	578.0u	NMF	NMF	49.5u	11%	1,650.00u	
Sierra Wireless Inc.	SWIR	UP		557u	36.4	15.30u	2020	(0.01u)	(1.16u)	(0.44u)	NMF	NMF	21.0u	(25.8u)	4.8u	NMF	107.2	9.4u	7%	15.00u	

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted;

u = US dollar

Source: Company Reports, NBF, Refinitiv; * Covered by John Shao

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Selections

- › *Cineplex*
- › *Corus*
- › *Shaw*

Rogers moves to acquire Shaw

Transaction details and other thoughts:

On 3/15/21, Rogers announced a deal to acquire Shaw for $40.50/share with the 2021E EV/EBITDA at 10.7x or 7.6x after $1 billion of anticipated synergies expected to come 70% from opex, 20% from capex, and 10% from revenues 24 months post-closing. Rogers would see its leverage jump to over 5.0x with an expectation that this will contract toward 3.5x after 36 months post-closing. The deal requires approvals from the Competition Bureau, ISED, and CRTC, with the companies saying the closing could occur within 9-12 months. With the transaction poised for serious scrutiny, particularly as it relates to inevitable remedies related to wireless, we don't expect the deal to close before 2Q22. We'll also need to see if a federal election occurs in 2H21 and whether a change in government materializes which could delay the review process. The wireline part of the deal represents complementary geographic footprints, is where most of the deal synergies exist, and where Shaw derives the majority of its revenues and FCF. Rogers would also like to keep Shaw's wireless business, but this would eliminate the fourth operator in Ontario, Alberta, and British Columbia which Ottawa has pushed for over the past 10+ years to stimulate greater competition. As such, Rogers will likely be asked to partially or fully divest of Shaw, with Quebecor and/or Xplornet being potential acquirors of these assets, subject to not only related deal conditions but also what the CRTC does about possibly introducing a hybrid mandated MVNO solution in its still pending conclusion of its Wireless Review. Meanwhile, as Rogers works to convince politicians and regulators about the merits of its acquisition proposal, Shaw's stock is trading more than 20% below the offer price which appears excessive, especially when Rogers is fully aware of the regulatory hurdles related to the wireless part of the deal, doesn't want to go back next year and rework the agreement with Shaw, and is prepared to deal with any remedies sought by regulators to conclude the transaction. Rogers noted that it doesn't need to raise equity or sell its investment in Cogeco which has allowed the latter's shares to move higher as some of the recent overhang continues to dissipate. As for Rogers' telco peers, they have embarked on accelerated capex programs through next year to increase the penetration of their fibre builds and 5G coverage.

	Stock Sym.	Stock Rating	Δ	Market Cap. (Mln)	Shares O/S (Mln)	Stock Price 3/31	Last Year Reported	FDEPS (A) Last FY	FDEPS est. FY1	FDEPS est. FY2	P/E FY1	P/E FY2	EBITDA ($mln) (A) Last FY	EBITDA ($mln) est. FY1	EBITDA ($mln) est. FY2	EV/EBITDA FY1	EV/EBITDA FY2	Book Value	ND/ Total Capital	12-Mth Price Target	Δ
Broadcasting & Entertainment																					
Cineplex Inc.	CGX	OP		754	63.3	11.91	12/2020	(9.85)	(2.14)	0.04	NM	NM	-182.8	51.0	185.3	28.9	7.3	4.05	0.97	17.00	↑
Corus Entertainment Inc.	CJR.b	OP		1,192	208.4	5.72	08/2020	0.75	0.91	0.81	6.3	7.0	505.8	539.6	507.8	5.2	5.1	4.66	0.62	8.00	↑
WildBrain Ltd.	WILD	SP		481	169.3	2.84	06/2020	(0.64)	0.01	0.07	NM	NM	81.8	82.9	90.7	11.4	9.9	0.46	0.82	3.00	
Spin Master	TOY	OP		3,579	102.0	35.09	12/2020	0.51	1.23	1.48	22.7	18.9	180.6	277.6	302.2	9.0	7.8	8.26	-0.61	47.00	↑
Stingray Digital	RAY.a	OP		520	73.0	7.12	03/2020	0.74	0.93	0.95	7.6	7.5	118.1	120.5	125.7	7.2	6.5	3.92	0.59	9.00	
TVA Group Inc.	TVA.b	SP		98	43.2	2.27	12/2020	0.86	0.55	0.64	4.1	3.6	85.3	66.0	68.8	1.7	1.3	6.46	0.11	2.50	
Printing & Publishing																					
Thomson Reuters	TRI	OP		54,825	498.0	110.09	12/2020	1.85	2.03	2.68	43.1	32.7	1975.0	1904.9	2238.0	23.9	20.1	20.04	0.18	122.00	
Transcontinental Inc.	TCL.a	OP		1,925	87.0	22.12	10/2020	2.61	2.30	2.33	9.6	9.5	499.4	448.1	442.9	6.0	5.7	19.67	0.34	26.00	
Advertising & Marketing																					
Yellow Pages	Y	SP		343	28.0	12.27	12/2020	2.28	2.19	2.20	5.6	5.6	129.4	116.0	105.0	2.3	2.0	NM	-0.05	13.00	
Telecommunications																					
BCE Inc.	BCE	OP		51,307	904.4	56.73	12/2020	3.02	3.15	3.48	18.0	16.3	9607.0	9956.5	10401.8	8.1	7.7	18.78	0.38	64.00	
Cogeco Communications Inc.	CCA	OP		5,654	47.9	118.00	08/2020	7.41	8.91	9.75	13.2	12.1	1148.7	1226.3	1278.0	6.6	6.1	56.55	0.50	126.00	
Quebecor Inc.	QBR.b	OP		8,405	249.1	33.74	12/2020	2.33	2.46	2.61	13.7	12.9	1952.6	1997.4	2058.1	6.8	6.4	4.47	0.84	40.00	
Rogers Communications Inc.	RCI.b	OP		29,260	504.9	57.95	12/2020	3.40	3.72	4.49	15.6	12.9	5857.0	6064.8	9027.0	7.5	7.1	18.96	0.46	74.00	↑
Shaw Communications	SJR.b	OP		16,765	513.0	32.68	08/2020	1.31	1.34	1.47	24.5	22.2	2391.0	2431.6	2493.0	9.1	8.6	12.02	0.47	40.50	↑
Telus Corp.	T	OP		32,314	1291.0	25.03	12/2020	0.95	0.97	0.95	25.9	26.2	5494.3	5959.7	6319.1	8.6	8.2	9.76	0.62	28.00	↓

Stock Rating: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; R=Restricted
Source: Bloomberg, Refinitiv and NBF estimates

TRI & TOY estimates are in US$, rest is CAD$.

Transportation & Industrial Products

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Selections

- *TFI International*
- *NFI Group*
- *Héroux-Devtek*

Proposed merger of CP Rail and Kansas City Southern a compelling combination

CP Rail (CP: TSX; Outperform, $515.00 target). CP Rail has entered into an agreement under which it proposes to merge with U.S. Class I railroad Kansas City Southern (KSU: NYSE). The transaction, which has the support of both company Boards, would see CP acquire KSU shares for an implied value of US$275 per share, a 23% premium to the Friday, March 19th closing price. KSU shareholders would receive US$90/share in cash plus 0.489 CP shares for each KSU share held. The total enterprise value of the transaction is US$29 billion. CP will raise US$8.6 billion in new debt and also issue 44.5 million new shares.

Premium valuation for KSU. The implied price CP would pay for KSU would equate to 30.5x current year consensus EPS and 25.9x 2022 EPS. On the announcement of the transaction (March 21st), CP was trading at 23.2x current year and 20.8x next year P/E based on consensus forecast while the broader Class I rail group was trading at 23.1x and 20.4x, respectively. CP indicates that the combination will be accretive in the first full year following CP's full control with low double-digit accretion upon realization of full synergies in 2025, which are expected to reach US$780 million over three years.

A logical combination of the two smallest Class I's. CP and KSU are the two smallest North American Class I railroads, so a combination to better compete against the larger players makes sense. Importantly, the combined railroad would be North America's only network with direct access to all of Canada, the central U.S. and Mexico's industrial heartland, and would create a true three-coast network. The north-south network the combination creates would be particularly advantageous for grain, intermodal and automotive volumes. With the new USMCA trade agreement and trade between Mexico and the United States expected to grow (potentially supported by increased near-shoring of manufacturing back to North America), the timing for this deal appears to be favourable. Importantly, there is essentially no overlap of the two networks with the two connecting in Kansas City. In fact, CP and KSU already interconnect a considerable amount of traffic, so a more seamless interchange will also provide efficiency benefits.

We see regulatory approval as a high probability. Upon financial close of the deal, which is expected in H2 this year, CP would place KSU in an independent trust structure pending regulatory approval of the combination. Regulatory approval from the U.S. Surface Transportation Board (STB) is the key hurdle but given the lack of network overlap and pro-competitive nature of the combination, chances of approval this time around look much higher than was the case with CP's proposal to acquire NSC in 2015. A decision by the STB is currently expected in mid-2022.

Sector Analysis

Transportation & Industrial Products

	Stock Sym.	Stock Rating	Δ	Shares O/S (Mln)	Stock Price 3-31	Market Cap (Mln)	Last Year Reported	Cash EPS (A) Last FY	Cash EPS est. FY1	Cash EPS est. FY2	P/E FY1	P/E FY2	FDFCFPS (A) Last FY	FDFCFPS est. FY1	FDFCFPS est. FY2	P/CFPS FY1	P/CFPS FY2	Net Debt / Cap	12-Mth Price Target	Δ
Air Canada	AC	OP		297	26.15	7,767	12/2020	-16.47	-10.23	-0.30	na	na	(7.51)	(4.07)	5.87	na	4.5x	na	26.00	
Bombardier Inc.	BBD.b	SP		2420	0.97	2,347	12/2020	-u0.47	-u0.15	-u0.01	na	na	-u1.32	-u0.21	u0.11	na	8.4x	na	0.70	
BRP Inc.	DOO	OP		90	108.97	9,754	01/2021	5.35	7.29	8.23	15.0x	13.2x	6.77	3.56	5.76	30.7x	18.9x	158%	123.00	↑
CAE Inc.	CAE	SP		295	35.81	10,546	03/2020	1.34	0.44	0.99	80.8x	36.0x	(80.30)	(80.00)	(90.00)	na	na	39%	41.00	
Canadian National Rail	CNR	SP		713	145.84	104,013	12/2020	5.31	5.96	6.99	24.5x	20.9x	8.47	8.97	10.13	16.3x	14.4x	39%	147.00	↑
Canadian Pacific Rail	CP	OP	↑	135	480.00	64,704	12/2020	17.67	20.00	22.38	24.0x	21.4x	23.47	27.36	29.67	17.5x	16.2x	57%	515.00	↑
Cargojet Inc.	CJT	OP		16	162.24	2,530	12/2020	-5.63	5.33	6.31	30.5x	25.7x	9.41	7.27	5.84	22.3x	27.8x	76%	231.00	
Chorus Aviation Inc.	CHR	SP		162	4.55	736	12/2020	R	R	R	R	R	R	R	R	R	R	R	R	
Exchange Income Corporation	EIF	OP		36	40.24	1,448	12/2020	1.31	1.42	2.44	28.2x	16.5x	5.66	5.94	7.17	6.8x	5.6x	62%	44.00	
Héroux-Devtek Inc.	HRX	OP		37	17.15	626	03/2020	1.00	0.74	0.74	23.1x	23.2x	2.26	1.78	2.00	9.6x	8.6x	33%	18.50	
NFI Group Inc.	NFI	OP		71	27.98	1,985	12/2020	-u0.75	u0.66	u1.50	33.8x	14.9x	u0.69	u1.12	u1.90	25.0x	14.8x	67%	34.00	↑
Transat A.T. Inc.*	TRZ	R		38	5.56	210	10/2020	R	R	R	R	R	R	R	R	R	R	R	R	
TFI International Inc.	TFII	OP		93	94.20	8,796	12/2020	u3.30	u3.92	u5.12	19.1x	14.6x	u5.16	u5.15	u6.45	14.5x	11.6x	41%	110.00	

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

u = US dollars

*based on EBITDAR (includes leases)

Source: Company Reports, Refinitiv, NBF

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