



Action List - (January 2022)

Our Best Ideas

January 7, 2022



EQUITY RESEARCH





Introduction

This publication contains our analysts' top investment recommendations and includes updates from our Strategy and Quantitative research teams. At times, if we are not overly bullish on a particular sector, we may not have an **Action List BUY** in that space. The performance of our **Action List BUYS** is monitored on an ongoing basis against the relevant S&P/TSX sector benchmarks. Our **Action List** is not intended to be a "model" portfolio, but a collection of our highest conviction recommendations without considering sector weightings and other portfolio construction constraints. At times, the sector outlooks of our fundamental analysts may differ from the views of our investment strategist and/or quantitative analyst.

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Please see pages 98-101 for important disclosure information, including disclosures on Quantitative Research.

This report is strictly a summary. It should not be used as the sole basis for investment decision-making.

For information relating to Justification of Target Price and Key Risks to Target Price please visit our website at: www.tdsresearch.com/equities/welcome.important.disclosure.action.



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January 7, 2022

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TD Securities Highest Conviction Ideas

Sector	Ticker	Share Price	Target Price	Rating	
Alternative Energy	Boralex Inc.	BLX-T	\$33.99	\$46.00	AL BUY
	Northland Power Inc.	NPI-T	\$37.19	\$47.00	BUY
Chemicals & Fertilizers	Methanex Corp.	MEOH-Q	US\$42.61	US\$59.00	BUY
Clean Technology	Anaergia Inc.	ANRG-T	\$19.40	\$40.00	SPEC BUY
Communications & Media	Corus Entertainment Inc.	CJR.B-T	\$4.84	\$10.00	AL BUY
	Rogers Communications Inc.	RCI.B-T	\$60.91	\$70.00	BUY
Consumer Discretionary	Gildan Activewear Inc.	GIL-N	US\$42.78	US\$50.00	BUY
	Dollarama, Inc.	DOL-T	\$63.41	\$72.00	BUY
Consumer Staples	Maple Leaf Foods Inc.	MFI-T	\$29.25	\$45.00	AL BUY
Energy Producers — Junior & Intermediate	Crescent Point Energy Corp.	CPG-T	\$7.20	\$12.00	AL BUY
Energy Producers — Senior & Integrated	Cenovus Energy Inc.	CVE-T	\$16.28	\$23.00	BUY
Energy Producers – US E&P	None				
Energy Services	CES Energy Solutions Corp.	CEU-T	\$2.09	\$4.25	BUY
Financial Services – Banks	Royal Bank of Canada	RY-T	\$136.84	\$150.00	BUY
Financial Services – Diversified Financials	Lifeworks	LWRK-T	\$25.60	\$36.00	BUY
	Onex Corp.	ONEX-T	\$100.73	\$125.00	BUY
Financial Services – Insurance	Manulife Financial Corp.	MFC-T	\$24.90	\$37.00	AL BUY
Gold & Precious Minerals – Large Cap Golds	Barrick Gold Corp.	GOLD-N	US\$18.73	US\$26.00	AL BUY
Industrial Products	Stella Jones Inc.	SJ-T	\$40.68	\$56.00	AL BUY
	Finning International Inc.	FTT-T	\$32.02	\$45.00	BUY
Metals & Minerals	Teck Resources Ltd	TECK.B-T	\$37.10	\$47.00	AL BUY
	Solaris Resources Inc.	SLS-T	\$16.11	\$22.00	SPEC BUY
Multi-Industry	Brookfield Asset Management Inc.	BAM-N	US\$60.52	US\$75.00	AL BUY
	Brookfield Infrastructure Partners LP	BIP-N	US\$60.91	US\$67.00	BUY
Paper & Forest Products	Interfor Corp.	IFP-T	\$39.99	\$54.00	BUY
Pipelines Power & Utilities	Capital Power Corp.	CPX-T	\$39.34	\$49.00	BUY
Real Estate	Boardwalk REIT	BEI.un-T	\$53.79	\$70.00	AL BUY
	First Capital REIT	FCR.un-T	\$18.73	\$23.00	AL BUY
Special Situations	Intertape Polymer Group Inc.	ITP-T	\$25.97	\$38.00	BUY
	Superior Plus Corp.	SPB-T	\$13.06	\$17.50	BUY
Technology	Lightspeed Commerce Inc.	LSPD-T	\$50.25	\$130.00	AL BUY
	Softchoice Corp.	SFTC-T	\$22.00	\$37.00	BUY
Transportation — Aerospace	Bombardier Inc.	BBD.B-T	\$1.75	\$3.00	SPEC BUY
Transportation — Railroads & Trucking	Canadian Pacific Railway Ltd.	CP-T	\$93.81	\$110.00	BUY
	Norfolk Southern Corp	NSC-N	US\$294.72	US\$345.00	BUY

Additions to the *Action List* since our last edition are bolded.

Priced as of close on January 4, 2022

Note: All figures in C\$ unless otherwise specified.

Additions

Boralex Inc. (BLX-T) – December 16, 2021

We added Boralex to the Action List in December 2021, following its sharp share-price correction since early-January 2021. Since the 2021 peak, BLX shares have declined by 39%, vs. an average decline of 29% for Canadian renewable IPPs. During this period of underperformance, the company has added to its advanced organic development pipeline at a relatively fast pace. The company's pipeline of projects that are under construction, or construction-ready, totals 643 MW, or 26% of the company's current operating capacity (relatively high). The company has a further 978 MW of advanced development projects, taking its confirmed/advanced capacity growth list to 69% of current capacity (the largest in our coverage universe).

We believe that Boralex is well-positioned for further expansion in two important markets for renewable power growth — France and New York. Management has demonstrated a capability to navigate France and New York's relatively complex permitting requirements, in our view. We consider Boralex's diverse approach to growth, with dozens of discrete projects across a wide array of regions and technologies, to be a relatively low-risk strategy. The company has what we consider to be a flexible funding platform; absent prospective M&A, we do not anticipate Boralex issuing equity until 2023. Boralex is currently trading at 12.5x 2022E EV/EBITDA, which is below the Renewable IPP average of 14.5x and its long term average TEV/EBITDA multiple of 13.3x (based on consensus). We believe that Boralex offers a diverse mix of transparent growth and a conservative payout ratio at a valuation discount to its peers.

Crescent Point Energy Corp. (CPG-T) – January 5, 2022

We recently upgraded Crescent Point to Action List Buy with our revised commodity price forecasts. Since the current CEO took the helm in 2018, absolute net debt has been reduced by half. Given our significant FCF forecast through 2022, we estimate YE-2022E D/CF of 0.7x (from 1.4x at YE-2021). In our view, as D/CF falls below 1.0x in H1/2022E, more FCF could be allocated to shareholder returns. In 2021 Crescent Point announced two dividend increases, that brought the yield from nearly nil to ~2.5% (based on recent increase payable in April). In 2022, the current dividend only consumes 5% of CF and 11% of FCF based on our forecasts. This leaves significant unallocated FCF for incremental return of capital announcements. For example, if CPG were to return 50% of FCF to shareholder return initiatives, we estimate this would equate to 10% of the current market cap – while still allowing for \$426 million of debt reduction throughout the year.

In addition, we believe near term catalysts in the Duvernay could propel equity value higher. Recall CPG bought the Duvernay asset from Shell in February 2021, and subsequently announced a farm-in arrangement with an undisclosed counterparty in Q3/21. To date, the company has disclosed that the capital cost of its new Duvernay wells drilled thus far came in ~\$1.5mm below expectations (despite more intensive completions). Crescent Point should have three Duvernay wells on stream by the end of Q1, and results from these wells should complete the picture and, in our view, materially de-risk the entrance into the play. Beyond simply providing well results, strong oil rates from the Duvernay should: 1) contribute to strong flush production in Q1/22E, and 2) provide the company with a large oil-weighted asset with high rate wells in a play with scale. We encourage investors to revisit CPG as we believe it offers a strong conventional oil-weighted asset base, material FCF, comfortable leverage, a sustainable base dividend (with room to grow), and near term Duvernay catalysts at a low valuation.



Deletions

Fortis Inc. – (FTS-T) – January 6, 2022

We have removed FTS from the Action List and moved the stock to a BUY recommendation. It is important to note that this downgrade is driven entirely off of the company's strong share price performance and is not indicative of any material change that we are aware of in the fundamentals of the company. FTS' share price has outperformed its peers and the broader market since we last published and has appreciated significantly since we upgraded the stock on March 31, 2020. Since the upgrade in 2020, the company's robust capital program and associated funding plan, along with being a highly regulated business with very little commodity exposure, has allowed the company to navigate through the pandemic successfully, in our view. We have also increased our target price to \$65.00 (from \$64.00) which fully reflects our 2023 outlook for the company. Although we still view the shares as offering good value, the returns implied by our target price no longer justify an Action List Buy rating, and therefore, we are downgrading the stock to a BUY rating.

Performance Review

Although there were many risks through 2021 including ongoing COVID fears, supply chain disruptions and inflation levels rising to their highest levels in years, North American equity markets posted double digit returns for the year. The S&P/TSX Composite Index returned 2.7% last month. For the year, the index was up 21.7% with nine of 12 months positive and the worst performing month (September) declining 2.5%. Large caps outperformed with the S&P/TSX 60 (large cap) Index posting an annual return of 24.4% versus the S&P/TSX Small Cap Index at 18.2% and the more speculative S&P/TSX Venture Composite returning 7.3%. Market breadth was also strong with 67% of stocks within the S&P/TSX Composite Index gaining last month and 72% of stocks up on the year. In the U.S., the S&P 500, NASDAQ Composite and Dow Jones Industrial Average returned 4.4%, 0.7% and 5.4%, respectively. Gains were also strong through 2021 with the S&P 500 (+26.9%), NASDAQ Composite (+21.4%), and Dow Jones Industrial Average (+18.7%) all posting above average returns.

At the sector level in Canada, Consumer Staples (+8.9%) and Consumer Discretionary (+7.0%) were the top performing sectors last month with notable gains in **Alimentation Couche-Tard Inc. (ATD-T, +12.8%)** and **Dollarama Inc. (DOL-T, +14.7%)**. For the year, Energy (+41.8%) was the top performing sector led by strong gains in both WTI oil (+55.0%) and natural gas (+46.9%). Conversely, growth sectors Information Technology (-6.6%) and Health Care (-5.7%) were the biggest laggards last month, with Health Care the only sector posting negative annual returns last year (-20.1%). In the U.S., Consumer Staples (+10.0%) and Real Estate (+9.7%) were the top performers last month, while Consumer Discretionary (-0.3%) lagged. Energy (+47.7%) was the top performing sector for the year and Utilities (+14.0%) was the worst performer.

Our best relative performance for December in which we had a selection occurred in the Pipelines, Power & Utilities group, outperforming its benchmark by 7.4% on the strength of **Fortis Inc. (FTS-T)**. For the year, our best relative performance occurred in the Multi-Industry group with strong performance from **Brookfield Asset Management Inc. (BAM-T)**. In total, six sectors outperformed their respective benchmark in December and eighteen underperformed. For the year, nine outperformed and 15 underperformed. The majority of the underperforming sectors resulted from not having a pick in sectors with positive returns.

Indices	Price Return (%)	
	1-Month	Year-to-Date
S&P/TSX Composite	2.7	21.7
S&P 500	4.4	26.9
NASDAQ Composite	0.7	21.4
Dow Jones Industrial Average	5.4	18.7

Action List Sectors	One Month	Year-to-Date
Outperforming Sectors	6	9
Underperforming Sectors	18	15

Source: Global Insight

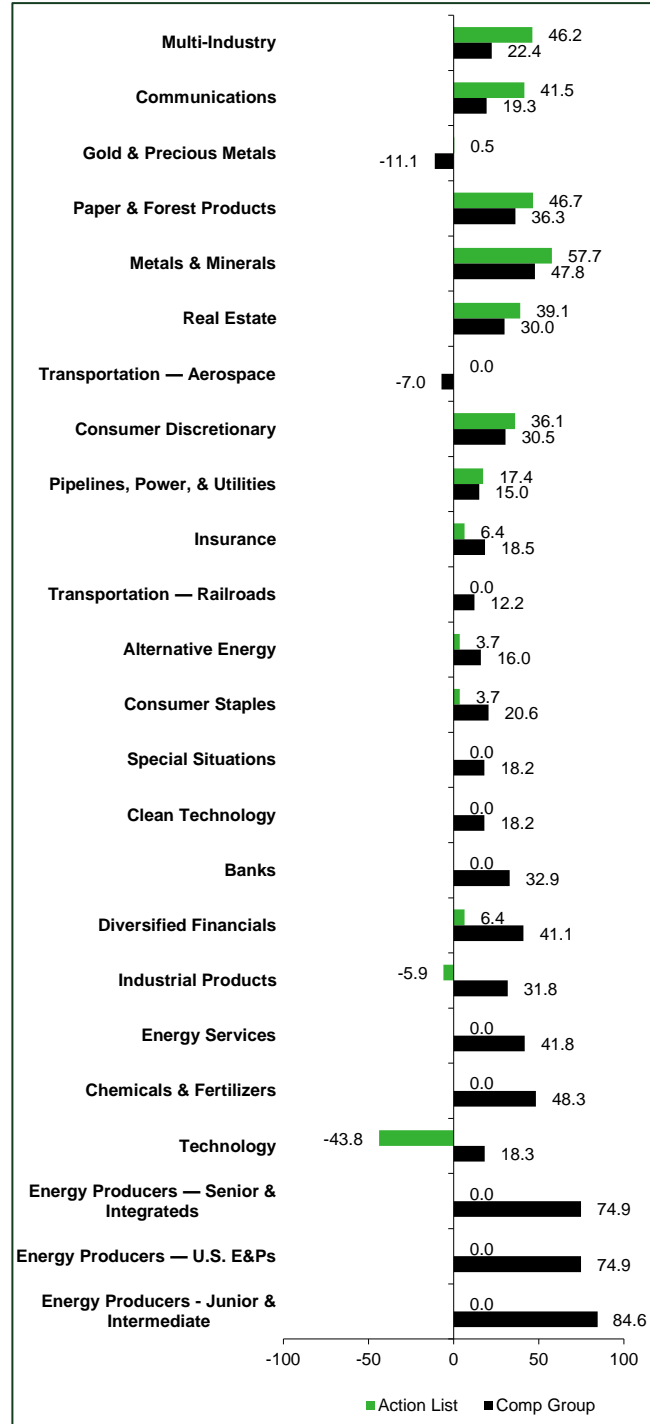
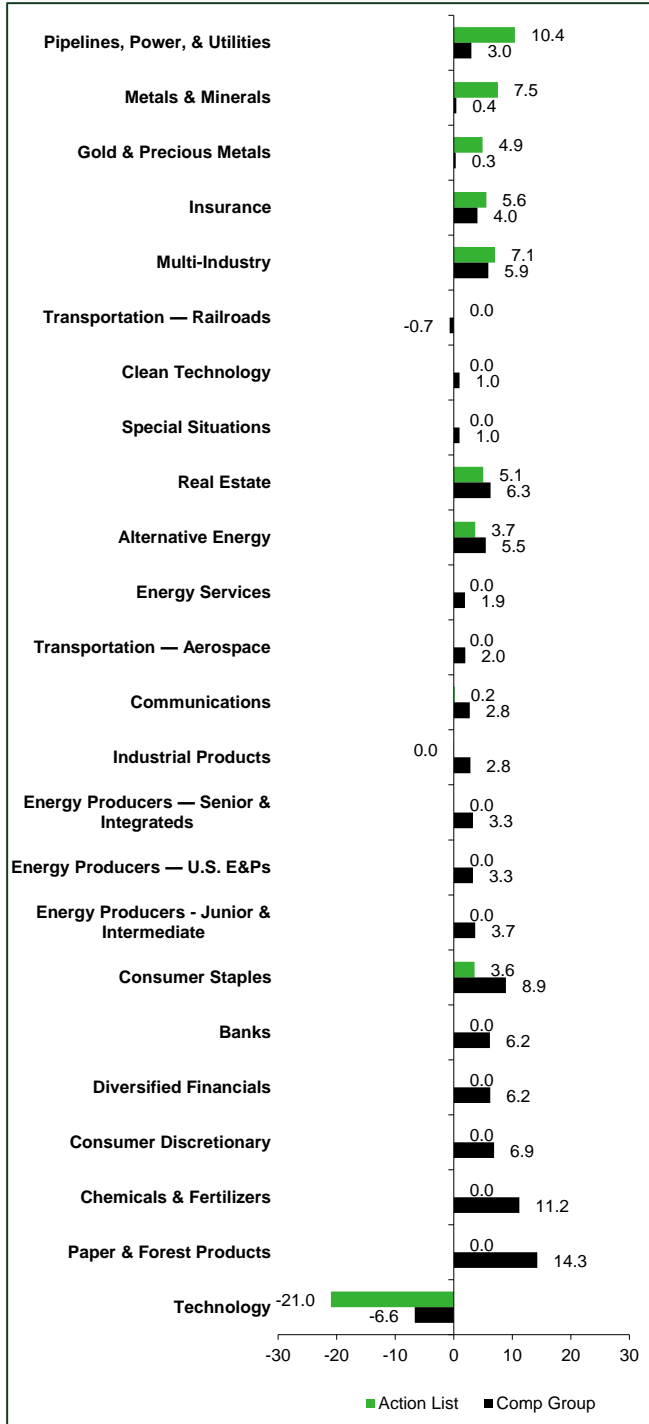
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TD Securities Inc. — Action List Performance*
Action List Performance — December 2021

Action List Performance — 2021



*% price return.
Source: Global Insight

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Investment Strategy

Industry Overview

Massive fiscal spending in the first 4 months of 2021 combined with the effects of the Delta wave to drive the significant increase of inflation seen in the second half of the year. We believe these forces will reverse in 2022 as 2021 fiscal stimulus is followed by 2022 fiscal drag and the shrinking impact of the pandemic finally allows spending to expand beyond goods into services. Easing demand pressure on goods will combine with a normalization of the supply chain to reverse much, but not all, of the higher inflation seen in 2021, in our view.

The first chart shows government benefits paid to the personal sector peaked in April and have since declined materially. Government policy also resulted in a deferral of taxes which has also now reversed.

The second chart shows how the pandemic restrained consumers from re-engaging with the service economy leaving the focus on goods spending. Delta kept consumers buying goods instead of services, but Delta also disrupted the supply chain for these goods. The net result was a restriction of supply in the face of extraordinary demand which resulted in the accelerating goods inflation that was especially evident in the second half of 2021.

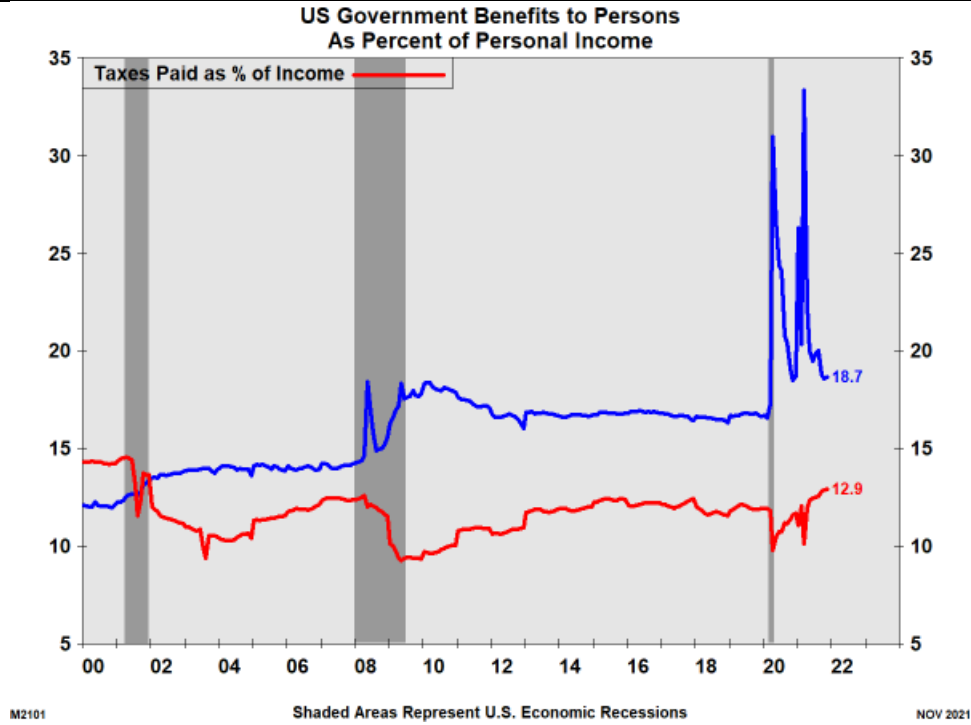
The pandemic also led to a reluctance of workers to return to the workforce either because of health risk fears or childcare responsibilities at home, as evidenced by the low participation rate. Policy makers had hoped the fiscal stimulus earlier in the year would drive a broader economic recovery. Instead, the economy, while strong, remained focused on goods spending with inflationary pressures exacerbated by the higher wages necessary to coax labour back to work.

The final chart shows that household cash balances as a percent of income increased almost 50% due to the fiscal stimulus. These cash balances have been dropping, at least partly due to the cash drain as some workers remain at home. As these cash reserves are exhausted in 2022, we should see a more pronounced increase in the participation rate particularly once the sharp but brief Omicron wave has passed.

	TSX Group Weightings	
Overweight	Market Weight	Underweight
Energy	Materials	Technology
Financials	Industrials	Utilities
	Consumer Discretionary	
	Consumer Staples	
	Health Care	
	Communications	
	Real Estate	

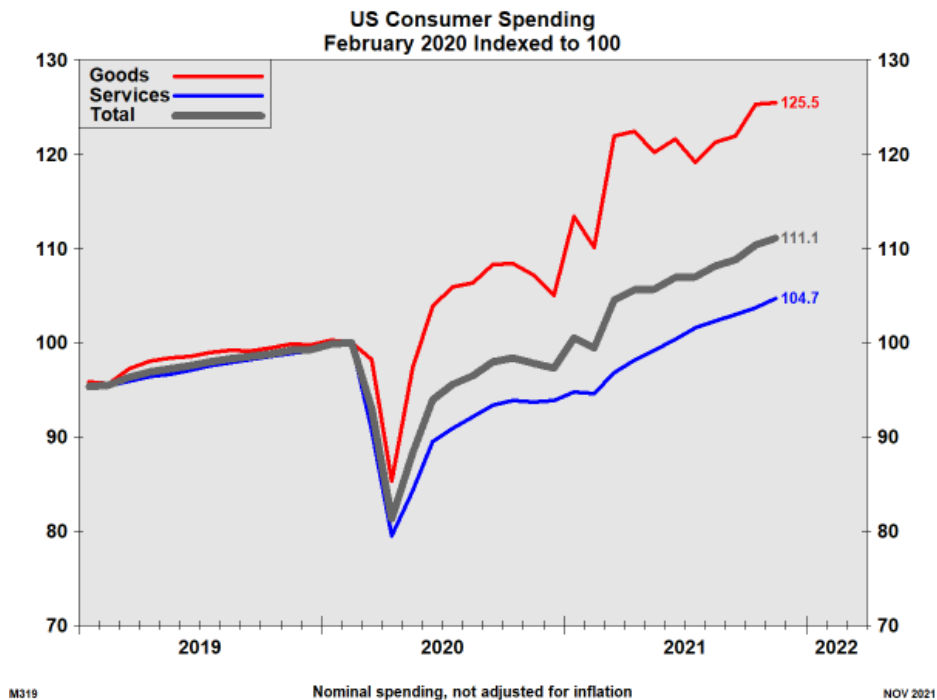
John E. Aitkens

Exhibit 1.



Source: IHS Markit

Exhibit 2.



Source: IHS Markit

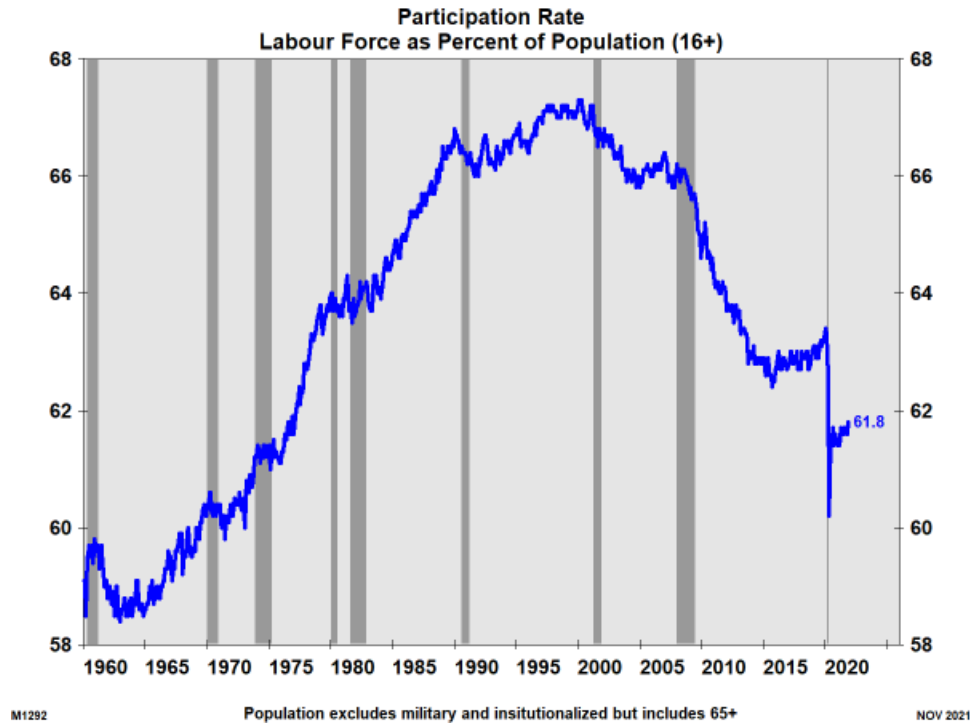


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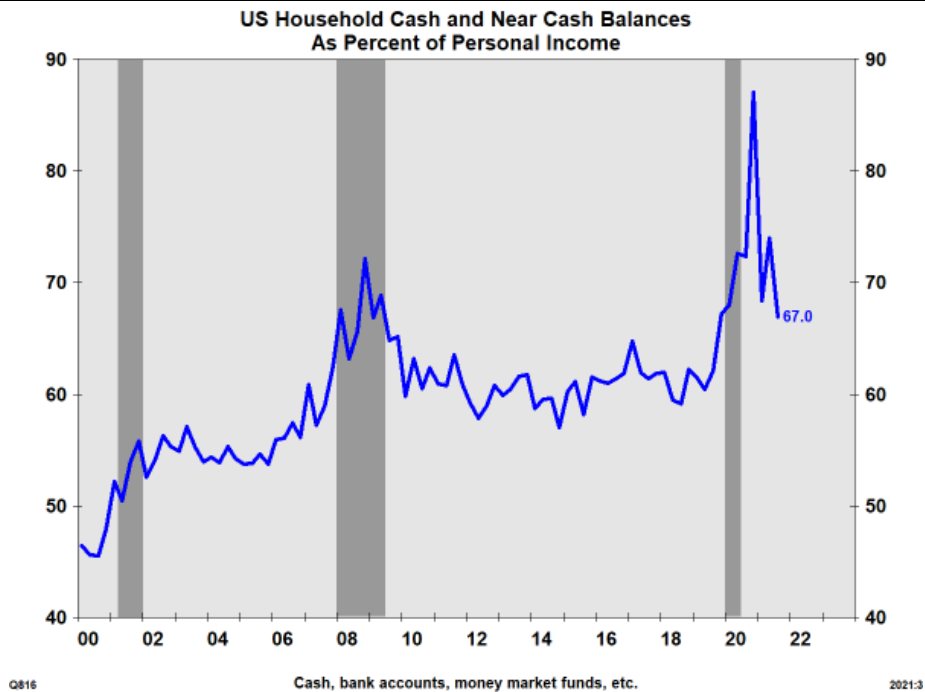
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Exhibit 3.



Source: IHS Markit

Exhibit 4.



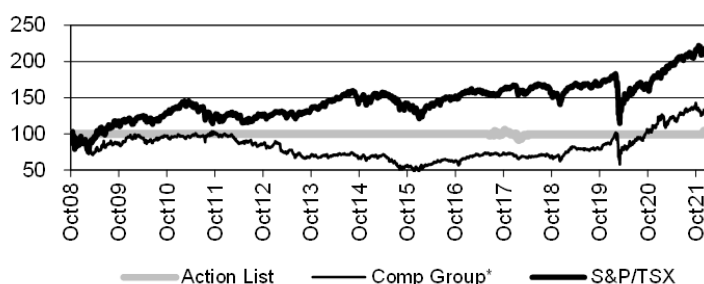
Source: IHS Markit

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Alternative Energy



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	3.7	3.7	3.7	3.7	3.7	3.1
Comp. Group*	5.5	(2.6)	3.1	16.0	16.0	31.8
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	116.7

* S&P/TSX Independent Power Producers & Energy Traders (Subindustry)

¹ Since October 21, 2008

Industry Overview

Our 2022 Sector Outlook

Share prices of Canadian renewable independent power producers (IPPs) underperformed in 2021; we believe last year's valuation contraction has opened a window of opportunity for investors. Canadian renewable IPP equities struggled for traction for most of the year, following their most recent peak in early 2021. The global energy transition investment opportunity-set is expanding and most companies in our coverage have transparent organic growth pipelines. Sector valuations have normalized and we believe that several equities in our coverage universe offer compelling opportunities.

The average 2021 share price decline for our IPP coverage universe was 20%, versus a 22% increase for the S&P/TSX Composite. The average share-price decline for our coverage universe from respective Q1/21 peaks is 29% — more than double the average decline of 13% for international renewable IPPs over this duration and a negative variance versus strong gains for the broader equity indices. Algonquin Power & Utilities Corp. was the best performer in our coverage universe in 2021, posting a 12% decline.

In our view, January 2021 represented peak positive sentiment for the renewable power asset class; a valuation contraction for the sector was arguably overdue. We attribute moderating investor sentiment in 2021 to a few inter-related developments: 1) compression on sector investment returns; 2) capital cost inflation concerns; 3) rising interest rates; and 4) higher risk strategies as companies pursue growth in new technologies/regions. However, we believe that pressure on organic renewable power development returns is decelerating, while most companies in our coverage universe have continued to advance diverse and deep organic growth pipelines. The average potential 12-month total return to target for our coverage universe is 25.6%, including an average expected dividend yield of 3.2%.

Some key sector themes that we expect in 2022:

Thematic Renewable Power & Energy Transition Tailwinds Continue. Bloomberg New Energy Finance (BNEF) estimates utility-scale wind and solar represented an estimated 19% of global power capacity in 2020. This ratio is expected to increase to 52% by 2040, based on expected capacity CAGR of 8% for wind and 10% for solar. Global renewable capacity growth rates are decelerating, but the investment opportunity set remains massive on a global scale. BNEF anticipates cumulative 30-year investment of US\$136 trillion through 2050 to meet global energy transition objectives. Annual energy transition spending has grown at an estimated 19% CAGR over the past 15 years and is expected to grow at an inflation-adjusted

Sean Steuart, CFA

John Mould, CFA

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CAGR of 13% through 2050. Approximately 35% (US\$48 trillion) of this total is expected for renewable power generation.

We anticipate that the U.S. will continue to remain the most important international growth market for Canadian renewable IPPs. This has been an ongoing trend for a number of years due to a lack of domestic power procurement and falling development returns in some established markets. All of the companies within our coverage universe continue to actively advance potential investments in the U.S. State-level decarbonization initiatives remain major drivers of potential investment opportunities. For example, New York State targets 70% of electricity from renewables by 2030 and a carbon-free electricity sector by 2040; both BLX and NPI are advancing contracted opportunities in New York. Outside of Canada and the U.S., most companies in our coverage universe have built regional or country-specific platforms (such as Boralex in France, or Northland's East Asian offshore wind development efforts). We expect that these platforms will continue to drive potential investment opportunities.

Although U.S. President Joe Biden's "Build Back Better" plan has stalled in the Senate, ongoing Federal U.S. policy support for renewable power appears likely. The most important elements of this legislation for IPPs are production (PTC) and investment tax credit (ITC) extensions for wind, solar, and, in the case of the ITC, storage. We anticipate that the Biden presidency will provide broad tailwinds for both additional renewable capacity in the U.S. and more global action on reducing carbon emissions.

We believe average valuations have contracted to attractive levels given companies' extension of advanced organic growth opportunities. Canadian renewable power IPPs have diverse growth prospects across technologies and geographies. On average, capacity under construction or in advanced development equates to 38% of current installed capacity for companies in our coverage universe. The current 1.7-point premium for our Canadian coverage universe over international peers (14.0x versus 12.3x based on forward consensus EV/EBITDA) is narrower than the 3.1-point five-year average.

Our Sector Stance: Overweight

We raised our sector stance to Overweight from Market Weight in mid-December 2021. Based on 12-month forward EV/EBITDA, the average trading multiple for our coverage universe has contracted to 14.0x, near the long term average of 13.4x and down from the January 2021 peak of 17.6x. In our view, average valuations have contracted to attractive levels, given companies' extension of advanced organic growth pipelines. Given this valuation retrenchment and ongoing momentum for renewables power development, we are positive on the share price prospects of most companies in the sector. BLX and NPI are our top picks within our coverage universe.

Our Action List Pick

Boralex Inc.

BLX-T: C\$33.99; ACTION LIST BUY

12-Month Target: C\$46.00

We added Boralex to the Action List in December 2021, following its sharp share-price correction since early-January 2021. Since the 2021 peak, BLX shares have declined by 39%, vs. an average decline of 29% for Canadian renewable

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IPPs. During this period of underperformance, the company has added to its advanced organic development pipeline at a relatively fast pace.

We believe that Boralex is well-positioned for further expansion in two important markets for renewable power growth — France and New York.

Management has demonstrated a capability to navigate France and New York's relatively complex permitting requirements, in our view. We consider Boralex's diverse approach to growth, with dozens of discrete projects across a wide array of regions and technologies, to be a relatively low-risk strategy. The company's pipeline of projects that are under construction, or construction-ready, totals 643 MW, or 26% of the company's current operating capacity (relatively high). The company has a further 978 MW of advanced development projects, taking its confirmed/advanced capacity growth list to 69% of current capacity (the largest in our coverage universe).

Absent prospective M&A, we do not anticipate Boralex issuing equity until 2023.

Boralex is currently trading at 12.5x 2022E EV/EBITDA, which is below the Renewable IPP average of 14.5x. Over the past five years, BLX's adjusted TEV/EBITDA multiple (based on FTM consensus) has averaged 13.3x. We believe that Boralex offers a diverse mix of transparent growth and a conservative payout ratio at a valuation discount to its peers.

Our High Conviction Buy

Northland Power Inc.

NPI-T: C\$37.19; BUY

12-Month Target: C\$47.00

Northland Power is the only Canadian Renewable IPP with meaningful exposure to the offshore wind sector, which comprises 32% of Northland's net operating capacity.

Northland's most advanced offshore wind development initiatives are the Hai Long projects in Taiwan (626 MW net); financial close is anticipated in mid-2022. Northland also owns a 49% interest in the 1.2 GW Baltic Power offshore wind project (Poland), which has secured a 25-year contract for difference and is due online in 2026. Northland is also working to advance earlier-stage offshore wind initiatives in South Korea, Japan, and Germany. We believe management has a leading development track record; most organic projects have been completed on time and on budget. Northland's confirmed/advanced development capacity represents a relatively large 62% of current capacity.

Northland continues to complement large-scale offshore wind development opportunities with short term growth initiatives that provide cashflow transparency.

Northland's recent onshore development efforts have been focused on wind projects in New York State; it also has solar construction projects in Colombia (where it owns a regulated electric utility). Northland also stepped into the Spanish renewables market in mid-2021, with the acquisition of 540 MW of operating wind and solar capacity that added near-term cash flows and provide a platform for further growth in Spain.

The company's relative valuation discount has narrowed over the past year, but we still believe that the shares offer an attractive opportunity.

Northland is currently trading at 12.2x 2022E EV/EBITDA, which is below the Renewable IPP average of 14.5x.



Alternative Energy Universe

Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall		Year-End	Rep. Curr.	Shares O/S	Market Cap (mm)	Ind. Div.	Yield	EBITDA 2021E	Net Debt	EV	AFFO Yield			EV/EBITDA			Analyst
						Risk Rating	Rating										2020A	2021E	2022E	2020A	2021E	2022E	
Boralex Inc.	BLX	T	\$33.99	\$46.00	37%	AL BUY	MED	Dec	C\$	102.8	\$3,495	\$0.66	1.9%	\$549.8	\$3,357	\$7,069	2.6%	3.7%	4.4%	16.5x	13.5x	12.5x	SS
Northland Power Inc.	NPI	T	\$37.19	\$47.00	30%	BUY	MED	Dec	C\$	226.3	\$8,414	\$1.20	3.2%	\$1,100.6	\$7,071	\$16,171	3.8%	3.5%	3.5%	13.0x	13.4x	12.2x	SS
Algonquin Power & Utilities Corp.	AQN	N, T	\$14.29	\$17.00	24%	BUY	MED	Dec	US\$	672.7	\$9,613	\$0.68	4.8%	\$1,108.1	\$9,517	\$21,091	5.7%	7.6%	9.5%	17.6x	16.1x	15.8x	SS
Brookfield Renewable Partners L.P.	BEP, BEP.UN	N, T	\$35.21	\$41.00	20%	BUY	MED	Dec	US\$	641.7	\$22,594	\$1.22	3.5%	\$1,871.0	\$19,921	\$55,288	2.1%	2.8%	2.8%	25.4x	20.1x	20.0x	SS
Innergex Renewable Energy Inc.	INE	T	\$18.42	\$21.00	18%	BUY	MED	Dec	C\$	193.1	\$3,556	\$0.72	3.9%	\$574.0	\$4,605	\$8,545	2.0%	2.8%	4.4%	19.7x	16.8x	14.0x	SS
Altius Renewable Royalties Corp. (1)	ARR	T	\$10.99	\$15.50	41%	SPEC BUY	SPEC	Dec	US\$	30.8	\$338	\$0.00	0.0%	(\$1.8)	(\$55)	\$268	NMF	NMF	NMF	NMF	NMF	NMF	JM
TransAlta Renewables Inc.	RNW	T	\$18.73	\$19.50	9%	HOLD	MED	Dec	C\$	266.9	\$4,999	\$0.94	5.0%	\$456.1	\$1,330	\$6,382	6.1%	5.9%	7.4%	14.6x	14.1x	12.6x	JM
Average													3.2%				3.7%	4.4%	5.3%	17.8x	15.7x	14.5x	

Notes:

AL BUY = Action List BUY

(1) Altius Renewable Royalties trades in Canadian dollars: Current Price, Target Price, Market Cap, and EV are all shown in Canadian dollars.

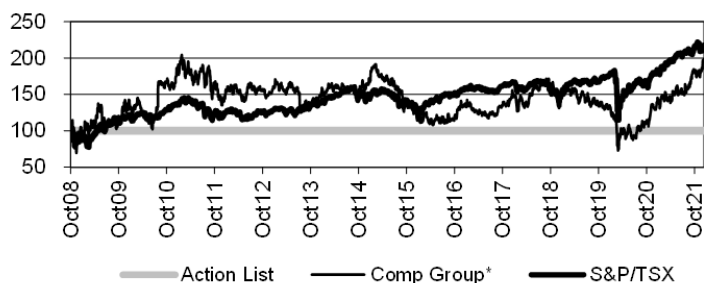
Analyst(s): SS = Sean Steuart, CFA 416 308 3399, JM = John Mould, CFA 416 944 6832

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Chemicals & Fertilizers



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	0.0	0.0	0.0	0.0	0.0
Comp. Group*	11.2	13.1	25.9	48.3	48.3	93.9
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	116.7

* S&P/TSX Chemicals (Industry Group),

¹ Since October 21, 2008

Industry Overview

Our 2022 Sector Outlook

Agriculture Outlook

Crop prices rallied in Q4/21, capping a year of broadly strong performance among the major crops. Although down vs. their spring 2021-highs, prices of U.S. corn and U.S. soybeans remain elevated by historical standards (currently sit 33% and 26% above their 10-year averages, respectively), supported by tight supply, strong demand, and regional weather issues. Meanwhile, U.S. wheat (+20% y/y) and Malaysian palm oil (+32% y/y) also appreciated in 2021. Looking ahead, 2021/2022 estimated ending stocks for U.S. corn and U.S. soybeans are forecast to remain low by historical standards. The tight supply/demand balance is seen as supportive of crop prices and is expected to incentivize U.S. farmers to maximize planted acreage/yields in 2022, notwithstanding historically high crop input prices (discussed in further detail below). Notably, Nutrien projects 2022 U.S. grower corn and soybean margins to be 60% and 35%, respectively, above 10-year average levels. The most recent USDA forecast (as of November 2021) projects 2022 planted area for the three major U.S. crops at 228.5mm acres (+0.6% y/y), the highest level since 2014. Corn planted area is estimated at 92.0mm acres (-1.4% y/y), along with 87.5mm acres of soybeans (+0.3% y/y), and 49.0mm acres of wheat (+4.9% y/y).

Potash and Nitrogen Outlooks

Global potash prices continued their upward momentum in Q4/21, supported by healthy demand and tight supply. The U.S. Midwest spot price is +133% y/y, though we note that the price has moderated slightly in recent weeks (-5% vs. its mid-November high). In offshore markets, prices have continued to climb, with the Brazilian spot price now +224% y/y and the Southeast Asia spot price +149% y/y. Notably, on December 2, 2021, the U.S. escalated its sanctions against Belarus, stipulating that U.S. entities will be banned from transacting with BPC (Belaruskali's export arm) beginning April 1, 2022 (there had previously been uncertainty among buyers whether dealings with BPC could continue). Further, on December 10, 2021, Lithuania's government proposed legislation that would ban the transit of Belarusian potash through Lithuania (note: Lithuania's Klaipeda port currently handles >90% of BPC's export volumes). If the proposed legislation is successful, the resulting supply disruption could drive further notable gains in benchmark potash prices. Regarding volumes, Nutrien expects stable y/y global potash demand in 2022 (vs. Nutrien's 2021 expectation of 69mm-71mm tonnes, an annual record), supported by low inventory in key regions. Meanwhile, negotiations are reportedly ongoing with Chinese and Indian buyers regarding new annual potash contracts.

Global nitrogen prices experienced robust gains in H2/21, driven in large part by: 1) production outages and logistical issues in the U.S. (Hurricane Ida-related); 2) a steep rise in feedstock costs (includes sharply higher natural gas costs, most notably

Michael Tupholme, CFA

Cherilyn Radbourne, CA, CFA

Mark Stuebing, CFA, CPA, (Associate)

Patrick Sullivan, (Associate)

Action List

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in Europe, which led to various nitrogen production shutdowns/curtailments in the region); and 3) fertilizer export restrictions in China through June 2022. Notably, NOLA urea is +211% y/y and Egypt urea is +236% y/y, while the Tampa ammonia spot price is +285% y/y. Regarding demand, NTR expects nitrogen markets to remain very tight through H1/22, with limited new supply expected over that period. Further, over the next three years, Nutrien expects global nitrogen demand growth (historically ~1.5-2.0%/year) to exceed supply growth.

Methanol Outlook

Methanol prices have corrected from the extremes reached in early-Q4/21, but remain historically high, largely supported by supply-side dynamics. The correction was primarily driven by the Chinese government's decision to cap coal prices and encourage maximum domestic coal output in response to an energy shortage resulting from earlier policy efforts to curb energy use/carbon emissions, which had put upward pressure on the methanol cost-curve and forced significant curtailments of coal-based methanol production. Coal-based production has since recovered to some extent, but natural gas-based production is coping with seasonal diversions of natural gas to residential heating requirements, and Chinese methanol imports from Iran are being negatively affected by plant outages relating to technical issues and/or seasonally-reduced natural gas feedstock availability, despite the start-up of the new Sabalan plant. Methanex's North American posted contract price of US\$619/tonne for January is down 11% from a November peak of US\$692/tonne, but still at levels last seen in early-2014, the Asian posted contract price of US\$500/tonne for January is down 17% from US\$600/tonne in November, but still the highest posting since late-2018, and the Q1/22 European posted contract price of €505/tonne is the highest since early-2008. We are currently forecasting an average realized price of US\$363/tonne in 2022 vs. US\$401/tonne in 2021, which may prove conservative, and assumes that methanol prices progressively decline vs. the peak in Q4/21.

Our Sector Stance: Market Weight

We maintain our Market Weight sector stance.

Our High Conviction Buy

Methanex Corp.

MEOH-Q, MX-T; US\$42.61, BUY

12-Month Target: US\$59.00

Methanex is the methanol market leader, with an estimated global market share of ~13%. The company has a geographically diverse network of production sites, enabling it to deliver methanol cost-effectively and reliably to customers in all major markets, and has a cost structure that supports very attractive free-cash-flow across the methanol price-cycle, in our view. Although methanol prices have declined sharply from the exceptional levels reached in mid-October, they remain high by historical standards, and we would argue that Methanex's share-price is discounting even lower methanol prices, as the stock is trading at a low to mid double-digit free-cash-flow yield at a mid-cycle methanol price of US\$350/tonne (i.e., ~3%-4% below our 2022E average realized price forecast), which we see as attractive, particularly given that the Geismar 3 plant should increase the company's free-cash-flow at US \$350/tonne by ~50% when it comes online in late-2023/early-2024 (Geismar 3 is being funded with cash-on-hand and free-cash-flow).



Action List

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Chemicals & Fertilizers Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Mth Target	Total Return	Rating	Overall	Year-End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	Ind. Dist.	Yield	EPS			EBITDA			P/E (x)			EV/EBITDA (x)			Analyst
							Risk Rating							2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	
Methanex Corp.	MEOH, MX	N, T	\$42.61	\$59.00	40%	BUY	HIGH	Dec. 31	US\$	76.2	\$3,247	\$0.50	1.2%	(\$1.62)	\$6.08	\$4.31	\$341	\$1,165	\$963	nmf	7.0x	9.9x	14.9x	4.4x	5.3x	CR
Nutrien Ltd.	NTR	N, T	\$71.77	\$83.00	18%	BUY	HIGH	Dec. 31	US\$	570.8	\$40,965	\$1.84	2.6%	\$1.80	\$5.98	\$7.04	\$3,667	\$7,012	\$7,823	39.8x	12.0x	10.2x	14.5x	7.6x	6.8x	MT

AL = Action List Buy

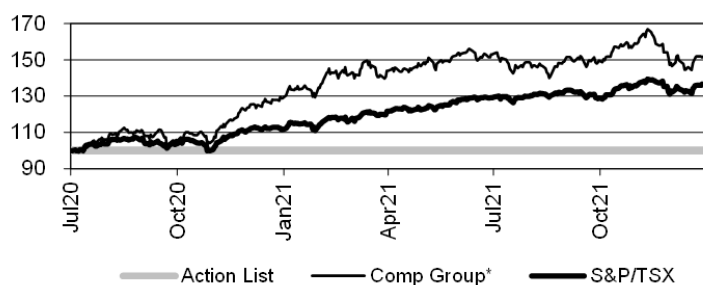
Analyst(s): CR = Cherilyn Radbourne, CA, CFA, 416 308 3403; MT = Michael Tupholme, CFA, 416 307 9389

Action List

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Clean Technology



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	0.0	0.0	0.0	0.0	0.0
Comp. Group*	1.0	2.6	(0.5)	18.2	18.2	52.3
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	35.8

* S&P/TSX SmallCap

¹ Since July 2, 2020

Industry Overview

Our 2022 Sector Outlook

In our recent industry note ([full report](#)), we highlighted the contraction in valuation multiples for our Clean Technology coverage universe as a result of what we believe are reduced, more realistic growth expectations. Looking forward, we believe investors will continue to prioritize near term factors over longer term potential. As a result, we believe that share price performance will be strongest for companies that can execute on near term deliverables, and show progress toward commercialization (revenue growth, margin expansion). To this end, we expect that strong subsidy momentum will continue into 2022 and beyond, including \$9.5 billion that has been earmarked for the build out of 'clean' hydrogen in the U.S. as part of the recently passed \$1 trillion infrastructure package as well as tax credits for RNG, and an extension to the 45Q carbon capture tax credit in the proposed Build Back Better Act (if passed). In Canada, the federal Clean Fuel Standard is expected to be finalized in 2022 and in effect by 2023. The Chinese government is widely expected to implement previously announced hydrogen fuel cell subsidies. And finally, two major outcomes from COP26, including a global methane emissions reduction pledge of 30% by 2030 (compared to 2020 levels), and a framework for international carbon credit trading that essentially allows for the implementation of the Paris Agreement were also approved, and are likely to result in more positive policy momentum going forward. With more data on the severity of the Omicron COVID-19 variant, the prevailing logic is that the most acute effects of the current wave in cases will be short-lived, but we expect that longer-dated challenges such as supply chain issues will persist.

Our Sector Stance: Overweight

We maintain our Overweight sector stance. We remain positive with respect to energy transition and its global impact on decarbonization, with longer term benefits and subsidies continuing into 2022 and beyond from government and global initiatives. We continue to prefer companies with differentiated, difficult-to-replicate products and services, with ready-to-commercialize business models and a well-articulated, plausible path to growth and profitability.

Aaron MacNeil, CA

Aly Hemraj, CPA, CA (Associate)



Action List

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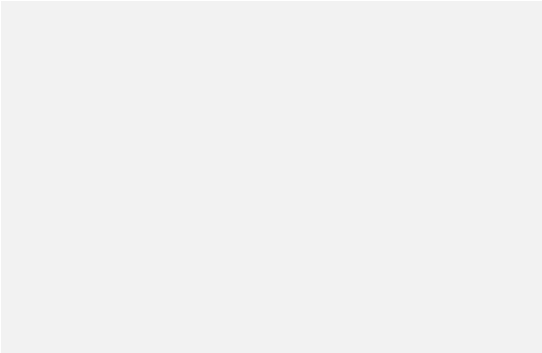
Our High Conviction Buy

Anaergia Inc.

ANRG-T; C\$19.40; SPEC BUY

12-Month Target: C\$40.00

For Clean Technology exposure, we recommend Anaergia Inc. as our best idea in the space based on a combination of its broad intellectual property portfolio, strategic focus on municipal waste, the pursuit of a growth-focused infrastructure model, and its ready-to-commercialize business model. Refer to our initiating coverage report ([full report](#)), for more details about Anaergia.





Action List

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Clean Tech Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Overall		Year-End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	REVENUE (\$mm)				EBITDAS (\$mm)				EV/		Analyst
						Rating	Risk Rating					2020A	2021E	2022E	2023E	2020A	2021E	2022E	2023E	SALES 2023E (x)	EBITDAS 2023E (x)	
Anaergia	ANRG	T	\$19.40	\$40.00	106.2%	SPEC BUY	SPECULATIVE	Dec	C\$	58.7	\$1,140	\$128	\$137	\$344	\$519	-\$3	-\$7	\$45	\$99	3.1x	16.2x	AM
Ballard Power Systems	BLDP	T, N	\$12.57	US\$20.00	59.1%	SPEC BUY	SPECULATIVE	Dec	US\$	297.6	\$3,741	\$104	\$104	\$120	\$215	-\$38	-\$70	-\$83	-\$65	13.4x	nmf.	AM
Greenlane Renewables	GRN	T	\$1.30	\$2.25	73.1%	SPEC BUY	SPECULATIVE	Dec	C\$	150.1	\$195	\$23	\$52	\$70	\$86	-\$2	\$0	\$4	\$8	1.7x	19.1x	AM
Next Hydrogen Solutions Inc.	NXH	V	\$3.29	\$6.50	97.6%	SPEC BUY	SPECULATIVE	Dec	C\$	22.9	\$75	\$0	\$0	\$6	\$11	-\$4	-\$11	-\$18	-\$16	7.6x	nmf.	AM
Xebec Adsorption	XBC	T	\$2.34	\$3.00	28.2%	HOLD	SPECULATIVE	Dec	C\$	154.0	\$360	\$57	\$122	\$193	\$220	-\$28	-\$9	\$12	\$19	1.7x	19.9x	AM

Source: Company Reports, TD Securities

AL BUY = Action List BUY

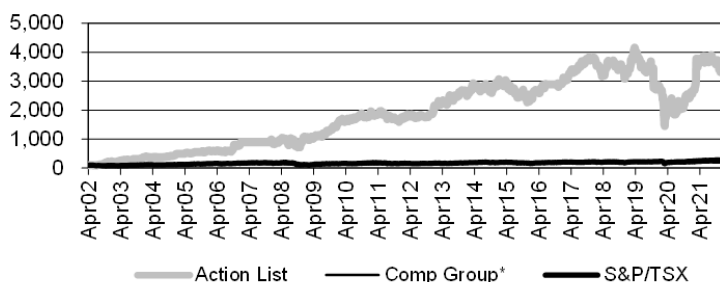
Analyst: AM = Aaron MacNeil, CA 403 292 1222

Action List

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Communications



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.2	(6.2)	(10.1)	41.5	41.5	3368.0
Comp. Group*	2.8	3.6	3.2	19.3	19.3	102.3
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	178.2

* S&P/TSX Div. Telecom. Services, Media (Industries),
Commercial Printing (Subindustry)

¹ Since April 26, 2002

Industry Overview

Our 2022 Sector Outlook

Share price performance in 2021 was largely positive for most of the names that we cover. However, H2 saw some major declines against H1 in some segments. Canadian telco names performed well on the back of strong wireless results, in spite of the pandemic induced reduction in roaming revenues. Canadian cableco names were largely flat. U.S. cable names saw a tougher H2 as a reduction in broadband adds against 2020 was caused predominantly by pandemic-driven declines in people moving homes. We continue to believe that U.S. broadband will continue to grow over the longer term in a manner similar to its growth over the past 4-5 years. H2 was also more difficult for some of the smaller cap names under our coverage, with every name falling by over 20% from their year high. All but one of these names provided good news in the latter half of 2021, and we believe that the year ahead could provide an opportunity for these names to rebound.

Below, we speak to key themes that we believe investors should consider for the year ahead:

Interest rate increases are expected as we move through 2022 and markets begin to stabilize. Given the lack of conviction that the market has shown recently, caused by the Omicron variant and the Federal Reserve, we believe that there has been a move towards safer, high yielding assets. In a more risk-on environment, the safety premiums that these names have warranted should dissipate. As yields increase on both the long and short end, we could see a negative impact on telco names that are currently screening well on yield versus growth.

Broadband infrastructure continues to be more important as evidenced through its pivotal role in connecting people throughout the pandemic. As we move forward, opportunities to connect more devices for a number of different applications should grow and ARPU should grow in tandem. We are of the belief that these assets (both fibre and DOCSIS/cable) continue to be undervalued by the market in relation to other infrastructure assets. Short term ebbs and flows in subscriber growth do not impact broadband's role as an essential service. We continue to believe that longer term subscriber growth trends continue to be positive. Government subsidies will help in connecting a number of rural homes in the near future. In Canada, the latest CRTC data noted that there are only 12.93 million residential internet customers but 15.3 million households in the country. The difficult H2 of 2021 provides an opportunity for cable stocks to bounce back through 2022, especially in the U.S.

5G capex and spectrum spend continue to be significant but we believe that these investments are well worth the price. The upcoming year will be crucial for the wireless industry as it tries to prove to investors that it can grow revenues from faster speeds, lower latency and new enterprise/IoT services via their 5G networks. Canadian carriers face the potentially expensive 3800 MHz spectrum

Vince Valentini, CFA

Towaki Dojima

Natale Puccia, (Associate)

Action List

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auction planned for early 2023, and, as such, must show investors that elevated and accelerated spending on these networks is justified.

We posit that the aforementioned strength from broadband growth and revenue growth from 5G applications bode well for the Canadian telco space. Of the Big Three, we believe that Rogers has the largest potential for growth over the next three years. Rogers currently trades at a discounted EV/EBITDA multiple to both BCE and TELUS. While some of this may be attributed to the well publicized management/board related disputes, we believe that there is a large amount of deal uncertainty that has made the stock a laggard. Moving through 2022, this uncertainty should be resolved and a renewed focus should be placed on its growth opportunities by investors. As a result, we believe that Rogers will have better relative performance through 2022.

The upcoming year should provide additional clarity for media and broadcast assets. A modernized Broadcasting Act could provide potential cost reductions while improving flexibility for licensed broadcasters. Additionally, continued growth in TV advertising through H2 of this past year is poised to continue through 2022. Advertisers continue to recognize the power of new targeting technologies and, as supply chain issues ease in the coming year, they will have a number of different products to market.

Our Sector Stance: Overweight

We maintain our Overweight rating with a BUY or ACTION LIST BUY rating on 14 names under coverage. Many of our names under coverage continue to provide strong FCF and dividends given the long-life infrastructure assets that they own. We continue to remain positive on longer term growth from 5G in the Canadian wireless industry. In addition, many of our names continue to be undervalued and corporate actions could unlock shareholder value over the coming year, especially on smaller-cap companies.

Our Action List Pick

Corus Entertainment Inc.

CJR.B-T: C\$4.72; ACTION LIST BUY

12-Month Target: C\$10.00

We remain confident that CJR.B shares continue to be greatly undervalued. Operationally, Corus performed well through 2021 posting strong revenue, EBITDA and FCF. These stable results have been disconnected from a plummeting EV/EBITDA valuation, which we explored in our recent detailed report ([LINK](#)). The resiliency of Corus' FCF has resulted in it trading at a FCF yield in the mid 20%. Corus is set to report Q1 2022 earnings on January 13 and we believe that it will continue to print strong TV advertising revenues. Fiscal 2022 will provide investors with a full year of post pandemic results and another look at Corus' strong free cash flow generation. Meanwhile, we believe Corus also provides investors a free call option should there be a modernization of the Broadcasting Act. We reiterate our ACTION LIST BUY rating.



Action List

Equity Research

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Our High Conviction Buy

Rogers Communications Inc.

RCI.B-T: C\$61.72; BUY**12-Month Target: C\$70.00**

As noted above, Rogers is currently trading at a discount to TELUS and BCE. We believe that the primary driver behind the underperformance for Rogers is down to the deal uncertainty and resulting balance sheet questions that were asked after the deal was announced. As mentioned in our previous note ([LINK](#)), management has started to look into clever ways to reduce leverage, including via a hybrid security offering. Management has noted that it has multiple levers to pull with respect to tackling the leverage on its balance sheet. As 2022 progresses, we will have more visibility and this overhang should dissipate or disappear entirely. This sets Rogers up for a year of better relative performance in our view.

Operationally, we look forward to a continued strong wireless segment, which should be buoyed by the continued recovery in roaming. In Q3, roaming remained at ~50% of pre-pandemic levels. Q4 roaming revenues should be incrementally better and, as the company with the largest exposure to roaming amongst the Big Three, this should be a positive. As the owner of the largest 5G footprint in Canada, Rogers has been able to improve service levels and its net promoter scores. The company also noted that it is at the bottom of the J-curve with respect to its transitioning of customers to unlimited plans. We believe that positive momentum over the next 12-24 months is boosted by immigration/foreign students along with improved scale and bundling power brought about via acquisition. We reiterate our BUY rating.



Action List

Equity Research

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Communications & Media Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall		Year-End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	Ind. Div.	Yield	EPS				CFPS				Curr. P/E (x)	Curr. P/FCF (x)	Analyst
							Risk Rating	Rating							2019A	2020A	2021E	2022E	2019A	2020A	2021E	2022E			
Corus Entertainment Inc.	CJR.B	T	\$4.72	\$10.00	117%	AL BUY	HIGH		Aug	C\$	208.4	\$984	\$0.24	5.1%	\$0.85	\$0.75	\$0.88	\$0.79	\$1.37	\$1.21	\$1.02	\$1.14	5.4x	4.6x	VV
Shaw Communications Inc.	SJR.B	T, N	\$37.97											RESTRICTED										VV	
AcuityAds Inc.	AT	T, N	\$4.45	\$8.00	80%	BUY	HIGH		Dec	C\$	62.8	\$279	\$0.00	0.0%	(\$0.12)	\$0.07	\$0.20	\$0.17	(\$0.15)	\$0.25	\$0.31	\$0.15	21.7x	14.3x	VV
Altice USA Inc. (1)	ATUS	N	\$16.31	\$26.00	59%	BUY	HIGH		Dec	US\$	475.4	\$7,754	\$0.00	0.0%	\$0.21	\$0.78	\$2.10	\$1.49	\$1.81	\$3.27	\$3.22	\$2.04	7.8x	5.1x	VV
BCE Inc.	BCE	T, N	\$66.06	\$67.00	7%	HOLD	LOW		Dec	C\$	907.6	\$59,956	\$3.63	5.5%	\$3.46	\$3.02	\$3.16	\$3.37	\$3.96	\$3.51	\$3.20	\$3.58	20.9x	20.6x	VV
Boat Rocker Media	BRMI	T	\$7.04	\$11.00	56%	BUY	HIGH		Dec	C\$	58.9	\$415	\$0.00	0.0%	(\$1.05)	(\$1.94)	(\$0.41)	\$0.41	\$0.16	(\$1.21)	(\$1.19)	\$0.51	nmf	nmf	VV
Charter Communications (1)	CHTR	N	\$624.86	\$805.00	29%	BUY	MEDIUM		Dec	US\$	206.9	\$129,284	\$0.00	0.0%	\$7.52	\$15.40	\$23.12	\$26.65	\$18.75	\$31.15	\$38.28	\$37.59	27.0x	16.3x	VV
Cogeco Communications Inc.	CCA	T	\$100.30	\$130.00	32%	BUY	MEDIUM		Aug	C\$	47.7	\$4,784	\$2.56	2.6%	\$6.89	\$7.67	\$8.40	\$8.50	\$7.95	\$8.23	\$9.06	\$5.43	11.9x	11.1x	VV
Cogeco Inc.	CGO	T	\$81.14	\$140.00	76%	BUY	MEDIUM		Aug	C\$	16.0	\$1,298	\$2.50	3.1%	\$8.86	\$8.05	\$8.93	\$10.31	n/a	n/a	n/a	n/a	9.1x	n/a	VV
Comcast Corp (1)	CMCSA	N	\$50.22	\$69.00	39%	BUY	MEDIUM		Dec	US\$	4,665.0	\$234,276	\$1.00	2.0%	\$3.13	\$2.61	\$3.19	\$3.82	\$2.90	\$2.86	\$3.10	\$3.54	15.8x	16.2x	VV
Liberty Broadband (1)	LBRDK	N	\$155.21	\$220.00	42%	BUY	MEDIUM		Dec	US\$	180.8	\$28,057	\$0.00	0.0%	\$0.64	\$2.17	\$3.68	\$7.26	n/a	n/a	n/a	n/a	42.2x	n/a	VV
OverActive Media	OAM	T	\$1.33	\$2.00	50%	SPEC BUY	SPECULATIVE		Dec	C\$	86.4	\$115	\$0.00	0.0%	(\$0.47)	(\$0.12)	(\$0.27)	(\$0.20)	(\$0.43)	(\$0.12)	(\$0.14)	(\$0.09)	nmf	nmf	TD
Quebecor Inc.	QBR.B	T	\$28.42	\$36.00	31%	BUY	MEDIUM		Dec	C\$	248.6	\$7,066	\$1.27	4.5%	\$2.27	\$2.36	\$2.61	\$2.56	\$1.85	\$3.05	\$3.11	\$3.47	10.9x	9.1x	VV
Rogers Communications Inc.	RCL.B	T, N	\$61.72	\$70.00	17%	BUY	MEDIUM		Dec	C\$	510.6	\$31,514	\$2.08	3.4%	\$4.15	\$3.40	\$3.54	\$4.03	\$3.30	\$3.70	\$3.09	\$3.01	17.4x	20.0x	VV
TELUS Corp.	T	T, N	\$29.76	\$32.00	12%	BUY	LOW		Dec	C\$	1366.0	\$40,652	\$1.33	4.5%	\$1.44	\$1.06	\$1.08	\$1.28	\$0.78	\$1.12	\$0.54	\$0.91	27.5x	55.2x	VV
Thomson Reuters Corp. (1)	TRI	T, N	\$143.75	\$165.00	16%	BUY	LOW		Dec	US\$	498.0	\$71,584	\$2.17	1.5%	\$1.29	\$1.85	\$1.94	\$2.30	\$0.32	\$2.67	\$2.41	\$2.71	58.2x	46.9x	VV
VerticalScope Holdings Inc.	FORA	T	\$28.10	\$40.00	42%	BUY	HIGH		Dec	C\$	21.6	\$606	\$0.00	0.0%	(\$0.12)	(\$0.11)	(\$0.06)	\$0.59	\$1.17	\$1.11	\$0.98	\$1.40	nmf	28.8x	VV

Notes:

(1) Earnings for Thomson Reuters Corp. are in U.S. dollars but share price and market cap are in Canadian dollars. All Comcast, Charter, Altice, and Liberty Broadband numbers are in U.S. dollars.

AL BUY = Action List BUY

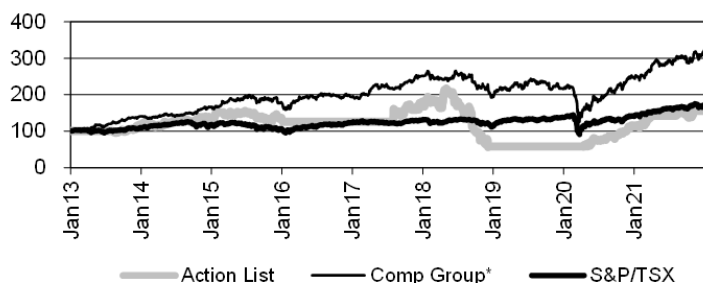
Analyst(s): VV = Vince Valentini, CFA 416 944 7012, TD = Towaki Dojima, 416 944 6046

Action List

Equity Research

January 7, 2022

Consumer Discretionary



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	8.5	9.6	36.1	36.1	55.5
Comp. Group*	6.9	11.1	8.8	30.5	30.5	220.3
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	70.7

* S&P/TSX Durables & Apparel, Retailing (Industry Groups)

¹ Since January 1, 2013

Industry Overview

Our 2022 Sector Outlook

The Consumer Discretionary comp group outperformed the TSX in 2021 with a return of 30.5%, compared to the TSX increase of 21.7%.

Looking ahead to 2022, our view is based on a continued easing of pandemic restrictions and a rising bond yield in Canada and the U.S. In this environment, we anticipate a gradual reversal of some of the retail trends seen in 2021.

In Q1/22 we expect the sector to be impacted by capacity restrictions made in response to the rapid spread of the Omicron variant. Although these restrictions should be short-lived given the lower hospitalization/death rate associated with Omicron, any resulting shift from service spending toward goods could place additional pressure on an already constrained supply-chain. Looking ahead to 2H/22, as the percentage of fully vaccinated individuals continues to rise in the U.S. and Canada, we expect further easing in COVID-related restrictions which could drive modest gains from increased traffic to bricks and mortar. However, it is our view that advancements in eCommerce made in 2020/2021 should continue into 2022, and that the channel shift from bricks and mortar is likely to endure – reflecting a shift in consumer preferences.

Inflation will remain a concern in 2022. In Canada, the supply chain continues to recover despite ongoing headwinds – most recently, the B.C. floods. Cost inflation, including wage inflation, should continue to be passed on to the North American consumer in 2022. In response to a tightening labour market and consistent above-trend inflation, we expect the Bank of Canada and the FOMC to raise the overnight/policy rate in Q2/22. Inflation, decreased government stimulus, and a rising interest rate are all headwinds to consumer demand in 2022.

In the face of rising bond yields investors are likely to shift toward more defensive names with predictable cash flows and earnings growth. At this time, our preferred names remain Gildan and Dollarama. We continue to view Gildan's vertically integrated operations as uniquely positioned to benefit from logistics delays within its industry given its proximity to North American markets. Gildan remains well positioned to grow earnings/FCF in 2022, and we continue to recommend an overweight position. We continue to see Dollarama as a preferred defensive name within the context of the current macro and rising yield environment. Dollarama is not immune to supply chain challenges, yet we believe the combination of lower COVID costs, beneficial FX hedges, and pricing power should enable management to sustain its gross margin in 2022.

Turning to the global automotive industry, we saw sequential improvement in light vehicle production toward the end of 2021, due in part to improvement in the global supply chain/semiconductor imbalance. The production shortfall continues to have a

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Action List

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material impact on the U.S. light vehicle inventory levels, however, with days supply remaining below one month.

As we enter 2022, we are becoming more constructive on the auto supply sector. This is due to the recent sector pullback and indications of an improving outlook for production volumes. While having a positive mid term view, we have stated over the past several months that the sector is likely range-bound until we see a defined catalyst. While early days, we believe we are seeing a gradual improvement in the supply chain with sequential improvement in North American production volumes two months in a row. While Q4/21 financial results for the sector are likely to remain challenged, we believe supply chain issues should slowly dissipate in 1H/22. This should lead to improved financial performance as consumer demand remains strong in addition to the growing needs of a forthcoming replenishment cycle. With improving visibility in a return to "normalized" global production rates, investors are likely to shift their benchmark valuation to 2023. Our pecking order remains Martinrea (BUY-rated), followed by Magna (BUY-rated) and Linamar (BUY-rated). ABC Technologies remains HOLD-rated.

Our Sector Stance: Market Weight

We remain comfortable with our Market Weight sector stance. In the current macro and rising yield environment we generally favour defensive names in the sector that are positioned to grow earnings/FCF. Additionally, we see further gains for names that are industry leaders, with strong capabilities and balance sheets. We view such names as being well positioned for growth over our 12-month investment horizon.

Our High Conviction Buys

Gildan Activewear Inc.

GIL-T, GIL-N: US\$42.39; BUY

12-Month Target: US\$50.00

Our investment thesis is unchanged, that there remains a long runway for future earnings/FCF growth for Gildan. Strong consumer demand and limited supply has resulted in tight global inventory levels, supporting a higher pricing environment. In such an environment, we believe Gildan's vertically integrated operations are a benefit relative to competitors. This, combined with a material relative price gap versus its competition, should continue to drive market share gains across its targeted verticals including higher-margin Fashion Basics. Capacity expansion is underway (Gildan completed the acquisition of Frontier Yarns in December) which should further facilitate growth in Gildan's key verticals and support the lowering of its cost structure. Despite continuing inflationary pressures (energy, cotton), we maintain our view that Gildan is set to maintain its targeted operating margin of 18% through 2022. Attractive near term earnings growth should lead to heightened investor conviction in its long term earnings potential, and lead to a higher share price in 2022.



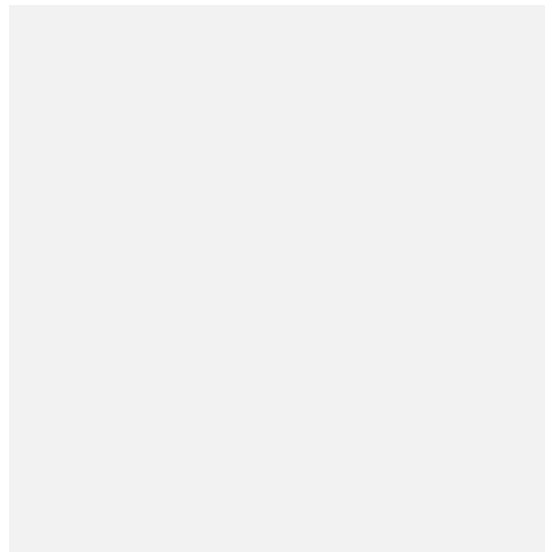
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Dollarama, Inc.**DOL-T: C\$63.31; BUY****12-Month Target: C\$72.00**

Dollarama remains a preferred name in our coverage universe. In our view, Dollarama has several pillars of growth as we look ahead to 2022. In the near term we expect positive results commencing in Q4/F22, as the company benefits from lapping "softer" comparable SSSG periods due to government restrictions which limited the sale of non-essential items at various times in 2021. While inflationary pressures will mount in 2022, we believe the combination of lower COVID costs, beneficial FX, and pricing power should enable Dollarama to sustain its gross margin. This should translate into attractive top and bottom line growth within the company's near term quarterly results, which is supportive of its premium valuation multiple. We expect that these attributes, combined with a growing contribution from Dollarcity and an active NCIB, will result in positive EPS growth in 2022 – making Dollarama a compelling investment within our coverage universe, especially should investors take a more defensive sector approach with rising bond yields over the next year.



Consumer Discretionary Universe

Stock Name	Symbol	Exch.	Overall																			Analyst			
			Curr. Price	12-Month Target	Total Return	Rating	Risk Rating	Year-End	Rep. Curr.	O/S (mm)	Shares	Market Cap (mm)	Ind. Div.	Yield	EPS			EBITDA (mm)			P/E (x)		EV/EBITDA (x)		
															2020A	2021E	2022E	2020A	2021E	2022E	2021E		2022E	2021E	2022E
Gildan Activewear Inc.	GIL		US\$42.39	US\$50.00	19%	BUY	HIGH	Dec	US\$	198.1	\$8,397	\$0.62	1.5%	(\$0.18)	\$2.48	\$2.74	\$165	\$680	\$704	17.1x	15.5x	12.9x	12.5x	BM	
Roots Corp.	ROOT	T	\$3.19	\$5.00	57%	BUY	HIGH	Jan	C\$	42.3	\$135	\$0.00	0.0%	\$0.35	\$0.51	\$0.42	\$64	\$67	\$63	6.3x	7.6x	4.5x	4.8x	BM	
Martinrea International Inc.	MRE	T	\$11.50	\$15.50	37%	BUY	HIGH	Dec	C\$	80.4	\$924	\$0.20	1.7%	\$0.58	\$0.46	\$1.80	\$366	\$316	\$501	25.0x	6.4x	6.1x	3.8x	BM	
Linamar Corp.	LNR	T	\$74.93	\$94.00	26%	BUY	MEDIUM	Dec	C\$	65.5	\$4,904	\$0.64	0.9%	\$4.81	\$6.44	\$7.46	\$920	\$1,039	\$1,143	11.6x	10.0x	5.0x	4.4x	BM	
Dorel Industries Inc.	DII.B	T	\$20.49	\$40.00	98%	BUY	HIGH	Dec	US\$	32.6	\$667	\$0.60	2.9%	\$0.38	(\$2.04)	\$1.15	\$145	\$109	\$141	-7.9x	14.0x	9.8x	7.5x	DL	
K-Bro Linen Inc.	KBL	T	\$34.20	\$49.00	47%	BUY	MEDIUM	Dec	C\$	10.7	\$367	\$1.20	3.5%	\$0.76	\$1.02	\$1.70	\$38	\$47	\$54	33.7x	20.1x	9.7x	8.4x	DL	
Spin Master Corp.	TOY	T	\$47.94	\$57.00	19%	BUY	HIGH	Dec	US\$	105.2	\$5,043	\$0.00	0.0%	\$0.51	\$1.83	\$1.84	\$181	\$377	\$389	20.7x	20.6x	9.8x	9.5x	BM	
Canadian Tire Corporation Ltd.	CTC.A	T	\$181.44	\$240.00	35%	BUY	MEDIUM	Dec	C\$	61.3	\$11,129	\$5.20	2.9%	\$13.00	\$16.89	\$17.53	\$2,181	\$2,512	\$2,562	10.7x	10.4x	7.0x	6.8x	BM	
Cineplex Inc.	CGX	T	\$13.61	\$19.50	43%	BUY	HIGH	Dec	C\$	63.3	\$862	\$0.00	0.0%	(\$7.08)	(\$3.22)	\$0.60	(\$56)	\$114	\$466	-4.2x	22.7x	23.7x	5.8x	DL	
Magna International Inc.	MG, MGA	T,N	US\$80.94	US\$97.00	22%	BUY	MEDIUM	Dec	US\$	302.6	\$24,492	\$1.72	2.1%	\$3.95	\$4.55	\$7.22	\$3,042	\$3,407	\$4,423	17.8x	11.2x	5.7x	4.6x	BM	
ABC Technologies	ABCT	T	\$7.25	\$9.00	26%	HOLD	HIGH	Jun	US\$	52.5	\$301	\$0.15	2.1%	nmf	\$0.33	(\$0.57)	\$111	\$156	\$79	17.4x	-10.1x	4.8x	9.6x	BM	
Sleep Country	ZZZ	T	\$37.53	\$44.00	19%	HOLD	MEDIUM	Dec	C\$	37.3	\$1,400	\$0.78	2.1%	\$1.95	\$2.59	\$2.77	\$172	\$208	\$221	14.5x	13.5x	8.4x	7.9x	MA	
Savaria Corp.	SIS	T	\$19.16	\$26.00	38%	BUY	MEDIUM	Nov	C\$	64.2	\$1,230	\$0.50	2.6%	\$0.56	\$0.62	\$0.88	\$60	\$100	\$126	30.9x	21.8x	15.6x	12.5x	DL	
Dollarama Inc.	DOL	T	\$54.94	\$72.00	24%	BUY	MEDIUM	Jan	C\$	306.2	\$16,823	\$0.20	0.4%	\$1.81	\$2.08	\$2.66	\$1,131	\$1,252	\$1,438	26.4x	20.7x	16.1x	14.0x	BM	
BRP Inc.	DOO, DOOO	T	\$110.80	\$140.00	27%	BUY	MEDIUM	Jan	C\$	83.5	\$9,255	\$0.53	0.5%	\$5.39	\$9.55	\$1.97	\$999	\$1,436	\$1,556	11.6x	56.2x	8.0x	7.4x	BM	
Canada Goose	GOOS	T,N	\$46.88	\$59.00	26%	BUY	MEDIUM	Mar	C\$	110.8	\$5,194	\$0.00	0.0%	\$0.77	\$1.31	\$1.80	\$202	\$296	\$383	35.8x	26.0x	19.5x	15.1x	MA	
Uni-Select Inc.	UNS	T	\$25.74	\$30.00	17%	BUY	MEDIUM	Dec	US\$	52.0	\$1,338	\$0.00	0.0%	(\$0.18)	\$0.84	\$1.03	\$93	\$141	\$151	24.2x	19.7x	11.8x	11.0x	DY	
Richelieu Hardware	RCH	T	\$43.63	\$50.00	15%	HOLD	MEDIUM	Nov	C\$	56.6	\$2,469	\$0.28	0.6%	\$1.50	\$2.34	\$2.05	\$155	\$222	\$203	18.6x	21.3x	11.2x	12.3x	MA	
Aritzia Inc.	ATZ	T	\$52.35	\$57.00	9%	BUY	MEDIUM	Feb	C\$	115.3	\$6,036	\$0.00	0.0%	\$0.23	\$1.22	\$1.62	\$77	\$241	\$317	42.9x	32.3x	24.5x	18.7x	MA	
Pizza Pizza Royalty Corp.	PZA	T	\$12.02	\$12.00	6%	HOLD	MEDIUM	Dec	C\$	32.2	\$387	\$0.74	6.1%	\$0.77	\$0.76	\$0.80	\$31	\$31	\$32	15.9x	15.0x	14.1x	13.3x	DL	
MTY Food Group Inc.	MTY	T	\$63.28	\$70.00	12%	HOLD	MEDIUM	Nov	C\$	24.7	\$1,563	\$0.81	1.3%	\$2.33	\$3.45	\$3.57	\$137	\$173	\$178	18.3x	17.7x	11.5x	11.1x	DL	

Forward Balance Sheet for ABCT, LNR, MGA, MRE.

Notes 1: Curr. Price, Market Cap, and Ind. Div. for ABCT, DII.B are in C\$, 2: ATZ EBITDA, net debt pre-IFRS 16.

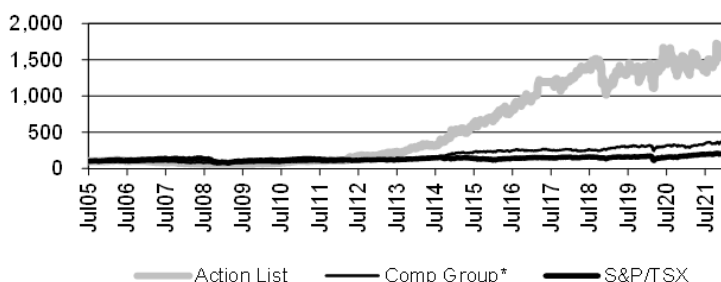
Analyst(s): BM= Brian Morrison 416 944 6868 DL= Derek Lessard 514 289 0384 DY = Daryl Young 416 983 3276 MA = Meaghen Annett 416 983 9773

Action List

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Consumer Staples



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	3.6	13.7	13.7	3.7	3.7	1491.6
Comp. Group*	8.9	7.4	11.9	20.6	20.6	271.3
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	105.7

* S&P/TSX Consumer Staples (Sector)

¹ Since July 21, 2005

Industry Overview

Our 2022 Sector Outlook

TD Economics is forecasting Canada's economy to grow 4.4%/3.1% in 2022/2023, following an estimated 4.5% increase in 2021, as the economy continues to rebuild assisted by fiscal stimulus. This should lead to a continual improvement in the unemployment rate, which is expected to fall to 5.6%/5.4% in 2022/2023, down from an estimated 7.4% in 2021. Services consumption is expected to be exceptionally strong on continued release of pent up demand, while Retail spending is forecast to increase a robust 6.5% in 2022 (vs. an estimated 5.6% growth in 2021) driven, among other factors, by increased foodservice activity and elevated inflation.

Despite lapping difficult comps, Food retail sales are expected to have remained elevated in 2021, about ~3-4% above where we estimate they otherwise would have been had the pandemic never occurred. Restaurant activity may remain suppressed early on given the rapidly rising COVID counts, but assuming Omicron does not lead to significantly higher hospitalizations and is brought under control in H1/22, we expect restaurants to recapture additional volume, leading grocers SS tonnage to decline ~1.5-2% in 2022. Countering this is rising COGS inflation tied to increasing commodity, freight and labour costs – we see this leading to retail food CPI of 5-6% in H1/22 before moderating to an average 3.5% in H2/22 (we assume true basket inflation is up to 2% lower, reflecting greater promo penetration and trade downs to lower priced alternatives). Combined, these factors should push grocer SSS into positive territory (+1% to +2%) for all of 2022. Overall, we see Loblaw delivering the strongest profit gains in 2022 at 13%, with Empire at 11% (back-end weighted), and Metro at 9%.

Drug retail SSS growth in 2022 is expected to moderate somewhat, though still end up near the top-end of the traditional 2%-4% range, after spending most of the past two years in the 4%-5% range. Sales mix has begun to normalize, with less PPE and more OTC and beauty/cosmetic sales – a mix shift that would be margin accretive.

In convenience/fuel retail, U.S. industry fuel volumes are recovering to near pre-pandemic levels. The EIA is forecasting gasoline demand to rebound another 2.5% in 2022, which would leave demand 3% below 2019 levels. We expect Couche-Tard's U.S. SSV to increase 5% (above average given its less rural locations), recovering to ~96% of pre-pandemic levels by year-end. From a profit standpoint, the industry has adapted to the exceptional uncertainty/volatility by pushing fuel margins higher and capitalizing on stronger demand for merchandise. We expect Couche-Tard's 2022 fuel margins to fall almost 7%, leaving fuel profits roughly flat y/y, but still 23% higher on a per-store basis than pre-pandemic levels. In-store sales fared well during the pandemic (rising an estimated 3%-5% in each of 2020/2021), as the industry adjusted product offerings and gained share from other channels. For 2022, we see

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Cheryl Zhang, (Associate)

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Couche-Tard's U.S. in-store SSS averaging 1.4% as some traffic moves back to other channels, though this still leaves sales up 12.4% vs. pre-pandemic levels.

For many dairy processors, COVID-19 has been a headwind as foodservice demand tumbled, costs/inefficiencies rose and competition intensified. The surge in retail demand experienced during the initial onset of the pandemic has since subsided as foodservice gradually recovered, but unprecedented labour availability challenges and meaningful supply chain issues are seriously impairing order fill rates, particularly in the U.S. Add to this the rising commodity and packaging costs and many dairy processors are seeing margins greatly impacted, despite strong demand. Most cost pressures are being passed on, but with a lag. The labour challenges are slowly dissipating, which should gradually improve order fill rates through 2022. Dairy market factors were negative on average in 2021, but we assume a gradual move toward normalization in 2022.

In our opinion, the environment for meat producers and processors should remain mostly favourable in 2022, possibly without the radical quarterly fundamentals swings seen in the past 24 months. In 2021, hogs experienced a huge run-up in prices (on rising feed and other costs), peaking in June and leading to a significant y/y increase in hog production profitability. Spreads, on the other hand, have been volatile by quarter, but averaging 13% lower than five-year averages for the full year, partly offsetting the strong hog production profits. For 2022, we assume a relatively neutral pork commodity complex and inflationary cost pressures (e.g., transportation, labour) to be offset by fewer COVID disruptions and pass-through of the higher cost structure (Maple Leaf took price in July 2021 and will likely take more in Q1/22).

Our Sector Stance: Market Weight

For 2022, we maintain our Market Weight stance on Consumer Staples. Heading into the year, Staples forward P/E valuation premium (over the broader index) of 2.0x is now above the historical 5/10-year averages of 1.1x/1.3x. Staples still have the potential to outperform early in 2022 if investors continue to seek shelter from the Omicron uncertainty, but, as the year progresses, we believe that some Staples with large market caps will find it tougher to maintain valuations near peak levels. The grocers and Couche-Tard remain best positioned near term, in our opinion, to assume that defensive role for investors given their positive correlation with inflation, though we prefer playing Loblaw via Weston in order to benefit from the anticipated contraction in Weston's holdco discount. Saputo, like many food processors, is struggling with fill rates and passing through rapidly rising costs fast enough, so while valuation (currently near trough levels) is looking attractive, we believe Saputo's share price may only start building positive momentum around mid-year. Consequently, even though it faces some of the same near term cost challenges, we view Maple Leaf as the better investment of the two heading into the year.

Our Action List Pick

Maple Leaf Foods Inc.

MFI-T: C\$29.26; ACTION LIST BUY

12-Month Target: C\$45.00

We believe Maple Leaf has a lot going for it as an industry leader in ESG, well-above average Meat revenue growth, the largest branded Canadian market shares in fresh and prepared meats, and dominant leadership positions in RWA pork (North

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America) and RWA poultry (Canada). But MFI's 2021 returns were muted relative to the sector average based on what we believe are two investor impediments: 1) the substantial EBITDA losses in PBP; and 2) the negative FCF stemming from extremely high levels of capital expenditures and PBP opex.

As we look out to 2022, we see three positive catalysts that can push the shares materially higher toward our \$45 target. First, we remain confident in MFI's ability to boost run-rate Meat EBITDA margin (excluding duplicate-overhead and start-up costs in the new London poultry facility) to 14%-16%. We are now within the 12-month window where the lower-end of the range should be achieved, before taking another leap higher to ~16% by the end of 2023 as efficiencies are realized from the new bacon facility and the London poultry plant. Second, with PBP industry demand yet to return to growth at retail, we feel MFI will have little choice (at the time of its Q4/21 results) but to reduce its PBP revenue CAGR expectations to a level that the market believes is more achievable and, more importantly, significantly cut opex spending to match. The latter could lead to a return to PBP profitability by early-2024. Finally, a substantial reduction in capex by mid-year (when new London poultry and Indiana tempeh facilities are expected to be commissioned), coupled with the first two catalysts, should lead to meaningful FCF generation for the first time since 2017/18, in our view.

Action List

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Consumer Staples Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall			Rep.	Shares	Market Cap (mm)	EPS			EBITDA (mm)			P/E (x)		EV/EBITDA (x)		Ind.		Analyst
							Risk	Year-End	Rating				2021E	2022E	2023E	2021E	2022E	2023E	2022E	2023E	2022E	2023E	Div.	Yield	
Maple Leaf foods Inc.	MFI	T	\$29.26	\$45.00	56%	AL BUY	MEDIUM	Dec	C\$	124.4	\$3,639	\$1.29	\$1.67	\$2.03	\$437	\$539	\$635	17.6x	14.4x	9.1x	7.7x	\$0.78	2.7%	MV	
Parkland Fuel Corp.	PKI	T	\$34.77	\$53.00	56%	BUY	MEDIUM	Dec	C\$	152.2	\$5,292	\$2.13	\$2.88	\$3.34	\$1,247	\$1,459	\$1,559	12.1x	10.4x	6.6x	6.2x	\$1.25	3.6%	MV	
Saputo Inc.	SAP	T	\$28.50	\$39.00	39%	BUY	MEDIUM	Mar	C\$	414.4	\$11,810	\$1.74	\$1.32	\$1.80	\$1,471	\$1,260	\$1,542	21.6x	15.8x	12.6x	10.3x	\$0.73	2.6%	MV	
Primo Water Corp.	PRMW	N	\$17.63	\$23.00	32%	BUY	MEDIUM	Dec	US\$	160.7	\$2,834	\$0.63	\$0.66	\$0.83	\$389	\$413	\$461	26.7x	21.2x	10.1x	9.0x	\$0.28	1.6%	DL	
Premium Brands Holdings Corp.	PBH	T	\$126.44	\$160.00	29%	BUY	MEDIUM	Dec	C\$	43.8	\$5,540	\$4.32	\$5.40	\$6.29	\$424	\$521	\$580	23.4x	20.1x	14.0x	12.6x	\$2.79	2.2%	DL	
George Weston Ltd.	WN	T	\$146.66	\$175.00	21%	BUY	MEDIUM	Dec	C\$	148.1	\$21,727	\$7.83	\$9.13	\$10.04	\$6,025	\$6,384	\$6,568	16.1x	14.6x	8.0x	7.7x	\$2.50	1.7%	MV	
Loblaw Companies Ltd.	L	T	\$103.64	\$115.00	12%	BUY	MEDIUM	Dec	C\$	333.6	\$34,570	\$5.44	\$6.15	\$6.75	\$5,638	\$5,946	\$6,106	16.9x	15.4x	7.8x	7.6x	\$1.54	1.5%	MV	
Alimentation Couche-Tard Inc.	ATD.B	T	\$53.00	\$58.00	10%	BUY	MEDIUM	Apr	US\$	1133.2	\$60,061	\$2.45	\$2.40	\$2.65	\$5,005	\$4,980	\$5,214	17.3x	15.7x	10.7x	10.2x	\$0.46	0.9%	MV	
North West Company Inc.	NWC	T	\$34.24	\$39.00	18%	HOLD	MEDIUM	Jan	C\$	48.1	\$1,645	\$2.76	\$2.40	\$2.60	\$287	\$265	\$279	14.3x	13.2x	7.5x	7.1x	\$1.50	4.4%	MV	
Empire Company Ltd.	EMP.A	T	\$38.54	\$44.00	16%	HOLD	MEDIUM	Apr	C\$	264.5	\$10,192	\$2.61	\$2.67	\$2.93	\$2,144	\$2,279	\$2,420	14.5x	13.1x	7.5x	7.1x	\$0.62	1.6%	MV	
Metro Inc.	MRU	T	\$67.32	\$72.00	9%	HOLD	MEDIUM	Sep	C\$	242.4	\$16,316	\$3.44	\$3.76	\$4.17	\$1,733	\$1,822	\$1,936	17.9x	16.2x	11.2x	10.6x	\$1.12	1.7%	MV	
Rogers Sugar Inc.	RSI	T	\$5.95	\$6.00	7%	HOLD	MEDIUM	Sep	C\$	103.7	\$617	\$0.33	\$0.42	\$0.45	\$91	\$105	\$109	14.2x	13.3x	9.2x	8.9x	\$0.36	6.1%	MV	
Jamieson Wellness Inc.	JWEL	T	\$40.14	\$40.00	1%	HOLD	MEDIUM	Dec	C\$	40.3	\$1,619	\$1.32	\$1.49	\$1.64	\$99	\$109	\$119	26.9x	24.5x	15.9x	14.5x	\$0.63	1.6%	DL	

Curr. Price, Market Cap, and Ind. Div. for ATD.B are in C\$. Ind. Div. is TD forecast for the four-quarter period ending closest to December 2022.

AL BUY = Action List BUY

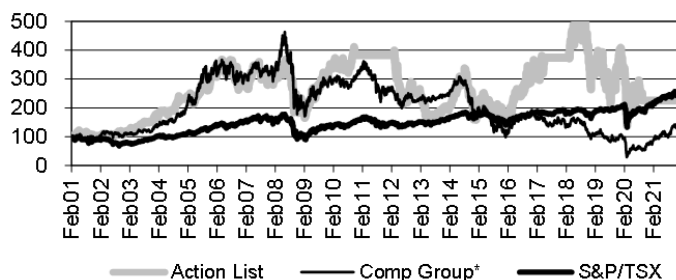
Analyst(s): MV = Michael Van Aelst, CFA 514 289 0518; DL = Derek J. Lessard 514 289 0384

Action List

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Energy Producers



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	0.0	0.0	0.0	0.0	125.0
Comp. Group*	3.7	10.0	18.1	84.6	84.6	37.5
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	150.9

* S&P/TSX Oil & Gas Exploration & Production (Subindustry)

¹ Since February 19, 2001

Industry Overview

Our 2022 Sector Outlook

Our Oil and Refined Product Outlook

We remain constructive on the oil supply/demand outlook over the mid term for the following reasons: 1) the Omicron demand impact likely dissuades OPEC+ from accelerating production additions beyond its current plan (400 mmbbl/d per month); 2) ongoing price volatility should reinforce industry capital restraint (our coverage reflects 3% absolute liquids growth in 2022) and commitments to accelerated shareholder returns; 3) U.S. total crude complex inventories remain relatively low (down ~13% y/y; ~8% below five-year average) while total refined product demand has been relatively resilient through Omicron (up ~15% y/y; ~13% above five-year average). U.S. spot crack spreads are in a healthy range of approximately ~US \$15.30-US\$16.60/bbl and suggest the world's economies are better at locking down without crushing mobility (excluding jet fuel demand which only accounts for 7% of total U.S. product demand). Further, U.S. refining utilization has been consistently running at trailing-five-year level (current utilization at 90%, 2% below trailing-five-year level), reflecting sustained refined product demand. We highlight the EPA's recent reduction of renewable fuel standard targets, which is alleviating RIN price pressures and removing a recent headwind for downstream, in our view.

Our Natural Gas Outlook

We continue to forecast approximately flat y/y U.S. natural gas pricing in 2022E and eroding prices in 2023E. With U.S. LNG export capacity continuing to increase (we expect 13.6 Bcf/d of export capacity by mid-2022), N.A. gas is becoming increasingly linked to the global supply/demand balance. Given a variety of factors through 2021, demand for U.S. LNG cargos was strong with export facilities operating at capacity. As Europe and Asia restock storage, we expect this trend to continue through 2022. In Canada, significantly below-average storage levels and producer-reluctance to add supply contributed to strong pricing through 2021. However, U.S. inventory levels now sit modestly (~2%) above the 5-year average and North American E&Ps have added ~3.6 Bcf/d of natural gas in H2. North American natural gas pricing will be highly dependent on 1) utilization rates of new LNG export capacity through 2022, and 2) the magnitude/timing of new supply additions that remain highly profitable with marginal supply costs of ~US\$2.25/mcf.

Aaron Bilkoski

Menno Hulshof, CFA

Mark F. Luo, CPA, CA, CFA, CBV (Associate)

Keegan Stoyles, P. Geo., CFA (Associate)

Dustin Besaw, CFA

Action List

Equity Research

January 7, 2022

Our Sector Stance: Overweight

We are maintaining our Overweight sector stance. We continue to see marginally better value in the Canadian energy equities relative to the U.S. Our rationale for remaining Overweight hinges on several key factors: 1) equity valuations look attractive, even on our 'below-strip' price deck; 2) the industry appears to be on a very solid footing based on total payouts and leverage; and 3) oil and natural gas supply/demand fundamentals remain strong.

Our Action List Pick

Crescent Point Energy Corp.

CPG-T: C\$7.20; ACTION LIST BUY

12-Month Target: C\$12.00

We recently upgraded Crescent Point to Action List Buy with our revised commodity price forecasts. Since the current CEO took the helm in 2018, absolute net debt has been reduced by half. Given our significant FCF forecast through 2022, we estimate YE-2022E D/CF of 0.7x (from 1.4x at YE-2021). In our view, as D/CF falls below 1.0x in H1/2022E, more FCF could be allocated to shareholder returns. In 2021 Crescent Point announced two dividend increases, that brought the yield from nearly nil to ~2.5% (based on recent increase payable in April). In 2022, the current dividend only consumes 5% of CF and 11% of FCF based on our forecasts. This leaves significant unallocated FCF for incremental return of capital announcements. For example, if CPG were to return 50% of FCF to shareholder return initiatives, we estimate this would equate to 10% of the current market cap –while still allowing for \$426 million of debt reduction throughout the year.

In addition, we believe near term catalysts in the Duvernay could propel equity value higher. Recall CPG bought the Duvernay asset from Shell in February 2021 and subsequently announced a farm-in arrangement with an undisclosed counterparty in Q3/21. To date, the company has disclosed that capital cost of its new Duvernay wells drilled thus far came in ~\$1.5mm below expectations (despite more intensive completions). Crescent Point should have three Duvernay wells on stream by the end of Q1 and results from these wells should complete the picture and, in our view, materially de-risk the entrance into the play. Beyond simply providing well results, we believe strong oil rates from the Duvernay should: 1) contribute to strong flush production in Q1/22E, and 2) provide the company with a large oil-weighted asset with high rate wells in a play with scale.

We encourage investors to revisit CPG as we believe it offers a strong conventional oil-weighted asset base, material FCF, comfortable leverage, a sustainable base dividend (with room to grow), and near term Duvernay catalysts at a low valuation.



Action List

Equity Research

January 7, 2022

Energy Producers – Junior & Intermediate Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Mth Target	Yield 2022E	Total Return	Rating	Overall		Year-End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	CFPS		Payout ratio		EV/DACF 2022E	% Gas 2022E	Debt/CF 2022E	Analyst
								Risk Rating	Risk Rating					2021E	2022E	2021E	2022E				
Advantage Oil & Gas Ltd.	AAV	T	\$7.54	\$10.00	0%	33%	BUY	High	Dec	C\$	196.3	\$1,480	\$1.23	\$1.84	60%	51%	4.0x	90%	0.0x	AB	
ARC Resources Ltd.	ARX	T	\$11.94	\$20.00	3%	71%	BUY	High	Dec	C\$	704.5	\$8,411	\$3.69	\$4.12	46%	53%	3.0x	61%	0.2x	AB	
Birchcliff Energy Ltd.	BIR	T	\$6.45	\$10.50	1%	63%	BUY	High	Dec	C\$	275.3	\$1,776	\$2.03	\$2.25	44%	43%	3.1x	78%	0.3x	AB	
Baytex Energy Corp.	BTE	T	\$3.99	\$4.75	0%	19%	HOLD	High	Dec	C\$	573.8	\$2,289	\$1.32	\$1.51	41%	49%	3.6x	17%	1.1x	MH	
Crescent Point Energy Corp.	CPG	T	\$7.20	\$12.00	2%	68%	AL BUY	High	Dec	C\$	584.9	\$4,211	\$2.54	\$3.18	47%	53%	2.9x	18%	0.7x	AB	
Crew Energy Inc.	CR	T	\$2.97	\$4.50	0%	52%	BUY	High	Dec	C\$	162.5	\$483	\$0.80	\$1.32	128%	39%	3.2x	79%	1.2x	AB	
Enerplus Corp.	ERF	T	\$13.92	\$17.00	1%	23%	BUY	High	Dec	C\$	251.1	\$3,496	\$3.45	\$4.76	48%	46%	3.2x	38%	0.3x	AB	
Freehold Royalties Ltd.	FRU	T	\$12.07	\$15.50	5%	34%	BUY	High	Dec	C\$	152.0	\$1,834	\$1.36	\$1.47	33%	49%	8.1x	40%	-0.1x	AB	
Kelt Exploration Ltd.	KEL	T	\$4.95	\$6.50	0%	31%	BUY	High	Dec	C\$	192.5	\$953	\$0.84	\$1.30	122%	82%	3.6x	62%	-0.2x	AB	
NuVista Energy Ltd.	NVA	T	\$7.12	\$12.00	0%	69%	BUY	High	Dec	C\$	233.0	\$1,659	\$1.30	\$2.45	90%	53%	3.1x	62%	0.4x	AB	
Peyto Exploration Corp.	PEY	T	\$9.97	\$14.00	6%	46%	BUY	High	Dec	C\$	171.5	\$1,710	\$2.75	\$4.09	74%	68%	3.4x	87%	1.2x	AB	
PrairieSky Royalty Ltd.	PSK	T	\$13.98	\$20.00	3%	46%	BUY	High	Dec	C\$	240.5	\$3,362	\$1.20	\$1.34	23%	27%	11.1x	43%	1.2x	AB	
Spartan Delta Corp.	SDE	T	\$6.21	\$13.50	0%	117%	BUY	High	Dec	C\$	170.5	\$1,059	\$2.18	\$3.19	60%	55%	2.3x	59%	0.4x	AB	
Tourmaline Oil Corp.	TOU	T	\$41.99	\$64.00	2%	54%	BUY	High	Dec	C\$	335.0	\$14,068	\$9.51	\$11.01	62%	38%	3.7x	77%	-0.4x	AB	
Topaz Energy Corp.	TPZ	T	\$18.25	\$25.00	5%	42%	BUY	High	Dec	C\$	139.9	\$2,553	\$1.52	\$1.84	57%	52%	10.0x	78%	0.4x	AB	
Vermilion Energy Inc.	VET	T	\$16.03	\$22.00	0%	38%	BUY	High	Dec	C\$	169.0	\$2,709	\$5.18	\$8.54	43%	31%	2.5x	48%	0.5x	MH	
Whitecap Resources Inc	WCP	T	\$7.72	\$12.50	3%	65%	BUY	High	Dec	C\$	620.5	\$4,790	\$1.80	\$2.38	51%	46%	3.5x	27%	0.3x	AB	

Commodity Price

Assumptions	2020A	2021A	2022E	2023E	2024E+
WTI (US\$/bbl)	\$ 39.50	\$ 67.75	\$ 70.00	\$ 65.00	\$ 60.00
Edmonton Par (C\$/bbl)	\$ 46.25	\$ 80.00	\$ 82.50	\$ 75.50	\$ 70.00
NYMEX (US\$/mcf)	\$ 2.00	\$ 3.85	\$ 3.85	\$ 3.15	\$ 2.50
AECO (C\$/mcf)	\$ 2.25	\$ 3.65	\$ 3.55	\$ 2.75	\$ 2.35

AL BUY = Action List BUY

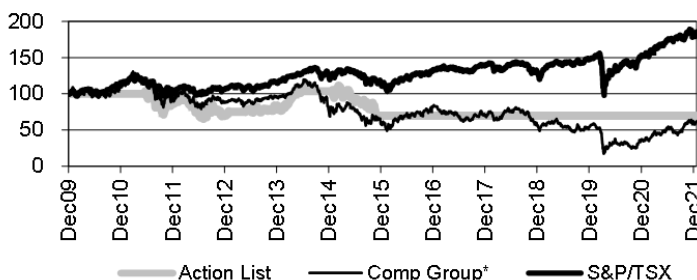
Analyst(s): Aaron Bilkoski, 403 299 3294, Menno Hulshof, CFA 403 299 8658

Action List

Equity Research

January 7, 2022

Energy Producers - Seniors & Integrateds



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	0.0	0.0	0.0	0.0	(30.4)
Comp. Group*	3.3	13.9	16.1	74.9	74.9	(38.5)
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	84.7

* S&P/TSX Oil & Gas Integrated,
Oil & Gas Exploration & Production (Subindustries)
¹ Since December 7, 2009

Industry Overview

Our 2022 Sector Outlook

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We remain constructive on the oil supply/demand outlook over the mid term for the following reasons: 1) the Omicron demand impact likely dissuades OPEC+ from accelerating production additions beyond its current plan (400 mbb/d per month); 2) ongoing price volatility should reinforce industry capital restraint (our coverage reflects 3% absolute liquids growth in 2022) and commitments to accelerated shareholder returns; 3) U.S. total crude complex inventories remain relatively low (down ~13% y/y; ~8% below five-year average) while total refined product demand has been relatively resilient through Omicron (up ~15% y/y; ~13% above five-year average). U.S. spot crack spreads are in a healthy range of approximately ~US \$15.30-US\$16.60/bbl and suggest the world's economies are better at locking down without crushing mobility (excluding jet fuel demand which only accounts for 7% of total U.S. product demand). Further, U.S. refining utilization has been consistently running at trailing-five-year level (current utilization at 90%, 2% below trailing-five-year level), reflecting sustained refined product demand. We highlight the EPA's recent reduction of renewable fuel standard targets, which is alleviating RIN price pressures and removing a recent headwind for downstream, in our view.

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We continue to forecast approximately flat y/y U.S. natural gas pricing in 2022E and eroding prices in 2023E. With U.S. LNG export capacity continuing to increase (we expect 13.6 Bcf/d of export capacity by mid-2022), N.A. gas is becoming increasingly linked to the global supply/demand balance. Given a variety of factors through 2021, demand for U.S. LNG cargos was strong with export facilities operating at capacity. As Europe and Asia restock storage, we expect this trend to continue through 2022. In Canada, significantly below-average storage levels and producer-reluctance to add supply contributed to strong pricing through 2021. However, U.S. inventory levels now sit modestly (~2%) above the 5-year average and North American E&Ps have added ~3.6 Bcf/d of natural gas in H2. North American natural gas pricing will be highly dependent on 1) utilization rates of new LNG export capacity through 2022, and 2) the magnitude/timing of new supply additions that remain highly profitable with marginal supply costs of ~US\$2.25/mcf.

Our Sector Stance: Overweight

We are maintaining our Overweight sector stance. We continue to see marginally better value in the Canadian energy equities relative to the U.S. Our rationale for remaining Overweight hinges on several key factors: 1) equity valuations look attractive, even on our 'below-strip' price deck; 2) the industry appears to be on a

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Action List

Equity Research

January 7, 2022

very solid footing based on total payouts and leverage; and 3) oil and natural gas supply/demand fundamentals remain strong.

Our High Conviction Buy

Cenovus Energy Inc.

CVE-T: C\$16.28; BUY

12-Month Target: C\$23.00

We believe CVE offers top-quartile asset quality in an ESG environment that arguably favors SAGD over mining, in addition to competitive shareholder returns with real potential to grow them over time. To this end, it recently announced a 7% buyback and has committed to a 4x dividend increase through 2026 at US\$45/bbl. We currently estimate a 7% 2022E cash return yield. While somewhat lower than the peer average of 9%, it should stand out from a rate of change perspective, in our view. This also applies to operational rate of change since CVE continues to exceed Street expectations in driving operational improvements at the recently acquired Husky assets and recently hit its annual synergies estimate of \$1.2B (the largest of any North American M&A transaction through this downturn). Leverage is not a headwind for the first time since the ill-timed ConocoPhillips asset acquisition in 2017. On strip, we estimate that CVE should hit its new \$6bln net debt target in Q3/22 (exiting 2022 with only \$3bln net debt), translating into a 2022E net debt/FFO metric of 0.3x. There is also strong potential for A&D surprises through further portfolio rationalization (potentially Deep Basin divestitures and restructuring of certain of its JV'd refinery positions). Finally, on valuation, it trades relatively in line on 2022E strip FCF yield (19% vs. its peers at 17%). While difficult to argue 'deep-value', we believe CVE has more potential to surprise to the upside than any other large cap under coverage.

Energy Producers Seniors & Integrations Universe

Integrations & Oil Sands

	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall													Analyst
							Risk Rating	Year-End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	EPS (f.d)		CFPS (f.d)		EV/DACF	% Gas	Debt/CF		
												2022E	2023E	2022E	2023E					
Canadian Natural Resources Ltd.	CNQ	T, N	\$54.70	\$63.00	19%	BUY	HIGH	Dec	C\$	1,175.7	\$64,311	\$6.16	\$5.09	\$12.22	\$11.62	5.2x	25%	0.8x	MH	
Cenovus Energy Inc.	CVE	T, N	\$16.28	\$23.00	42%	BUY	HIGH	Dec	C\$	2,017.6	\$32,847	\$2.28	\$2.33	\$4.71	\$5.00	3.7x	18%	0.4x	MH	
Imperial Oil Ltd.	IMO	T, N	\$47.10	\$52.00	13%	HOLD	MEDIUM	Dec	C\$	695.6	\$32,763	\$5.97	\$5.19	\$9.81	\$9.13	5.0x	4%	0.0x	MH	
MEG Energy Corp.	MEG	T	\$12.47	\$16.00	28%	BUY	HIGH	Dec	C\$	306.8	\$3,825	\$1.99	\$2.07	\$4.03	\$4.28	4.1x	0%	1.3x	MH	
Suncor Energy Inc.	SU	T, N	\$33.15	\$45.00	41%	BUY	HIGH	Dec	C\$	1462.2	\$48,470	\$4.26	\$4.06	\$9.07	\$9.13	4.3x	0%	0.8x	MH	

Euro Majors

BP	BP	N, L	\$28.55	\$32.00	17%	HOLD	HIGH	Dec	US\$	3,334.8	\$95,209	\$4.71	\$4.01	\$9.29	\$8.82	4.1x	40%	1.2x	MH
Shell	RDSA	N, L	\$45.97	\$60.00	35%	BUY	HIGH	Dec	US\$	3846.1	\$176,807	\$5.60	\$4.63	\$14.13	\$13.22	3.6x	48%	0.0x	MH

Commodity Price

Assumptions	2020A	2021E	2022E	2023E	2024E+
WTI (US\$/bbl)	\$ 39.50	\$ 67.75	\$ 70.00	\$ 65.00	\$ 60.00
Midland (US\$/bbl)	\$ 39.75	\$ 67.75	\$ 70.50	\$ 65.50	\$ 60.50
NYMEX (US\$/mcf)	\$ 2.00	\$ 3.85	\$ 3.85	\$ 3.15	\$ 2.50
Marcellus (US\$/mcf)	\$ 1.40	\$ 3.10	\$ 3.20	\$ 2.50	\$ 1.80
Waha (US\$/mcf)	\$ 1.20	\$ 6.15	\$ 3.55	\$ 2.60	\$ 1.95

AL BUY - Action List BUY

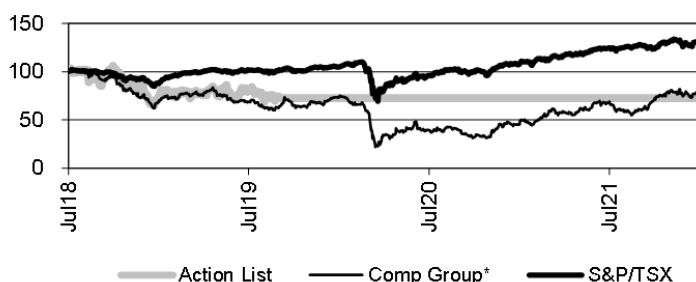
Analyst(s): MH = Menno Hulshof, CFA 403 299 8658

Action List

Equity Research

January 7, 2022

Energy Producers - US E&P



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	0.0	0.0	0.0	0.0	(27.6)
Comp. Group*	3.3	13.9	16.1	74.9	74.9	(21.5)
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	30.5

* S&P/TSX Oil & Gas Integrated,

Oil & Gas Exploration & Production (Subindustries)

¹ Since July 5, 2018

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Action List

Equity Research

January 7, 2022

Energy Producers – U.S. E&Ps Universe

Stock Name	Symbol	Exch.	Price 1/4/2022	12-Mth Target	Yield 2022E	Total Return	Overall													Analyst
							Rating	Risk Rating	Year- End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	CFPS		Payout ratio		EV/DACF 2022E	% Gas 2022E	Debt/CF 2022E	
													2021E	2022E	2021E	2022E				
Antero Resources	AR	N	\$18.07	\$30.00	0.0%	66%	BUY	High	Dec	US\$	318.9	\$5,763	\$5.28	\$6.35	40%	34%	3.3x	69%	0.6x	AB
Continental Resources Inc.	CLR	N	\$47.87	\$50.00	1.7%	6%	HOLD	High	Dec	US\$	371.6	\$17,788	\$11.30	\$14.22	42%	45%	4.2x	47%	1.0x	MH
Diamondback Energy Inc.	FANG	N	\$119.20	\$140.00	4.1%	22%	BUY	High	Dec	US\$	181.8	\$21,672	\$21.63	\$29.78	47%	54%	4.5x	20%	0.7x	MH
EOG Resources Inc.	EOG	N	\$95.35	\$115.00	5.2%	26%	BUY	High	Dec	US\$	585.4	\$55,814	\$15.79	\$17.26	71%	61%	5.1x	30%	-0.3x	MH
EQT Corporation	EQT	N	\$22.41	\$37.00	2.2%	67%	BUY	High	Dec	US\$	378.8	\$8,489	\$5.96	\$7.54	57%	52%	3.7x	94%	1.4x	AB
Kimbell Royalty Partners	KRP	N	\$15.36	\$21.00	9.9%	47%	BUY	High	Dec	US\$	64.3	\$987	\$1.88	\$1.96	72%	75%	8.6x	60%	1.2x	AB
Ovintiv Inc.	OVV	N	\$37.46	\$52.00	1.5%	43%	BUY	High	Dec	US\$	261.1	\$9,781	\$12.66	\$15.44	48%	48%	3.2x	49%	0.8x	MH
PDC Energy	PDCE	N	\$55.40	\$85.00	0.9%	54%	BUY	High	Dec	US\$	97.9	\$5,424	\$14.58	\$18.95	47%	37%	2.9x	40%	0.1x	AB
Pioneer Natural Resources Company	PXD	N	\$191.28	\$215.00	3.4%	22%	BUY	High	Dec	US\$	256.7	\$49,109	\$27.11	\$35.28	74%	87%	5.5x	20%	0.1x	MH
Range Resources Corporation	RRC	N	\$18.65	\$22.00	0.0%	18%	HOLD	High	Dec	US\$	263.1	\$4,907	\$3.99	\$5.66	40%	30%	4.1x	70%	1.3x	AB
Viper Energy Partners LP	VNOM	N	\$23.99	\$27.00	7.5%	20%	BUY	High	Dec	US\$	169.8	\$4,073	\$2.03	\$2.67	56%	70%	9.4x	20%	1.1x	AB

Commodity Price

Assumptions	2020A	2021A	2022E	2023E	2024E+
WTI (US\$/bbl)	\$ 39.50	\$ 67.75	\$ 70.00	\$ 65.00	\$ 60.00
Midland (US\$/bbl)	\$ 39.75	\$ 67.75	\$ 70.50	\$ 65.50	\$ 60.50
NYMEX (US\$/mcf)	\$ 2.00	\$ 3.85	\$ 3.85	\$ 3.15	\$ 2.50
Marcellus (US\$/mcf)	\$ 1.40	\$ 3.10	\$ 3.20	\$ 2.50	\$ 1.80
Waha (US\$/mcf)	\$ 1.20	\$ 6.15	\$ 3.55	\$ 2.60	\$ 1.95

AL BUY = Action List BUY

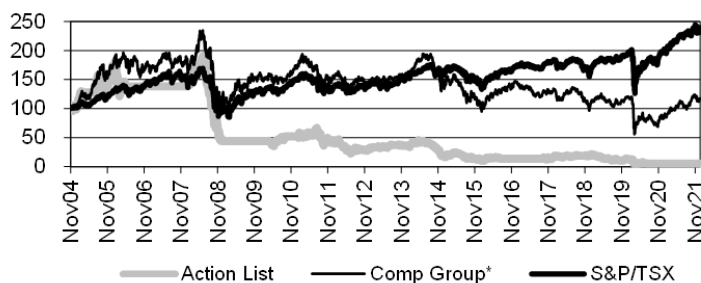
Analyst(s): Aaron Bilkoski, 403 299 3294, Menno Hulshof, CFA 403 299 8658

Action List

Equity Research

January 7, 2022

Energy Services



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	0.0	0.0	0.0	0.0	(94.9)
Comp. Group*	1.9	4.4	6.1	41.8	41.8	16.8
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	138.6

* S&P/TSX Energy (Sector)

¹ Since November 12, 2004

Industry Overview

Our 2022 Sector Outlook

In late November 2021, spot WTI prices came under pressure as a result of increasingly negative news flow around the transmissibility of the Omicron COVID-19 variant. In an industry note published in December 2021 ([full report](#)), we highlighted the work of our E&P research colleagues that demonstrates the resiliency of publicly traded E&Ps in terms of their ability to generate positive free-cash-flow in a range of commodity price scenarios (including as low as US\$40.00/bbl WTI and US\$2.00/Mcf Henry Hub for many producers). However, we believe that the prevailing logic around Omicron is that symptoms are relatively mild and high transmissibility is resulting in case counts that may prove to peak and retreat quickly. As a result, we now expect that the most acute impacts of the latest wave that would have the largest read-throughs for refined product demand will be short lived. In this context, we note that WTI has regained most of its losses from late-November/early-December 2021, with spot prices currently at ~US\$76.00/bbl.

However, despite the recent volatility in the commodity price, we continue to believe that North American E&P capital spending expectations have not materially changed due to ongoing capital discipline and the sector's focus on shareholder returns (dividend, NCIB). We believe initial capex budgets will be conservative with a high likelihood of upward revisions later on in the year, similar to 2021. Conversely, we believe that private U.S. E&Ps are less restrained by investor demands for capital discipline and more driven by market forces. These companies appear to have strong access to capital and have raised over US\$8.5 billion in the high yield market in 2021. As a result, we view recent commodity price strength as directionally positive for drilling and completions activity heading into 2022. Based on these factors, we are forecasting a 2022 average active Canadian and U.S. rig count of 160 rigs and 600 rigs, respectively, compared to our 2021 estimate of 130 rigs and 470 rigs, respectively. Additionally, we are forecasting Canadian pressure pumping demand of 1,250,000 HHP in 2022, up 32% from our estimate of 950,000 HHP in 2021 as a result of a favourable well mix that increasingly skews to the Montney and other liquids-rich gas plays. With inflationary cost pressures being a consistent theme across the industry, supplemented with volatile commodity prices, we believe that E&Ps remain in control from a pricing perspective and, as a result, believe it will be difficult for Energy Service companies to implement pricing improvements above inflationary costs.

Our Sector Stance: Overweight

In our view, the recent volatility in commodity prices will not have a meaningful impact on E&P capital-spending, and, as a result, the Energy Services sector provides several opportunities for small-cap focused energy investors.

Aaron MacNeil, CA

Aly Hemraj, CPA, CA (Associate)



Action List

Equity Research

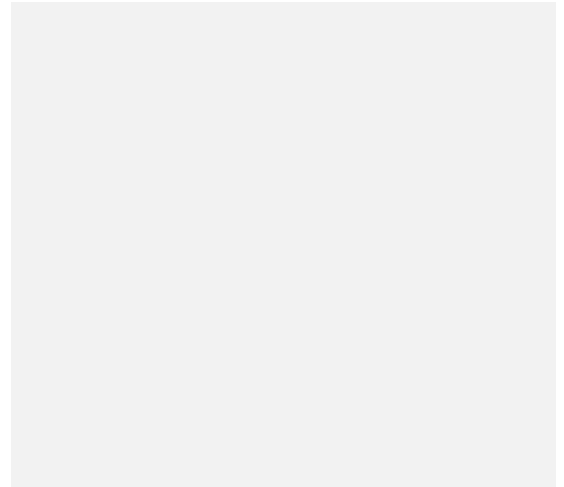
January 7, 2022

Our High Conviction Buy

CES Energy Solutions Corp.

CEU-T: C\$2.09; BUY**12-Month Target: C\$4.25**

For Energy Services sector exposure, we recommend CES Energy Solutions as our best idea in the space as the company is not reliant on an improving macro outlook and has recently reinstated its dividend at pre-COVID levels (yield of 3.1%), supported by its recurring revenue profile with high U.S. drilling fluids market share, capital-light business model, and strong growth outlook. We believe CES features the most attractive valuation on an FCF-yield basis when compared with the SMID-cap E&P space outlined in our recent [industry note](#) (2022E FCF yield of 18.5%, EV/EBITDAS of 4.8x).





Energy Services Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall			Shares O/S (mm)	Market Cap (mm)	EPS (f.d.)				EBITDAS (\$mm)				ND/ EBITDAS 2022E (x)	EV/ EBITDAS 2022E (x)	Analyst
							Risk Rating	Year-End	Rep. Curr.			2020A	2021E	2022E	2023E	2020A	2021E	2022E	2023E			
CES Energy Solutions Corp.	CEU	T	\$2.09	\$4.25	106.4%	BUY	HIGH	Dec	C\$	254.9	\$533	(\$0.85)	\$0.15	\$0.21	\$0.21	\$94	\$149	\$173	\$178	1.7x	4.8x	AM
Dexterra Group Inc.	DXT	T	\$8.50	\$11.50	39.4%	BUY	HIGH	Dec	C\$	65.2	\$554	\$1.25	\$0.40	\$0.38	\$0.54	\$76	\$82	\$87	\$103	1.4x	7.8x	AM
Enerflex Ltd.	EFX	T	\$8.10	\$14.00	74.1%	BUY	HIGH	Dec	C\$	89.7	\$726	\$0.98	\$0.22	\$0.68	\$1.03	\$203	\$146	\$194	\$239	2.0x	5.8x	AM
Ensign Energy Services Inc.	ESI	T	\$1.81	\$2.00	10.5%	HOLD	SPECULATIVE	Dec	C\$	162.8	\$295	(\$0.49)	(\$0.98)	(\$0.91)	(\$0.84)	\$224	\$215	\$300	\$312	4.4x	5.4x	AM
Mullen Group Ltd.	MTL	T	\$11.61	\$17.00	51.6%	BUY	HIGH	Dec	C\$	96.2	\$1,117	\$0.64	\$0.67	\$0.62	\$0.68	\$219	\$231	\$261	\$274	2.3x	6.6x	AM
North American Construction Group	NOA	T, N	\$19.30	\$25.00	30.4%	BUY	HIGH	Dec	C\$	28.4	\$549	\$1.60	\$1.65	\$2.40	\$3.07	\$161	\$175	\$206	\$236	1.5x	3.5x	AM
Precision Drilling Corp.	PD	T, N	\$46.96	\$57.00	21.4%	BUY	HIGH	Dec	C\$	13.3	\$625	(\$8.76)	(\$12.50)	(\$2.95)	(\$3.31)	\$281	\$227	\$310	\$324	3.2x	5.2x	AM
Secure Energy Services Inc.	SES	T	\$5.33	\$7.50	41.3%	BUY	HIGH	Dec	C\$	308.1	\$1,642	(\$0.55)	(\$0.21)	\$0.31	\$0.35	\$120	\$254	\$458	\$470	2.3x	5.8x	AM
Shawcor Ltd.	SCL	T	\$5.06	\$8.50	68.0%	BUY	HIGH	Dec	C\$	70.5	\$357	(\$3.33)	(\$0.40)	\$0.03	\$0.31	\$46	\$101	\$124	\$145	1.9x	4.7x	AM
Trican Well Service Ltd.	TCW	T	\$3.03	\$3.25	7.3%	HOLD	HIGH	Dec	C\$	248.8	\$754	(\$0.89)	\$0.04	\$0.12	\$0.17	\$15	\$101	\$130	\$148	-0.7x	5.1x	AM

Source: Company Reports, TD Securities

AL BUY = Action List BUY

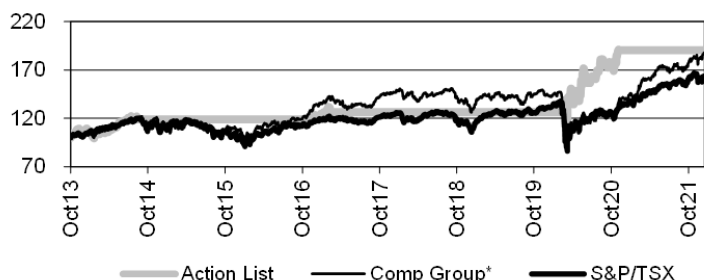
Analyst: AM = Aaron MacNeil, CA 403 292 1222

Action List

Equity Research

January 7, 2022

Financial Services - Banks



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	0.0	0.0	0.0	0.0	90.4
Comp. Group*	6.2	9.6	8.4	32.9	32.9	86.5
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	62.8

* S&P/TSX Commercial Banks (Industry)

¹ Since October 17, 2013

Industry Overview

Our 2022 Sector Outlook

For Canada's banks, we are focused on the following:

- **EPS growth expected to slow to 2% in 2022E** and 5% in 2023E mostly reflecting a normalization in PCLs. The Big-Six EPS was up 48% y/y in 2021 as banks released a large portion of the credit reserves that were built in 2020. As the economic recovery progresses and we continue to move towards a more normalized operating environment for the banks, we expect EPS growth to moderate in 2022E (3% decrease for CM; 7% increase for BNS). This is slightly lower than their medium term targets of ~7%+ (CM & NA 5%-10%; RY & BNS 7%+; BMO & TD 7%-10%).
- **PTPP earnings growth likely to be the more relevant metric in 2022E, in our view.** We believe 2022E will be characterized by improving NII and fee income, partially offset by a slowdown in CMRR. More specifically, we expect improving margins, strong cards and other retail banking fees, and a strong recovery in commercial lending (particularly in the back half of 2022) to be the revenue growth drivers in 2022. Higher revenues combined with solid expense management should lead to higher PTPP growth, which we believe to be the more relevant metric (as opposed to EPS) in 2022. Given the shifting revenue trends, new PTPP leaders could emerge in 2022 (BMO and NA led in 2021). Our forecasts contemplate PTPP earnings growth of ~7% for the group in 2022E (4% in 2021), with CM, RY, and TD reporting stronger PTPP growth than the other banks.
- **Return of capital (buybacks and dividend increases) will also play an important role in relative share price performance in 2022,** in our view. In early November 2021, OSFI announced that it will remove the pandemic restrictions on dividend increases and share buybacks for Canada's banks and life insurance companies. Concurrent with Q4/21 earnings reports, all of Canada's banks raised dividends by varying degrees. BNS, CM, and RY increased their dividends by 10%-11%, while BMO and NA raised theirs by 23%-25%. NA and RY currently have the lowest dividend yield in the group (~3.5%) and among the lowest payout ratios (38%-42%), however, we expect a mid-year dividend increase from both banks will bring them more in line with the group. The Big-Six maintain a target payout ratio of 40%-50%. In terms of buybacks, the Big-Six announced NCIBs for ~2%-3% of shares outstanding. However, BMO will not be repurchasing shares in 2022 in order to retain capital to help finance its acquisition of Bank of the West (announced late December 2021).

Mario Mendonca, CFA, CA

Marcel Mclean, CFA

Action List

Equity Research

January 7, 2022

- **We expect NII growth to continue to accelerate in 2022** as loan growth supplants low margin liquid assets (we have already seen this play out in a limited way) and the lapping of the period when central banks cut rates dramatically. Better loan growth and stable to improving NIM should drive NII growth to 7-9% in 2022 and 2023, and with TD and RY starting to outpace the group late in 2022, but more so in 2023, in our view. The banks' disclosed sensitivities are clear that the upside to NII plays out more so 12 months after interest rates move than in the year of the increase. For this reason, we have RY and TD delivering double digit NII growth in 2023, but not in 2022.
- **Non-CMRR fee income has been improving over the course of 2021 as the economic recovery unfolds.** We expect card and deposit fees to continue to gain momentum in 2022, particularly at TD and RY. Although BNS should also benefit, we believe the recovery could be delayed until later in 2022, when LatAm recovers.
- **We do not expect PCLs to drive relative stock price performance in 2022. Our estimates call for a gradual return to pre-pandemic PCLs ratios by the end of 2023.** Very low consumer delinquencies and bankruptcies, stubbornly high levels of liquidity, as well as management commentary on the calls support our forecast for low PCLs over the next two years. To be clear, our estimates no longer reflect a spike in PCLs. Instead, we now assume PCLs gradually return to normal with no pandemic-related spike. We expect the banks to release performing loan reserves in H1/22 and then commence strengthening reserves at a moderate pace in H2/22.
- **Capital ratios are 180bps higher than they were coming into the pandemic.** Despite all the hand wringing about negative migration, capital has been a non-issue. However, the improvement has not been uniform. CM, Scotia, and NA have seen somewhat limited increases in CET 1. We expect CET 1 ratios to stabilize in 2022 as buybacks and loan growth start to chew into capital accretion. The buybacks we assume for each of the banks are consistent with their recently announced NCIBs. We believe this level of buy back activity and the dividend increases (announced and forecasted) will impose no burden on bank capital strength.

Our Sector Stance: Overweight

We maintain our Overweight stance on the banks, but we favour the insurers (Manulife and iA Financial) that are trading at a discount to their peers over the banks. Looking out to 2022, we expect banks with the capacity to raise dividends, buy back stock, exposure to commercial loan growth, greater sensitivity to rising interest rates, and a recovery in cards to outperform. In this context, we favour Royal and BMO over CM, BNS, and NA.

Action List

Equity Research

January 7, 2022

Our High Conviction Buy

Royal Bank of Canada

RY-T: C\$136.84; BUY**12-Month Target: C\$150.00**

RY is our top pick among the banks heading into 2022, as we believe it is best positioned to capitalize on the key themes we believe will play out over the next year.

- Shifting revenue trends including improving margins, strong cards and other retail banking fees, a strong recovery in commercial lending (particularly in back half of 2022), and a return to more normal trading revenue at BMO and NA suggest that PTPP leadership will move to RY in 2022.
- RY's greater sensitivity to rising interest rates positions it well to outperform the group. With 3-4 interest rate hikes expected by the BoC and U.S. Fed in 2022 and further rate hikes in 2023, NII is expected to improve at all banks, but be more pronounced at banks with greater sensitivity to rising interest rates.
- Over the past 5-10 years, Royal has traded at an ~5% premium to the group. In our view, the bank's structural advantages and track-record continue to support a healthy premium. We believe that the bank is particularly well positioned for the themes we believe will favour bank stock performance in 2022. Consequently, we expect RY to be among the leaders in terms of PTPP growth in 2022. Finally, return of capital also supports a positive outlook on the bank.



Action List

Equity Research

January 7, 2022

Banks Universe

	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall			Shares O/S (mm)	Market Cap (mm)	EPS			P/E		Ind. Div.	Ind. Yield	Analyst
							Risk Rating	Year End	Rep. Curr.			2021A	2022E	2023E	2022E	2023E			
Bank of Montreal	BMO	T,N	\$141.07	\$160.00	17.2%	BUY	LOW	Oct.	C\$	648.2	\$91,445	\$12.96	\$13.11	\$13.64	10.8x	10.3x	5.32	3.8%	MM
Bank of Nova Scotia	BNS	T,N	\$90.85	\$94.00	7.9%	BUY	LOW	Oct.	C\$	1,215.8	\$110,460	\$7.87	\$8.41	\$8.71	10.8x	10.4x	4.00	4.4%	MM
CIBC	CM	T,N	\$149.63	\$165.00	14.6%	BUY	LOW	Oct.	C\$	451.0	\$67,477	\$14.47	\$14.07	\$14.76	10.6x	10.1x	6.44	4.3%	MM
National Bank	NA	T	\$99.30	\$105.00	9.2%	HOLD	LOW	Oct.	C\$	337.9	\$33,555	\$9.09	\$9.26	\$9.60	10.7x	10.3x	3.48	3.5%	MM
Royal Bank	RY	T,N	\$136.84	\$150.00	13.1%	BUY	LOW	Oct.	C\$	1,424.7	\$194,952	\$11.19	\$11.40	\$12.31	12.0x	11.1x	4.80	3.5%	MM
TD Bank	TD	T,N	\$99.35	na	na	na	na	Oct.	C\$	1,822.0	\$181,019	\$7.91	\$8.15	\$8.55	12.2x	11.6x	3.56	3.6%	MM
Canadian Western Bank	CWB	T	\$36.68	\$43.00	20.5%	BUY	LOW	Oct.	C\$	89.5	\$3,283	\$3.81	\$3.72	\$4.15	9.9x	8.8x	1.20	3.3%	MM
Laurentian Bank	LB	T	\$41.24	\$46.00	15.8%	HOLD	MED	Oct.	C\$	43.6	\$1,798	\$4.57	\$4.52	\$4.92	9.1x	8.4x	1.76	4.3%	MM

AL BUY = Action List Buy

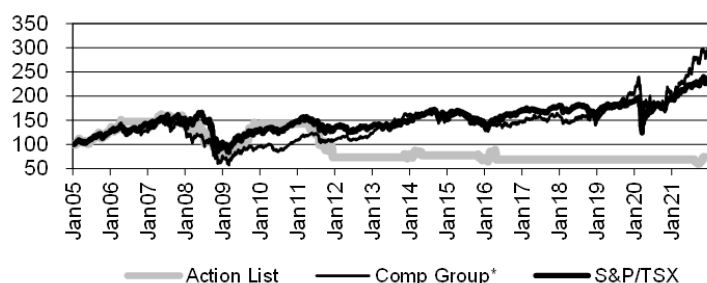
Analyst: MM = Mario Mendonca 416 308 2361

Action List

Equity Research

January 7, 2022

Financial Services - Diversified Financials



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	20.5	6.4	6.4	6.4	(26.9)
Comp. Group*	6.2	10.0	16.8	41.1	41.1	195.4
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	134.1

* S&P/TSX Diversified Financials (Industry Group)

¹ Since January 6, 2005

Industry Overview

Our 2022 Sector Outlook

Mortgage Companies

- **While housing activity was robust in 2021, we see potential for sales activity to moderate in 2022 given the outlook for rising rates.** Sales activity was up 23% y/y (ytd Nov-2021), supported by very low rates, an improving economic outlook, and a high savings rate during the pandemic. While high savings levels and improving immigration should support demand for housing, we see potential for elevated house prices (up 25% y/y) and the outlook for rising rates to weigh on demand. Inventory remains tight illustrated by elevated sales-to-new-listing ratios, which could support house prices.
- **2022 could set up better for alternative lenders vs. prime focused lenders.** An improving macro backdrop should support the self-employed cohort, and a rising rate outlook could pressure affordability and push some borrowers into the alternative market. We see potential for NIM to be flat, or compress somewhat, from 2021 levels (market competition and rising deposit costs). While credit trends may begin to normalize in 2022 (vs. PCL releases in 2021), we believe they will remain healthy given the outlook for employment strength. We see Home Capital Group as the most likely to return material excess capital to shareholders.
- **Valuations moved higher in 2021 and remain above L5Y averages.** This is fair, in our view, given the solid loan growth, NIM, and credit backdrop in 2021. Going forward we see room for modest valuation expansion, with returns more likely driven by earnings growth (Equitable Group) or capital returns (Home Capital).

Asset Managers

- **Strong market performance in 2021 should support retail investor sentiment.** We see potential for another solid year of industry flows, albeit likely lower than record 2021 levels. The elevated household savings rate (discretionary; 9.8% in 2021 vs. a L10Y average of 1.2%) may fall in 2022 assuming an economic recovery continues to unfold. The outlook for rising interest rates could also push some households to focus on deleveraging as opposed to investing. LTM mutual fund flows of \$127bln (Nov-21) are well above the \$27bln in calendar 2020. LTM flows represent 7.5% of beginning AUM (vs. a L10Y average of 3.8%). ETFs were also strong in 2021, with LTM flows of \$60bln (Nov-21) up from \$42bln in calendar 2020. LTM flows represent 24% of beginning AUM (vs. a L10Y average of 19%).
- **The near term earnings/margin outlook should be supported by strong 2021 AUM growth.** Over the medium to long term we remain sensitive to fee

Graham Ryding, CFA

Rasib Bhanji, CFA, (Associate)

Action List

Equity Research

January 7, 2022

pressure for traditional public asset classes. We expect asset managers to remain focused on themes such as sustainability, alternatives, ETFs, financial advice, and managing expenses. While scale-based M&A can support near term earnings (cost efficiencies), deals focused on sustainability, alternatives, and distribution have superior longer term rationale, in our view.

- **Valuation multiples for our asset managers generally increased in 2021.** This reflects in part improving results from an organic growth and earnings perspective. Multiples for our traditional asset managers under coverage (IGM, CI, FSZ, and AGF) remain below historical averages. The group is trading at 6.3x EV/EBITDA (market-cap weighted average), which compares to a L5Y average of 6.9x. For the alternative managers under coverage, Sprout is trading at 14.5x (vs. a L5Y average of 12.3x), and Onex Corp. (we recently initiated coverage) is trading at 0.9x P/hard NAV (vs. a L5Y average of 1.0x).

Our Sector Stance: Market Weight

We remain Market Weight on the mortgage companies. With multiples above L5Y averages, and the outlook for rising interest rates, we see room for modest valuation upside. We expect returns to be largely driven by earnings growth and/or capital returns.

We are also Market Weight for the asset managers. While valuations have moved higher, they remain below L5Y averages for most names under coverage. We remain cautious towards fee and organic growth pressure for managers with AUM biased towards traditional public asset classes. We are most constructive on asset managers with strong organic growth profiles, and emphasis on sustainability, alternatives, and financial advice.

Our High Conviction Buys

Onex Corp.

ONEX-T: C\$100.73; BUY

12-Month Target: C\$125.00

At 0.9x P/hard NAV, we see valuation as attractive, with the market appearing to attribute little to no value to Onex's asset management business. We see potential for sentiment in this area to improve. Onex's fund performance track record is strong, in our view. Although recent AUM growth has been muted (8% organic 5-year CAGR), we expect growth to pick up on the back of a solid fundraising outlook. As a result, we anticipate asset management 'fee-related earnings' (FRE) to transition from a loss in 2021 to a healthy contribution by 2023. We expect solid NAV growth to persist and underpin valuation, with increased awareness around the asset management business as a potential valuation catalyst.

Lifeworks

LWRK-T: C\$25.60; BUY

12-Month Target: C\$36.00

In our view, LifeWorks is a solid defensive holding that provides exposure to growing demand for wellness/mental-health services. The firm has a highly recurring revenue model, a track-record of top-line growth, and a stable earnings profile, in our view.

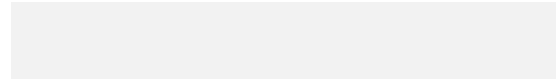


Action List

Equity Research

January 7, 2022

Despite the recently lowered margin outlook due to cost inflation, we see attractive upside from current levels.





Action List

Equity Research

January 7, 2022

Diversified Financials Universe

Asset Managers	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall Risk Rating	Year End	Rep. Curr.	Market Cap (mm)	Ent. Value (\$mm)	Div. Yield	EPS			P/E			EV/EBITDA			Analyst
													2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	
AGF Management Ltd.	AGF.B	T	\$8.32	\$9.50	19%	BUY	MEDIUM	Nov	C\$	\$582	\$556	4.3%	\$0.54	\$0.92	\$1.37	15.4x	9.0x	6.1x	4.4x	4.0x	3.7x	GR
IGM Financial Inc.	IGM	T	\$46.40	\$58.00	30%	BUY	MEDIUM	Dec	C\$	\$11,097	\$8,298	4.8%	\$4.00	\$4.42	\$4.80	11.6x	10.5x	9.7x	6.3x	5.8x	5.5x	GR
Fiera Capital Corp.	FSZ	T	\$10.57	\$11.50	17%	HOLD	MEDIUM	Dec	C\$	\$1,099	\$1,645	7.9%	\$1.42	\$1.50	\$1.65	7.4x	7.0x	6.4x	7.5x	7.1x	6.4x	GR
CI Financial	CIX	T	\$27.15	\$32.00	21%	HOLD	MEDIUM	Dec	C\$	\$5,412	\$8,029	2.7%	\$3.07	\$3.51	\$4.00	8.8x	7.7x	6.8x	7.9x	6.8x	6.2x	GR
Onex Corporation ³	ONEX	T	\$100.73	\$125.00	24%	BUY	MEDIUM	Dec	US\$	\$8,848	\$8,246	0.4%	\$17.08	\$9.42	\$10.81	5.9x	10.7x	9.3x	n/a	n/a	n/a	GR
Sprott Inc. ¹	SII	T	\$56.13	\$61.00	11%	BUY	HIGH	Dec	C\$	\$1,396	\$1,270	2.2%	\$2.11	\$2.37	\$2.57	26.6x	23.7x	21.8x	14.7x	14.0x	13.0x	GR

(1) Sprott Inc. EPS estimates for 2020A-2022E are pro-forma CAD using a FX rate of 1.246 (2) Enterprise value excludes non-wealth management businesses for IGM (3) Segment EPS estimates for Onex.

Mortgage Companies	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall Risk Rating	Year End	Rep. Curr.	Market Cap (\$mm)	Ent. Value (\$mm)	Div. Yield	EPS			P/E			P/BVPS	Analyst
													2021E	2022E	2023E	2021E	2022E	2023E		
Equitable Group	EQB	T	\$71.80	\$95.00	34%	BUY	MEDIUM	Dec	C\$	\$2,443	\$2,198	1.0%	\$8.08	\$8.85	\$9.77	8.9x	8.1x	7.4x	1.4x	GR
Home Capital Group	HCG	T	\$39.65	\$53.00	35%	BUY	MEDIUM	Dec	C\$	\$1,977	\$1,860	0.0%	\$4.81	\$5.19	\$6.11	8.3x	7.6x	6.5x	1.1x	GR
First National Financial Corp.	FN	T	\$42.63	\$43.00	9%	HOLD	MEDIUM	Dec	C\$	\$2,556	\$2,949	8.4%	\$3.30	\$3.60	\$4.00	12.9x	11.9x	10.7x	nmf	GR
Firm Capital MIC ¹	FC	T	\$14.03	\$16.00	21%	BUY	MEDIUM	Dec	C\$	\$442	\$658	6.7%	\$0.95	\$0.99	n/a	14.8x	14.2x	n/a	1.2x	SD
Timbercreek Financial ¹	TF	T	\$9.58	\$9.50	6%	HOLD	MEDIUM	Dec	C\$	\$779	\$1,305	7.2%	\$0.68	\$0.74	\$0.73	14.1x	12.9x	13.1x	1.1x	GR
Atrium MIC	AI	T	\$14.01	\$15.00	14%	BUY	MEDIUM	Dec	C\$	\$598	\$895	6.6%	\$0.99	\$1.04	\$1.06	14.1x	13.5x	13.2x	1.3x	GR

(1) Basic EPS

Diversified Financials	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall Risk Rating	Year End	Rep. Curr.	Market Cap (\$mm)	Ent. Value (\$mm)	Div. Yield	EPS			P/E			EV/EBITDA ¹	EV/Revenue ¹	P/BVPS	Analyst
													2021E	2022E	2023E	2021E	2022E	2023E				
TMX Group Inc. ¹	X	T	\$128.08	\$160.00	27%	BUY	MEDIUM	Dec	C\$	\$7,175	\$8,011	2.4%	\$6.95	\$7.00	\$7.50	18.4x	18.3x	17.1x	13.5x	na	na	GR
Power Corporation of Canada	POW	T	\$41.68	\$50.00	24%	BUY	LOW	Dec	C\$	\$28,195	\$27,517	4.3%	\$4.81	\$4.42	\$4.86	8.7x	9.4x	8.6x	na	na	na	GR
ECN Capital Corp.	ECN	T	\$5.35	\$6.00	12%	BUY	MEDIUM	Dec	C\$	\$1,303	na	0.0%	\$0.20	\$0.34	\$0.44	26.3x	15.6x	12.0x	na	na	1.5x	MM
Element Fleet Management Corp.	EFN	T	\$13.22	\$14.50	12%	HOLD	MEDIUM	Dec	C\$	\$5,505	na	2.3%	\$0.82	\$0.90	\$1.02	16.1x	14.7x	13.0x	na	na	1.8x	MM
Canaccord Genuity Group ²	CF	T	\$15.47	\$20.00	31%	BUY	HIGH	Mar	C\$	\$1,465	\$1,190	1.9%	\$2.96	\$2.03	n/a	5.2x	7.6x	n/a	na	na	1.7x	GR
goeasy Ltd.	GSY	T	\$176.74	\$260.00	49%	BUY	MEDIUM	Dec	C\$	\$3,058	na	1.5%	\$10.42	\$12.41	\$14.44	17.0x	14.2x	12.2x	na	na	3.6x	M2
LifeWorks Inc.	LWRK	T	\$25.60	\$36.00	44%	BUY	MEDIUM	Dec	C\$	\$1,771	\$2,213	3.0%	\$0.74	\$0.85	\$0.98	34.7x	30.1x	26.2x	10.9x	na	na	GR
MindBeacon Holdings Inc.	MBCN	T	\$3.70																			

(1) NTM basis, excludes investment income (2) CF's Fiscal Year Ends March 31st. EPS in table represents normalized calendar year estimates.

Analyst(s): GR = Graham Ryding, CFA 416 308 4416, MM = Mario Mendonca, CFA, CA 416 308 2361, SD = Sam Damiani, CFA 416 983 9640, M2 = Marcel Mclean, CFA 416 982 5452

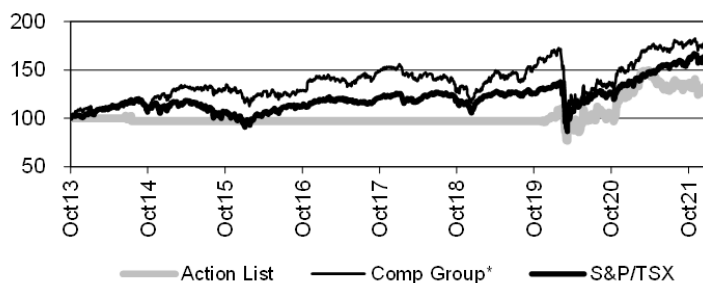
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Action List

Equity Research

January 7, 2022

Financial Services - Insurance



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	5.6	(1.1)	(1.2)	6.4	6.4	31.3
Comp. Group*	4.0	1.3	3.3	18.5	18.5	77.1
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	62.8

* S&P/TSX Life & Health Insurance,

Property & Casualty Insurance(Subindustries)

¹ Since October 17, 2013

Industry Overview

Our 2022 Sector Outlook

For Canada's insurance companies we are focused on the following:

- **EPS growth expected to be roughly in line with medium term targets in 2022E.** Following a year of flat EPS growth in 2020, 2021E is on pace for a 16% y/y increase for the group. Looking forward to 2022E, we forecast EPS growth of 9% (5% increase for IAG; 11% increase for MFC), consistent with the lifecos respective medium term targets (except IAG). The insurers' medium term targets are 8%-plus (MFC 10-12%, SLF & GWO 8-10%, and IAG 10%-plus). We believe these targets are achievable in 2022 given the stage of the economic recovery as well as strong underlying fundamentals including sales trends, policyholder experience, and asset growth. Additionally, BVPS is forecast to increase 8-11% in 2022E.
- **The forecasted increases in interest rates (by TD Economics) should have a positive effect for all of the lifecos,** however, the expected flattening of the yield curve over the next 1-2 years should disproportionately benefit MFC, in our view. As for interest rates in general, TD Economics forecasts the Canadian 30-year government bond yield increasing by 51bps and the U.S. 30-year government bond yield increasing by 47bps by Q4/22 from Q3/21 levels (shorter duration bonds are forecast to rise by a greater amount). Higher interest rates remain very positive for insurers in terms of long term earnings power and therefore long term capital generation, in our view.
- **The valuation gap between the insurers and banks should narrow in 2022, in our view.** Insurer forward EPS estimates declined much less relative to bank EPS estimates in 2020, and in 2021 we saw a similar reversal in these trends. In 2021, bank 2022E consensus EPS was up 22%, versus 5% for the insurers. As a consequence, the banks trade at a ~24% premium to the insurers (~27% at the beginning of 2021). In our view, the lower volatility in insurers' EPS estimates (especially compared to during the GFC) reflects the greater volatility in bank earnings as a result of IFRS 9, and, conversely, that the insurers have adjusted their business models to reduce both interest rate and market risk.
- **Our top picks among the lifecos are MFC and IAG.** In 2021, the banks outperformed the lifecos by 15% (the fifth year of the past six) mostly reflecting the lackluster performance from MFC. In 2022, we believe MFC and IAG are well positioned to capitalize on the economic recovery and higher interest rates. Additionally, MFC's recent transaction regarding its legacy VA block and the related buybacks should further support share price performance.
- **For Intact specifically, the company continues to see strong growth across its business lines, largely reflecting the benefit of recent acquisitions (RSA and The Guarantee) as well as favourable claims trends.** However, as claims

Mario Mendonca, CFA, CA

Marcel Mclean, CFA

Action List

Equity Research

January 7, 2022

patterns begin to normalize as economies reopen from the pandemic lockdowns and we begin to lap comparable periods that include the impact of acquisitions, we expect operating EPS growth to slow to 2% in 2022E compared to 20% in 2021E. The RSA acquisition is expected to reduce the operating ROE to ~15% in 2022E (18.4% in 2020). We believe the company can work its way back to a high-teens ROE over the medium to long term, but until we have convincing evidence that through risk selection, expense savings and claims initiatives, management can improve the underwriting performance in the acquired businesses we will continue to value the company on the lower ROE.

- **For Definity specifically, we envision one of four scenarios playing out over the next few years.** The most likely, in our view, is that the company makes an acquisition given the fragmented industry the company operates in. Definity's scalable systems, unleveraged balance sheet, experienced management team, and access to capital position the company well to complete a deal. The other three scenarios include: 1) the company itself gets acquired (unlikely until at least the end of the demutualization protection period 2 years post IPO); 2) the company grows its DWP at an above-average rate and continues to refine its business model resulting in an ~250bps improvement in operating ROE; or 3) the company largely remains as is (limited improvement in profitability and operating ROE). With market conditions expected to remain firm over the next year and the company's stable business model, we believe the stock has good upside potential.

Our Sector Stance: Overweight

We maintain our Overweight sector stance on the insurers. Unlike the Canadian banks, the Canadian insurers are not a homogeneous group. This makes the sector less open to having a clear sector stance. Having said that, we continue to rate the insurance sector Overweight, and prefer the insurers (Manulife and iA Financial) that are trading at a discount to their peers over the banks. Our optimistic outlook on the group reflects the expectation that insurance sales will continue to improve as consumers re-evaluate their life insurance needs following the pandemic. Higher interest rates could also support insurance sales and new business gains as the year progresses. Strong markets and very good new business momentum also support strong wealth management earnings looking forward. Our top picks among the life insurance companies are MFC and IAG reflecting relative valuation and our view of improving fundamentals.

Our Action List Pick

Manulife Financial Corp.

MFC-T: C\$24.90; ACTION LIST BUY

12-Month Target: C\$37.00

We continue to believe that the material discount ascribed to MFC presents an attractive opportunity for investors, as the business is well-positioned to capitalize on the themes affecting the industry (namely higher interest rates) and has attractive growth opportunities. At its 2021 investor day ([report](#)), management laid out targets of growing their highest growth potential businesses (Asia and Global WAM) to 75% of total core earnings by 2025 (from 62% in 2020), and 50% of earnings from Insurance and Wealth Management. Asia (including the wealth component) is expected to contribute 50% of total company core earnings by 2025.



Action List

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January 7, 2022

Following Q1/21 earnings, we did a deep dive ([report](#)) on MFC to answer the question, "is there a systemic issue with MFC's book value growth?" What we discovered in our analysis is that over the long term, SLF and MFC's BVPS growth ends up at approximately the same point, however, MFC gets there with materially more volatility. Having said that, MFC trades at 1.0x P/B compared to SLF trading at 1.8x, representing an ~45% discount. With MFC working its way toward delivering less book value and reported earnings volatility, as well as the recent transaction regarding the legacy VA block, we believe MFC's discount valuation more than adequately supports our positive outlook on the stock.

While core earnings were down 7% y/y in 2020 (weakest of the group), we believe MFC is positioned for a strong recovery in 2021 (forecast EPS growth of 17% vs. group average of 16%) with continued momentum into 2022 (forecast EPS growth of 11% vs. group average of 9%). Importantly, the company has significantly reduced its equity market and interest rate sensitivity since the GFC, and is now arguably a much stronger and more stable business model. Our positive outlook on MFC reflects: a) greater confidence that the legacy businesses will not result in material hits to reported earnings and capital strength; b) a strong capital ratio from the perspective of LICAT and core LICAT; c) businesses that should support growth and an improving ROE – Asian Insurance and WAM; and d) valuation. We rate the stock ACTION LIST BUY and maintain our \$37.00 target price.



Action List

Equity Research

January 7, 2022

Insurance Universe

			Curr. Price	12-Month Target	Total Return	Rating	Overall	Year End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	EPS			P/E		Ind. Div.	Ind. Yield	Analyst
							Risk Rating					2021E	2022E	2023E	2022E	2023E			
Manulife Financial	MFC	T,N	\$24.90	\$37.00	53.9%	AL BUY	MED	Dec.	C\$	1942.6	\$48,372	3.23	3.58	3.94	7.0x	6.3x	\$1.32	5.3%	MM
Sun Life	SLF	T	\$70.78	\$77.00	12.5%	BUY	MED	Dec.	C\$	586.0	\$41,478	5.97	6.49	7.19	10.9x	9.8x	\$2.64	3.7%	MM
Great-West Lifeco	GWO	T,N	\$37.84	\$44.00	21.5%	BUY	MED	Dec.	C\$	930.5	\$35,210	3.53	3.82	4.13	9.9x	9.2x	\$1.96	5.2%	MM
iA Financial	IAG	T	\$74.03	\$89.00	23.6%	BUY	MED	Dec.	C\$	107.7	\$7,969	8.44	8.88	9.46	8.3x	7.8x	\$2.50	3.4%	MM
Intact Financial — Operating	IFC	T	\$163.72	\$190.00	18.1%	BUY	LOW	Dec.	C\$	176.1	\$28,828	11.95	12.23	12.96	13.4x	12.6x	\$3.32	2.0%	MM
Definity Financial - Operating	DFY	T	\$28.94	\$33.00	14.0%	BUY	MED	Dec.	C\$	115.9	\$3,354	1.91	1.68	1.98	17.2x	14.6x	\$0.00	0.0%	MM
Trisura	TSU	T	\$48.05	\$61.00	27.0%	BUY	MED	Dec.	C\$	41.1	\$1,976	1.57	1.81	2.28	26.6x	21.1x	\$0.00	0.0%	MM

AL BUY = Action List Buy

Analyst: MM = Mario Mendonca 416 308 2361

Action List

Equity Research

January 7, 2022

Gold and Precious Minerals - Large-Cap Golds

Industry Overview

Our 2022 Sector Outlook

Gold posted a mixed and a very volatile performance in 2021, moving from a high of just under \$1,960/oz in the early days of 2021 down to a low of \$1,677/oz in late-summer, back to a high of nearly \$1,875/oz in mid-November, before falling back to below the \$1,800/oz range. Real interest rate trends, which were driven by inflation expectations, nominal rates and Fed policy signals, led to these gold price fluctuations. For most of 2021, investor ETF, CTA, and derivatives positioning was very much skewed toward the shortening of exposure.

We expect that a combination of higher inflation expectations, nominal rates and Federal Reserve policy signals will again be the main determinant of investor behaviour, and gold price movements in 2022. The market is pricing the first Fed funds hike as early as Q1/Q2. But, this may be too early for the Fed to pull the trigger given that nonfarm payrolls remain 4-5 million below pre-COVID levels in the U.S. The potential for weaker economic data over the next several months, and an FOMC which is laser-focused on full employment, with a somewhat relaxed attitude toward strict inflation targeting, are all factors that could keep the U.S. central bank from pulling the trigger on a hike as early as the market is projecting. This would keep real rates at levels conducive to more aggressive gold buying into 2022.

Speculative positioning towards gold remains skewed to the short side, and considering that gold has been trading near key technical levels, any delay in the current rate hike pricing may ignite a short-covering and technical price rally. Political risks associated with the pending U.S. mid term elections, U.S. fiscal drag, sustained central bank gold purchases, and a significantly slower pace of U.S. and global economic recovery in 2022 are additional factors that we believe should see investors rekindle their interest in gold after a disappointing 2021. We expect that these factors should help lift gold into the \$1,875-\$1,900/oz range in H1/22; we are maintaining our \$1,850/oz gold price forecast for 2022.

Gold producers are facing real concerns about opex and capex inflation. We are expecting opex inflation of ~5% y/y in 2022 and capex inflation of 15-20% y/y. Labour shortages, higher input and energy costs and supply-chain challenges are the main drivers behind the inflationary pressure. Despite these concerns, we believe that the producers are better-positioned to absorb inflationary pressure than they were a decade ago. Management teams have sustained a sharp focus on cost control, they have not chased lower-grade marginal ounces, and the production-growth-at-all-costs strategies of the past have been all but abandoned.

Silver experienced another volatile year in 2021 triggered by a combination of factors, including a short-lived social media inspired buying spree of ETFs in late January which drove holdings to a record high, followed by an ebb and flow in pricing throughout the year as investors weighed higher inflation expectations, fed tightening in 2022 and the lingering impacts of COVID. Silver's dual role as both a precious metal and industrial metal has had somewhat of a buffering impact on prices. Industrial demand remained strong in 2021 amid strength for key sectors such as solar panels, which represent approximately 10% of demand. We expect industrial strength to continue into 2022, albeit at a slower pace, as supply constraints ease for semiconductors which has weighed on demand from the other key sectors including autos.

Greg Barnes

Steven Green, CFA

Craig Hutchison, P. Eng

Arun Lamba, CFA

Derick Ma, CFA, CPA, CA

Mengdi Li, CPA, CA (Associate)

Jamie Carmichael, (Associate)

Nicholas Clarke, CFA (Associate)

Action List

Equity Research

January 7, 2022

We continue to forecast silver prices of \$24/oz in 2022, with pricing peaking earlier in the year, before the anticipated Fed tightening towards mid-year. We do not have any silver equities on the Action List; however, our preferred name in the space remains Pan American Silver.

Our Sector Stance: Overweight

We are maintaining our Overweight sector recommendation. We continue to prefer the names we characterize as the high quality, low-cost producers with the ability to generate free cash flow, and companies that are able to continue to grow or maintain current production levels over the medium term.

Our Action List Pick

Barrick Gold Corp.

GOLD-N: US\$18.60; ACTION LIST BUY

12-Month Target: US\$26.00

We base our target price on a 1.8x NAV multiple (weighted 60%) and a 7.5x EV/2022E EBITDA multiple (weighted 40%).

Our ACTION LIST BUY recommendation reflects our view of the company's strong FCF, experienced and disciplined management team, sustainable production profile, and excellent balance sheet. We believe that the management team's history of value creation and its "conservative and considered" approach will be well served.

We currently forecast 2022 attributable gold production of 4.4mmoz at cash costs of ~\$750/oz. Based on our assumptions, we expect Barrick to generate FCF of ~\$3bln in 2022E and ~\$3.5bln in 2023E. Barrick's 10-year production plan has a flat production profile of ~5.0mmoz/year through 2029. Importantly, Barrick's 10-year plan assumes no new mines will be built, and capex that declines over the next five years and then stabilizes at ~\$1.0bln/year.

Barrick management is projecting cost inflation into 2022 at ~2-3%, excluding the impact of energy (3-5% including energy). Labour and consumables costs are driving the higher costs, combined with supply-chain logistics. For context, our current 2022 estimated cost of sales per ounce of ~\$750/oz compares to management's 2021 cost of sales guidance of \$680-\$730/oz.

We see a number of potential near term catalysts for Barrick's share price that should reflect positively on the share price: 1) we expect that Q4/21 will be the strongest production quarter of the year both for the gold and copper businesses; 2) management will finally outline a dividend policy framework when it reports Q4/21 results in early-2022 – we expect a formulaic approach tied to free cash flow; and 3) after a disappointing YE2020 reserve update, we expect that YE2021 reserves will increase y/y (net of depletion), principally in North America (Goldrush feasibility completed) and Africa (Bulyanhulu reserve update on new mine plan).



Action List

Equity Research

January 7, 2022

Gold & Precious Minerals Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall Risk Rating	Year-End	Rep. Curr.	Shares O/S (mm)	Mkt Cap (US\$ mm)	EPS			CFPS			P/E (x)		P/CF (x)		NAVPS	P/NAV	Ind. Div.	Yield	Analyst	
												2020A	2021E	2022E	2020A	2021E	2022E	2021E	2022E	2021E	2022E						
Large-cap Producers																											
Newmont Goldcorp Corp. (US\$)	NEM	N,T	\$60.43	\$64.00	10%	HOLD	HIGH	Dec	US\$	798.1	\$48,229	\$2.64	\$2.87	\$3.39	\$4.95	\$5.27	\$6.10	21.1x	17.8x	11.5x	9.9x	\$33.96	1.8x	\$2.20	3.6%	GB	
Barrick Gold Corp. (US\$)	GOLD	N,T	\$18.73	\$26.00	43%	AL BUY	HIGH	Dec	US\$	1779.0	\$33,321	\$1.15	\$1.10	\$1.07	\$2.49	\$2.01	\$2.35	17.0x	17.5x	9.3x	8.0x	\$15.50	1.2x	\$0.78	4.2%	GB	
Kinross Gold Corp. (US\$)	KGC	N,T	\$5.69	\$10.00	78%	BUY	HIGH	Dec	US\$	1269.7	\$7,225	\$0.77	\$0.41	\$0.82	\$1.43	\$0.83	\$1.61	13.9x	7.0x	6.9x	3.5x	\$7.64	0.7x	\$0.12	2.1%	GB	
Agnico-Eagle Mines Ltd. (US\$)	AEM	N,T	\$52.77																							GB	
Kirkland Lake Gold Ltd. (C\$)	KL	T, N	\$53.06																							SG	
Average					60%													15.4x	12.2x	8.1x	5.8x		1.0x				
Junior/Intermediate Producers																											
B2Gold Corp. (C\$)	BTO	T	\$4.84	\$9.50	101%	BUY	HIGH	Dec	US\$	1072.0	\$4,047	\$0.50	\$0.34	\$0.45	\$0.82	\$0.60	\$0.77	11.4x	8.5x	6.4x	4.9x	\$4.78	1.0x	\$0.16	3.3%	SG	
Yamana Gold Inc. (US\$)	AUY, YRI	T, N	\$4.09	\$7.00	74%	BUY	HIGH	Dec	US\$	965.0	\$3,947	\$0.33	\$0.31	\$0.40	\$0.72	\$0.83	\$0.93	13.2x	10.2x	4.9x	4.4x	\$3.80	1.1x	\$0.12	2.9%	SG	
SSR Mining Inc.	SSRM	T	\$22.15	\$30.00	37%	BUY	HIGH	Dec	US\$	223.3	\$3,858	\$1.41	\$1.61	\$1.39	\$1.74	\$2.99	\$3.28	10.8x	12.5x	5.8x	5.3x	\$20.07	1.1x	\$0.20	0.9%	SG	
Alamos Gold Inc. (C\$)	AGI	T	\$9.57	\$14.50	53%	BUY	HIGH	Dec	US\$	393.7	\$2,939	\$0.41	\$0.44	\$0.52	\$0.97	\$1.01	\$1.04	17.0x	14.2x	7.4x	7.2x	\$10.40	0.9x	\$0.10	1.0%	SG	
Centerra Gold Inc. (C\$)	CG	T	\$10.78	\$10.00	-5%	HOLD	HIGH	Dec	US\$	296.9	\$2,497	\$1.53	\$0.62	\$0.99	\$2.86	\$1.26	\$1.49	13.6x	8.5x	6.6x	5.7x	\$8.03	1.3x	\$0.28	2.6%	SG	
Equinox Gold Corp. (C\$)	EQX	T	\$8.82	\$16.00	81%	BUY	HIGH	Dec	C\$	306.4	\$2,108	\$0.50	\$0.20	\$0.85	\$1.02	\$0.79	\$1.46	34.4x	8.1x	8.7x	4.7x	\$14.41	0.6x	n/a	0.0%	AL	
Lundin Gold Inc. (C\$)	LUG	T	\$10.37	\$15.50	49%	BUY	HIGH	Dec	US\$	237.1	\$1,918	\$0.20	\$0.79	\$1.17	\$0.78	\$1.52	\$1.58	10.2x	6.9x	5.3x	5.1x	\$11.50	0.9x	n/a	0.0%	AL	
Eldorado Gold Corp. (US\$)	EGO, ELD	N,T	\$9.32	\$11.50	23%	HOLD	HIGH	Dec	US\$	183.5	\$1,710	\$1.00	\$0.70	\$0.63	\$2.25	\$1.83	\$1.93	13.3x	14.8x	5.1x	4.8x	\$11.24	0.8x	n/a	0.0%	SG	
IAMGOLD Corp. (C\$)	IMG, IAG	T, N	\$3.88	\$6.00	55%	BUY	HIGH	Dec	US\$	478.0	\$1,446	\$0.18	(\$0.03)	\$0.13	\$0.78	\$0.63	\$0.77	n/m	24.2x	4.8x	3.9x	\$5.13	0.8x	n/a	0.0%	SG	
K92 Mining Inc. (C\$)	KNT	T	\$7.17	\$11.00	53%	BUY	HIGH	Dec	C\$	234.3	\$1,310	\$0.19	\$0.11	\$0.33	\$0.34	\$0.24	\$0.47	65.2x	21.7x	29.9x	15.3x	\$10.05	0.7x	n/a	0.0%	AI	
Wesdome Gold Mines (C\$)	WDO	T	\$11.33	\$15.50	37%	BUY	HIGH	Dec	C\$	143.6	\$1,269	\$0.36	\$0.49	\$0.99	\$0.62	\$0.81	\$1.59	23.1x	11.4x	14.0x	7.1x	\$10.86	1.0x	n/a	0.0%	AL	
New Gold Inc. (US\$)	NGD	A,T	\$1.52	\$1.75	15%	HOLD	HIGH	Dec	US\$	680.8	\$1,035	\$0.03	\$0.11	\$0.15	\$0.41	\$0.47	\$0.59	13.8x	10.1x	3.2x	2.6x	\$0.95	1.6x	n/a	0.0%	SG	
Torex Gold Resources Inc. (C\$)	TXG	T	\$13.13	\$32.00	144%	BUY	HIGH	Dec	US\$	86.0	\$881	\$1.57	\$2.20	\$2.06	\$3.80	\$4.39	\$4.33	4.7x	5.0x	2.3x	2.4x	\$23.52	0.6x	n/a	0.0%	SG	
Calibre Mining Corp. (C\$)	CXB	T	\$1.33	\$2.75	107%	BUY	HIGH	Dec	US\$	383.5	\$398	\$0.17	\$0.17	\$0.23	\$0.26	\$0.29	\$0.32	6.1x	4.5x	3.6x	3.2x	\$1.94	0.7x	n/a	0.0%	SG	
Average					62%													21.0x	13.1x	9.0x	5.6x		0.9x				
Developers																											
Orla Mining Ltd. (C\$)	OLA	T	\$4.73	\$7.50	59%	Spec. BUY	SPEC.	Dec	US\$	247.5	\$913	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	\$4.93	1.0x	n/a	0.0%	AL
Marathon Gold Corp. (C\$)	MOZ	T	\$3.17	\$4.00	26%	Spec. BUY	SPEC.	Dec	US\$	263.2	\$651	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	\$3.03	1.0x	n/a	0.0%	AL
Prime Mining Corp. (C\$)	PRYM	T	\$4.05	\$6.50	60%	Spec. BUY	SPEC.	Dec	US\$	136.5	\$431	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	\$4.76	0.9x	n/a	0.0%	SG
Sabina Gold & Silver Corp. (C\$)	SBB	T	\$1.41	\$3.00	113%	Spec. BUY	SPEC.	Dec	C\$	358.9	\$395	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	\$2.95	0.5x	n/a	0.0%	AL
Gold Standard Ventures (C\$)	GSV	T	\$0.60	\$1.20	100%	Spec. BUY	SPEC.	Dec	US\$	358.0	\$168	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	\$1.18	0.5x	n/a	0.0%	AL
Augusta Gold (C\$)	G	T	\$1.23	\$3.25	164%	Spec. BUY	SPEC.	Dec	US\$	71.2	\$68	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	n/m	\$3.60	0.3x	n/a	0.0%	AL
Average					87%													n/m	n/m	n/m	n/m		0.7x				
Silvers																											
Pan American Silver Corp. (US\$)	PAAS	Q,T	\$24.23	\$38.00	58%	BUY	HIGH	Dec	US\$	225.9	\$4,269	\$1.16	\$0.84	\$1.32	\$1.73	\$2.16	\$2.95	28.8x	18.4x	11.2x	8.2x	\$13.59	1.8x	\$0.40	1.7%	CH	
First Majestic Silver Corp. (C\$)	FR,AG	T,N	\$13.96	\$18.00	29%	BUY	HIGH	Dec	US\$	259.8	\$2,829	\$0.18	\$0.09	\$0.37	\$0.45	\$0.35	\$1.07	n/m	29.4x	31.1x	10.2x	\$2.30	6.1x	\$0.02	0.1%	CH	
MAG Silver Corp. (C\$)	MAG	T,N	\$19.73	\$29.00	47%	Spec. BUY	SPEC.	Dec	US\$	97.9	\$1,507	n/m	\$0.01	\$0.36	n/m	(\$0.06)	(\$0.15)	n/m	n/m	n/m	n/m	\$13.08	1.5x	n/a	0.0%	CH	
Endeavour Silver Corp. (C\$)	EDR,EXK	T,N	\$5.33	\$7.00	31%	HOLD	HIGH	Dec	US\$	174.4	\$725	(\$0.10)	(\$0.02)	\$0.15	\$0.13	\$0.18	\$0.24	n/m	27.7x	23.1x	17.3x	\$3.48	1.5x	n/a	0.0%	CH	
Average					41%													n/m	25.2x	21.8x	11.9x		2.7x				
Royalties																											
Franco-Nevada Corp. (US\$)	FNV	N,T	\$173.35	\$185.00	36%	BUY	HIGH	Dec	US\$	191.5	\$33,197	\$2.71	\$3.61	\$3.63	\$2.83	\$5.12	\$5.25	37.8x	37.6x	26.7x	26.0x	\$50.75	3.4x	\$1.20	0.7%	GB	
Wheaton Precious Metals (US\$)	WPM	N,T	\$41.72	\$59.00	43%	BUY	HIGH	Dec	US\$	451.7	\$18,845	\$1.12	\$1.36	\$1.54	\$1.70	\$1.94	\$2.15	30.6x	27.1x	21.5x	19.4x	\$19.75	2.1x	\$0.60	1.4%	GB	
Royal Gold Inc. (US\$)	RGLD	Q	\$102.61	\$140.00	38%	BUY	HIGH	June	US\$	65.6	\$6,731	\$2.43	\$3.62	\$3.91	\$5.35	\$7.50	\$7.35	28.3x	26.3x	13.7x	14.0x	\$56.07	1.8x	\$1.20	1.2%	GB	
Osisko Gold Royalties Ltd. (C\$)	OR	N,T	\$15.20	\$19.00	26%	BUY	HIGH	Dec	US\$	167.9	\$2,552	\$0.27	\$0.50	\$0.42	\$0.65	\$0.85	\$0.89	30.3x	36.2x	17.9x	17.1x	\$12.11	1.3x	\$0.22	1.4%	GB	
Triple Flag Precious Metals (C\$)	TFPM	T	\$14.69	\$22.00	41%	BUY	HIGH	Dec	US\$	156.2	\$1,790	\$0.39	\$0.31	\$0.57	\$0.76	\$0.81	\$0.94	39.7x	21.2x	14.9x	12.9x	\$13.27	1.1x	\$0.19	1.3%	GB	
Sandstorm Gold Ltd. (C\$)	SSL	T	\$7.65	\$11.00	44%	BUY	HIGH	Dec	US\$	198.3	\$1,183	\$0.11	\$0.15	\$0.20	\$0.35	\$0.42	\$0.45	40.1x	30.1x	14.3x	13.5x	\$5.67	1.3x	\$0.08	1.0%	DM	
Average					38%													34.5x	29.8x	18.2x	17.1x		1.8x				

AL BUY = Action List BUY

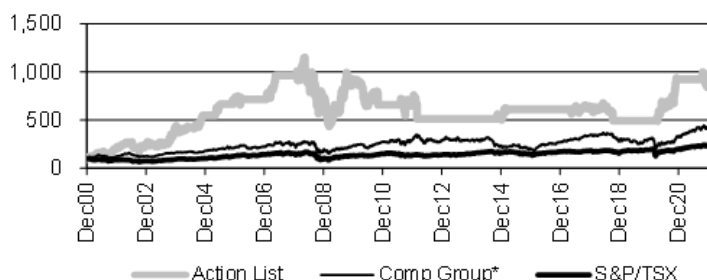
Analyst(s): SG = Steven J. Green, CFA 416 307 6304; GB = Greg Barnes 416 983 9588; CH = Craig Hutchison 416 982 3474; AL = Arun Lamba 416 983 6043; DM = Derick Ma 416 308 3404

Action List

Equity Research

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Industrial Products



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	(0.0)	(5.9)	(5.9)	(5.9)	(5.9)	769.0
Comp. Group*	2.8	6.8	7.0	31.8	31.8	325.2
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	137.6

* S&P/TSX Construction & Engineering, Machinery, Trading Co's & Distributors (Industries)
¹ Since December 29, 2000

Industry Overview

Our 2022 Sector Outlook

On the whole, our long term outlook for the Engineering & Construction and Equipment Distributor companies we cover remains favourable. We believe that factors such as increased infrastructure investment, decarbonization and the greening of the economy, and the changing needs of a growing and evolving population will serve to underpin the broader group's longer term outlook. Further, we see the strengthening of various commodity prices over the past year as supportive of an improved near to medium term outlook for natural resource-related spending.

For the E&C companies we cover, all group members continued to see overall activity levels pressured to some extent during 2021 due to the COVID-19 pandemic, although to a much lesser degree than in 2020. Notably, whereas in 2020 most of our covered E&C names experienced y/y organic revenue declines, for 2021, all group members are forecast to have achieved positive y/y organic revenue gains (i.e., fewer project interruptions/delays, healthy public sector activity levels, and a rebound in various private sector end-markets). In contrast, whereas margins were generally quite healthy during the early part of the pandemic for the E&C companies we cover (supported by government wage subsidies and a decline in discretionary expenses), with pandemic-related margin tailwinds abating over the last year, on the whole, the group's margin performance looks set to have been more mixed in 2021.

Looking ahead, although COVID-19-related risks persist, we are constructive on the outlook for our covered E&C names in 2022. We expect all group members to realize positive y/y revenue growth, supported by organic gains, and, in numerous instances, acquisition gains (reflects the benefit of previously announced acquisitions, and for WSP and STN, a modest level of forecast acquisition growth). Forecast y/y organic revenue growth rates for 2022 vary by company, but are generally in the mid-single digit range (healthy by historical standards).

Further, we forecast modest y/y EBITDA margin improvements for nearly all covered E&C companies in 2022, driven by various factors, including a favourable economic backdrop, company-specific margin enhancement initiatives, improved productivity, and in several cases the benefit of recent margin-accretive acquisitions. Inflationary pressures (particularly for wages) and supply chain challenges represent risks that will need to be closely monitored. However, we believe that on the whole the group's members are well-positioned to manage these risks.

From an end-market standpoint, while public sector activity levels have remained relatively healthy in recent years, we see additional opportunities for our covered E&C names going forward given a continued strong focus by various governments on infrastructure investment and renewal. Overall, we see the outlook for infrastructure investment in Canada, the U.K. and Australia as favourable, while the opportunity over coming years in the U.S. looks particularly

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Thomas Toll, CFA (Associate)

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Action List

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compelling given the passage by Congress in late-2021 of the Infrastructure Investment and Jobs Act. The bipartisan infrastructure package calls for ~US\$1.2 trillion of investment over a decade (including US\$550 billion of new spending) targeting a variety of physical infrastructure programs, including highways, transit, energy, and broadband. Among our covered E&C names, IBG, SNC, STN and WSP all have material U.S. infrastructure exposure and, in our view, are well-positioned to benefit going forward. That said, as it will likely take time for funding to be allocated and for project awards to ramp up, we would expect our covered names with exposure to begin to see more meaningful benefits during the latter part of 2022.

Meanwhile, we expect the group to see improved activity in various private sector markets in 2022. With pandemic-related uncertainty likely to continue to subside, businesses appear poised to increase investment this year, even if activity in some sub-sectors (i.e., leisure/hospitality) remains restrained. Further, we see increases in various commodity prices over the past year as supportive of an improved near to medium term outlook for natural resource-related spending.

Regarding the Equipment Distributors, our outlook remains positive, and is underpinned by solid GDP growth, healthy commodity prices, and favourable prospects for public/private infrastructure spending. We expect margins to benefit from prior cost-reduction initiatives and the accelerated customer usage of digital tools/channels resulting from the pandemic, and we note that industry inventory levels were well-controlled to start the cycle, which should help to mitigate the impact of price competition and facilitate the pass-through of inflationary price increases.

In fact, the pace of the 2021 demand recovery surprised to the upside and all three companies under coverage appear poised to enter 2022 with very strong backlogs, as FTT and WJX ended Q3/21 with backlogs that were up ~100% vs. Q4/20, while TIH's Equipment Group ended Q3/21 with a record backlog that was up >140% vs. Q4/20. We believe that these increases in backlog are likely indicative of pent-up demand, and perhaps some front-end-loading, as customers with upcoming projects consider placing their orders somewhat earlier-than-normal to ensure a machine/production slot in the face of well-known supply chain risks.

While we continue to monitor supply chain performance closely, and noted some deterioration during H2/21, our covered companies seem to be adapting well thus far, in part because supply chain constraints are an industry-wide issue (vs. being specific to a particular OEM) and are well-understood by customers. All else being equal, we expect supply chain bottlenecks to result in higher backlogs and greater demand for equipment rebuilds, and also rental, which may be a net positive for the dealers, particularly FTT and TIH, as the gross margin on rebuilds is similar to the gross margin on product support and well above the gross margin earned on new equipment sales. Another factor contributing to higher rebuild demand this cycle is technological evolution (autonomy, electrification, etc.), which may prompt customers to rebuild vs. replace their fleets while they wait for the new technology to stabilize/mature. Used equipment is another means of satisfying customer demand when new equipment lead times are extended, but used equipment supply is extremely tight and commands very strong pricing to the extent that it is available.

Our Sector Stance: Market Weight

Although we remain constructive on the overall outlook for the E&C and Equipment Distributor companies we cover, we maintain our Market Weight sector stance, which is informed in part by the fact that several of the group's larger/more liquid names are currently trading at valuations that are elevated by historical standards.

Action List

Equity Research

January 7, 2022

Our Action List Pick

Stella-Jones Inc.

SJ-T: C\$40.68; ACTION LIST BUY

12-Month Target: C\$56.00

We believe that at its current level, SJ stock offers investors very attractive risk/reward potential. We see various recent developments, along with several potential positive drivers, as supportive of SJ's overall prospects. These developments/drivers include: 1) the ongoing strength in benchmark lumber prices; 2) evidence of a continued strong demand outlook for SJ's utility poles business; 3) ongoing share repurchase activity; 4) potential benefits associated with increased U.S. infrastructure investment; and 5) potential upside to our forecasts from tuck-in acquisitions. Regarding valuation, SJ is trading at 12.2x our 2022 EPS estimate, representing an extremely depressed multiple by historical standards. Whereas SJ's P/FTM EPS multiple has been somewhat distorted of-late (due to COVID-19 and lumber price volatility), over the five-year period before the market's February 2020 COVID-19 sell-off, SJ traded at an average P/FTM EPS multiple of 18.8x (range at plus/minus one standard deviation: 16.7x-20.9x). We view SJ as a high-quality company that offers investors a mix of growth potential and defensive characteristics. Given the stock's notable recent underperformance and the significant disconnect between its current and historical valuation, we see SJ as offering investors compelling risk/reward potential. Meanwhile, we see further potential upside from tuck-in acquisitions (not included in our forecast).

Our High Conviction Buy

Finning International Inc.

FTT-T: C\$32.02; BUY

12-Month Target: C\$45.00

We believe that Finning is enjoying a synchronous market upturn across all three of its geographic franchises, and that the company is ahead-of-schedule to achieve the mid-cycle EPS/ROIC targets articulated as recently as mid-June. While our sense is that investor conviction in the copper mining cycle remains strong, we believe that Finning's share price has come under pressure due to concern regarding the recent election of a President with a left-leaning agenda in Chile. The stock trades at 13.3x our 2022E EPS estimate vs. the historical range of 12x-19x (average of ~15.5x plus/minus one standard deviation), with South America expected to comprise ~35%-40% of Finning's earnings during 2021-2023. We recognize the risk posed by an incoming President who favours higher taxes and higher mining royalties, but we are reassured that last month's elections also resulted in a divided parliament, which is expected to make it difficult for the President to advance his agenda without compromise, and that any administration will have to be mindful of the need to preserve the health and international competitiveness of the copper mining industry, which contributes ~10% of GDP and has a much broader indirect impact.

Action List

Equity Research

January 7, 2022

Industrial Products Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall Risk Rating	Year-End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	Ind. Div.	Yield	EPS (f.d.)			P/E		LRQ	Analyst
														2020A	2021E	2022E	2021E	2022E		
Aecon Group Inc.	ARE	T	\$17.04	\$22.00	33%	BUY	MEDIUM	Dec	C\$	64.0	\$1,090	\$0.70	4.1%	\$1.29	\$0.97	\$1.08	17.6x	15.7x	Q3/21	MT
AirBoss of America ¹	BOS	T	\$46.22	\$53.00	16%	BUY	HIGH	Dec	US\$	27.0	\$1,248	\$0.40	0.9%	\$1.35	\$1.54	\$2.34	23.8x	15.6x	Q3/21	TJ
ATS Automation Tooling Systems Inc.	ATA	T	\$50.23	\$60.00	19%	BUY	MEDIUM	Mar	C\$	92.6	\$4,651	\$0.00	0.0%	\$0.69	\$1.41	\$1.84	35.6x	27.3x	Q2/F22	CR
Bird Construction Inc.	BDT	T	\$9.83	\$12.50	31%	BUY	MEDIUM	Dec	C\$	53.7	\$528	\$0.39	4.0%	\$0.80	\$0.90	\$0.99	11.0x	10.0x	Q3/21	MT
Finning International Inc.	FTT	T	\$32.02	\$45.00	43%	BUY	MEDIUM	Dec	C\$	161.3	\$5,165	\$0.90	2.8%	\$1.14	\$2.08	\$2.40	15.4x	13.3x	Q3/21	CR
GFL Environmental Inc. ²	GFL	T, N	\$47.83	\$56.00	17%	BUY	MEDIUM	Dec	C\$	362.1	\$17,317	\$0.06	0.1%	(\$0.09)	\$0.15	\$0.41	nmf	nmf	Q3/21	TJ
IBI Group Inc.	IBG	T	\$13.43	\$15.50	15%	BUY	MEDIUM	Dec	C\$	38.5	\$517	\$0.00	0.0%	\$0.47	\$0.71	\$0.86	18.8x	15.7x	Q3/21	MT
NFI Group Inc. ¹	NFI	T	\$20.71	\$23.00	12%	HOLD	HIGH	Dec	US\$	77.3	\$1,601	\$0.85	4.1%	(\$0.76)	(\$0.06)	\$0.40	nmf	nmf	Q3/21	DY
Ritchie Bros. Auctioneers Inc.	RBA	T,N	\$61.21	\$64.00	6%	HOLD	MEDIUM	Dec	US\$	111.4	\$6,819	\$1.00	1.6%	\$1.89	\$2.07	\$2.43	29.6x	25.2x	Q3/21	CR
Russel Metals Inc.	RUS	T	\$33.25	\$40.00	25%	HOLD	HIGH	Dec	C\$	63.0	\$2,094	\$1.52	4.6%	\$0.39	\$6.72	\$2.86	5.0x	11.6x	Q3/21	MT
SNC-Lavalin Group Inc.	SNC	T	\$31.69	\$42.00	33%	BUY	HIGH	Dec	C\$	175.6	\$5,563	\$0.08	0.3%	(\$0.67)	\$1.59	\$2.10	19.9x	15.1x	Q3/21	MT
Stantec Inc.	STN	T,N	\$70.19	\$80.00	15%	BUY	MEDIUM	Dec	C\$	111.6	\$7,835	\$0.66	0.9%	\$2.22	\$2.45	\$2.96	28.7x	23.7x	Q3/21	MT
Stella-Jones Inc.	SJ	T	\$40.68	\$56.00	39%	ACTION LIST BUY	MEDIUM	Dec	C\$	64.5	\$2,623	\$0.72	1.8%	\$3.12	\$3.43	\$3.33	11.8x	12.2x	Q3/21	MT
Toromont Industries Ltd.	TIH	T	\$113.69	\$120.00	7%	HOLD	MEDIUM	Dec	C\$	83.5	\$9,489	\$1.40	1.2%	\$3.04	\$3.92	\$4.62	29.0x	24.6x	Q3/21	CR
Wajax Corp.	WJX	T	\$23.99	\$34.00	46%	BUY	HIGH	Dec	C\$	22.1	\$530	\$1.00	4.2%	\$1.71	\$2.70	\$2.80	8.9x	8.6x	Q3/21	MT
WSP Global Inc.	WSP	T	\$180.64	\$210.00	17%	BUY	MEDIUM	Dec	C\$	117.5	\$21,231	\$1.50	0.8%	\$3.59	\$4.95	\$5.71	36.5x	31.6x	Q3/21	MT

¹ EPS in U.S. dollars.

² EPS is Adjusted, which excludes acquisition, rebranding, transaction and integration costs, gains/losses on FX and sale of PP&E, share-based payments, mark-to-market losses, loss on extinguishment of debt and other items.

AL BUY = Action List Buy

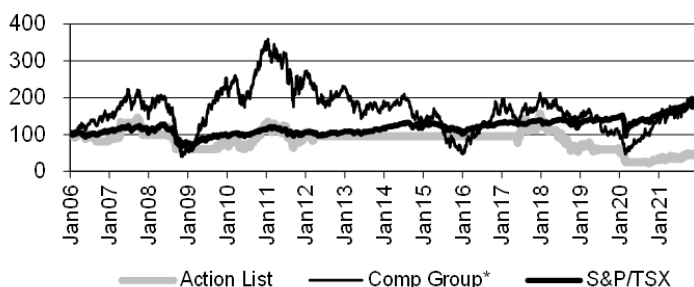
Analyst(s): MT = Michael Tupholme, CFA, 416 307 9389; CR = Cheryln Radbourne, CA, CFA, 416 308 3403; TJ = Tim James, CFA, 416 308 9773; DY = Daryl Young, CFA, CPA, CA, 416 983 3276

Action List

Equity Research

January 7, 2022

Metals & Minerals



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	7.5	15.5	27.6	57.7	57.7	(51.6)
Comp. Group*	0.4	18.6	24.4	47.8	47.8	100.7
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	80.9

* S&P/TSX Div. Metals & Minerals

¹ Since January 23, 2006

Industry Overview

Our 2022 Sector Outlook

The global economy is no doubt in a better position than we thought it would be at this time last year. But while year-ahead growth expectations rose rapidly through the early part of the year as vaccines rolled out, the optimism has pulled back sharply in recent months. Stepping back from the noise, 2021 has still proven to be a stronger-than-expected year, with that momentum likely carrying over into the start of 2022. The relative buoyancy of global demand, against a complex and inelastic web of global supply chains has boosted inflation around the world. Fiscal and monetary stimulus has supported the elastic demand response. Many of these factors are expected to fade in 2022. That being said, TDS expects global GDP growth of ~4% y/y in 2022, which will be supportive for base metals consumption.

With slowing fiscal and monetary stimulus and likely some easing in supply chain bottlenecks, we think that it is unlikely that metal prices will return to their 2021 highs, but we also do not believe that a rout in metal prices is in the offing. Recent negative supply shocks are also unlikely to be fully resolved in 2022 due to what look like semi-permanent scarcities of labour, logistics, and other infrastructure resources. In conjunction, we also believe that resource nationalism could intensify into 2022, particularly in South America. A reversal of these issues will be required for a sustained and rapid pace of production increases. At this stage, available inventory of metals such as zinc and copper are quite limited, which is a situation that we do not expect to change very much next year. We are forecasting tightly supplied markets for copper, nickel and zinc through at least H1/22.

Mine supply is taking hits from all directions. We continue to anticipate above average copper mine supply growth over the next two years. Although supply growth is heavily weighted toward the latter part of 2022 and 2023 with several large, new copper mines reaching production. In the interim, constrained supply (particularly following the closure of the Las Bambas mine in Peru, 2% of global mine supply) will support prices. While we expect a substantial increase in total nickel supply, demand is expected to grow at a faster rate in 2022. Thus far, China's power crisis has forced stainless steel mills to curtail their operating rates, but the power shortage has cut both ways, as the impact of these restrictions on Nickel Pig Iron (NPI) has further tightened nickel supply in China. Power shortages and surging power costs have also become critical for zinc smelters. However, while some smelters have sufficiently felt the squeeze from the power crisis to curtail production, zinc miners have benefited from exceptional margins. We forecast that refined supply growth will likely moderate as high power prices and low treatment charges pressure smelter output.

Our Sector Stance: Overweight

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Action List

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Overweight sector recommendation maintained. We continue to believe that copper has very positive medium to long term fundamentals, supported by the transition to a low-carbon economy and weak copper supply pipeline.

Our Action List Pick

Teck Resources Ltd.

TECK.B-T: C\$37.10; ACTION LIST BUY

12-Month Target: C\$47.00

- **We base our target price on a 1.0x NAV multiple (weighted 40%) and a 5.25x EV/2022E EBITDA multiple (weighted 60%).**
- **Our ACTION LIST BUY recommendation reflects our belief that Teck's share price will benefit from elevated coal and copper prices and the completion of the QB2 copper project in 2022.**
- **The company expects coal sales for Q4/21 to be 5.2-5.7mmt.** Heavy rain, severe flooding, and mudslides in British Columbia during several weeks in Q4 have had a significant impact on Teck's ability to move coal from its mining operations to the west coast coal loading terminals.
- **We estimate that Teck's Q4/21 realized coal price will be ~US\$365/t, or ~\$450/t,** based on Q4/21 sales volumes, higher than its Q3/21 realized price of US\$237/t. The average FOB Australia steelmaking coal price for the three months ending November 30, 2021 settled at US\$371/t, US\$168/t higher versus the three-month average at the end of August 2021. We estimate that the CFR China price for the same period was ~US\$545/t. Notably, current CFR China prices of ~US\$337/t have fallen below FOB Australia prices of ~US\$357/t.
- **QB2 first copper concentrate production in H2/22.** Three elements of project development are on the critical path, including: 1) the Desalinization plant, 2) the Crushing and Grinding process facility, and 3) the Tailings Management facility. On the Q3/21 conference call, management noted that it has experienced some challenges at the QB2 port construction site and the tailings management facility related to civil/geotechnical issues. There is modest upward pressure on the US \$5.2bln base capex (~5%) and on the US\$600mm COVID-19-related costs.
- **Cash flow approaching upward inflection.** With QB2 completed, we expect that Teck will enter 3-5 years of substantial cash-flow generation. We estimate that by 2025, at US\$3.50/lb copper and US\$150/t coal, Teck's consolidated EBITDA would be ~\$6.27 billion and attributable FCF would be ~\$2.8 billion, or \$5.14/share (14% current FCF yield). Management noted that it does not expect its share of equity investment into the QB3 expansion project would occur until 2027/2028. From 2023 through 2026, our model indicates that Teck could generate ~\$10.7 billion of attributable FCF (~\$19.80/share).

Action List

Equity Research

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Our High Conviction Buy

Solaris Resources Inc.

SLS-T: C\$16.11; SPEC BUY**12-Month Target: C\$22.00**

- Solaris has been a preferred name of ours for risk tolerant investors since we initiated coverage in September 2020. Given current market conditions, we believe exploration-stage companies (pre-resource) could get to a valuation above C\$3bln (SLS currently ~C\$1.8bln) if they continuously deliver positive results.
- World-class discoveries are rare and unique, and we believe that Solaris is in the early stages of making multiple world-class discoveries among the 7km x 5km cluster of porphyries on the Warintza property in Ecuador. The company has already made discoveries at West/East (last year). First results from South are expected soon and Solaris recently proposed a spin-out to unlock additional value.
- Our model for Warintza is based only on Central (we anticipate resources of ~620 Mt at ~0.65% CuEq), however, recent drilling suggests that we could potentially see a much bigger resource and does not incorporate the potential at the company's other targets (West, East, South, Yawi, etc.).
- **Copper M&A cycle has begun –Solaris, in our view, continues to be the best copper take-out development story in our coverage universe.** Copper M&A cycle has begun, demonstrated by Sandfire's \$1.9bln acquisition of MATSA (September 2021), Capstone's purchase of Mantos (November 2021), Lundin Mining's proposal to acquire Josemaria (December 2021), among others.
- We expect the stock to continue to re-rate higher as the company demonstrates the growth potential of the project.

Metals & Minerals Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Mth Target	Total Return	Rating	Overall Risk Rating	Year-End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	Yield	EPS			CFPS			P/E (x)		P/CF (x)		Analyst	
													2020A	2021E	2022E	2020A	2021E	2022E	2021E	2022E	2021E	2022E		
Large Cap.																								
Cameco Corp.	CCO, CCJ	T, N	\$30.01	\$39.00	30%	BUY	HIGH	Dec. 31	C\$	397.8	\$11,938	0.3%	(\$0.17)	(\$0.49)	(\$0.07)	\$0.65	\$0.22	\$0.35	n/a	n/a	n/a	n/a	n/a	GB
First Quantum Minerals Ltd.	FMJ	T	\$30.54	\$39.00	28%	BUY	HIGH	Dec. 31	US\$	692.0	\$21,134	0.0%	(\$0.06)	\$1.27	\$2.63	\$2.64	\$3.86	\$5.02	19.3x	9.3x	6.3x	4.9x	GB	
Ivanhoe Mines Ltd.	IVN	T	\$10.37	\$14.00	35%	BUY	HIGH	Dec. 31	US\$	1230.0	\$12,755	0.0%	(\$0.02)	\$0.05	\$0.37	(\$0.05)	\$0.04	\$0.37	n/a	22.6x	n/a	22.6x	GB	
Lundin Mining Corp.	LUN	T	\$9.91										RESTRICTED											GB
Teck Resources Ltd.	TECK.B, TECK	T, N	\$37.10	\$47.00	27%	AL BUY	HIGH	Dec. 31	C\$	540.3	\$20,045	0.5%	\$1.04	\$6.10	\$5.70	\$3.39	\$10.74	\$9.56	6.1x	6.5x	3.5x	3.9x	GB	
Intermediate-Small Cap.																								
Ero Copper Corp.	ERO	T	\$19.10	\$30.00	57%	BUY	HIGH	Dec. 31	US\$	94.0	\$1,796	0.0%	\$1.27	\$2.20	\$2.31	\$1.90	\$2.91	\$2.89	6.9x	6.6x	5.3x	5.3x	CH	
Capstone Mining Corp.	CS	T	\$5.49	\$7.50	37%	BUY	HIGH	Dec. 31	US\$	422.4	\$2,319	0.0%	\$0.07	\$0.53	\$0.52	\$0.33	\$0.85	\$0.70	8.2x	8.4x	5.1x	6.3x	CH	
Champion Iron Ltd.	CIA	T	\$5.20	\$6.50	25%	BUY	HIGH	Mar. 31	C\$	506.4	\$2,633	0.0%	\$0.93	\$0.82	\$0.59	\$1.23	\$0.89	\$0.73	6.3x	8.9x	5.8x	7.1x	CH	
Copper Mountain Mining Corp.	CMC	T	\$3.56	\$4.75	33%	BUY	HIGH	Dec. 31	C\$	210.2	\$748	0.0%	\$0.04	\$0.67	\$0.51	\$0.44	\$1.50	\$0.97	5.3x	7.0x	2.4x	3.7x	CH	
Hudbay Minerals Inc.	HBM	T	\$9.36	\$13.00	39%	BUY	HIGH	Dec. 31	US\$	261.5	\$2,448	0.2%	(\$0.44)	\$0.21	\$0.84	\$0.93	\$1.84	\$2.25	35.2x	8.9x	4.1x	3.3x	GB	
Sherritt International Corp.	S	T	\$0.42	\$0.65	55%	HOLD	SPEC	Dec. 31	C\$	397.3	\$167	0.0%	(\$0.26)	\$0.01	\$0.23	\$0.02	\$0.12	\$0.34	43.2x	1.8x	3.6x	1.2x	GB	
Taseko Mines Ltd.	TKO, TGB	T, A	\$2.72	\$3.75	38%	BUY	HIGH	Dec. 31	C\$	283.9	\$772	0.0%	(\$0.11)	\$0.21	\$0.19	\$0.44	\$0.77	\$0.58	12.8x	14.6x	3.5x	4.7x	CH	
Trevi Mining Corp.	TV	T	\$1.84	\$2.50	36%	HOLD	SPEC	Dec. 31	US\$	98.9	\$182	0.0%	(\$0.34)	\$0.26	\$0.16	\$0.13	\$1.06	\$0.88	5.7x	9.3x	1.4x	1.7x	CH	
Labrador Iron Ore Royalty Corp.	LIF	T	\$36.81	\$38.00	11%	HOLD	HIGH	Dec. 31	C\$	64.0	\$2,356	8.2%	\$3.55	\$5.55	\$3.50	\$3.02	\$5.59	\$3.30	6.6x	10.5x	6.6x	11.2x	CH	
Turquoise Hill Resources Ltd.	TRQ, TRQ	T, N	\$20.64	\$23.00	11%	HOLD	SPEC	Dec. 31	US\$	201.2	\$4,153	0.0%	\$1.46	\$2.87	\$0.83	\$0.11	\$3.56	\$1.02	5.8x	19.9x	4.6x	16.2x	CH	
Developers																								
Lithium Americas Corp.	LAC, LAC	T, N	\$42.84	\$45.00	5%	HOLD	SPEC	Dec. 31	US\$	120.0	\$5,139	0.0%	(\$0.33)	(\$0.49)	(\$0.23)	(\$0.39)	(\$0.45)	(\$0.27)	n/a	n/a	n/a	n/a	CH	
Denison Mines Corp.	DML, DNN	T, A	\$1.88	\$2.40	28%	HOLD	SPEC	Dec. 31	C\$	805.7	\$1,515	0.0%	(\$0.03)	(\$0.06)	(\$0.01)	(\$0.02)	(\$0.06)	(\$0.01)	n/a	n/a	n/a	n/a	CH	
Entrée Resources Ltd.	ETG	T, A	\$0.82	\$1.05	28%	HOLD	SPEC	Dec. 31	US\$	189.6	\$155	0.0%	(\$0.03)	(\$0.03)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	n/a	n/a	n/a	n/a	CH	
Nexgen Energy Ltd.	NXE	T	\$5.92	\$10.00	69%	Spec BUY	SPEC	Dec. 31	C\$	475.6	\$2,816	0.0%	(\$0.10)	(\$0.08)	(\$0.05)	(\$0.03)	(\$0.03)	(\$0.03)	n/a	n/a	n/a	n/a	CH	
Solaris Resources Inc.	SLS	T	\$16.11	\$22.00	37%	Spec BUY	SPEC	Nov. 30	US\$	108.3	\$1,745	0.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	AL	
Trilogy Metals Inc.	TMQ, TMQ	T, N	\$2.03	\$3.50	72%	Spec BUY	SPEC	Nov. 30	US\$	144.5	\$293	0.0%	\$1.18	(\$0.10)	(\$0.04)	(\$0.05)	(\$0.03)	(\$0.04)	n/a	n/a	n/a	n/a	CH	
Other																								
Geodrill Ltd.	GEO	T	\$2.16	\$3.75	75%	BUY	HIGH	Dec. 31	US\$	45.3	\$98	0.9%	\$0.18	\$0.31	\$0.24	\$0.35	\$0.49	\$0.43	5.6x	7.2x	3.5x	4.0x	DY	
Major Drilling Group International Inc.	MDI	T	\$8.45	\$12.50	48%	BUY	HIGH	Apr. 30	C\$	82.3	\$695	0.0%	\$0.00	\$0.12	\$0.44	\$0.51	\$0.61	\$1.03	n/a	19.2x	13.9x	8.2x	DY	

Metals Income Trust Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Mth Target	Total Return	Rating	Overall Risk Rating	Year-End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	Yield	EPU			DCPU			P/EPU (x)		P/DCPU (x)		Analyst
													2020A	2021E	2022E	2020A	2021E	2022E	2021E	2022E	2021E	2022E	
Altius Minerals Corp.	ALS	T	\$17.74	\$21.00	20%	BUY	HIGH	Dec. 31	C\$	42.8	\$759	1.6%	\$0.35	\$0.77	\$0.69	\$1.16	\$1.12	\$0.98	23.1x	25.7x	15.9x	18.1x	CH
Noranda Income Fund	NIF.UN	T	\$1.30	\$1.50	15%	BUY	HIGH	Dec. 31	US\$	50.0	\$65	0.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	SG
Westshore Terminals Ltd	WTE	T	\$27.10	\$26.00	-1%	HOLD	HIGH	Dec. 31	C\$	63.3	\$1,715	3.0%	\$1.96	\$1.82	\$1.67	\$2.64	\$2.32	\$2.13	14.9x	16.2x	11.7x	12.7x	DY

TDSI Metal Price Forecasts (US\$/lb)

TDSI Metal Price Forecasts (US\$/lb)

	2009A	2010A	2011A	2012A	2013A	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	LT
Copper	\$2.34	\$3.43	\$4.00	\$3.62	\$3.32	\$3.10	\$2.50	\$2.21	\$2.75	\$2.97	\$2.72	\$2.81	\$4.22	\$4.00	\$3.50
Nickel	\$6.66	\$9.93	\$10.38	\$7.94	\$6.85	\$7.68	\$5.39	\$4.38	\$4.63	\$5.98	\$6.31	\$6.27	\$8.25	\$8.00	\$8.00
Zinc	\$0.75	\$0.98	\$0.99	\$0.89	\$0.88	\$0.98	\$0.88	\$0.95	\$1.32	\$1.33	\$1.16	\$1.03	\$1.35	\$1.40	\$1.10
Coal*	\$129.00	\$206.00	\$288.75	\$210.00	\$158.50	\$125.50	\$102.13	\$114.38	\$209.00	\$208.93	\$183.75	\$126.50	\$172.50	\$200.00	\$150.00
Uranium	\$46.80	\$46.48	\$57.10	\$49.00	\$38.57	\$33.60	\$36.89	\$26.57	\$21.74	\$24.82	\$25.94	\$29.52	\$35.24	\$50.00	\$55.00

*US\$/t, Met Coal

AL BUY = Action List BUY

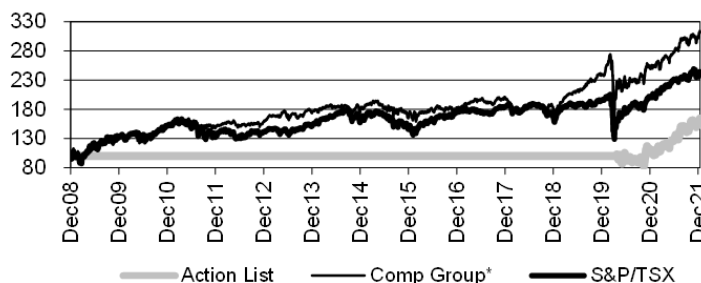
Analyst(s): GB = Greg Barnes, 416 983 9588; SG = Steven Green, CFA 416 307 6304; CH = Craig Hutchison, 416 982 3474; DY = Daryl Young, 416 983 3276; AL = Arun Lamba, 416 983 6043

Action List

Equity Research

January 7, 2022

Multi-Industry



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	7.1	12.6	20.8	46.2	46.2	60.7
Comp. Group*	5.9	7.2	10.4	22.4	22.4	211.8
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	143.3

* S&P/TSX Diversified Financials, Real Estate & Utilities (Industry Groups)

¹ Since December 16, 2008

Industry Overview

Our Action List Pick

Brookfield Asset Management Inc.

BAM-N, BAM.A-T; US\$60.62; ACTION LIST BUY

12-Month Target: US\$75.00

Brookfield Asset Management is a leading global alternative asset manager with US \$341 billion of fee-bearing capital (including Oaktree at 100%) across real estate, infrastructure, renewable power, private equity and credit.

BAM's fee-bearing capital has tripled over the last five years, and the company is targeting a further doubling to more than US\$830 billion by 2026, with continued growth in the core businesses supplemented by the scale-up of four new strategies: insurance solutions, technology/growth investing, transition funds, and secondaries.

The company's latest flagship fundraising cycle is well underway and we expect related announcements to be positive catalysts for the stock over the next twelve months. BAM is targeting to raise US\$100 billion from this round of fundraising (including co-investment capital) versus US\$50 billion+ from the last round, and we see upside potential as interest rates remain very low across all major capital markets, which is highly supportive of real asset valuations and increasing portfolio allocations to real assets.

Our High Conviction Buy

Brookfield Infrastructure Partners L.P.

BIP-N, BIP.UN-T; US\$60.91, BUY

12-Month Target: US\$67.00

Brookfield Infrastructure is one of the largest global owners and operators of infrastructure assets in the world, and owns a portfolio of high-quality, long-life assets with significant barriers to entry that is well-diversified by geography, sector, and regulatory environment.

BIP's cash flows have demonstrated high resiliency during periods of stress and also offer attractive upside in the current environment because: 1) ~70% of BIP's revenues are indexed to local inflation; 2) strong commodity prices benefit ~20% of the LP's midstream revenues, and are supportive of higher volumes and customer-led expansion projects across all business segments; and 3) supply-chain bottlenecks contribute to higher tariffs, as customers compete for uncontracted network/facility capacity (if any).

Cherilyn Radbourne, CA, CFA

Patrick Sullivan, (Associate)

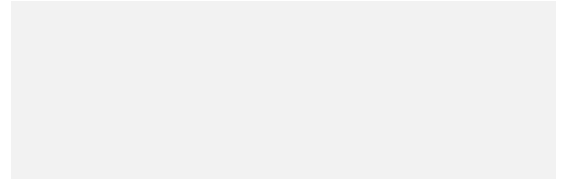


Action List

Equity Research

January 7, 2022

We anticipate that organic growth will be at or above BIP's 6%-9% target range in 2022, with organic growth to be supplemented by the IPL privatization at a 13% going-in FFO yield, and we anticipate further upcoming M&A catalysts following a recent equity issue.





Action List

Equity Research

January 7, 2022

Multi-Industry Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall Risk Rating	Year-End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	Ind. Div.	Yield	FFO Per Share			P/FFO			Analyst
														2020A	2021E	2022E	2020A	2021E	2022E	
Brookfield Asset Management Inc.	BAM, BAM.A	N, T	\$60.52	\$75.00	25%	AL BUY	MEDIUM	Dec	US\$	1612.4	\$97,582	\$0.52	0.9%	\$2.04	\$2.12	\$2.76	29.7x	28.5x	22.0x	CR

Unit Name	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall Risk Rating	Year-End	Rep. Curr.	Units O/S (mm)	Market Cap (mm)	Ind. Dist.	Yield	FFO Per Unit			P/FFO			Analyst
														2020A	2021E	2022E	2020A	2021E	2022E	
Brookfield Infrastructure Partners L.P.	BIP, BIP.UN	N,T	\$60.91	\$67.00	13%	BUY	LOW	Dec	US\$	514.0	\$31,308	\$2.04	3.3%	\$3.13	\$3.60	\$3.92	19.5x	16.9x	15.5x	CR

AL = Action List BUY

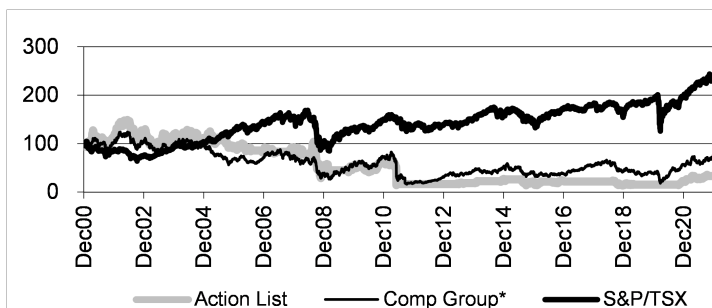
Analyst(s): CR = Cherilyn Radbourne, CA, CFA, 416 308 3403

Action List

Equity Research

January 7, 2022

Paper & Forest Products



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	(1.3)	18.3	46.7	46.7	(66.9)
Comp. Group*	14.3	12.1	22.4	36.3	36.3	(23.3)
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	137.6

* S&P/TSX Paper & Forest Products (Industry)

¹ Since December 29, 2000

Industry Overview

Our 2022 Sector Outlook

In 2021, the North American forest products sector experienced exceptional profitability, unprecedented volatility, and strong equity returns. **We expect further gains for wood-weighted equities this year.** Lumber and panel commodity price momentum is regaining momentum in early 2022 as the "stronger for longer" wood product commodity cycle has taken hold. Current wood product prices are still below frenzied Q2/21 records but are back well above our assessment of mid-cycle (trend) levels, reflecting buoyant U.S. demand and tight supply. We do not believe that current wood product prices are sustainable as exceptional margins attract an eventual supply response, but we forecast an extended robust free cash flow window for many companies in our coverage universe.

A few sector themes that we expect to emerge in 2022:

Lumber markets are starting the year on solid footing with an encouraging demand and supply outlook. Positive lumber price momentum over the last eight weeks has driven the Random Lengths Framing Lumber Composite price up 81% to US\$1,038/Mfbm. The current price is 31% below the all-time nominal record of US\$1,514/Mfbm reached in mid-May but 23% above the average record full-year 2021 price of US\$847/Mfbm. Our average 2022 benchmark 2x4 Western SPF and Southern Yellow Pine price forecasts of US\$725/Mfbm and US\$740/Mfbm, respectively, are 17-20% lower than record 2021 averages. We believe that growing industry supply will become more evident by 2023, but not soon enough to disrupt tight markets this year.

Tight fundamentals are also expected to support above-trend oriented strand board (OSB) prices this year. We expect ongoing tight OSB markets in 2022 even as average North American OSB operating rates moderate to 89% from 92% (a 15-year high) in 2021. Our average 2022 North Central OSB price forecast of US\$506/Msf is 37% lower than the 2021 average nominal record of US\$804/Msf. Louisiana-Pacific's 800 million square foot capacity Peace Valley, B.C. mill (restarted mid-2021) is ramping up ahead of its original run-rate target of Q2/22. West Fraser's 760 million square foot capacity Allendale, S.C. mill is scheduled to restart September 2022. In our view, the pace of idled capacity restarts will not overwhelm markets this year.

Mixed momentum for global pulp markets as above-normal mill inventories and supply chain bottlenecks muddy the waters. With the exception of Europe (where prices were stable), global softwood pulp prices declined throughout H2/21. While pressure persists in North America, markets in China have seen an uptick over the past month (~US\$50/tonne hikes implemented by Canadian exporters to China). The latter is partly fueled by temporary pulp mill downtime in western Canada in response to storms and flooding in British Columbia, as producers sought to contain

Sean Steuart, CFA

Kasia Trzaski Kopytek, CFA, CPA, CA

Action List

Equity Research

January 7, 2022

the inventory build. Global softwood market pulp mill inventories ended November at 44 days of supply, well-above the long term average of 31 days and closing in on record levels. Logistical bottlenecks will take time to sort through but underlying pulp fundamentals are buoyed by an absence of material softwood pulp industry capacity growth until 2023 at the earliest.

We expect that sector free cash flow (FCF) yields will moderate in 2022 and 2023, but we still forecast that balance sheets will strengthen. For lumber and panel producers, we forecast average annual FCF yields of 20% in 2022 and 9% in 2023 – down from an estimated average yield of 31% in 2021, but still robust, especially given an expectation of higher capex over the next two years. With balance sheet flexibility, we believe that most lumber and panel producers will sustain relatively aggressive returns of capital to shareholders via buybacks and, potentially, special dividends. We believe that these initiatives will complement asset base growth via M&A and organic initiatives.

Our Sector Stance: Overweight

Notwithstanding strong equity gains in 2021 and an expectation of ongoing commodity market volatility this year (an alienating factor for a contingent of potential investors in our view), valuations based on mid-cycle estimates remain below long term averages. Our coverage universe trades at 4.5x estimated trend EV/EBITDA, adjusted for FCF forecasts through 2023, versus a long term average of 5.3x. **Interfor is our top pick in the sector.** Among our small-cap coverage, we are also positive on Resolute Forest Products.

Our High Conviction Buy

Interfor Corp.

IFP-T: C\$40.51; BUY

12-Month Target: C\$54.00

We highlight Interfor as our top pick in the sector, based on value-accretive growth initiatives and balanced capital allocation priorities. North American lumber markets are revisiting exceptional levels following a sharp correction during most of H2/21. North American demand remains strong across several key end markets (especially new home construction) and the industry's ability to add near term production is constrained. We believe that lumber markets are poised to stay above-trend during 2022.

We expect management will continue pursuing internal/external growth opportunities, while returning surplus capital to shareholders. Ongoing discretionary reinvestment remains the primary focus. We forecast capex of ~\$250 million for 2022, versus an expected ~\$175 million in 2021. The program includes major rebuilds of Thomaston and investments at Summerville and Georgetown. The \$566 million acquisition of EACOM is expected to close in H1/22 and will add ~700 million board feet of incremental production in 2022 (985 million board feet on a run-rate basis). Interfor has been active on its NCIB over the past year, but has taken a pause in recent months in the wake of growth initiatives. Assuming favourable valuation parameters, we expect share buyback activity could resume once leverage metrics improve. **We forecast annual FCF yields of 24% in 2022 and 11% in 2023, and expect a transition to net cash on the balance sheet by H2/22.**

Given our expectation of above-trend earnings/FCF over our forecast horizon, we believe that Interfor trades at an excessive discount. **Interfor trades at 5.9x trend**

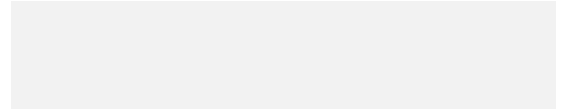


Action List

Equity Research

January 7, 2022

(mid-cycle) EV/EBITDA based on trailing net debt, but this multiple declines to 4.1x, adjusting for FCF forecasts through 2023. The current valuation is a discount to the company's long term trading average of 6.2x.



Action List

Equity Research

January 7, 2022

Paper and Forest Products

Pulp, Paper & Packaging	Symbol	Exch.	Curr. Price	12-Month Target (2)	Total Return	Overall Risk			Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	Ind. Div.	Yield	EBITDA			P/E (x)		TEV/EBITDA		Analyst
						Rating	Rating	Year-End						2021E	2022E	2023E	2022E	2023E	2022E	2023E	
KP Tissue Inc. (3)	KPT	T	\$10.41	\$11.50	17%	HOLD	HIGH	Dec	C\$	67.8	\$706	\$0.72	6.9%	\$148.7	\$212.7	\$225.4	24.1x	18.7x	7.2x	6.8x	SS
Cascades Inc.	CAS	T	\$13.97	\$15.50	14%	HOLD	HIGH	Dec	C\$	100.6	\$1,406	\$0.48	3.4%	\$413.5	\$541.7	\$565.1	8.7x	8.2x	5.3x	5.6x	SS
Mercer International Inc. (1)	MERC-Q	N	\$12.09	\$12.50	6%	HOLD	HIGH	Dec	US\$	66.3	\$802	\$0.26	2.2%	\$461.2	\$366.2	\$326.1	7.3x	9.8x	4.4x	5.0x	SS
Canfor Pulp Products Inc.	CFX	T	\$6.69	\$7.00	5%	HOLD	HIGH	Dec	C\$	65.2	\$436	\$0.00	0.0%	\$142.3	\$85.9	\$110.1	nmf	nmf	5.0x	3.9x	SS

Wood Products	Symbol	Exch.	Curr. Price	12-Month Target (2)	Total Return	Overall Risk			Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	Ind. Div.	Yield	EBITDA			P/E (x)		TEV/EBITDA		Analyst
						Rating	Rating	Year-End						2021E	2022E	2023E	2022E	2023E	2022E	2023E	
Resolute Forest Products Inc. (1)	RFP	N,T	\$14.68	\$20.00	36%	BUY	HIGH	Dec	US\$	78.6	\$1,154	\$0.00	0.0%	\$958.2	\$732.4	\$368.8	2.9x	8.4x	2.3x	5.2x	SS
Interfor Corp.	IFP	T	\$40.51	\$54.00	33%	BUY	HIGH	Dec	C\$	60.9	\$2,469	\$0.00	0.0%	\$1,234.3	\$1,104.1	\$593.2	3.5x	7.9x	2.6x	4.9x	SS
West Fraser Timber Co. Ltd. (1)	WFG	N	\$94.80	\$125.00	33%	BUY	HIGH	Dec	US\$	106.6	\$10,110	\$0.80	0.8%	\$4,657.6	\$3,279.3	\$2,004.0	5.2x	10.2x	2.8x	4.5x	SS
Canfor Corp.	CFP	T	\$32.06	\$41.00	28%	BUY	HIGH	Dec	C\$	124.5	\$3,991	\$0.00	0.0%	\$2,677.5	\$1,688.7	\$1,066.4	4.3x	8.0x	2.0x	3.1x	SS
Western Forest Products Inc.	WEF	T	\$2.11	\$2.50	20%	HOLD	HIGH	Dec	C\$	337.4	\$712	\$0.04	1.9%	\$299.1	\$179.2	\$159.3	7.8x	9.2x	3.1x	3.5x	SS
Louisiana-Pacific Corp. (1)	LPX	N	\$78.08	\$80.00	3%	HOLD	HIGH	Dec	US\$	90.2	\$7,043	\$0.72	0.9%	\$1,976.9	\$1,316.6	\$923.6	7.4x	10.8x	5.2x	7.4x	SS

Notes:

(1) Resolute Forest Products Inc., West Fraser Timber Co. Ltd., Mercer International Inc. and Louisiana-Pacific Corp. share price and financial data are U.S. dollar denominated.

(2) Target prices are in the same currency as current prices.

(3) Figures shown are for Kruger Products LP (in which KP Tissue Inc. holds a 14.7% equity interest).

AL BUY = Action List BUY

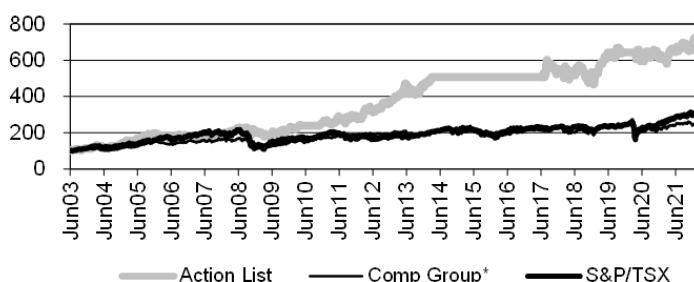
Analyst(s): SS = Sean Steuart, CFA 416 308 3399

Action List

Equity Research

January 7, 2022

Pipelines, Power & Utilities



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	10.4	8.6	11.2	17.4	17.4	623.2
Comp. Group*	3.0	(0.1)	0.3	15.0	15.0	149.5
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	205.8

* S&P/TSX Utilities (Sector),

Oil & Gas Storage & Transportation (Subindustry)

¹ Since June 2, 2003

Industry Overview

Our 2022 Sector Outlook

Major Projects Remain in Focus: Capital plans for the Canadian pipeline and midstream companies in our coverage universe for 2022 largely incorporate secured projects, with the primary focus of completing the projects that were previously deferred in 2020 due to the COVID-19 pandemic and commodity price collapse. These projects include Pembina's Phase VII Peace Pipeline and Empress Co-generation Facility which is expected to be operational in 2022, and Keyera's KAPS pipeline system which has an expected in-service date in 2023. Companies have communicated that any excess financial capacity, from excess cash flow or from not deploying the full amount of planned capital, could be allocated based on competing initiatives including share buybacks or other means to create value for shareholders.

Upcoming Regulatory Matters: In November 2021, Enbridge Inc. was denied by the Commission of the Canada Energy Regulator on its Mainline Contracting Application. Management noted that it plans to negotiate an incentive tolling arrangement for the Canadian Mainline, while simultaneously preparing a COS application as a backup, and is confident that it can achieve an appropriate return in either arrangement. Although receiving a decision from the regulator in 2022 is not impossible, we believe that receiving a decision in 2023 is more realistic. A decision from the Ontario Energy Board is expected in 2022 for the 2023-2027 Joint Rate Application filed by Hydro One Limited. The application includes requests for base rates, proposed capital expenditures, ROE, and cost of capital for the company's transmission and distribution business.

Clean Energy Future: We saw more headlines on clean energy initiatives in the past year and we expect this to continue in the near term, as companies have placed more emphasis on energy transition in their release of 2022 guidance and updated capital programs. Updated and new ESG targets and objectives were provided in 2021, and we expect companies to make progress executing on their respective strategies in pursuit of these goals.

Linda Ezergailis, P.Eng.

John Mould, CFA

Alexander Kwong, CPA, (Associate)

Action List

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Alberta Power Pricing Expected to Remain Robust in 2022: Power prices averaged \$102/MWh in 2021, up from \$47/MWh in 2020. This increase primarily reflected more competitive offer strategies following the December 2020 thermal PPA expiries, a large number of planned unit outages (including several coal-to-gas conversions), increased demand vs. 2020, and weather-driven periods of tight supply and high demand. Forward prices for 2022 recently averaged \$93/MWh, pointing to a strong pricing environment for the year ahead. Alberta's carbon price has increased to \$50/tonne for 2022 (up \$10 vs. 2021), raising the carbon costs of an average coal-fired unit by ~\$6/MWh (before co-firing). TransAlta ceased coal-fired generation in Alberta at the end of 2021 (having completed several coal-to-gas boiler conversions), while Capital Power plans to conclude coal-fired generation in 2023 through one boiler conversion and a larger combined-cycle gas repowering project. We anticipate ongoing additions of variable renewable power capacity in Alberta (particularly in late 2022), but do not expect material dispatchable gas-fired capacity to be added to Alberta's system until late 2023. We believe both CPX and TA are well-positioned to compete in Alberta's energy-only electricity market.

Our Sector Stance: Market Weight

Looking forward, new assets that entered service over the year are expected to contribute to much awaited tailwinds that the oil and gas industry is enjoying, due to improved pricing and demand fundamentals, in our view. We expect utility valuations to benefit from expectations of significant investment opportunities related to transitioning energy consumption to renewable sources, as well as electrification of transportation coupled with resilient business models, to warrant premium valuations. Midstream stocks with relatively higher commodity price exposure and operating risks have historically been less interest-rate sensitive, which could be an attractive attribute for income-oriented investors positioning for an eventual increase in interest rates. Over the longer time horizon, we believe that the WCSB remains economically competitive in North America, which, in turn, is competitive globally, and when coupled with growing demand and improved commodity prices should provide additional momentum to the space.

Our High Conviction Buy

Capital Power Corp.

CPX-T: C\$39.34; BUY

12-Month Target: C\$49.00

We view Capital Power as well-positioned to benefit from a robust power pricing environment in Alberta, while continuing to expand both its gas-fired and renewable generating capacity. The company's natural-gas repowering strategy for Genesee 1+2 (completion anticipated in 2024) is expected to produce the most efficient combined-cycle units in Canada. Management is also evaluating a large-scale carbon capture initiative for the repowered Genesee units (potential FID in late 2022), which we believe would leave these assets well-situated to navigate the potential for a net zero electricity requirement in Canada by 2035. CPX is also working to complement its fleet with additional renewable power development projects in both Alberta and the U.S. The company's three-year investment pipeline of ~\$1.55 billion (new renewable capacity and the Genesee repowering) will be funded with free cash flow and debt – management does not anticipate additional equity capital will be required for these growth projects. We believe that these initiatives will support CPX's

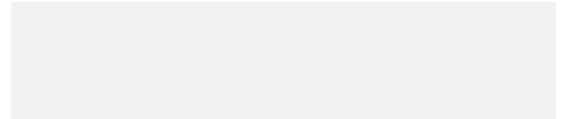


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annual dividend growth target of 5% through 2025, further diversify its operations, and strengthen the company's high-quality asset portfolio in Alberta.





Action List

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Pipelines, Power & Utilities Universe

Power & Utility	Symbol	Curr.	12-Month	Total	Risk Rating ²	Risk Rating	Rep.	ND/EBITDA	Div Yield	Adj. EPS (basic)				AFFO/Share				P/E				AFFO Yield				Analyst
		Price	Target	Return						2020A	2021E	2022E	2023E	2020A	2021E	2022E	2023E	2020A	2021E	2022E	2023E	2020A	2021E	2022E	2023E	
AltaGas Ltd.	ALA	\$26.88	\$30.00	15.3%	BUY	MEDIUM	C\$	5.2x	3.7%	\$1.42	\$1.80	\$1.83	\$1.93	\$3.14	\$3.79	\$3.68	\$3.98	18.9x	14.9x	14.7x	13.9x	11.7%	14.1%	13.7%	14.8%	LE
ATCO Ltd.	ACO.X	\$42.40	\$53.00	29.2%	BUY	LOW	C\$	4.5x	4.2%	\$3.08	\$3.18	\$3.24	\$3.37	\$3.47	\$3.93	\$4.13	\$4.19	13.8x	13.3x	13.1x	12.6x	8.2%	9.3%	9.7%	9.9%	LE
Canadian Utilities Ltd.	CU	\$36.61	\$39.00	11.3%	BUY	LOW	C\$	5.0x	4.8%	\$1.96	\$2.08	\$2.13	\$2.19	\$1.95	\$2.35	\$2.51	\$2.52	18.7x	17.6x	17.2x	16.7x	5.3%	6.4%	6.9%	6.9%	LE
Capital Power Corp.	CPX	\$39.34	\$49.00	30.1%	BUY	MEDIUM	C\$	2.8x	5.6%	\$1.22	\$2.08	\$2.23	\$1.42	\$4.96	\$5.34	\$5.20	\$5.07	32.2x	18.9x	17.6x	27.7x	12.6%	13.6%	13.2%	12.9%	JM
Caribbean Utilities Ltd. (2)	CUP.U	\$15.00	\$15.50	8.0%	HOLD	LOW	US\$	3.6x	4.7%	\$0.74	\$0.82	\$0.89	\$0.94	\$1.13	\$1.19	\$1.32	\$1.38	20.3x	18.3x	16.9x	16.0x	7.5%	7.9%	8.8%	9.2%	JM
Emera Inc.	EMA	\$62.59	\$66.00	9.7%	BUY	LOW	C\$	6.1x	4.2%	\$2.68	\$2.80	\$3.09	\$3.22	\$2.60	\$2.90	\$4.30	\$4.62	23.4x	22.4x	20.3x	19.4x	4.2%	4.6%	6.9%	7.4%	LE
Fortis Inc.	FTS	\$60.48	\$65.00	11.0%	BUY	LOW	C\$	5.9x	3.5%	\$2.57	\$2.68	\$2.85	\$2.97	\$3.09	\$3.07	\$3.48	\$3.84	23.5x	22.6x	21.2x	20.4x	5.1%	5.1%	5.8%	6.3%	LE
Hydro One Ltd.	H	\$32.84	\$31.00	-2.4%	HOLD	LOW	C\$	5.9x	3.2%	\$1.51	\$1.61	\$1.62	\$1.67	\$1.15	\$1.31	\$1.35	\$0.70	21.7x	20.4x	20.3x	19.7x	3.5%	4.0%	4.1%	2.1%	LE
TransAlta Corp.	TA, TAC	\$13.84	\$17.50	27.9%	BUY	HIGH	C\$	2.4x	1.4%	(\$1.07)	(\$0.35)	\$0.34	(\$0.31)	\$1.30	\$1.99	\$1.89	\$1.46	n.a.	n.a.	n.a.	n.a.	9.4%	14.4%	13.7%	10.5%	JM
Average (1)								5.6x	3.9%									21.2x	19.6x	18.7x	18.0x	6.0%	6.8%	7.5%	7.5%	
Pipeline & Midstream	Symbol	Curr. Price	12-Month Target	Total Return	Risk Rating ²	Risk Rating	Rep.	ND/EBITDA	Div Yield	2020A	2021E	2022E	2023E	2020A	2021E	2022E	2023E	2020A	2021E	2022E	2023E	2020A	2021E	2022E	2023E	Analyst
Enbridge Inc.	ENB	\$49.54	\$57.00	21.8%	BUY	LOW	C\$	4.7x	6.7%	\$2.42	\$2.65	\$2.88	\$2.97	\$4.67	\$4.84	\$5.32	\$5.45	20.5x	18.7x	17.2x	16.7x	9.4%	9.8%	10.7%	11.0%	LE
Enterprise Products Partners, L.P. (2)	EPD	\$22.95	\$29.00	34.2%	BUY	MEDIUM	US\$	3.2x	7.8%	\$1.71	\$2.21	\$2.11	\$2.21	\$2.93	\$3.01	\$3.04	\$3.17	13.4x	10.4x	10.9x	10.4x	12.8%	13.1%	13.2%	13.8%	LE
Gibson Energy Inc.	GEI	\$22.83	\$24.00	11.3%	HOLD	MEDIUM	C\$	3.3x	6.1%	\$0.83	\$0.80	\$0.94	\$1.08	\$2.05	\$2.11	\$2.21	\$2.43	27.5x	28.5x	24.3x	21.1x	9.0%	9.2%	9.7%	10.6%	LE
Kinder Morgan Inc. (2)	KMI	\$16.58	\$21.00	33.2%	BUY	LOW	US\$	3.9x	6.5%	\$0.88	\$1.30	\$1.02	\$1.07	\$2.02	\$2.39	\$2.12	\$2.25	18.8x	12.8x	16.3x	15.5x	12.2%	14.4%	12.8%	13.6%	LE
Keyera Corp.	KEY	\$28.68	\$36.00	32.2%	BUY	MEDIUM	C\$	3.6x	6.7%	\$0.28	\$1.39	\$1.21	\$1.45	\$3.26	\$2.84	\$2.28	\$2.95	102.4x	20.6x	23.7x	19.8x	11.4%	9.9%	7.9%	10.3%	LE
Magellan Midstream Partners, L.P. (2)	MMP	\$47.57	\$51.00	15.9%	HOLD	MEDIUM	US\$	3.2x	8.7%	\$3.85	\$4.06	\$4.19	\$4.34	\$4.63	\$5.05	\$5.27	\$5.39	12.4x	11.7x	11.4x	11.0x	9.7%	10.6%	11.1%	11.3%	LE
Pembina Pipeline Corp.	PPL, PBA	\$38.65	\$44.00	20.4%	BUY	MEDIUM	C\$	3.8x	6.5%	\$3.06	\$2.25	\$2.43	\$2.61	\$4.16	\$4.50	\$4.41	\$4.69	12.6x	17.2x	15.9x	14.8x	10.8%	11.6%	11.4%	12.1%	LE
Plains All American Pipeline, L.P. (2)	PAA	\$9.91	\$13.50	43.5%	BUY	HIGH	US\$	4.0x	7.3%	\$1.55	\$0.91	\$1.39	\$1.54	\$2.31	\$1.92	\$2.21	\$2.36	6.4x	10.9x	7.1x	6.4x	23.3%	19.4%	22.3%	23.8%	LE
TC Energy Corp. (3)	TRP	\$59.73	\$72.00	26.4%	BUY	LOW	C\$	5.6x	5.8%	\$4.20	\$4.23	\$4.27	\$4.33	\$7.86	\$7.46	\$7.63	\$7.76	14.2x	14.1x	14.0x	13.8x	13.2%	12.5%	12.8%	13.0%	LE
Williams Companies, Inc. (2)	WMB	\$26.74	\$30.00	18.3%	BUY	LOW	US\$	4.2x	6.1%	\$1.10	\$1.31	\$1.36	\$1.51	\$2.99	\$3.33	\$3.36	\$3.60	24.3x	20.4x	19.7x	17.7x	11.2%	12.5%	12.6%	13.5%	LE
Average (1)								4.0x	6.7%									26.6x	17.2x	16.6x	15.2x	12.2%	12.2%	12.4%	13.2%	

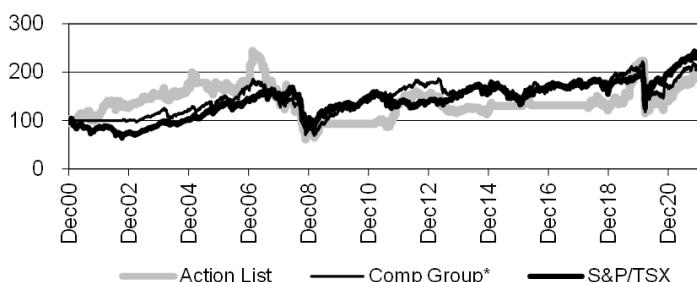
Notes:
 1) Certain outlier multiples excluded from averages.
 2) CPU-U-T, EPD-N, KMI-N, MMP-N, PAA-N, and WMB-N share price and financials are in \$US. All others are in C\$.
 3) TRP Comparable Funds from Operations (CFFO) per share estimates are reported under AFFO Per Shr.
 Source: Company Reports, TD Securities Inc.
 Analyst(s): LE = Linda Ezergailis, P. Eng. 416 983 7784, JM = John Mould, CFA 416 944 6832

Action List

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Real Estate



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	5.1	11.6	13.0	39.1	39.1	96.8
Comp. Group*	6.3	7.5	9.2	30.0	30.0	117.7
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	137.6

* S&P/TSX Capped REIT

¹ Since December 29, 2000

Industry Overview

Our 2022 Sector Outlook

In 2021, the REIT index generated a 35.2% total return, outperforming the TSX composite at 25.2%, and ahead of our 30% total return expectation for 2021.

We continue to maintain our "re-opening trade" bias. However, we expect a more measured pace of re-opening into 2022. The emergence of the Omicron variant on November 25, 2021, and resulting re-introduction of lockdowns in some parts of the country have clouded near term visibility for REITs in recovery mode, and likely pushed out the timing for a return to a fully normalized operating environment. Before the emergence of Omicron, we began to see the first stages of recovery as the majority of the COVID-19 restrictions were lifted, life appeared to be returning to normal, and fundamentals across the majority of asset classes improved. This gives meaningful insights, in our view, as to what to expect as the pandemic subsides.

Our two preferred property sectors in terms of fundamentals continue to be Industrial and Apartments. We continue to see outsized return potential in other sectors (e.g., discounted retail REITs, Seniors, Office) as Canada returns to a more normalized operating environment.

Looking ahead, we expect 2023 to represent the first full year of a normalized operating environment. **Across all index-included names, we forecast weighted average AFFO/unit growth of +10% in 2022, and +7% in 2023, resulting in 17% cumulative growth (4% CAGR) since 2019.**

Our Sector Stance: Market Weight

REITs/REOCs within our coverage universe are currently trading at a 6.8% FFO yield (5.2% spread to the GoC 10-year bond yield), which compares with the long term average (excluding the GFC) of 8.1% (5.1% spread), and a 6.2% FFO yield (4.9% spread) at the beginning of 2020. Compared with our NAV estimates, the sector is trading at a 2% discount, which is largely in line with the small discount to NAV it has traded at since the 2013 Taper Tantrum. Prior to 2013, the REIT sector had traded at a modest premium to NAV (excluding the GFC).

Industrial REITs remain a high-conviction sector. We expect valuations to continue improving based on sustained momentum in fundamentals, rent growth, and cap rate compression. Once the "re-opening trade" has run its course (mid-2022 expected), we see industrial REITs attracting an increasingly dominant share of the overall REIT sector funds flow. We expect industrial fundamentals to remain very robust over the long term as demand continues to outpace supply across most major markets ([link](#)).

We believe that we have good visibility on a 2022 rebound in Apartment fundamentals as immigration levels increase, students (including foreign students)

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return to post-secondary classes, and household consolidation caused by the pandemic (i.e., young professionals moving back with their parents) reverses. We also point to a lack of meaningful supply coming online during the pandemic and declining housing affordability amid further tailwinds to the sector. Given the increase in capital pursuing multi-residential assets we anticipate further IFRS gains and NAV growth in the coming quarters ([link](#)). Our current AFFO/unit estimates for the sector (market cap weighted) call for 9% growth in both 2022 and 2023.

We reiterate our favourable view on discounted shopping centre REITs as a "re-opening trade" as social and shopping activity return more toward pre-pandemic levels, property transaction activity offers enhanced price discovery, and the accelerated closures of weaker retailers since 2020 pushes tenant turnover to below-average levels going forward. The increased restrictions recently announced by some provincial governments have added certainty to our expectation that bad debt expense would extend through H1/22. The restrictions will have a particular impact on restaurants, mall food courts, gyms, theatres, and some personal services. However, we are encouraged by the speed with which the Omicron variant is expected to peak in Canada and other countries.

Office REIT valuations continue to trade at a discount to their pre-pandemic valuations on a P/AFFO basis. Before the emergence of the Omicron variant, we began to see an uptick in office utilization. However, the variant has forced employers to walk back their RTO plans. Current valuations, in our view, have priced in this risk, and the sector has the potential for significant valuation upside in 2022 as we return to a normalized operating environment. We also point to Blackstone's recent acquisition of two downtown Toronto office properties for \$900/sf+, which, in our view, supports our NAV valuation ([link](#)). We expect the commencement of a broader RTO will be a key catalyst for a sustained improvement in office market fundamentals and trading valuations for Office REITs under our coverage.

We see attractive risk/reward opportunities within the Seniors Housing Sector. We believe that the Omicron variant could cause some near term volatility both in terms of occupancy and pandemic-related costs. That said, we expect fundamentals to improve meaningfully in the coming years and call for an average AFFO/unit growth of 21% in 2022 and 16% in 2023 (coming off depressed earnings in 2020/21). Our favourable long term outlook for the sector, which is largely predicated on the acceleration of growth in the 75+ population in Canada, remains unchanged.

H&R REIT remains our lone BUY-rated large-cap Diversified name based on higher relative asset quality and the just-completed spin-off of Primaris being a meaningful step on the REIT's progress in concentrating its portfolio on residential and industrial assets with attractive growth potential ([link](#)). We also have a BUY rating on PROREIT ([link](#)).

U.S. Data Centers: We believe the long term migration to hybrid/cloud-based architectures will continue to benefit data center demand, accelerating what we view as already favourable industry fundamentals.

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Our Action List Picks

Boardwalk REIT

BEI.UN-T: C\$53.79; ACTION LIST BUY

12-Month Target: C\$70.00

The apartment sector has proven to be one of the most stable and resilient asset classes through the pandemic, and we believe we now have a good line of sight into accelerated growth over the next 12 months as many of the short term, pandemic-induced pressures on fundamentals are reversing. We expect higher immigration levels, the resumption of in-class learning at post-secondary institutions, and younger workers returning to the downtown cores as offices, restaurants and entertainment venues reopen, to drive improving fundamentals in 2022. **The improving demand outlook is an important component of our investment thesis.**

The key factor behind our ACTION LIST BUY rating is Boardwalk's valuation, which we view as being very compelling at current levels on both an absolute and relative basis. The REIT is trading at ~\$159,000/suite and an implied cap rate of 5.1%. That compares with its closest peers at ~\$282,000/suite and an ~4.0% implied cap rate. The current implied price/suite is also well below the ~\$175,600/suite that Avenue Living recently paid for a portfolio of 1,566 Edmonton suites, which we view as lower quality assets than Boardwalk's Edmonton portfolio.

We are seeing a good recovery in fundamentals in Boardwalk's core markets, which should begin to drive strong earnings growth. We are forecasting an AFFO/unit CAGR (20A-23F) of 10%.

We also point to the fact that Boardwalk has met or exceeded Street expectations for the past 11 quarters, which should give investors increased confidence in management.

Distribution Increase Likely. Management noted that the growth in the REIT's taxable income will likely necessitate a distribution increase. We have included 5% distribution bumps in each of 2022 and 2023. Of note, BEI declared a special non-cash distribution of \$0.325/unit to be paid to unitholders of record as at December 31, 2021.

Boardwalk is currently trading at a 13% discount to our NAV estimate, six percentage points below the long term average, and well below the ~5% discount pre-pandemic. Its closest peers trade at a 3% discount.

First Capital REIT

FCR.UN-T: C\$18.73; ACTION LIST BUY

12-Month Target: C\$23.00

We remain optimistic and confident on the recovery in value of First Capital, and reiterate our view that FCR offers investors one of the largest upsides among its peers for a re-opening trade strategy.

FCR has the highest concentration in necessity-based tenants, with nearly 75% of rents derived from this group. This is well ahead of FCR's two closest peers, RioCan REIT (56%) and SmartCentres REIT (61%). FCR also has by far the lowest exposure to retail's most challenged areas (e.g. department stores, fashion, theatres).



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First Capital's high-density locations continue to experience strong leasing activity, earning +9% average renewal rent spreads in Q3. Occupancy remains resilient, now in-line with its 96% ten-year average and down only 100bps from the all-time peak achieved Q4/19. Rent collections were 97% in Q3, versus 95% initially reported in Q2 and Q1. FCR's units in 2021 have performed well, delivering ~43% total return.

FCR has completed \$1.3bln of dispositions since 2019 (+\$171mm q/q) and has ~\$279mm as "held for sale", bringing the total progress to more than \$1.5bln (the original disposition target).

We reiterate our expectation of double-digit AFFO/unit growth in each of 2022 and 2023. The sources of economic-reopening upside include: 1) the recovery of parking and percentage rent revenues; 2) stabilization of purpose built rental residential properties (i.e., King High Line and Station Place); and 3) an occupancy recovery at the Hazelton Hotel in Yorkville (which has already commenced).

We believe the impact of COVID-19 is still discounted in the current unit price, offering investors an attractive entry-point. FCR currently trades 20% below our current NAV (27% below our pre-COVID-19 NAV estimate of \$25.60), versus the historical average of just a 4% discount. FCR is the only larger-cap REIT trading at a 20% discount to NAV.

We expect the recently announced restrictions will have a disproportionate impact on restaurants, mall food courts, gyms, theatres, and some personal services within FCR's portfolio and will likely result in the extension of bad debt expense into H1/22. That said, we are hopeful that restrictions will be short-lived, given the speed at which the Omicron variant is expected to peak in Canada and other countries.

Real Estate Investment Trusts Universe

Symbol	Price	12-Month Target	Total Return	Rating	Overall		Market Cap (mm)	Yield	AFFO / unit			P / AFFO (x)			Before-Tax		AFFO Payout Ratio ¹	Analyst
					Risk Rating	Risk Rating			2021E	2022E	2023E	2021E	2022E	2023E	NAV	P/NAV		
Boardwalk REIT	BEI.UN-T	\$53.79	\$70.00	32%	AL-BUY	MED.	\$2,749	1.9%	\$2.23	\$2.47	\$2.70	24.1x	21.8x	19.9x	\$61.50	87%	40%	JK
First Capital REIT	FCR.UN-T	\$18.73	\$23.00	25%	AL-BUY	MED.	\$4,113	2.3%	\$0.92	\$1.09	\$1.22	20.4x	17.2x	15.4x	\$23.30	80%	40%	SD
Primaris REIT	PMZ.UN-T	\$12.56	\$17.50	46%	BUY	MED.	\$1,276	6.4%	n/a	\$1.15	\$1.19	n/a	10.9x	10.6x	\$20.00	63%	70%	SD
Minto Apartment REIT	MI.UN-T	\$22.02	\$28.00	29%	BUY	MED.	\$1,356	2.2%	\$0.68	\$0.79	\$0.88	32.4x	27.9x	25.0x	\$26.50	83%	60%	JK
Morguard NA Residential REIT	MRG.UN-T	\$17.65	\$22.00	29%	BUY	MED.	\$994	4.0%	\$0.92	\$1.01	\$1.09	19.2x	17.5x	16.2x	\$26.50	67%	69%	LK
European Residential REIT ⁴	ERE.UN-V	\$4.42	\$5.50	28%	BUY	MED.	\$1,022	3.6%	€ 0.133	€ 0.144	€ 0.158	22.8x	22.2x	19.4x	\$5.00	88%	76%	JK
Canadian Apartment Properties REIT	CAR.UN-T	\$58.50	\$72.00	26%	BUY	MED.	\$10,121	2.5%	\$2.01	\$2.15	\$2.28	29.1x	27.2x	25.7x	\$61.30	95%	67%	JK
H&R REIT	HR.UN-T	\$12.74	\$15.50	26%	BUY	MED.	\$3,845	4.1%	\$1.34	\$1.10	\$1.16	9.5x	11.6x	11.0x	\$17.40	73%	47%	SD
InterRent REIT	IIP.UN-T	\$16.94	\$21.00	26%	BUY	MED.	\$2,421	2.0%	\$0.44	\$0.50	\$0.54	38.5x	33.9x	31.4x	\$16.00	106%	68%	JK
Chartwell Retirement Residences	CSH.UN-T	\$12.17	\$14.50	24%	BUY	MED.	\$2,858	5.0%	\$0.57	\$0.72	\$0.86	21.4x	16.9x	14.2x	\$13.80	88%	85%	JK
Allied Properties REIT	AP.UN-T	\$44.61	\$53.00	23%	BUY	MED.	\$5,679	3.8%	\$2.10	\$2.22	\$2.35	21.2x	20.1x	19.0x	\$49.60	90%	77%	JK
Dream Industrial REIT	DIR.UN-T	\$16.90	\$19.50	20%	BUY	MED.	\$4,215	4.1%	\$0.69	\$0.82	\$0.86	24.5x	20.6x	19.7x	\$15.20	111%	85%	SD
RioCan REIT	REL.UN-T	\$22.91	\$26.00	18%	BUY	MED.	\$7,281	4.2%	\$1.32	\$1.41	\$1.52	17.4x	16.2x	15.1x	\$24.80	92%	68%	SD
PROREIT	PRV.UN-T	\$6.75	\$7.50	18%	BUY	MED.	\$408	6.7%	\$0.39	\$0.46	n/a	17.3x	14.7x	n/a	\$7.40	91%	98%	LK
Summit Industrial Income REIT	SMU.UN-T	\$22.61	\$26.00	17%	BUY	MED.	\$3,967	2.5%	\$0.60	\$0.66	\$0.72	37.7x	34.3x	31.4x	\$18.20	124%	85%	SD
Automotive Properties REIT	APR.UN-T	\$14.58	\$16.00	15%	BUY	MED.	\$714	5.5%	\$0.89	\$0.97	\$1.04	16.4x	15.0x	14.0x	\$12.70	115%	82%	JK
Digital Realty Trust ²	DLR-N	\$169.09	\$190.00	15%	BUY	MED.	\$49,087	2.7%	\$6.44	\$6.82	\$7.22	26.3x	24.8x	23.4x	\$135.00	125%	68%	JK
Killam Apartment REIT	KMP.UN-T	\$23.20	\$26.00	15%	BUY	MED.	\$2,647	3.0%	\$0.90	\$0.96	\$1.03	25.8x	24.2x	22.5x	\$22.50	103%	73%	JK
Dream Office REIT	D.UN-T	\$24.46	\$27.00	14%	BUY	MED.	\$1,309	4.1%	\$1.17	\$1.33	\$1.41	20.9x	18.4x	17.3x	\$29.30	83%	75%	SD
Granite REIT	GRT.UN-T	\$103.73	\$115.00	14%	BUY	MED.	\$6,815	2.9%	\$3.61	\$4.13	\$4.41	28.7x	25.1x	23.5x	\$96.90	107%	73%	SD
American Hotel Income Properties ²	HOT.U-T	\$3.03	\$4.75	60%	BUY	HIGH	\$241	n/a	\$0.25	\$0.49	\$0.62	12.1x	6.2x	4.9x	\$5.20	58%	0%	LK
Dream Impact Trust ³	MPCT.UN-T	\$6.12	\$8.00	37%	BUY	HIGH	\$398	6.5%	\$0.06	\$0.79	\$0.62	102.0x	7.7x	9.9x	\$9.40	65%	51%	LK
Slate Office REIT	SOT.UN-T	\$5.02	\$5.50	18%	HOLD	MED.	\$367	8.0%	\$0.53	\$0.55	\$0.59	9.5x	9.1x	8.5x	\$7.00	72%	73%	JK
Morguard REIT	MRT.UN-T	\$5.39	\$6.00	16%	HOLD	MED.	\$345	4.5%	\$0.80	\$0.66	\$0.67	6.7x	8.2x	8.0x	\$9.10	59%	36%	JK
CT REIT	CRT.UN-T	\$17.11	\$18.50	13%	HOLD	MED.	\$3,983	4.9%	\$1.10	\$1.14	\$1.19	15.6x	15.0x	14.4x	\$18.00	95%	74%	SD
Artis REIT	AX.UN-T	\$12.14	\$13.00	12%	HOLD	MED.	\$1,513	4.9%	\$0.98	\$1.03	\$1.08	12.4x	11.8x	11.2x	\$15.00	81%	58%	JK
Crombie REIT	CRR.UN-T	\$18.25	\$19.50	12%	HOLD	MED.	\$3,002	4.9%	\$0.95	\$1.04	\$1.08	19.2x	17.5x	16.9x	\$19.00	96%	86%	SD
Equinix Inc ²	EQIX-N	\$814.63	\$900.00	12%	HOLD	MED.	\$73,235	1.4%	\$27.16	\$29.26	\$31.65	30.0x	27.8x	25.7x	\$620.00	131%	39%	JK
Choice Properties REIT	CHP.UN-T	\$15.02	\$16.00	11%	HOLD	MED.	\$10,777	4.9%	\$0.84	\$0.88	\$0.96	17.9x	17.1x	15.6x	\$15.10	99%	84%	SD
Irish Residential Properties REIT plc ³	IRES-DB	€1.68	€1.75	8%	HOLD	MED.	€886	3.8%	€0.067	€0.071	€0.076	25.0x	23.6x	22.1x	€1.70	99%	89%	JK
SmartCentres REIT	SRU.UN-T	\$31.90	\$32.00	6%	HOLD	MED.	\$5,496	5.8%	\$1.82	\$1.88	\$1.93	17.5x	17.0x	16.5x	\$30.90	103%	98%	SD
CyrusOne ²	CONE-N	\$89.62	\$90.50	3%	HOLD	MED.	\$11,373	n/a	\$4.25	\$4.17	\$4.33	21.1x	21.5x	20.7x	\$74.70	120%	49%	JK
Cominar REIT	CUF.UN-T	\$11.69	\$11.75	4%	TENDER	MED.	\$2,133	3.1%	\$0.77	\$0.84	\$0.85	15.2x	13.9x	13.8x	\$13.30	88%	43%	JK
Average								4.1%				23.7x	18.7x	17.6x		92%	66%	

Real Estate Corporations Universe

Symbol	Curr. Price	12-Month Target	Total Return	Rating	Overall		Market Cap (mm)	Yield	AFFO / unit			P / AFFO (x)			Before-Tax		AFFO Payout Ratio ¹	Analyst
					Risk Rating	Risk Rating			2021E	2022E	2023E	2021E	2022E	2023E	NAV	P/NAV		
Sienna Senior Living Inc.	SIA-T	\$15.25	\$17.50	21%	BUY	MED.	\$1,022	6.1%	\$1.12	\$1.28	\$1.33	13.6x	11.9x	11.5x	\$18.20	84%	73%	JK
Tricon Residential Inc. ^{2,3}	TCN-T	\$14.97	\$17.00	15%	BUY	MED.	\$3,132	1.5%	\$0.46	\$0.50	\$0.57	32.5x	29.9x	26.3x	\$14.00	107%	45%	JK
Dream Unlimited Corp. ³	DRM-T	\$38.89	\$45.00	16%	BUY	HIGH	\$1,688	1.0%	\$1.72	\$1.45	\$1.66	22.6x	26.8x	23.4x	\$51.10	76%	28%	SD
Extendicare Inc.	EXE-T	\$7.42	\$8.00	14%	HOLD	MED.	\$665	6.5%	\$0.47	\$0.51	\$0.61	15.8x	14.5x	12.2x	\$9.50	78%	94%	JK
Mainstreet Equity Corp.	MEQ-T	\$120.76	\$130.00	8%	HOLD	MED.	\$1,123	n/a	\$3.69	\$4.31	\$4.96	32.7x	28.0x	24.3x	\$114.00	106%	n/a	LK
StorageVault Canada Inc.	SVI-V	\$7.11	\$7.50	6%	HOLD	HIGH	\$2,633	0.2%	\$0.16	\$0.21	\$0.24	45.6x	34.5x	29.1x	\$5.30	134%	5%	JK
Average								3.1%				27.1x	24.3x	21.1x		98%	49%	

¹ Payout ratio based on 2022E.

² All figures are in USD

³ EPS represents adjusted FFO/share (f.d) for TCN, f.d. EPS for DRM and MPCT.un, adjusted f.d. EPRA EPS for IRES.

⁴ E-RES AFFO/unit presented in EURO, thus P/AFFO multiples have been adjusted to CAD\$.

AL BUY = Action List BUY

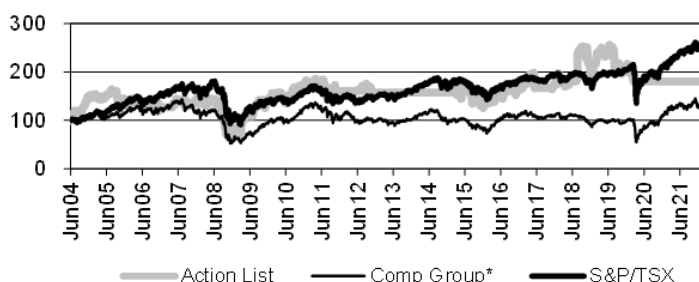
Analyst(s): SD = Sam Damiani, CFA, 416 983 9640; JK = Jonathan Kelcher, CFA, 416 307 9931; LK = Lorne Kalmar, CPA, CA, 416 983 4406

Action List

Equity Research

January 7, 2022

Special Situations



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	0.0	0.0	0.0	0.0	80.2
Comp. Group*	1.0	2.6	(0.5)	18.2	18.2	32.6
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	155.2

* S&P/TSX SmallCap

¹ Since June 9, 2004

Industry Overview

Our 2022 Sector Outlook

While our Special Situations coverage encompasses a wide range of industries, products and services, end-market customers, and fundamental drivers, overall we expect broadly positive results from our coverage universe in 2022. We acknowledge that there is potential for increased share-price volatility in the first half of 2022 given the myriad of supply chain challenges, labour shortages, pervasive inflationary pressures, and the resurgence of COVID-19 variants. However, we are encouraged by the strong broad-based demand environment, which we view as supportive of price pass throughs, as well as generally accommodative government policies. Furthermore, we have begun to see signs of raw material prices easing in North America (namely resins) and early indications are that vaccine boosters will be effective against the new COVID variants. Stepping back from all the noise, we note that TD Economics is forecasting North American GDP growth of +4% y/y in 2022, which we view as a constructive backdrop.

We anticipate M&A continuing to be a major theme given the significant dislocation caused by COVID-19. Companies that we see with the greatest potential to execute material acquisitions include: FirstService Corp. (FSV-N/T); Colliers International Group Inc. (CIGI-N); and CCL Industries Inc. (CCL.B-T). Furthermore, we expect a continued stream of tuck-in acquisitions from Boyd Group Services Inc. (BYD-T); Superior Plus Corp. (SPB-T); and Park Lawn Corp. (PLC-T).

2022 company-specific considerations:

Boyd Group Services Inc. (BYD-T) Boyd shares have lagged during the pandemic reflecting the longer-than-anticipated recovery of collision rates to pre-COVID-19 levels and, more recently, rampant cost inflation from labour cost/availability issues, and supply chain challenges which are forcing Boyd to source from higher cost non-primary suppliers. Although we anticipate that these headwinds will remain across H1/2022, we are optimistic that Boyd's insurance customers will provide price increases to offset this cost inflation, with insurers such as Allstate and Aviva having already announced initial increases to their policy holders. Also, we would highlight that Boyd is seeing very strong demand for its services currently and unprecedented backlog growth. Ultimately, we continue to view Boyd as comparatively well positioned to capitalize on the fragmented M&A landscape given its robust liquidity and strong balance sheet, and we have high conviction in its ability to meet its five-year 2025 target to double the business.

Colliers International Group Inc. (CIGI-N) We anticipate continued strong brokerage activity in 2022, with a recovery in office property sales and leasing as pent up demand from deferred long term decision making during the pandemic is realized.

Daryl Young, CFA, CA

Thomas Toll, CFA (Associate)

Action List

Equity Research

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Furthermore, we expect to see increased outsourcing of property and project management as CRE tenants look to shed costs and adjust to the new, potentially more complex office realities. Investment management has been a bright spot for Colliers, with record fund raising activity which we expect will continue through 2022. We anticipate Colliers will continue to be highly acquisitive near term, with >\$1.0bn of available liquidity and leverage at 0.5x.

FirstService Corp. (FSV-N/T) FSV has been relatively insulated from COVID-19 with the majority of its businesses deemed essential (residential property management, disaster restoration and fire-protection). Additionally, FSB has benefited from the boom in home renovation spending during COVID-19 lock-downs (e.g. California Closets and CertaPro Painters), and we see potential for this to continue near term given record low interest rates and strong home equity levels. The restoration business benefitted from two major events (Texas Freeze and Hurricane Ida) which could make for challenging comps in 2022 should additional extreme weather events not occur. However, restoration is also driving strong growth from geographic expansion and new commercial account wins. We believe FSV is very well positioned for M&A in 2022 with leverage at a modest 1.2x.

Packaging Companies (CCL.B-T; ITP-T) We anticipate that packaging demand will continue to hold up well overall in 2022 with relatively stable demand in consumer packaging, and the benefit of accelerated e-commerce trends as consumers have shifted buying patterns during the pandemic. Additionally, the normalization of demand in industrial end-markets as well as in food service and apparel/retail should also provide a boost. However, commodity price pressure, labour and transportation snarls could make for a challenging H1/22 despite our expectations for a continued robust demand recovery.

K-Bro Linen Inc. (KBL-T) We still believe K-Bro shares are well-positioned for a strong 2022 supported by elevated healthcare demand due to the ongoing global health crisis. However, the pandemic is also likely to push out the hospitality recovery, particularly as it relates to business travel, while also increasing the backlog of elective surgeries. That said, we believe that K-Bro maintains enough balance sheet flexibility to weather any near term probable setbacks, while at the same time setting it up to pursue organic growth opportunities and M&A. In short, although we expect earnings (and the share price) to remain volatile in the near term owing to K-Bro's hospitality exposure, we believe that the long term risk/reward trade-off remains compelling at the current valuation.

Park Lawn Corp. (PLC-T) In 2022, we anticipate that industry at-need volumes will moderate as death rates normalize from the highly elevated COVID-19 related levels in 2021. However, we expect that the loosening of gathering restrictions (i.e. higher average price per service) combined with market share wins and elevated pre-need sales, with the pandemic serving as a triggering event for future planning, will be an effective offset and mitigate organic y/y declines. Additionally, the M&A environment continues to be very active, with COVID-19 related operating pressures and possible tax reform accelerating decisions by smaller players to entertain selling their businesses. Additionally, the industry backdrop remains favourable (aging demographics; recession-resistant; high barriers to entry).

Action List

Equity Research

January 7, 2022

Our Sector Stance: Market Weight

We maintain a Market Weight stance on the sector, given the various different industries under coverage and the balance of potential returns that we see for our covered companies over the next 12 months.

Our High Conviction Buys

Superior Plus Corp.

Ticker: SPB-T, C\$13.00; BUY

12-Month Target: C\$17.50

At 9.1x 2023 EBITDA and an ~11% free cash flow yield we believe Superior represents compelling value for a company with a recurring and non-cyclical revenue base, strong free cash flow generation, and robust M&A prospects in the highly fragmented U.S. propane market (at attractive valuations). Furthermore, we are attracted to the option value provided by Superior's two strategic investors (Brookfield and Marquard & Bahls) which combined represent approximately 35% of the F.D. share count.

We believe Superior shares are experiencing an overhang currently from the ongoing U.S. competition review of its pending acquisition of Kamps propane. Ultimately, we believe that the deal will be approved given the highly fragmented nature of the U.S. market, at which point the focus will turn to integration, synergy realization and further tuck-under acquisitions. We acknowledge that Superior has higher pro-forma leverage of 3.7x ND/EBITDA but believe it is supported by the recurring revenue base.

Intertape Polymer Group Inc.

Ticker: ITP-T, C\$25.97; BUY

12-Month Target: C\$38.00

We expect ITP to deliver GDP+ EBITDA growth in 2022 reflecting its significant e-commerce exposure (~25-30% of revenue), which has benefited from rapid acceleration of omni-channel retail strategies during the pandemic and an expanded customer base. We acknowledge the potential for a slowing of e-commerce growth rates in 2022 should incidences of COVID-19 subside. However, we believe that the shift to increased e-commerce is structural and expect volumes will ultimately continue to grow in the years ahead. Furthermore, ITP has good exposure to the economic recovery through its more traditional manufacturing and industrial end-markets and residential housing, which collectively account for ~40% of revenue. ITP is facing short term supply chain headwinds, largely related to a lack of resin availability which could temper near term results. However, this is an industry wide issue, and we would emphasize that the demand environment remains very robust, with ITP's order book at record levels during Q3/21.

Despite strong results across the pandemic, ITP trades at 7.0x our 2023E EBITDA, a 3.3 multiple point discount to the peer group average and below ITP's historic 5-year average of ~8.0x. In our view, this valuation gap is likely to narrow across 2022 as ITP delivers on growth initiatives, continues to generate strong free cash flow and de-levers the balance sheet.



Action List

Equity Research

January 7, 2022

Special Situations Universe

Stock Name	Symbol	Exch.	Curr.	12-Mth	Total	Overall Risk	Year-End	Rep.	Market	Net	Ent.	EBITDA (mm)		EPS		EV/EBITDA		P/E		Dividend	Payout	Analyst	
			Price	Target	Return							Rating	Rating	Cap (mm)	Debt (mm)	Value	F22E	F23E	F22E				F23E
Aimia Inc.	AIM	T	\$4.95	\$7.00	41%	BUY	HIGH	Dec	C\$	\$458	(\$70)	\$388	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0%	0%	BM
Intertape Polymer Group Inc. ²	ITP	T	\$26.32	\$38.00	47%	BUY	MEDIUM	Dec	US\$	\$1,598	\$684	\$2,298	\$264.9	\$278.2	\$1.88	\$2.08	6.9x	6.5x	11.1x	10.0x	3.0%	37%	DY
K-Bro Linen Inc.	KBL	T	\$34.20	\$49.00	47%	BUY	MEDIUM	Dec	C\$	\$366	\$88	\$454	\$54.2	\$58.1	\$1.70	\$1.85	8.4x	7.8x	20.1x	18.5x	3.5%	35%	DL
Superior Plus Corp. ¹	SPB	T	\$13.00	\$17.50	40%	BUY	HIGH	Dec	C\$	\$2,679	\$1,793	\$4,472	\$471.5	\$490.3	\$0.55	\$0.63	9.5x	9.1x	23.6x	20.6x	5.5%	57%	DY
Park Lawn Corp. ³	PLC	T	\$41.50	\$47.00	14%	BUY	MEDIUM	Dec	C\$	\$1,419	\$175	\$1,595	\$109.2	\$112.7	\$1.63	\$1.69	14.6x	14.2x	25.5x	24.6x	1.1%	24%	DY
CCL Industries Inc.	CCL.B	T	\$67.83	\$80.00	19%	BUY	MEDIUM	Dec	C\$	\$12,264	\$1,247	\$13,511	\$1,246.6	\$1,294.6	\$3.52	\$3.69	10.8x	10.4x	19.3x	18.4x	1.2%	24%	DY
Colliers International Group Inc.	CIGI	T, N	US\$148.86	US\$175.00	18%	BUY	MEDIUM	Dec	US\$	US\$7,145	US\$245	US\$7,864	US\$560.1	US\$604.4	US\$5.86	US\$6.42	14.0x	13.0x	25.4x	23.2x	0.2%	4%	DY
Boyd Group Services Inc. ^{2,4}	BYD	T	\$199.62	\$255.00	28%	BUY	MEDIUM	Dec	C\$	\$4,292	\$1,121	\$5,413	\$275.3	\$371.7	\$2.42	\$4.91	22.1x	14.9x	105.2x	40.6x	0.3%	10%	DY
FirstService Corp.	FSV	T, N	US\$196.45	US\$200.00	2%	HOLD	MEDIUM	Dec	US\$	US\$8,742	US\$425	US\$9,379	US\$356.8	US\$393.4	US\$4.27	US\$4.77	26.3x	23.8x	46.0x	41.2x	0.3%	21%	DY
Badger Infrastructure Solutions Ltd.	BDGI	T	\$31.79	\$35.00	12%	HOLD	HIGH	Dec	C\$	\$1,097	\$167	\$1,264	\$156.8	\$168.2	\$1.58	\$1.73	8.1x	7.5x	20.1x	18.4x	2.0%	47%	DY
dentalcorp. Holdings Ltd.	DNTL	T	\$16.27										Restricted										DY

¹ Market Cap includes convertible perpetual preferred shares.

² Net Debt, Enterprise Value, EV/EBITDA, P/E, and Dividend calculated using C\$/US\$ exchange rate of 1.26549. EBITDA and EPS are reported in USD; all other figures shown in CAD.

³ Our target price assumes C\$25.0mm of EBITDA acquired over the next 12 months at an 8.0x EV/EBITDA multiple.

⁴ Boyd EV/EBITDA multiple is adjusted to exclude the impact of IFRS 16

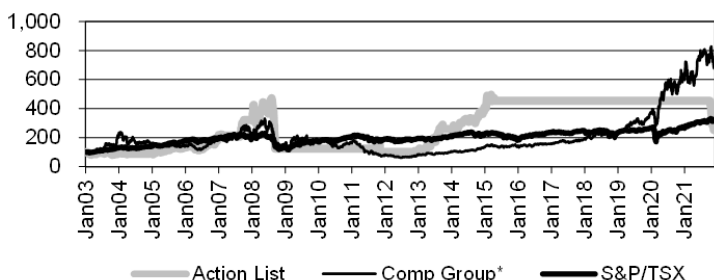
AL BUY = Action List BUY

Action List

Equity Research

January 7, 2022

Technology



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	(21.0)	(43.8)	(43.8)	(43.8)	(43.8)	154.9
Comp. Group*	(6.6)	(1.4)	(2.7)	18.3	18.3	612.2
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	223.1

* S&P/TSX Technology (Sector)

¹ Since January 31, 2003

Industry Overview

Our 2022 Sector Outlook

The technology sector had a solid run in 2021. The NASDAQ Composite was up 21.4% y/y and the S&P 500 Information Technology Index was up 33.3% y/y, compared to the S&P 500's performance up 26.9% y/y in C2021. The NASDAQ Composite's NTM EV/EBITDA multiple of 19.7x as at the end of C2021 was flat y/y, while the S&P 500 Information Technology Index's NTM EV/EBITDA multiple expanded slightly to 21.2x, from 20.3x at the end of C2020.

Potential COVID and supply chain headwinds. COVID continues to have an ongoing negative impact on business activity with the recent Omicron variant leading to many short term disruptions across a wide variety of sectors. Temporary labour shortages and/or curtailed business activity because of national/regional/local COVID-driven restrictions could further exacerbate ongoing IT supply chain issues. Within the tech ecosystem, we believe software/SaaS vendors are amongst the best positioned to weather these challenges. Furthermore, given the ongoing challenges presented by the pandemic that we believe are likely to persist for the foreseeable future, we believe companies that help customers execute on their digital transformation and cloud migration strategy, better manage their supply chain, enhance their cybersecurity, and enable and improve the remote work experience are well-positioned to outperform.

Rising interest rates could impact technology valuations. Following the historically low interest rate environment and strong stimulus over the last two years, the Fed is expected to announce interest rate hikes through 2022. We believe that the expectation for interest rate hikes will result in heightened volatility in technology valuations. However, we believe that rising interest rates, and the potentially negative impact on valuations, could present opportunities to acquisitive companies with healthy balance sheets in our coverage.

Our Sector Stance: Market Weight

We are Market Weight on the technology sector given the strong valuation expansion and continued volatility. We anticipate continued revenue and profitability growth that could be partially offset by fund flows resulting from anticipated increasing interest rates.

Daniel Chan, CFA

David Kwan, CFA

Arvin Valencia, CPA, CA, (Associate)

Neehal Upadhyaya, CFA, (Associate)

Evan Chow, MBA, (Associate)

Action List

Equity Research

January 7, 2022

Our Action List Pick

Lightspeed Commerce Inc.

LSPD-T; C\$50.25; ACTION LIST BUY

12-Month Target: C\$130.00

Trading at an attractive valuation, in our view... Lightspeed is currently trading at 7.2x NTM EV/Revenue, down from its 37.1x peak in C2021. Meanwhile, Shopify and Block (formerly Square) NTM EV/Revenue multiples have only contracted 23.2x and 5.5x, respectively, since their peak in C2021. Toast, a pure-play hospitality peer, has declined 10.8x since its peak after going public in September. Lightspeed's current valuation is below its average NTM EV/Revenue multiple of 7.8x in March 2020, when there was significant uncertainty around the pandemic's impact on brick-and-mortar retailers and restaurateurs.

...with significant growth opportunities. We recognize that there remains near term uncertainty from the impact of Omicron and potential new variants; however, we believe the current valuation is very attractive given that Lightspeed is now better positioned for growth than last year, and its customers have demonstrated to be far more resilient than expected. Lightspeed's customers are also likely more prepared for lockdowns now than they were last year. With Lightspeed Payments being available to ~70% of its merchant base and a Payments Penetration Rate of only 11%, we are confident that Lightspeed will accelerate growth as markets normalize through C2022.

Our High Conviction Buy

Softchoice Corp.

SFTC-T; C\$22.00; BUY

12-Month Target: C\$37.00

Digital transformation, cloud migration, and Project Monarch tailwinds are expected to drive superior organic growth and margin expansion in 2022. We believe Softchoice is well positioned to benefit from the acceleration in digital transformation and cloud migration activity as well as execution of Project Monarch, which management expects to deliver US\$25 million in Adj. EBITDA uplift this year. These tailwinds help support the strong improvements we are forecasting in Adj. EBITDA (>50% y/y growth), Adj. EBITDA margin (31.4% in F2022E vs. 23.5% in F2021E), FCF (US\$68.5 million in F2022E; +6% FCF yield), and ROIC (39% in F2022E).

Compelling valuation. Softchoice is trading at 10.7x EV/EBITDA (C2023E), a >40% discount to its software-focused IT Solution Provider peers at 18.4x, and a >25% discount to the broader IT Solution Provider/VAR peer group at 14.4x despite offering one of the best (organic) growth profiles. The recent pullback in the share price has created an attractive buying opportunity for this high-quality well-run business, in our view.

Action List

Equity Research

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Technology Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall		Year-End	Reporting Currency	Shares O/S (mm)	Market Cap (mm)	Ind. Div	EPS			P/E		Analyst
							Risk Rating	Rating						LTM	2021E	2022E	2021E	2022E	
Absolute Software	ABST, ABST	T, Q	US\$9.10	US\$11.00	24%	HOLD	MEDIUM		Jun	US\$	49.9	US\$454	US\$0.26	-US\$0.13	US\$0.07	-US\$0.26	130.0x	n/m	DK
Altus Group Limited	AIF	T	\$71.23	\$75.00	6%	BUY	MEDIUM		Dec	C\$	41.2	\$2,932	\$0.60	\$1.92	\$1.84	\$2.07	38.7x	34.3x	DC
BlackBerry Limited (2)	BB, BB	N, T	US\$9.33	US\$8.50	-9%	REDUCE	HIGH		Feb	US\$	632.0	US\$5,896	US\$0.00	-US\$0.07	-US\$0.14	-US\$0.23	n/m	n/m	DC
Blackline Safety Corp	BLN	T	\$6.15	\$12.00	95%	SPEC BUY	SPEC		Dec	C\$	61.1	\$376	\$0.00	-\$0.47	-\$0.59	-\$0.40	n/m	n/m	DK
Celestica Inc.	CLS, CLS	N, T	US\$11.73	US\$11.50	-2%	HOLD	MEDIUM		Dec	US\$	125.5	US\$1,472	US\$0.00	US\$1.12	US\$1.26	US\$1.57	9.3x	7.5x	DC
CGI Inc. (2)	GIB.A, GIB	T, N	\$112.11	\$130.00	16%	BUY	MEDIUM		Sep	C\$	248.2	\$27,827	\$0.00	\$5.43	\$6.05	\$6.46	18.5x	17.4x	DC
Converge Technology Solutions	CTS	T	\$10.83	\$13.00	20%	HOLD	HIGH		Dec	C\$	216.0	\$2,339	\$0.00	\$0.06	\$0.10	\$0.27	108.3x	40.1x	DK
Descartes Systems Group Inc. (2)	DSGX, DSG	Q, T	US\$77.19	US\$95.00	23%	BUY	MEDIUM		Jan	US\$	86.3	US\$6,664	US\$0.00	US\$2.02	US\$2.13	US\$2.29	36.2x	33.7x	DC
Dialogue Health Technologies	CARE	T	\$7.24	\$10.50	45%	BUY	HIGH		Dec	C\$	73.1	\$529	\$0.00	-\$4.28	-\$3.85	-\$0.28	n/m	n/m	DK
Docebo Inc. (1)	DCBO, DCBO	T, Q	\$80.71	\$130.00	61%	BUY	HIGH		Dec	US\$	34.1	\$2,754	US\$0.00	-US\$0.29	-US\$0.35	US\$0.00	n/m	n/m	DC
D2L Inc. (2)	DTOL	T	\$13.79	\$24.00	74%	BUY	HIGH		Jan	US\$	58.9	\$813	US\$0.00	-US\$3.80	-US\$1.71	-US\$0.49	n/m	n/m	DC
Enghouse Systems Limited (2)	ENGH	T	\$45.86	\$60.00	32%	BUY	MEDIUM		Oct	C\$	55.9	\$2,563	\$0.72	\$1.82	\$1.77	\$2.05	25.9x	22.4x	DC
Kinaxis Inc. (1)	KXS	T	\$170.71	\$230.00	35%	BUY	MEDIUM		Dec	US\$	28.3	\$4,828	\$0.00	US\$0.54	US\$0.60	US\$1.44	224.9x	93.6x	DC
Lightspeed Commerce (1)	LSPD, LSPD	T, N	\$50.25	\$130.00	159%	AL BUY	HIGH		Mar	US\$	138.8	\$6,975	\$0.00	-US\$0.29	-US\$0.31	-US\$0.16	n/m	n/m	DC
Open Text Corporation (2)	OTEX, OTEX	Q, T	US\$46.87	US\$58.00	26%	BUY	MEDIUM		Jun	US\$	273.2	US\$12,806	US\$0.90	US\$3.34	US\$3.37	US\$3.52	13.9x	13.3x	DC
Real Matters Inc. (1) (2)	REAL	T	\$7.88	\$9.00	14%	HOLD	HIGH		Sep	US\$	81.6	\$643	\$0.00	US\$0.47	US\$0.32	US\$0.43	19.4x	14.3x	DC
Sangoma Technologies	STC	T	\$21.98	\$31.00	41%	BUY	HIGH		Dec	US\$	31.8	\$699	\$0.00	-\$0.11	\$0.04	-\$0.05	549.5x	n/m	DK
Shopify Inc.	SHOP	N, T	US\$1221.86	US\$1500.00	23%	HOLD	HIGH		Dec	US\$	127.6	US\$155,933	US\$0.00	US\$6.63	US\$6.17	US\$5.20	198.0x	235.1x	DC
Sierra Wireless, Inc.	SWIR, SW	Q, T	US\$17.32	US\$18.00	4%	HOLD	HIGH		Dec	US\$	37.2	US\$644	US\$0.00	-US\$1.04	-US\$0.93	-US\$0.17	n/m	n/m	DC
Softchoice Corporation	SFTC	T	\$22.00	\$37.00	69%	BUY	HIGH		Dec	US\$	63.8	\$1,404	\$0.28	US\$0.74	US\$0.59	US\$1.00	29.3x	17.3x	DK
TELUS International	TIXT, TIXT	N, T	US\$32.82	US\$44.00	34%	BUY	HIGH		Dec	US\$	269.0	US\$8,829	US\$0.00	US\$1.14	US\$0.96	US\$1.23	34.0x	26.7x	DC
WeCommerce	WE	T	\$12.67	\$22.00	74%	BUY	HIGH		Dec	C\$	39.8	\$504	\$0.00	-\$0.31	-\$0.10	\$0.19	n/m	67.3x	DC
WELL Health Technologies	WELL	T	\$5.09	\$9.00	77%	BUY	HIGH		Dec	C\$	213.5	\$1,087	\$0.00	-\$0.15	-\$0.16	-\$0.02	n/m	n/m	DK

(1) To align with reporting currency, valuations have been adjusted using US\$/C\$ rate of \$1.2709 as of January 04, 2022.

(2) F2022 and F2023 are shown for BlackBerry, CGI Inc., Descartes Systems Group, D2L Inc., Enghouse Systems, Open Text Corporation, and Real Matters.

AL BUY = Action List BUY

Analyst: DC = Dan Chan, CFA - 416 983 2755

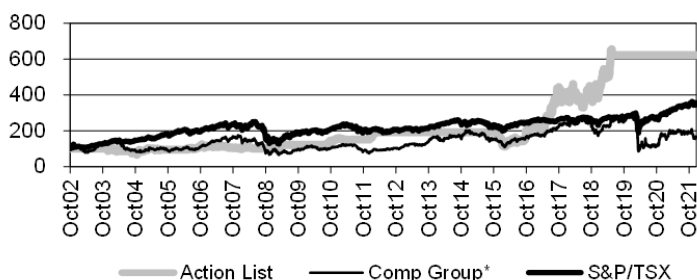
Analyst: DK = David Kwan, CFA - 604 654 3455

Action List

Equity Research

January 7, 2022

Transportation/Aerospace



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	0.0	0.0	0.0	0.0	521.9
Comp. Group*	2.0	(14.1)	(15.4)	(7.0)	(7.0)	65.0
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	255.0

* S&P/TSX Aerospace & Defense (Subindustry),
Airlines (Industry)

¹ Since October 11, 2002

Industry Overview

Our 2022 Sector Outlook

Passenger Air Transportation

Our outlook for 2022 is based on the assumption that the pandemic is brought under control, countries loosen or eliminate travel restrictions/requirements by year-end, and passengers increasingly return to domestic and international markets. (This is our assumption, and does not represent a projection for the trajectory of the pandemic.)

Our assumptions regarding the pandemic result in our expectation that the passenger air travel recovery will be at least 85% complete by the end of 2022. For investors who choose to assume that the recovery will drag on without any improvement from current conditions, we would advise against owning any passenger air transportation stocks at this time.

We forecast that passenger air travel revenue will return to 2019 levels by 2024 compared to the 30-35% recovery reported in Q3/21. Domestic revenue is forecast to exceed 2019 by 2023, and international revenue is expected to reach 2019 levels by the end of 2024. Business cabin revenue is not expected to return to 2019 levels until 2025, representing a six-year period of no growth, significantly underperforming the historical relationship with broader economic conditions.

Despite our optimistic full-year assumption, we believe that in the short term (up to six months), COVID variants and the impact on border restrictions and traveler confidence could continue to impede the recovery in passenger air travel as it did through the last several months of 2021. Our conviction in short term share price directions is unusually low given recent COVID developments. However, we believe that declining cases, hospitalizations and COVID fatigue among a growing portion of the population will drive increasing traffic by the summer, taking investor sentiment and share prices higher in tandem.

Balance sheets are relatively strong with companies having spent almost two years raising debt and equity capital. Air Canada and Chorus Aviation have effectively moved beyond any pandemic related government support. However, Transat A.T. remains reliant on the Canadian government for access to liquidity. We believe that Air Canada and Chorus Aviation have the liquidity and access to capital necessary to withstand a more prolonged recovery than implied by our current assumptions, though some improvement in conditions is required over the course of 2022 in order to prevent financial risk from returning to the forefront and putting our view in jeopardy. We view both Air Canada and Chorus Aviation as offering investors significant upside potential in 2022 based on our previously discussed assumption regarding the trajectory of the pandemic.

Aerospace

Tim James, CFA

Jasroop S Bains, (Associate)

Action List

Equity Research

January 7, 2022

Our assumption that passenger air travel revenue will return to 2019 levels by 2024 leads to the assumption that commercial passenger aircraft deliveries will increase over the coming years. However, the uncertainty that surrounds the recovery as a result of the pandemic also has implications for the predictability and risks to our forecasts for large commercial aircraft deliveries.

Following the pandemic driven decline in large commercial aircraft production, rates have stabilized, or are increasing in the case of the Boeing 737MAX and Airbus A220. We forecast that total large commercial aircraft deliveries in 2025 will represent a 6.4% CAGR relative to 2019, a rate that overstates the true underlying growth due to the depressed level of deliveries in 2019 resulting from the 737MAX issues. Relative to 2018, 2025 deliveries imply a CAGR of 1.7%, more indicative of true market growth that has obviously been impaired by the pandemic.

CAE, Héroux-Devtek and Magellan Aerospace are expected to generate approximately 41%, 64% and 40%, respectively, of calendar 2022 revenue from defence platforms. While defence is expected to offer more stable sources of revenue over the coming years due in part to the sector not being exposed to the ebb and flow of the pandemic, we do think that increasing fiscal restraint will limit the growth potential and could even lead to pockets of weakness.

While we believe that there is multi-year upside in CAE, Magellan Aerospace and Héroux-Devtek, we believe that valuations, heightened uncertainty around the trajectory of the commercial aircraft recovery, and civil market exposure support a more cautious approach to Magellan Aerospace and CAE over the next 12 months. We believe that Héroux-Devtek's greater exposure to defence platforms and company specific organic growth opportunities support a BUY recommendation. Bombardier's focus on private business jet travel makes it a relatively attractive investment that offers less risk related to the uncertainty around the recovery in commercial passenger air travel. We believe that its share price upside is significant based on long term EBITDA potential, though its balance sheet leverage, current FCF and earnings weakness necessitates a SPEC BUY recommendation.

Our Sector Stance: Market Weight

We expect strong returns averaging over 30% for stocks in the sector over the next 12 months. However, we believe that the unusually high degree of uncertainty around the impact of COVID on commercial aviation creates heightened risk that offsets the strong return potential. As a result, we believe that a Market Weight stance is prudent.

Our High Conviction Buy

Bombardier Inc.

BBD-T: C\$1.75; SPEC BUY

12-Month Target: C\$3.00

We believe that Bombardier has the potential to offer investors significant, albeit higher risk returns in 2022, as it continues to earn confidence from the market in its ability to generate over \$1.5 billion in EBITDA by 2025 and gradually deleverage its balance sheet. The expansion phase of the business jet cycle is gaining momentum, and we believe that the pandemic will result in new consumers of private jet travel as a substitute for the business-class cabin on commercial aircraft. We anticipate that a portion of this new found demand will remain beyond the end of the pandemic.



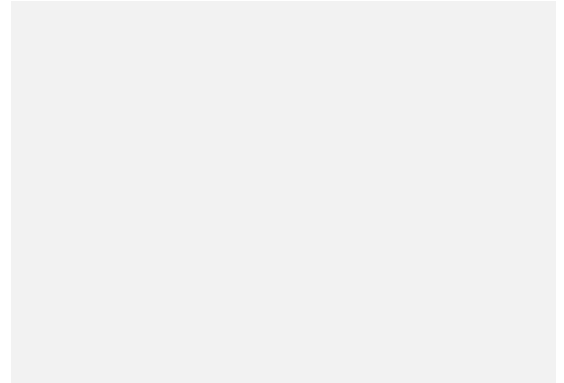
Action List

Equity Research

January 7, 2022

We forecast that Bombardier will continue executing on cost saving initiatives, reduce its Global 7500 learning curve costs, and continue the process of deleveraging its balance sheet in 2022. Although it is premature to assume that the company reaches its 2025 financial targets, we believe that each successive quarter of execution will give the market reason to gain confidence in the long term earnings potential of the business and the significant upside that it could provide to the share price.

Our target multiple is in-line with Bombardier's historical average, which we believe is appropriate due to sector valuations, the early stages of its turnaround, its pending inflection in FCF, and the sale of its historically problematic commercial aircraft and rail transportation businesses. The 9.0x multiple remains a discount to the trailing five-year average of comparables (10.0x).



Action List

Equity Research

January 7, 2022

Transportation — Aerospace Universe

	Symbol	Exch.	Price	12-Month	Total	Rating	Overall	Year-End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	EPS			P/E		Curr.	Div.	Yield	Analyst
			31-Dec	Target	Return		Risk Rating					2020A	2021E	2022E	2021E	2022E	Div.			
Chorus Aviation Inc. ⁹	CHR	T	\$3.32	\$5.50	66%	BUY	MEDIUM	Dec	C\$	180.6	\$600	\$0.40	\$0.35	\$0.43	9.5x	7.7x	\$0.00	0.0%	TJ	
Maxar Technologies Ltd.	MAXR	N, T	\$29.53	\$44.00	49%	BUY	HIGH	Dec	US\$	74.7	\$2,206	(\$0.76)	(\$0.42)	(\$0.43)	NM	NM	\$0.04	0.1%	TJ	
Cargojet Inc. ³	CJT	T	\$166.57	\$235.00	42%	BUY	HIGH	Dec	C\$	17.3	\$2,886	\$6.32	\$5.74	\$6.19	29.0x	26.9x	\$1.04	0.6%	TJ	
Héroux-Devtek Inc. ^{1,7}	HRX	T	\$18.00	\$25.00	39%	BUY	HIGH	Mar	C\$	35.8	\$644	\$0.80	\$1.00	\$1.32	18.0x	13.6x	\$0.00	0.0%	TJ	
Air Canada ⁴	AC	T	\$21.13	\$29.00	37%	BUY	HIGH	Dec	C\$	357.7	\$7,559	(\$15.23)	(\$9.47)	(\$0.52)	NM	NM	\$0.00	0.0%	TJ	
Exchange Income Corp. ⁵	EIF	T	\$42.14	\$55.00	36%	BUY	MEDIUM	Dec	C\$	38.1	\$1,607	\$0.89	\$1.64	\$2.27	25.7x	18.6x	\$2.28	5.4%	TJ	
Bombardier Inc. ²	BBD.B	T	\$1.68	\$3.00	79%	SPEC BUY	SPEC	Dec	US\$	2,390.5	\$4,016	(\$0.47)	(\$0.19)	\$0.02	NM	70.0x	\$0.00	0.0%	TJ	
Magellan Aerospace Corporation ⁸	MAL	T	\$9.96	\$12.00	25%	HOLD	MEDIUM	Dec	C\$	57.7	\$575	\$0.15	\$0.14	\$0.43	71.1x	23.2x	\$0.42	4.2%	TJ	
CAE Inc. ^{1,9}	CAE	T, N	\$31.91	\$39.00	23%	HOLD	MEDIUM	Mar	C\$	316.8	\$10,109	\$0.47	\$0.88	\$1.42	36.2x	22.5x	\$0.00	0.0%	TJ	
Transat A.T. Inc. ¹⁰	TRZ	T	\$4.03	\$4.00	-1%	REDUCE	SPEC	Oct	C\$	39.4	\$159	(\$9.41)	(\$11.83)	(\$6.40)	NM	NM	\$0.00	0.0%	TJ	

1. CAE Inc. and Héroux-Devtek Inc. have a March 31 year end. The 2020A, 2021E and 2022E columns correspond to F2021A, F2022E and F2023E for these companies.

2. Bombardier EPS represents Adjusted diluted EPS. This is a Bombardier defined metric that excludes special items, net financing expense related to retirement benefits and other items.

3. Cargojet EPS is TD Adjusted EPS, which is equal to net income or loss plus the following: depreciation, aircraft heavy maintenance amortization, interest on long-term debt, deferred income taxes, provision for current income taxes, gain or loss on disposal of property, plant and equipment, amortization of maintenance deposits, impairment of property plant and equipment, unrealized foreign exchange gains or losses and employee pension, after-tax.

4. Air Canada EPS is Adjusted diluted EPS, which is equal to net income excluding the after-tax effects of foreign exchange gains or losses, net financing expense relating to employee benefits, gains or losses on financial instruments recorded at fair value, gains or losses on sale and leaseback of assets, gains or losses on debt settlements and modifications, gains or losses on disposal of assets, and special items. Figures from Q2/20 onward are based on TD estimates.

5. Exchange Income EPS is GAAP EPS excluding one-time items.

6. Chorus Aviation EPS is basic adjusted EPS, which is net income excluding: unrealized foreign exchange gains or losses on long-term debt and lease liability related to aircraft, signing bonuses, employee separation program costs, impairment provisions, lease repossession costs net of security packages realized, Dash 8-300 inventory provision, defined benefit pension curtailment, integration costs, strategic advisory fees and the applicable tax expense (recovery).

7. Héroux-Devtek EPS is GAAP EPS excluding one-time items.

8. Magellan Aerospace EPS is GAAP EPS excluding one-time items.

9. CAE EPS is GAAP EPS excluding one-time items.

10. Transat EPS is GAAP EPS less one-time items and hedging impacts.

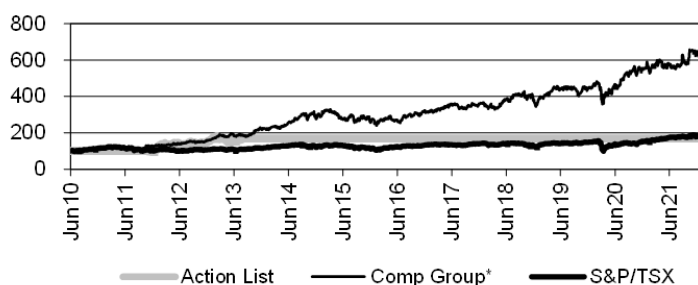
Analyst: TJ = Tim James, CFA, 416 308 9773

Action List

Equity Research

January 7, 2022

Transportation/Aerospace - Railroads



	Price Return %					
	1M	3M	6M	12M	YTD	Cum. ¹
Action List	0.0	0.0	0.0	0.0	0.0	68.8
Comp. Group*	(0.7)	7.7	10.5	12.2	12.2	521.2
S&P/TSX Comp.	2.7	5.7	5.2	21.7	21.7	84.3

* S&P/TSX Railroads (Subindustry),

¹ Since June 8, 2010

Industry Overview

Our 2022 Sector Outlook

Rails

Big Six Class I carloads were down 4% y/y in Q4/21 (through December 25), with ongoing weakness in intermodal, automotive, and grain more than offsetting growth in other traffic categories.

Our view is that volumes are likely to remain subdued in H1/22 for two reasons: 1) the prior-year comparables are difficult (carloads were up 5% y/y in Q1/21 and up 22% y/y in Q2/21); and 2) the U.S. inventory-to-sales ratio is still historically low, with Omicron likely to prolong above-normal spending on goods, whereby imports may not experience the usual Chinese New Year lull and could remain strong right into the 2022 peak season, leaving little opportunity for the ports to clear their backlogs.

We expect volume growth to reaccelerate in H2/22, as supply-chain performance and semiconductor supply start to improve, a new Canadian grain harvest approaches, and the prior-year comparables become easy again (carloads were up only 1% y/y in Q3/21 and down 4% y/y in Q4/21). We see the potential for particularly strong H2/22 earnings growth, with a re-acceleration in volumes accentuated by solid cost control and the above-average pricing gains currently being secured in an exceptionally tight freight market.

The rail stocks are trading at 21.6x 2022E EPS, which we view as reasonable, and we see ~15%-20% potential returns for most of the group from current levels. That said, our revised Q4/21 EPS estimates are modestly below consensus for four of the five stocks, and we expect H1/22 volumes to remain muted, whereas our sense is that the consensus anticipates a more immediate upturn, and we would take advantage of any resulting share-price volatility to opportunistically position for H2/22.

Trucking

North American trucking comps were up approximately 40% on average in 2021 with almost half (18%) of the gain coming in Q4/21.

Our view is that modestly stronger trucking volume growth in Q4/21 relative to Q3, restocking needs and spending on goods versus services as the pandemic drags on will provide momentum entering 2022. Despite the supply side limitations, we expect that this will be supportive of stronger volume growth in 2022 relative to 2021. For Canadian companies, U.S. port congestion, labour and over-the-road equipment shortages, along with logistics challenges, are resulting in a pricing environment that more than offsets the costs associated with higher wages and inefficiencies. U.S. trucking rate benchmarks are up approximately 15-20% y/y in Q4/21, a moderation from the 20-40% growth rates in Q3/21 but still reflective of market tightness. We

Cherilyn Radbourne, CA, CFA

Tim James, CFA

Patrick Sullivan, (Associate)

Jasroop S Bains, (Associate)

Action List

Equity Research

January 7, 2022

estimate that this pricing environment will persist through Q1/22 before beginning to gradually moderate towards pre-pandemic levels.

The current ground transportation supply and demand imbalance, combined with the changing path of getting goods to consumers, are expected to create opportunities for trucking companies with flexible capacity and uneconomic shipping agreements that require re-negotiation and access to capital.

Our Sector Stance: Market Weight

We see the potential for the rails to deliver strong H2/22 earnings growth and regard valuations as reasonable, but expect H1/22 volume growth to remain muted, which we think creates some near term risk relative to consensus expectations for a more immediate volume upturn.

In trucking, we expect volume growth to progressively strengthen during 2022, as well-documented headwinds related to labour availability and equipment turnover/availability subside; however, we also expect pricing, which has been exceptionally strong, to come under some downside pressure by mid-year, which, in combination with nascent cost inflation, may limit potential share-price upside.

Our High Conviction Buys

Norfolk Southern Corp.

NSC-N; US\$294.72, BUY

12-Month Target: US\$345.00

Norfolk Southern's network franchise is located in the eastern U.S., where roughly two-thirds of the U.S. population resides. We are attracted to the company-specific earnings potential associated with closing the remaining operating ratio gap between Norfolk Southern and its peers. Furthermore, in the context of a relatively subdued H1/22 volume outlook, we favour Norfolk Southern's relative exposure to the cyclical strength in domestic/export coal.

Canadian Pacific Railway Ltd.

CP-T, CP-N; C\$93.81, BUY

12-Month Target: C\$110.00

Among the Canadian rails, we see better 12-month upside potential in CP vs. CN. We believe that CP's share-price could be somewhat volatile in H1/22, given the weakness in Canadian grain and commencement of the STB's merger review. Some investors may prefer to wait on the sidelines in the near term, but we think that it would be a mistake to wait too long, as by H2/22, investors will be looking ahead to the integration of KCS in 2023, and the earnings potential associated with a network franchise spanning the U.S.-Mexico-Canada.

Action List

Equity Research

January 7, 2022

Transportation – Railroads Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall		Year-End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	Ind. Div.	Yield	EPS			P/E		Analyst
							Risk Rating	Risk Rating							2020A	2021E	2022E	2021E	2022E	
Canadian National Railway Co.	CNR, CNI	T, N	\$154.89	\$175.00	15%	BUY	MEDIUM	Dec.	C\$	710.4	\$110,034	\$2.46	1.6%	\$5.31	\$5.75	\$6.97	26.9x	22.2x	CR	
Canadian Pacific Railway Ltd.	CP	T, N	\$93.81	\$110.00	18%	BUY	MEDIUM	Dec.	C\$	932.0	\$87,431	\$0.76	0.8%	\$3.53	\$3.80	\$4.15	24.7x	22.6x	CR	
CSX Corp.	CSX	O	\$37.63	\$44.00	18%	BUY	MEDIUM	Dec.	US\$	2242.0	\$84,366	\$0.37	1.0%	\$1.20	\$1.56	\$1.87	24.1x	20.2x	CR	
Norfolk Southern Corp.	NSC	N	\$294.72	\$345.00	19%	BUY	MEDIUM	Dec.	US\$	246.4	\$72,619	\$4.36	1.5%	\$9.25	\$11.98	\$14.21	24.6x	20.7x	CR	
Union Pacific Corp.	UNP	N	\$252.03	\$275.00	11%	HOLD	MEDIUM	Dec.	US\$	650.3	\$163,895	\$4.28	1.7%	\$8.19	\$0.00	\$0.00	25.9x	22.6x	CR	

Transportation – Trucking Universe

Stock Name	Symbol	Exch.	Curr. Price	12-Month Target	Total Return	Rating	Overall		Year-End	Rep. Curr.	Shares O/S (mm)	Market Cap (mm)	Ind. Div.	Yield	EPS			P/E		Analyst
							Risk Rating	Risk Rating							2020A	2021E	2022E	2021E	2022E	
TFI International Inc.	TFII	T, N	\$140.19	\$160.00	14%	HOLD	MEDIUM	Dec	US\$	93.0	\$13,201	\$1.34	0.9%	\$3.30	\$4.90	\$5.89	22.9x	19.0x	TJ	
Andlauer Healthcare Group Inc.	AND	T	\$54.04	\$55.00	2%	HOLD	MEDIUM	Dec	C\$	41.5	\$2,243	\$0.20	0.4%	\$0.98	\$1.26	\$1.40	42.9x	38.6x	TJ	

Note: TFI EPS is Adjusted, which is net income or loss excluding amortization of intangible assets related to business acquisitions, net change in the fair value and accretion expense of contingent considerations, net change in the fair value of derivatives, net foreign exchange gain or loss, impairment of intangible assets, bargain purchase gain, gain or loss on sale of land and buildings, assets held for sale and intangible assets, and loss from discontinued operations, net of tax.

AL = Action List BUY

Analyst(s): CR = Cherylyn Radbourne, CA, CFA, 416 308 3403; TJ = Tim James, CFA, 416 308 9773

Action List

Equity Research

January 7, 2022

TD Securities Equity Research Disclosures

Company	Ticker	Disclosures
AcuityAds Holdings Inc.	AT-T	n/a
Altice USA Inc.	ATUS-N	12
Anaergia Inc.	ANRG-T	1, 2, 4, 9, 12
Barrick Gold Corp.	GOLD-N	2, 4, 9
BCE Inc.	BCE-T	2, 4, 9, 10
Boardwalk REIT	BEI.UN-T	n/a
Boat Rocker Media Inc.	BRMI-T	1, 2, 4, 9, 12
Bombardier Inc.	BBD.B-T	9, 12
Boralex Inc.	BLX-T	1, 2, 4, 9
Brookfield Asset Management Inc.	BAM-N	2, 4, 9, 10, 16
Brookfield Infrastructure Partners L.P.	BIP-N	1, 2, 4, 5, 9, 10, 14
Canadian Pacific Railway Ltd.	CP-T	9
Capital Power Corp.	CPX-T	1, 2, 4, 9, 16
Cenovus Energy Inc.	CVE-T	2, 4, 9, 10
CES Energy Solutions Corp.	CEU-T	9
Charter Communications Inc.	CHTR-Q	n/a
Cogeco Communications Inc.	CCA-T	2, 4, 9, 12
Cogeco Inc.	CGO-T	9, 10, 12
Comcast Corp.	CMCSA-Q	12
Corus Entertainment Inc.	CJR.B-T	2, 4, 9, 14
Crescent Point Energy Corp.	CPG-T	9
Dollarama Inc.	DOL-T	2, 4, 9
Finning International Inc.	FTT-T	2, 4, 9
First Capital REIT	FCR.UN-T	n/a
Gildan Activewear Inc.	GIL-T	9
Interfor Corp.	IFP-T	9
Intertape Polymer Group Inc.	ITP-T	9
Liberty Broadband Corporation	LBRDK-Q	12, 14
LifeWorks Inc.	LWRK-T	n/a
Lightspeed Commerce Inc.	LSPD-T	1, 2, 4, 5, 9, 12
Manulife Financial Corp.	MFC-T	2, 4, 9, 10
Maple Leaf Foods Inc.	MFI-T	9
Methanex Corp.	MEOH-Q	n/a
Norfolk Southern Corp.	NSC-N	n/a
Northland Power Inc.	NPI-T	1, 2, 4, 9
Onex Corporation	ONEX-T	9, 12
Quebecor Inc.	QBR.B-T	10, 12
Rogers Communications Inc.	RCI.B-T	2, 4, 9, 10, 14
Royal Bank of Canada	RY-T	2, 4, 9
Softchoice Corp.	SFTC-T	1, 2, 4, 9
Solaris Resources Inc.	SLS-T	9
Stella-Jones Inc.	SJ-T	9
Superior Plus Corp.	SPB-T	2, 4, 9, 10
Teck Resources Ltd.	TECK.B-T	2, 4, 5, 9, 12
TELUS Corp.	T-T	1, 2, 4, 9
Thomson Reuters Corp.	TRI-T	2, 4, 9
VerticalScope Holdings Inc.	FORA-T	1, 2, 4, 9, 12

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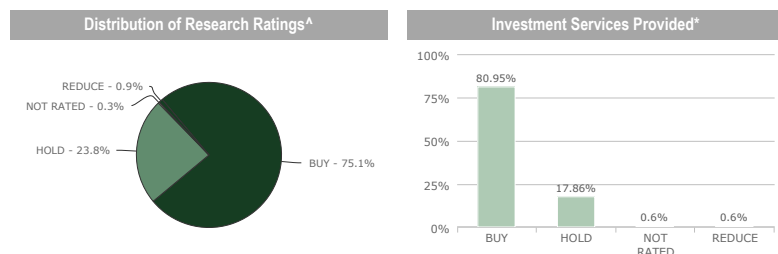
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