



Morning Coffee



Wednesday, April 18, 2018

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Overnight Futures

Source: Bloomberg

Contract	Last	Change
S&P/TSX Composite	15,350.00	0.20%
S&P/TSX 60 Index	905.20	0.36%
S&P 500	2,717.40	0.44%
NASDAQ Composite	6,846.75	0.33%
Dow Jones Mini	24,785.00	0.16%

Commodities & Currencies

Source: Thomson ONE

	Last	Change
Crude Oil (US\$/brrl)	66.43	0.32%
Gas (US\$/mmbtu)	2.77	-0.47%
Gold (US\$/oz)	1349.90	-0.06%
Copper (US\$/oz)	3.08	-0.39%
Canadian Dollar	0.7967	0.13%
Bitcoin (US\$)	7860.07	-2.34%
10-Year Canada	2.17	0.00%
10-Year U.S.	2.83	0.01%
Volatility Index (VIX)	15.31	-7.55%

In Bluetooth News...



A 13-year-old boy and an amateur archaeologist have unearthed a "significant" treasure trove in Germany which may have belonged to the legendary Danish king Harald Bluetooth.

Rene Schoen and his student Luca Malaschnitschenko were looking for treasure using metal detectors in January on northern Ruegen island when they chanced upon what they initially thought was a worthless piece of aluminium. But upon closer inspection, they realized that it was a shimmering piece of silver.

A major dig has since uncovered a trove believed linked to the Danish king who reigned from around 958 to 986, including braided necklaces, pearls, brooches, a Thor's hammer, rings and up to 600 chipped coins.

Before the Bell

Source: Thomson Reuters

The **S&P/TSX Composite** looked set to extend its gains as investors awaited **Bank of Canada's** interest rate decision. Major **U.S. stock index futures** were positive, tracking global shares, as strong corporate earnings revved up investors' risk appetites. An unexpected fall in British inflation pushed the **FTSE 100** higher. The **U.S. dollar** rose on firm U.S. economic data. **Oil** prices were higher on declines in U.S. crude and risk of supply disruptions. **Gold** prices were up.

Stocks to Watch

- **Canadian Pacific Railway (CP)**. Teamsters Canada said it has notified Canadian Pacific Railway that workers will go on strike starting April 21 following a stalemate in negotiations between the two parties. Teamsters Canada, which is affiliated to the International Brotherhood of Teamsters union, said it has issued the railway operator with a formal 72 hours' notice of intent to strike.

- **SNC-Lavalin (SNC)**. The construction and engineering firm said it had signed a deal with Saudi Aramco to install added facilities for a major gas processing plant in Saudi Arabia. The company said it would construct a handling facility and a sour water disposal project at the Wasit gas plant, which is located north of Jubail Industrial City.

Things to Know

Source: Business Insider

[UK inflation hits its lowest level in a year](#). Consumer prices in Britain rose 2.5% in March, down from 2.7% in February, as prices of women's clothing rose slower than usual.

[China's property-market slowdown looks as if it's over](#). Home prices rose in 55 of the 70 cities monitored, according to data released Wednesday by China's National Bureau of Statistics.

[New York's attorney general launches an investigation into crypto](#). New York Attorney General Eric Schneiderman has requested information from 13 crypto exchanges in an effort to "increase transparency and accountability as it relates to the platforms retail investors rely on to trade virtual currency, and better inform enforcement agencies, investors, and consumers," a news release said.

Featured in Today's Canaccord Genuity Global Morning Summary

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Rating Changes

Canada(1)

[Aurora Cannabis Inc.](#) (ACB-TSX | C\$8.44 | C\$ 5,034 M) The Sun continues to rise on Aurora's international strategy

Target Price and Estimate Changes

Canada(1)

[Turquoise Hill Resources Ltd.](#) (TRQ-TSX | C\$3.84 | C\$ 7,727 M) 1Q18 Operating Results

United States(1)

[Civitas Solutions](#) (CIVI-NYSE | US\$15.15 | US\$ 571 M) Notes from the road; lowering estimates

[Intuitive Surgical](#) (ISRG-NASDAQ | US\$435.45 | US\$ 49,233 M) Own the (positive) trend: maintain positions after a strong start to '18

Diagnostics and Tools

Previewing Large Labs - severe weather, UNH/AET and ACLA lawsuit are the key swing factors

Company Updates

United States(1)

[Sterling Construction Company](#) (STRL-NASDAQ | US\$12.23 | US\$ 240 M) Attractive entry point following positive NDR

Industry Updates

Canada(1)

Oil and Gas, Exploration and Production

LATAM E&Ps: unique value proposition

United States(1)

Aerospace and Defense

H1/18 Aerospace & Defense supplier survey

From the Bond Desk

Rate futures continue to price in approximately a one in five chance of the bank moving, so it's highly unlikely that they do anything today. That being said, with Poloz at the helm, it's been quite unpredictable at times, so it's worth at least keeping it in the realm of possibility that we get a hike. We've also got a full presser/Q&A and updated Monetary Policy Report, so we should at least come out of this with a better idea of what the Bank is thinking for the end of May with markets pricing in a 50/50 shot of a hike at that meeting. The Fed will also release their Beige Book later this afternoon at 2PM EST, so economists are going to be pretty busy and likely giddy today. At the moment, equity index futures are indicating another green opening (S&P Futures +0.4% / TSX futures +0.42%), credit looks to bid where it was offered going out, and bond yields are higher than 10-year Treasuries and GOCs, currently 0.7 and 1.7 bps higher respectively, with Canada once again underperforming on the downtick across the curve.

Market Movers

Source: Bloomberg

Toronto 52-Week Highs:

Avesoro Resources INC	ASO	\$5.32	Fortuna Silver Mines INC	FVI	\$7.27
Azimet Exploration INC	AZM	\$0.45	Harvest Gold Corp	HVG	\$0.07
BC Moly LTD	BM/H	\$0.16	Magna International INC	MG	\$77.41
BRP Inc/Ca- SUB Voting	DOO	\$54.47	Methanex Corp	MX	\$86.92
CAE INC	CAE	\$24.86	Norbord INC	OSB	\$53.95
Caledonia Mining Corp PLC	CAL	\$11.49	Premium Brands Holdings Corp	PBH	\$122.99
Canfor Corp	CFP	\$32.00	Tamarack Valley Energy LTD	TVE	\$3.18
Cannabis Strategies Acq-CI A	CSA/A	\$9.95	West Fraser Timber CO LTD	WFT	\$94.71
Currency Exchange Internatio	CXI	\$30.25	Yangarra Resources LTD	YGR	\$6.00
First Energy Metals LTD	FE	\$0.33			

Toronto 52-Week Lows:

Alimentation Couche-Tard -B	ATD/B	\$52.18	GMV Minerals INC	GMV	\$0.19
Alimentation Couche-Tard INC	ATD/A	\$52.86	Group Eleven Resources Corp	ZNG	\$0.15
Apolo II Acquisition Corp	APII/P	\$0.15	Intl Samuel Exploration Corp	ISS	\$0.04
Axis Auto Finance INC	AXIS	\$0.58	Lithion Energy Corp	LNC	\$0.07
Bioneutra Global Corp	BGA	\$0.21	Metanor Resources INC	MTO	\$0.48
Cartier Resources INC	ECR	\$0.15	Mountain Province Diamonds	MPVD	\$2.97
Clean TEQ Holdings LTD	CLQ	\$1.00	Northern Power Systems Corp	NPS	\$0.10
Corby Spirit AND Wine LTD	CSW/A	\$19.01	Oyster OIL AND GAS LTD	OY	\$0.25
Crescita Therapeutics INC	CTX	\$0.39	Pentanova Energy Corp	PNO	\$0.09
Dalmac Energy INC	DAL	\$0.05	Prism Resources INC	PRS	\$0.07
DHX Media LTD	DHX/B	\$3.64	Restaurant Brands Intern	QSR	\$67.83
DHX Media Ltd-Var Voting SHR	DHX/A	\$3.63	Richelieu Hardware LTD	RCH	\$26.63
East Asia Minerals Corp	EAS	\$0.04	Sirios Resources INC	SOI	\$0.23
First Global Data LTD	FGD	\$0.08	Toscana Energy Income Corp	TEI	\$0.31
Geologix Explorations INC	GIX	\$0.02	Trilogy International Partne	TRL	\$4.70
GFG Resources INC	GFG	\$0.29	Zadar Ventures LTD	ZAD	\$0.05

U.S. 52-Week Highs:

Abiomed INC	ABMD	\$305.77	CAE INC	CAE	\$19.81
Adobe Systems INC	ADBE	\$232.21	Centene Corp	CNC	\$112.80
Anadarko Petroleum Corp	APC	\$64.37	Chow TAI Fook Jewellery Grou	CJEWJ	\$1.37
Aptargroup INC	ATR	\$96.39	Citrix Systems INC	CTXS	\$97.88
Aspen Technology INC	AZPN	\$86.97	Conocophillips	COP	\$66.91
Assa Abloy Ab-B	ASAZF	\$24.00	Constellation Brands Inc-A	STZ	\$233.19
Atlassian Corp Plc-Class A	TEAM	\$62.75	Constellation Software INC	CNSWF	\$712.05
Autoliv INC	ALV	\$153.50	Domino'S Pizza INC	DPZ	\$238.92
Bio-Techne Corp	TECH	\$153.19	E*Trade Financial Corp	ETFC	\$59.00
Broadridge Financial Solutio	BR	\$112.40	Ecolab INC	ECL	\$148.51
Brown-Forman Corp-Class A	BF/A	\$55.15	ENI SPA	EIPAF	\$19.10
Burlington Stores INC	BURL	\$140.15	Estee Lauder Companies-CI A	EL	\$153.60

F5 Networks INC	FFIV	\$161.58	Pioneer Natural Resources CO	PXD	\$194.73
Fortinet INC	FTNT	\$57.79	PTC INC	PTC	\$83.47
GKN PLC	GKNNF	\$6.55	Raytheon Company	RTN	\$227.49
Herbalife LTD	HLF	\$103.38	Rollins INC	ROL	\$54.25
Hochtief AG	HOCFF	\$182.00	Santen Pharmaceutical CO LTD	SNPHF	\$16.60
Hollyfrontier Corp	HFC	\$57.92	Steris PLC	STE	\$97.47
Interactive Brokers Gro-CI A	IBKR	\$74.75	Swatch Group Ag/The-Br	SWGAF	\$472.55
Intuit INC	INTU	\$181.50	Transdigm Group INC	TDG	\$325.05
Johnson Matthey PLC	JMPLF	\$47.05	Tyler Technologies INC	TYL	\$224.00
Lamb Weston Holdings INC	LW	\$65.55	Ubisoft Entertainment	UBSFF	\$95.25
Marathon Petroleum Corp	MPC	\$78.82	USG Corp	USG	\$41.50
Match Group INC	MTCH	\$48.65	Valero Energy Corp	VLO	\$106.94
Mulesoft INC -A	MULE	\$44.63	Virtu Financial Inc-Class A	VIRT	\$37.85
Netapp INC	NTAP	\$69.75	Vistra Energy Corp	VST	\$22.46
Nefflix INC	NFLX	\$338.62	West Fraser Timber CO LTD	WFTBF	\$74.98
NRG Energy INC	NRG	\$31.34	WR Berkley Corp	WRB	\$74.78
Nutanix INC - A	NTNX	\$56.00	XPO Logistics INC	XPO	\$106.87
Paycom Software INC	PAYC	\$117.00	Zendesk INC	ZEN	\$50.79
Phillips 66	PSX	\$108.29	Zoetis INC	ZTS	\$85.94

U.S. 52-Week Lows:

Adecco Group Ag-Reg	AHEXF	\$70.55	China State Construction INT	CCOHF	\$1.22
AGL Energy LTD	AGLNF	\$16.08	Kyocera Corp	KYOCF	\$56.97
Alimentation Couche-Tard -B	ANCUF	\$41.92	Rakuten INC	RKUNF	\$7.11
AP Moller-Maersk A/S-B	AMKBF	\$1508.00	Sage Group Plc/The	SGGEF	\$8.53
China Communications	CCCGF	\$1.02	ZTE Corp-H	ZTCOF	\$1.21

Quest® Deep Value Screen

Screens for stocks which appear cheaper than historically on a combination of value metrics with support from the overall Quest® triAngle score.

Stocks	Ticker	Market Cap (m)	triAngle Value Score	Quest valuation % - LRA	Quest Market-to-book rel. LRA	EV/Sales rel. LRA	P/E rel. Long Run Avg (LRA)	Included in CG Portfolio
Conditions			>= 21.0	>=15.0	<= 0.85	<= 0.85	<= 0.85	
Calfrac	CFW	703.7	22.0	30.2	0.71	0.57	-0.39	Cdn. Small Cap
Canacol	CNE	622.3	23.0	55.7	0.69	0.53	-0.63	Cdn. Small Cap
China Gold	CGG	825.7	21.0	25.6	0.50	0.58	0.36	Cdn. Small Cap
Enerplus	ERF	2,799.7	25.0	19.7	0.51	0.60	0.56	Cdn. Focused Equity
Teck Res.	TECK.B	14,999.6	25.0	23.4	0.76	0.74	0.71	Cdn. Focused Div. Cdn. Focused Equity

Based on data as at Apr 17, 2018

[For more on this Quest filter, click here](#)

Lithium –2018 Recharge

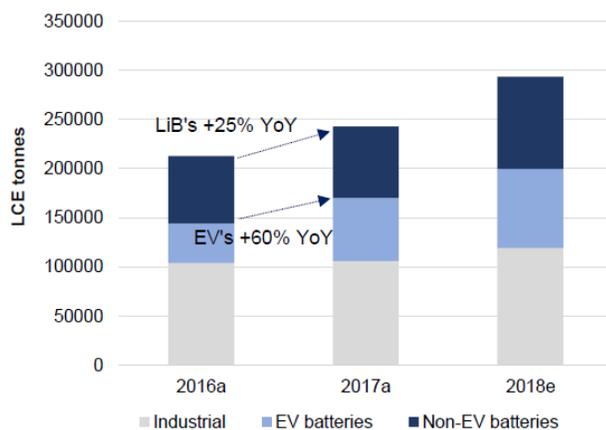
The Canaccord Genuity Mining Team has put out a (very) detailed update on the status of the Lithium market. They say 2018 has so far witnessed renewed fears of near-term price collapses from oversupply, leading to share price declines in their global coverage of up to 38%. The Team has a much more positive near-term view, and in their report, they attempt to address some key questions investors have fielded.

Supply - increase in brine and hard rock mine production... Updated supply forecasts now account for increases in planned capacity from both the major producers and new market entrants. Recent headlines have been dominated by plans for major expansions in the Atacama, but in the Team's view, the rapid expansion in hard rock output will see this higher-cost source of supply become the dominant source of supply for the foreseeable future.

.... but mine production does not equal LCE supply: The Team estimates effective mineral conversion capacity in 2017 of 111kt LCE, against their estimates of mined LCE of 215kt. While converter capacity could increase ~6x by 2025, they estimate that mine output could significantly outpace effective converter capacity over the next 2-3 years, potentially acting as a supply chain bottleneck.

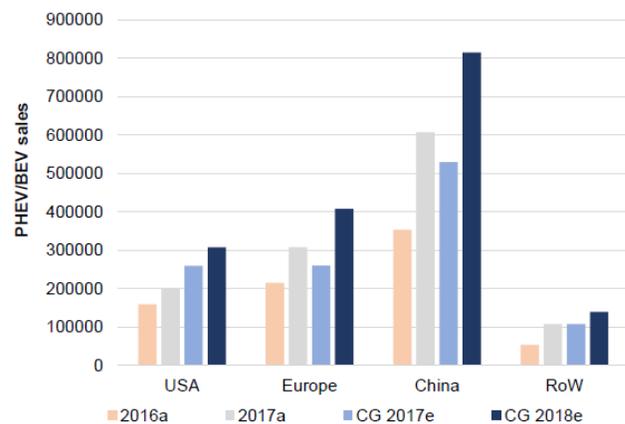
Demand forecasts up by 3% pa, but risks are to the upside: Updated demand estimates now suggest 2025 demand of 920kt LCE (~4x 2017a, 15% CAGR). The Team's longer-term forecasts could be conservative, with upside risks driven by the increasing potential for demand from LiB-based Energy Storage Systems and larger Electric Vehicle battery sizes (see charts).

Figure 14: 2017 vs 2016 lithium demand breakdown



Source: Company Reports, Canaccord Genuity estimates

Figure 15: EV sales by region



Source: Company Reports, EV-volumes.com, EVobsession.com, Canaccord Genuity estimates

Over-supply by the early 2020s is Street consensus, but the Team is more bullish in the ST: Updated market balance estimates sees a delay oversupply (again...), to 2020, driven primarily by forecast converter capacity shortfalls. This is offset by larger surpluses from 2021-2024, before returning to deficit in 2025. While the Team now forecast larger supply imbalances, producers' poor track record suggests risks are to the downside.

Lifting near-term pricing forecasts, with medium-term prices to correct, not collapse: The Team has lifted forecasts for Li₂CO₃, LiOH and spodumene by 2-10% over 2018-2020, but reduce medium/LT pricing by average 8% on increased supply/flatter cost curve. Overall, they remain more bullish on LT prices versus consensus (2025 Li₂CO₃ US\$10,950/t), based on higher incentive prices being required to supply LT demand. Should demand CAGR of

15% continue to 2030, supply would need to increase by +100% beyond their 2025 forecast to 1.8Mt LCE to meet demand.

Equity implications: Lithium equities have significantly underperformed lithium prices YTD. Despite modest downward revisions to valuations, the Team remains bullish on equities for a near-term re-rating on the back of stronger pricing over 2018. They estimate that Australian/TSX lithium equities are implying an average LCE price of US\$7763, versus their 2018 forecasts of US\$14650/t, and LT US\$10950/t.

Preferred Producers:

Galaxy Resources (GXY : ASX) exposure to strong spodumene prices, best project development pipeline among peers

Orocobre (ORE : ASX) low-cost brine production & funded expansion

Preferred Developers:

Lithium Americas (LAC : TSX) long-life, low-cost brine project with Tier 1 partner

Tawana Resources (TAW : ASX) recently commissioned hard rock production; multiple potential near-term catalysts and undervalued vs peers

Explorers:

Neo Lithium (NLC : TSX-V) high-grade brine project in Argentina

For a full copy of the report and detailed analyst of revised price target to equities, contact your Canaccord Genuity Investment Advisor.

[Click here for more](#)

Canadian Equities of Interest

Listed Alphabetically by Symbol

Trans Mountain Pipeline

Kinder Morgan Canada* (KML : TSX : \$17.50), Net Change: 0.13, % Change: 0.75%, Vol: 394,709

Parkland Fuel* (PKI : TSX : \$29.32), Net Change: 0.19, % Change: 0.65%, Vol: 150,297

Quest► 5

\$2.00/litre: Good thing Vancouver has all those bike lanes... Alberta's plan to cut crude and fuel shipments to British Columbia could ripple across the entire west coast of North America, causing pump prices to surge and shifting the flow of international crude. Bill 12 would give Alberta's energy minister power to direct truckers, pipeline companies and rail operators on how much product can be shipped and when. Violators would face fines of up to \$1 million a day for individuals and \$10 million a day for corporations.

Oil shippers are reacting with trepidation with Parkland Fuel spokeswoman Annie Cuerrier saying, "Any action that restricts the supply of oil to British Columbia would be negative for the economies of both B.C. and Alberta." Parkland Fuel's Burnaby plant accounts for a quarter of British Columbia's transportation fuel. British Columbia would be the first to feel the hurt if flows from the Trans Mountain pipeline are cut. The province imports more than half of its refined fuels, including gasoline, from Alberta, which also supplies Vancouver's only refinery.

According to GasBuddy, a cut to the provinces fuel supply could send the price of gasoline in Vancouver north of \$2 a liter, up from about \$1.50 now. Parkland's refinery also supplies 40% of the jet fuel at Vancouver International airport via a 40km pipeline that runs directly to the airfield, according to the Vancouver Airport Fuel Facilities Corp., which represents the carriers using the airport. The airport imports the rest of its needs from BP Plc's Cherry Point refinery in Washington state by barge and tanker trucks. "If one of these refineries shut down for an extended period, airport and airline operations would be jeopardized," it says on its website.

Interestingly, Washington State would also be impacted: The state's five plants have the capacity to process more than 600,000 barrels a day and relied on the Trans Mountain pipeline via the connecting Puget Sound line for about 35% of their crude supply in the first ten months of 2016, according to a report by Morningstar. Oh, and if that weren't enough to rattle residents of B.C., jumping into the mix Tuesday afternoon was the premier of Saskatchewan, saying his province will soon be following in Alberta's footsteps with its threat to restrict the flow of oil to British Columbia. In a **Twitter (TWTR)** post, Scott Moe said Saskatchewan would be introducing legislation to join Alberta "in the coming days."

Aurora Cannabis* (ACB : \$8.44), Net Change: -0.49, % Change: -5.49%, Vol: 11,113,252

Quest▲8

Canopy Growth* (WEED : \$29.86), Net Change: -1.04, % Change: -3.37%, Vol: 3,543,768

Quest▶6

There's "Go Big or Go Home" and then there's this: Aurora Cannabis says it is acquiring about 29 hectares of land in Medicine Hat, Alberta, to build a new high-tech cannabis facility. Aurora says the new facility, to be named Aurora Sun, will be the size of 21 football fields and 50% larger than its Aurora Sky's +100,000 kg operation at Edmonton International Airport. The name of the new facility is due to Medicine Hat's status as the sunniest city in Canada, with more than 2,500 hours of sunshine per year (bet you didn't know that). All that sunshine will help with yields and cost. In addition, Aurora has signed a memorandum of understanding with the City of Medicine Hat, concerning terms and a general understanding of potential transactions, including a prospective 10-year, 42 MW energy supply agreement.

To date, Aurora has approximately 280,000 kg per year of funded capacity. With the addition of Aurora Sun, total capacity will increase to over 430,000 kg per year. In addition to the domestic medical cannabis market, in which Aurora already services approximately 45,000 patients, the new facility is intended to serve both the pending legal Canadian adult consumer market, and the quickly expanding international market. The first planting in Medicine Hat is expected in the first half of 2019, with completion slated for the second half of the year.

Aphria* (APH : \$11.34), Net Change: -0.90, % Change: -7.35%, Vol: 5,467,578

Quest▲9

Horizons Marijuana Life Sciences (HMMJ : \$16.72), Net Change: -0.30, % Change: -1.76%, Vol: 457,529

Oh, you celebrate 4:20? I remember when I was in high school. Earlier this week, Aphria reported Q3/18 financial results that were generally in line with Canaccord Genuity Life Sciences Analyst Matt Bottomley's expectations, as the company continues to demonstrate solid sequential growth. With the continued onboarding of medical patients and Broken Coast beginning to contribute to the top line towards the back half of the quarter, revenue came in at \$10.3 million (a 21% QoQ increase) compared to Bottomley's estimate of \$11.5 million.

After seeing a bump in its cash cost per gram in the previous quarter from using older than usual vegetative plants in order to increase patient supply, the company was able to bring its costs back down to its historic industry low levels at \$0.96 per gram. As a result, Aphria reported what is now its 10th consecutive quarter of positive adj. EBITDA of \$2.9 million, only slightly below our estimate of \$3.2 million. Bottomley continues to believe that Aphria remains one of the more attractive large cap LPs on its relative valuation, with a two-year fwd EV/EBITDA multiple of 11.4x (a significant discount to its most comparable peers at 20.9x) and he bullish on the shares at current levels.

[Click here for more](#)

Aveda* (AVE : \$0.94), Net Change: -0.02, % Change: -2.08%, Vol: 2,265,809

Daseke* (DSKE : US\$8.15), Net Change: -1.01, % Change: -11.03%, Vol: 444,705

Livein' AVEDA loca! On Monday, Aveda announced it entered into an arrangement agreement with Daseke, a North American transportation and logistics solutions company, where Daseke will acquire all issued and outstanding common shares of Aveda for \$0.90 per share (representing a 70% premium to Friday's close) or 0.0751 Daseke shares. Investors in Aveda may take the payment in cash or Daseke's shares or any combination of the two. However, there's an attractive earn-out provision in this deal that investors should be mindful of: Aveda

shareholders may receive an incremental earnout of up to \$0.45 per Aveda share in cash based on 12-month EBITDA at the end of ~Q2/19 in Q3/19.

Based on the formula, Canaccord Genuity Industrial Tech Analyst Raveel Afzaal says investors should earn ~\$0.09 per AVE share for every \$2M increase in EBITDA above \$18M up to ~\$28M. Afzaal notes that only investors owning Aveda's shares at the time of transaction close (expected in June 2018) will be eligible for the earn-out payment. Afzaal says there's good visibility on earn-out of \$0.20: He is forecasting 2018 EBITDA of \$23.5M which assumes improvement in O&G macro environment as well as Aveda led initiatives to improve profitability. Assuming much more modest assumptions, Afzaal believes 12-month EBITDA by Q2/19 could still be ~\$22M following this transaction.

Aveda ended 2017 with EBITDA of \$15.9M which represented a sharp improvement from -\$6.9M in 2016. Management provided Q1/18 EBITDA guidance of \$4.4M-\$4.6M. This provides good visibility on ~\$18M in 2018 EBITDA with upside from two additional drivers: 1) Reduction in subcontractor revenue. Aveda generated 37% of its 2017 revenues from sub-contractors with ~2% gross margin. Daseke intends to use its existing/complementary equipment to reduce the portion of Aveda's work that is outsourced; 2) Additional synergies from greater purchasing power (for fuel, tires, equipment, insurance) as well as elimination of public company costs (~\$0.5M). And now we play the waiting game...

[Click here for more](#)

Bombardier* (BBD'B : \$3.77), Net Change: 0.07, % Change: 1.89%, Vol: 3,850,692

Quest► 5

#BlameCanada. Just when you thought that Bombardier was finished with the trade war/subsidy rhetoric, it was announced on Tuesday that a World Trade Organization panel is moving ahead with its review of Brazil's complaint that Bombardier's C Series is receiving unfair subsidies. The panel said it was throwing out a key Canadian argument that it look at four programs including Ottawa's supercluster initiative, which sought to invest up to \$950 million over five years in highly innovative industries. Brazil said it had only found out about those four initiatives later, when the United States was investigating potential Canadian subsidies, and said their inclusion did not change the essence of the dispute.

Brazilian aerospace rival Embraer S.A. launched the trade dispute last year alleging Bombardier and its suppliers have received more than \$3.7 billion in subsidies, which it claims have hurt its aviation industry. Embraer has eaten away at Bombardier's leadership in regional jets and is developing an updated offering to partially compete with the C Series. "This is just a preliminary stage in the broader WTO dispute and Canada will continue to participate fully in the WTO proceedings," Joseph Pickerill, spokesman for International Trade Minister Francois-Philippe Champagne.

Open Text* (OTEX : \$45.00), Net Change: 1.53, % Change: 3.52%, Vol: 856,093

Quest▲ 9

Open Text* (OTEX : US\$35.29), Net Change: 0.73, % Change: 2.11%, Vol: 1,683,325

Quest▲ 9

"Mispriced and Inexpensive." **NOT talking about Louis Eriksson's contract.** Shares of Open Text gapped higher on Tuesday after a prominent hedge fund CEO told a conference in New York that the Canadian enterprise software company is "mispriced and inexpensive" and said it could be worth considerably more if it were to do a transformational transaction or sell itself. Blue Harbour, the hedge fund in focus here, owns \$400 million, or a 3.5% stake in Open Text, also plans to help the company increase its U.S investor base and encourage management to pursue buybacks and increase dividends. The activist disclosed a stake in Open Text last May.

Open Text has a strong track record of mergers and acquisitions and is sitting on about C\$1.2 billion in dry powder for potential deals, Blue Harbour said. Open Text has bought at least 13 companies since the start of 2016, according to Bloomberg. Open Text is a software company with products including enterprise content management and cloud technology. It acquired enterprise content platform Documentum from Dell EMC's enterprise content division for US\$1.62 billion in 2017.

[Click here for more](#)

U.S. Equities of Interest

Listed Alphabetically by Symbol

Dropbox* (DBX : US\$29.62), Net Change: 0.61, % Change: 2.10%, Vol: 3,433,032

A place to store some wealth? Canaccord Genuity Enterprise Software Analyst Richard Davis has launched bullish coverage on Dropbox, believing it could become one of the leading Next Generation Work Systems companies, which is a class of emerging cloud platforms that overlay foundational systems of record firms with software that helps people work smarter and more efficiently. Davis notes what started as cloud storage aimed at the consumer market has gradually and purposely morphed into an enterprise content management and collaboration platform. Modern workers demand tools that make their jobs easier – that means access to content on any device at any time, the ability to create and collaborate on content with teammates, and the means to easily share materials with others. This is precisely what Dropbox enables. Even narrowly defined, cloud storage and collaboration apps create a \$30B+ annual opportunity.

Davis notes Dropbox goes to market with a business model that marries consumer virality and scale with business software retention and margins. More than 90% of sales are generated by the firm's powerful self-service conversion engine – users sign up organically, Dropbox's 500M+ registered users act as the firm's best salespeople to grow the network, and then data analytics are used to drive precision targeting for conversion/upsell. Today Dropbox has more than 11M paid users and business customers that span 56% of the Fortune 500, both of which have helped the firm scale to a better than \$1.2B revenue run rate, up ~30% on a trailing basis.

Perhaps even more impressive than top-line momentum is the fact that Dropbox is building its business with FCF margins north of 20%. Davis notes the company has gross margins better than 70%, spends less on sales & marketing than it does on development, and maintains >100% net dollar retention on business customers, which combined characterize a model built for profitable scale. Longer term, Davis sees a path for this firm to generate FCF margins that should expand well into the mid-30% range.

[Click here for more](#)

Netflix* (NFLX : US\$335.89), Net Change: 28.30, % Change: 9.20%, Vol: 33,530,347

Quest ▲ 8

Green is the new green. Netflix reported strong Q1 results on Monday with subscriber upside, ARPU expansion, operating leverage, and new distribution partnerships. Canaccord Genuity Internet Analyst Michael Graham says he finds himself in a familiar place with Netflix stock, having to stretch his forecast and valuation framework to justify a higher target price, while feeling very confident in the near- and mid-term fundamental outlook. Domestic and international subscribers beat guidance and consensus; streaming revenue beat consensus by 1%; operating income beat consensus by 19%; Q2 revenue guidance was 1% ahead of consensus and operating income guidance was 20% ahead; 2018 operating margin guidance was increased.

Netflix beat net add expectations again, particularly domestically where total net adds were 475k higher than consensus. Total international net adds also beat consensus, by 438k. Graham notes the original content strategy is continuing to pay off with the company finding strength in newer categories, such as documentaries, unscripted, and local content viewed outside the native region. The rest of the year's content pipeline should continue to support rapid subscriber growth. Impressively, ARPU also expanded 12% domestically and 21% internationally. However, marketing expenses came in 7% above Graham's prior estimate, and is expected to continue similar growth through the year. But the better-than-expected revenue is allowing the company to scale these expenses while also surprising to the upside on margin.

Graham notes bundle deals are in the works with multichannel video programming distributor partners, including with Sky (to launch later this year) and a recently-expanded relationship with **Comcast (CMCSA)** (recently launched). While these offerings so far are most prevalent in mature markets, leading to lower Netflix ASP and also lower churn, partnerships could also become more important in emerging markets.

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Roku* (ROKU : US\$35.85), Net Change: 2.83, % Change: 8.57%, Vol: 13,895,517

Pardon the interruption but... Roku jumped higher Tuesday after the streaming-device maker announced a deal with ESPN to stream its new direct-to-consumer channel on the platform. ESPN+, which was announced earlier this year, is designed to complement rather than compete with ESPN's traditional cable services, and therefore will only carry certain National Hockey League, Major League Baseball, Major League Soccer, and other select games that are not already licensed for the cable channel.

"Roku customers have enjoyed the ESPN channel for years, Scott Rosenberg, general manager of Roku's platform business said in a press release. "The launch of ESPN+ marks an exciting moment for the OTT sports experience, giving consumers more sports content from their favorite pastimes than ever. Roku customers that subscribe to ESPN+ will enjoy access to more live sports events, original shows and films, exclusive studio programs and ESPN's unmatched on-demand library."

Disney (DIS), which has owned ESPN since 1996, has been seeking to move to its own proprietary streaming products for a while. The company announced last year it would pull its movies from Netflix (NFLX) as it prepares its own direct-to-consumer streaming lineup. ESPN+ stems from the company's acquisition of BAMTech from Major League Baseball's Advanced Media division for \$1 billion in 2016. The service will cost \$4.99 per month, or \$49.99 per year, the company said.

Roku's boost began earlier in the week after Steve Cohen's Point72 Asset Management hedge fund disclosed it had bought up a 5% stake in the company, according to a filing made public Monday. Shares of Roku have declined by 33% since the beginning of 2018.

Tesla* (TSLA : US\$287.00), Net Change: -4.21, % Change: -1.45%, Vol: 6,818,331
Quest ▼ 1

Taking a little longer to makes things go faster. Tesla has suspended its Model 3 assembly line in what the company says is a planned production pause, as the automaker continues to face challenges ramping up its new sedan. It's the second time since February that Tesla has temporarily shut down its production line for the Model 3 at its Fremont, California plant. "These periods are used to improve automation and systematically address bottlenecks in order to increase production rates," a Tesla representative announced.

BuzzFeed, which first reported the news, said workers were expected to use vacation days or stay home without pay during the four- to five-day production pause. After repeated delays in production of its Model 3 sedan, Tesla is now trying to catch up to a target of building 2,500 vehicles per week by the end of the second quarter. Problems within its heavily-roboticized assembly line have complicated those efforts.

Last Friday, CEO Elon Musk acknowledged for the first time that he had over-relied on automation in the Model 3 assembly line, a stunning concession from Tesla's leader who has previously scoffed at competitors' manufacturing prowess and bragged about creating an "Alien Dreadnought" within the Fremont factory by 2018. "Yes, excessive automation at Tesla was a mistake," Musk tweeted. "To be precise, my mistake. Humans are underrated."

Musk also tweeted that Tesla would be profitable and cash flow positive in the third and fourth quarters, with no need to raise money. Many analysts dispute this stance, which hinges on a rapid rise in production of the Model 3 sedan. Delays and lower-than-expected volume have postponed revenue from cars being delivered to customers from reaching Tesla's bottom line.

Twitter* (TWTR : US\$31.84), Net Change: 3.26, % Change: 11.41%, Vol: 46,529,186
Quest ► 7

#TwitterDown. Amid brief outage Tuesday morning, Twitter posted its best single-day rally in two months after a high-profile Wall Street firm upgraded the social networking giant. Investors are likely to continue to pay a premium for Twitter's stock due to expectations of faster revenue growth in 2018 and signs of progress in a

company turnaround, the analyst wrote, as constructive advertiser conversations, improving user growth, and positive revisions make a more compelling risk/reward.

The social network is popular with celebrities, professional athletes and politicians and is ubiquitous in the media, but it has struggled to turn a profit and consistently grow its revenue. Overall, analysts are cautious, two-thirds of which are neutral or bearish on the name. The stock is trading at 45 times expected earnings, compared with **Facebook's (FB)** valuation of 21 times earnings, according to Thomson Reuters. Twitter is expected to post a 10% increase in revenue to \$605 million and non-GAAP EPS of \$0.12 when it reports its March-quarter results on April 25. Under GAAP, analysts on average expect a net loss of \$23 million.

But the biggest news? Mr. West is in the building. Kanye West logged back on to Twitter on Friday after shuttering his social media profiles back in May 2017. West has kept a low profile for much of the past year and a half, following his hospitalization and sudden cancellation of the remainder of his Saint Pablo tour in November 2016.

'Ye used his Twitter to emphatically sound off on everything from upcoming fashion designs for his Yeezy line to potential new neck tattoos that paid homage to his son, Saint. The rapper also waxed eloquent on his thoughts and feelings on consciousness, the role of capitalism in relation to art, and reminisced on his time with his former brother-in-law, NBA player Lamar Odom. 'Ye is known for being fond of tweeting and deleting, so take a moment to read his online musings below before they're gone.

Unitedhealth Group* (UNH : US\$238.54), Net Change: 8.22, % Change: 3.57%, Vol: 5,586,148 **Quest▲ 10**

Looking good, Billy Ray! Feeling good, Louis! The largest U.S. health insurer posted quarterly profit that beat estimates, as it kept medical costs within expectations despite the added demand for services due to a strong flu season. Net earnings rose to \$2.84 billion, or \$2.87 per share, in the first quarter ended March 31 from \$2.17 billion, or \$2.23 per share, a year earlier. Excluding items, the company earned \$3.04 per share as total revenue rose 13.3% to \$55.19 billion; analysts, on average, expected earnings of \$2.89 per share on \$54.86 billion. Analysts note the earnings beat came from the Optum business, which includes its pharmacy benefit manager, data analysis and physician groups. UnitedHealth has added more doctors, urgent care centres and surgery centers through a series of acquisitions. Its medical care ratio, or the percentage of premiums paid out for medical services, improved to 81.4% from 82.4% a year earlier.

United Health's results eased the market's worries about the impact of the bad flu season, which raised insurer costs as more patients visited doctors and were admitted to the hospital. Other potential negatives for United Health – such as federal regulation of the pharmacy benefit management business, drug pricing reform and the feared entry of **Amazon (AMZN)** into the pharmacy distribution business – have not materialized. Going forward, United Health raised its and raised its 2018 adjusted earnings forecast to a range of \$12.40-12.65 per share from a range of \$12.30-12.60 previously.

Coffee Beans

A new survey is warning of a crippling over-reliance on smartphones among young Brits. More than 10% of those aged 25-34 (aka millennials) said they'd rather break a bone than go without their phones for just 24 hours. The surprising study, which comes from tech repair specialist iSmash, quizzed 2,000 U.K. adults on what they'd prefer over giving up their devices. Nearly 14% claimed they'd rather get all their hair shaved off, 20% would prefer to repeatedly scrape their fingers down a chalkboard and almost 38% would rather go without makeup. (The New York Post)

Domino's (DPZ), which has been bringing pizzas to doorsteps for more than half a century, will now deliver to the great outdoors. The pizza chain said on Monday its drivers can meet customers at U.S. beaches, parks and landmarks to hand over pizza, cheesy bread and other food. Among the 150,000 outdoor locations: Under the

Gateway Arch in St Louis, or by the Las Vegas welcome sign. The locations show up in the company's app or website as Domino's Hotspots. (Bloomberg)

Workers who are considering quitting their jobs stop supporting their colleagues because they no longer feel they need to do favours for them, according to research. Academics at the University of Exeter Business School found that those on the hunt for a new post start to focus on other people who can help them in another job or company, rather than their current co-workers. However, they make more of an effort to maintain contact with people at work who they consider to be friends as they worry about being without close colleagues in a new workplace. (Bloomberg)

No one's going to start writing an obituary for The Walking Dead anytime soon, but compared with past years, Sunday's Season 8 finale was almost the least-watched of the **AMC's (AMCX)** zombie apocalypse series. Pulling in 7.9 million viewers, the April 15 finale was down just more than 30% from the Season 7 finale last year. Put in wider context, that's even with the all-time-low fall finale of last December and the worst any TWD finale has done since 5.97 million sets of eyeballs watched the Season 1 ender on December 5, 2010. (Deadline.com)

Almost nobody expects Bank of Canada Governor Stephen Poloz to increase interest rates at a policy decision today, but attention will turn to clues for the timing of the next hike as the central bank tries to steer an economy that's beginning to run up against capacity. All but two of the 23 economists surveyed by Bloomberg, predict the benchmark interest rate will remain unchanged at 1.25%. The central bank will also release new quarterly forecasts along with its decision at 10 a.m. in Ottawa, followed by an 11:15 a.m. press conference by Poloz and Senior Deputy Governor Carolyn Wilkins. (BNN)

Expected Earnings

Source: Thomson Reuters

Canadian Pacific Railway Ltd (CP). Expected Q1 earnings of C\$2.69 per share

THE LAST DROP: The impact of a leak goes far beyond the people who work on a project. Leaking Apple's work undermines everyone at Apple and the years they've invested in creating Apple products. Everyone comes to Apple to do the best work of their lives -- work that matters and contributes to what all 135,000 people in this company are doing together.

–A leaked Apple memo about leaks 

Quest@: Canaccord Genuity's proprietary online valuation and analytical tool which combines consensus market figures with the Quest@ Discounted Cash Flow (DCF) Valuation Model.

Quest@ triAngle is Canaccord Genuity's proprietary 15-factor, stock-picking tool, which systematically measures Value, Quality and Momentum and presents the results in a simple, easy to understand score. It takes a multi-pronged approach to Value, Quality and Momentum using five factors for each component, which adds more consistency of performance unlike a reliance on one single measure. It uses a mix of historic and forecast data, and combines absolute valuation data with comparisons relative to history. The triAngle is designed to generate stock ideas and provide a consistent framework for analysis of portfolio holdings.

How the triAngle score is calculated

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