



Morning Coffee



Tuesday, May 8, 2018

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Overnight Futures

Source: Bloomberg

Contract	Last	Change
S&P/TSX Composite	15,825.00	0.29%
S&P/TSX 60 Index	934.90	0.20%
S&P 500	2,662.10	-0.31%
NASDAQ Composite	6,809.25	-0.22%
Dow Jones Mini	24,258.00	-0.17%

Commodities & Currencies

Source: Thomson ONE

	Last	Change
Crude Oil (US\$/brrl)	70.13	-0.85%
Gas (US\$/mmbtu)	2.74	0.96%
Gold (US\$/oz)	1314.70	0.00%
Copper (US\$/oz)	3.07	-0.41%
Canadian Dollar	0.7756	-0.35%
Bitcoin (US\$)	9427.32	-2.04%
10-Year Canada	2.22	0.00%
10-Year U.S.	2.96	-0.01%
Volatility Index (VIX)	14.69	-0.54%

"Only in Jersey"



A New Jersey dairy farm says it hopes customers will like its new ice cream flavour incorporating another regional favourite food — pork roll.

Windy Brow Farms, in Fredon Township, says it has introduced the state's first "Taylor ham ice cream," referring to the specific brand of pork roll famous to New Jersey residents. The specialty dessert mixes in French toast with actual pieces of pork roll.

Windy Brow Managing Partner Jake Hunt noted that a pork-only ice cream would be "gross," so he added the maple and French toast element to give it a sweet and salty balance.

The ice cream is a part of a line of new flavours marketed as "Only in Jersey."

Before the Bell

Source: Thomson Reuters

Oil prices surrendered gains on worries the United States may be set to pull out of a key nuclear accord with Iran. Futures for **Canada's main stock index** were little changed as investors remained on the sidelines as they tracked U.S. President Donald Trump's decision on Iran, while **U.S. stock** futures slipped. **European stocks** declined on disappointing corporate earnings and on worries about a snap election in Italy.

Stocks to Watch

- **Valeant Pharmaceuticals International Inc (VRX)**. The company reported first-quarter loss compared with a year-ago profit and said on Tuesday it would change its name to Bausch Health Companies Inc. Net loss attributable to the company was at \$2.69 billion, or \$7.68 per share, in the quarter, compared with a profit of \$628 million, or \$1.79 per share, a year earlier.

- **WestJet Airlines Ltd (WJA)**. The company reported first-quarter profit that missed analysts' estimates on Tuesday as expenses rose due to higher fuel prices. Excluding certain items, WestJet earned 32 cents per share, missing the average analyst estimate of 36 cents.

- **NorthWest Healthcare Properties REIT (NWH_u)**. The company announced a \$312 million strategic investment in Australian hospital operator Healthscope as part of a plan to buy its real estate amid a private equity takeover bid for the firm. NorthWest said it has acquired a 10 percent interest in Healthscope through a derivative transaction.

Miners **Lundin Mining (LUN)** and **Euro Sun Mining (ESM)** disclosed an offer made to buy base metals company **Nevsun Resources (NSU)**, which rejected the \$1.5 billion proposal. Under the terms of the offer dated April 30, Nevsun shareholders were to receive a total consideration of \$5 per Nevsun share including \$2 in cash funded by Lundin Mining, \$2 in shares of Lundin Mining and \$1 in shares of Euro Sun, Lundin Mining and Euro Sun said in a joint statement.

- **Dish Network Corp (DISH)**. The company reported first-quarter revenue that missed Wall Street estimates on Tuesday as subscriber additions to its cheaper online streaming service Sling TV failed to offset a drop in its legacy pay-TV subscriptions.

Featured in Today's Canaccord Genuity Global Morning Summary

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Rating Changes

United States(1)

[Impinj](#) (PI-NASDAQ | US\$13.58 | US\$ 280 M) Q1 results demonstrate improved execution with lowered channel inventory

Target Price and Estimate Changes

Canada(1)

[Absolute Software Corp.](#) (ABT-TSX | C\$7.08 | C\$ 284 M) An in-line FQ3; looking for growth acceleration to justify a higher valuation

[Centric Health Corp.](#) (CHH-TSX | C\$0.29 | C\$ 59.3 M) Q1 preview: quantifying regulatory headwinds

[Ensign Energy Services Inc.](#) (ESI-TSX | C\$6.05 | C\$ 950 M) Q1 challenges should be transitory, but balance sheet likely to draw ongoing attention

United States(1)

[Amneal Pharmaceuticals](#) (AMRX-NYSE | US\$15.01 |) 1Q/18 update: solid execution, smart portfolio management, and a steady launch flow could drive the story forward

[Del Frisco's Restaurant Group](#) (DFRG-NASDAQ | US\$15.65 | US\$ 322 M) DFRG: mixed Q1 results; acquiring Barteca Restaurant Group; divesting Sullivan's

[Everbridge](#) (EVBG-NASDAQ | US\$39.65 | US\$ 1,127 M) Building an enduring company

[NAPCO Security Technologies](#) (NSSC-NASDAQ | US\$11.70 | US\$ 185 M) Solid Q3/F'18 results; recurring revenue growth remains on track

[Nevro](#) (NVRO-NYSE | US\$92.26 | US\$ 2,762 M) Don't throw the baby out with bathwater

[Premier](#) (PINC-NASDAQ | US\$31.57 | US\$ 4,277 M) Supply Chain strength muted by Performance miss

[Tactile Systems Technology](#) (TCMD-NASDAQ | US\$36.92 | US\$ 666 M) Beat, raise, repeat: TCMD delivers elite growth & GM for 7th straight Q

[Zillow Group](#) (ZG-NASDAQ | US\$55.60 | US\$ 11,233 M) Solid top line from PAs; Homes business in focus

Australia(3)

[Lifestyle Communities Limited](#) (LIC-ASX | A\$5.13 | A\$ 517 M) Not Bittern by any headwinds

Initiating Coverage

Canada(1)

[Choice Properties REIT](#) (CHP.UN-TSX | C\$11.58 | C\$ 7,728 M) Acquisition of CREIT propels Choice to become Canada's largest REIT; initiating coverage

Company Updates

Canada(1)

Canadian Tire Corporation Ltd. (CTC.A-TSX | C\$176.35 | C\$ 11,849 M) Broad-based retail momentum to continue

Freshii Inc. (FRII-TSX | C\$6.71 | C\$ 207 M) Robust growth expected as store additions and strength in same-store sales continues

Great Canadian Gaming Corporation (GC-TSX | C\$36.78 | C\$ 2,408 M) Ontario properties to be focal point at quarterly earnings

GeoPark Limited (GPRK-NYSE | US\$14.38 | US\$ 871.4 M) Q1/18 First Look: A Beat

IAMGOLD Corporation (IMG-TSX | C\$7.32 | C\$ 3,414.3 M) Q1/18 powered by Essakane and Westwood record production

Trinidad Drilling Ltd. (TDG-TSX | C\$1.88 | C\$ 514.1 M) Q1/18 First look: JV drives EBITDA miss while strategic review continues

Vermilion Energy Inc. (VET-TSX | C\$43.73 | C\$ 6,509 M) Marketing highlights

United States(1)

Kratos Defense & Security Solutions (KTOS-NASDAQ | US\$10.29 | US\$ 1,056 M) Q1/18 preview: focus on margin and FCF

Perrigo Company (PRGO-NYSE | US\$77.24 | US\$ 10,878 M) Flu Tracker: 2018 week 17

VF Corporation (VFC-NYSE | US\$76.47 | US\$ 30,686 M) CEO/CFO meeting underscores confidence in the acceleration of the portfolio

Industry Updates

United States(1)

Diagnosics and Tools

Small-cap earnings lightning round - quick preview of prints of QDEL, NTRA, TTOO and HTGM

From the Bond Desk

At the moment, bond markets are small better offered in North America (GOC10s +0.6 bps / US10s +0.4 bps), credit spreads seem to be widening somewhat (5YR IG +0.4 bps / 5YR HY -0.12%).

Market Movers

Source: Bloomberg

Toronto 52-Week Highs:

ATS Automation Tooling SYS	ATA	\$18.41	Bombardier Inc-B	BBD/B	\$4.34
Athabasca OIL Corp	ATH	\$1.89	BNK Petroleum INC	BKX	\$0.66
Axmin INC	AXM	\$0.13	Baytex Energy Corp	BTE	\$5.94
Atalaya Mining PLC	AYM	\$5.10	Calfrac Well Services LTD	CFW	\$8.10
Bombardier Inc-A	BBD/A	\$4.34	DLC Holdings Corp	DLC	\$0.32

Dundee Precious Metals INC	DPM	\$3.46	Parex Resources INC	PXT	\$23.21
Dream Unlimited-CI A SUB VOT	DRM	\$9.97	Quest Pharmatech INC	QPT	\$0.18
Canada Goose Holdings INC	GOOS	\$49.49	SDX Energy INC	SDX	\$1.34
Gear Energy LTD	GXE	\$1.05	Secova Metals Corp	SEK	\$0.20
Horizon North Logistics INC	HNL	\$2.44	Suncor Energy INC	SU	\$50.09
International Petroleum Corp	IPCO	\$6.45	Sylogist LTD	SYZ	\$11.50
Interconnect Ventures Corp	IVC	\$0.10	Transglobe Energy Corp	TGL	\$2.58
Kelt Exploration LTD	KEL	\$8.71	Theratechnologies INC	TH	\$11.40
Kirkland Lake Gold LTD	KL	\$24.52	Tilting Capital Corp	TLL/H	\$0.26
Corvus Gold INC	KOR	\$3.14	Torstar Corp - CL B	TS/B	\$1.92
Lorne Park Capital Partners	LPC	\$0.50	Stars Group Inc/The	TSGI	\$43.50
MEG Energy Corp	MEG	\$7.75	Tamarack Valley Energy LTD	TVE	\$3.80
Magna International INC	MG	\$78.45	Viemed Healthcare INC	VMD	\$4.28
Martinrea International INC	MRE	\$17.25	Wall Financial Corp	WFC	\$26.49
Neulion INC	NLN	\$1.08	WSP Global INC	WSP	\$65.10
Nevsun Resources LTD	NSU	\$3.88	Avante Logixx INC	XX	\$0.44
Oroco Resource Corp	OCO	\$0.26	Yangarra Resources LTD	YGR	\$6.49

Toronto 52-Week Lows:

Acasti Pharma INC	ACST	\$0.85	Kuuhubb INC	KUU	\$0.62
Atman CO	ATW	\$0.08	Lxrandco Inc-Class B	LXR	\$1.15
Peekaboo Beans INC	BEAN	\$0.42	McorpCX INC	MCX	\$0.20
Bravada Gold Corp	BVA	\$0.08	Metalore Resources LTD	MET	\$1.77
Chesapeake Gold Corp	CKG	\$2.17	Mineral Hill Industries LTD	MHI	\$0.17
Canasil Resources	CLZ	\$0.07	Medicure INC	MPH	\$5.54
Callinex Mines INC	CNX	\$0.23	Novateqni Corp	NTQ	\$0.10
Global Daily Fantasy Sports	DFS	\$0.27	Sweet Natural Trading CO LTD	NTRL	\$0.05
Dorel Industries-CI A	DII/A	\$24.83	Memex INC	OEE	\$0.06
Dorel Industries-CI B	DII/B	\$24.92	Orosur Mining INC	OMI	\$0.07
Desert Lion Energy INC	DLI	\$1.06	Omni-Lite Industries Canada	OML	\$1.11
3D Signatures INC	DXD	\$0.15	Pacific Iron ORE Corp	POC	\$0.03
Eros Resources Corp	ERC	\$0.11	Quorum Information Tech INC	QIS	\$0.48
Gentor Resources INC	GNT	\$0.06	Resolve Ventures INC	RSV	\$0.08
INV Metals INC	INV	\$0.50	Sage Gold INC	SGX	\$0.08
Kapuskasing Gold Corp	KAP	\$0.02	Shoshoni Gold LTD	SHJ	\$0.04
KEW Media Group INC -	KEW	\$5.51	Sunvest Minerals Corp	SSS	\$0.07
Kilo Goldmines LTD	KGL	\$0.03	Trez Capital Senior Mortgage	TZS	\$2.49
Kootenay Silver INC	KTN	\$0.16	VON Capital Corp	VON/P	\$0.16

U.S. 52-Week Highs:

Apple INC	AAPL	\$187.67	Boston Scientific Corp	BSX	\$30.16
Abiomed INC	ABMD	\$354.40	Christian Dior SE	CHDRF	\$424.50
Ambu A/S-B	AMBFF	\$28.42	Centene Corp	CNC	\$117.86
Anadarko Petroleum Corp	APC	\$68.75	Conocophillips	COP	\$68.64
Burberry Group PLC	BBRYF	\$25.35	Copart INC	CPRT	\$53.43
Bluescope Steel LTD	BLSFF	\$13.07	Citrix Systems INC	CTXS	\$106.92
BP PLC	BPAQF	\$7.65	Dexcom INC	DXCM	\$88.09

Graftech International LTD	EAF	\$17.96	Pegasystems INC	PEGA	\$64.90
E*Trade Financial Corp	ETFC	\$62.29	Prada S.P.A.	PRDSF	\$5.46
F5 Networks INC	FFIV	\$170.21	Pure Storage INC - Class	PSTG	\$22.84
Godaddy INC - Class A	GDDY	\$66.80	Phillips 66	PSX	\$117.99
Hess Corp	HES	\$61.36	PTC INC	PTC	\$86.80
Hollyfrontier Corp	HFC	\$67.48	Ferrari NV	RACE	\$141.56
Herbalife Nutrition LTD	HLF	\$113.49	RED HAT INC	RHT	\$169.20
Integra Lifesciences Holding	IART	\$65.28	Rockwool Intl A/S-B SHS	RKWBF	\$338.50
Interactive Brokers Gro-Cl A	IBKR	\$77.37	Realpage INC	RP	\$61.10
ICU Medical INC	ICUI	\$265.78	Start Today CO LTD	SATLF	\$32.82
Idexx Laboratories INC	IDXX	\$217.89	Sino Biopharmaceutical	SBMFF	\$2.26
Illumina INC	ILMN	\$259.27	Santander Consumer USA Holdi	SC	\$19.25
IHS Markit LTD	INFO	\$50.25	Servicemaster Global Holding	SERV	\$55.57
Intuit INC	INTU	\$191.30	Sirius XM Holdings INC	SIRI	\$6.75
Cheniere Energy INC	LNG	\$63.97	SVB Financial Group	SIVB	\$309.48
Mastercard INC - A	MA	\$189.52	Sarepta Therapeutics INC	SRPT	\$92.98
Marathon OIL Corp	MRO	\$20.86	Santos LTD	STOSF	\$4.80
Microsemi Corp	MSCC	\$68.05	Suncor Energy INC	SU	\$38.96
Servicenow INC	NOW	\$176.89	Sysco Corp	SYU	\$64.77
NRG Energy INC	NRG	\$34.38	Atlassian Corp Plc-Class A	TEAM	\$62.83
Nutanix INC - A	NTNX	\$57.02	Tokyo Electric Power Company	TKECF	\$5.10
Oneok INC	OKE	\$64.76	Trend Micro INC	TMICF	\$58.82
Okta INC	OKTA	\$47.90	Stars Group Inc/The	TSG	\$33.80
Occidental Petroleum Corp	OXY	\$79.31	Ultimate Software Group INC	ULTI	\$259.33
Palo Alto Networks INC	PANW	\$199.70	Visa Inc-Class A Shares	V	\$129.52
Parsley Energy Inc-Class A	PE	\$33.06	Valero Energy Corp	VLO	\$115.48

U.S. 52-Week Lows:

Celgene Corp	CELG	\$84.21	Liberty Broadband B-	LBRDB	\$71.71
China Minsheng Banking Cor-H	CGMBF	\$0.90	Nomura Holdings INC	NRSCF	\$5.49
Colgate-Palmolive CO	CL	\$62.79	Nestle Sa-Reg	NSRGF	\$75.25
Grupo Bimbo Sab- Series A	GRBMF	\$2.15	NEW York Community Bancorp	NYCB	\$11.65
Intl Flavors & Fragrances	IFF	\$126.08	Bank Mandiri Persero TBK PT	PPERF	\$0.44
Industrias Penoles SAB DE CV	IPOAF	\$18.75	Regeneron Pharmaceuticals	REGN	\$286.32
Jardine Strategic Hldgs LTD	JDSHF	\$35.52	Societe Generale SA	SCGLF	\$49.70
L Brands INC	LB	\$33.35	Dentsply Sirona INC	XRAY	\$46.00

Canadian Equities of Interest*Listed Alphabetically by Symbol***OIL Crude (Sweet) 6/18 (CL/1 : US\$69.81), Net Change: 0.09, % Change: 0.13%, Vol: 716,368**

Not since gas was \$1.40/litre, a.k.a the good old days. Oil prices rose to their highest levels in nearly four years on Monday, boosted by the latest troubles for Venezuelan oil company PDVSA and a looming decision on whether the U.S. will re-impose sanctions on Iran. Brent Crude oil futures topped \$75 a barrel, their highest level since November 2014 while U.S. West Texas crossed \$70 a barrel for the first time since November 2014.

U.S. oil major **ConocoPhillips (COP)** has moved to take Caribbean assets of Venezuela's state-run PDVSA to enforce a \$2-billion arbitration award, three sources told Reuters. The move could deal a further blow to the company's declining oil output and exports. Industry analysts say if ConocoPhillips is successful, then it will limit the revenues PDVSA will have and give them even more problems paying their bills and producing their oil. Venezuela's oil output has halved since the early 2000s to 1.5 million bpd, hit by a lack of investment.

Separately, Saudi Arabian Energy Minister Khalid al-Falih said he was concerned about possible shortages of spare crude production capacity. Also boosting prices is the widespread expectation that U.S. President Donald Trump will withdraw from the Iranian nuclear pact. Trump has a May 12 deadline to determine whether to extend sanction waivers. British Foreign Secretary Boris Johnson is in the U.S. in an effort to convince the Trump administration to stay in the deal.

[Click here for more](#)

Aurora Cannabis* (ACB : \$8.11), Net Change: 0.08, % Change: 1.00%, Vol: 4,735,754

There are 32 towns in the U.S. named Aurora. Six in Wisconsin alone! Amazing! This is also amazing: Aurora is expected to report Q3 financial results this week. While Canaccord Genuity Life Sciences Analyst Matt Bottomley says he doesn't place particular importance on quarterly results during this period of rapid growth, the uncertainty is compounded by the recent acquisition of CanniMed. For the quarter, he forecasts revenue of \$16.3 million based on an estimated 1,485 kg of cannabis sold; this represents a 40% QoQ increase on the top line driven by increased sales volumes and pricing, as well as an expected small contribution from CanniMed.

As oils continue to grow as a proportion of overall sales in Q3, Bottomley expects that Aurora's average selling price will increase to \$8.60 per gram. However, while the company recently received its cultivation license for Aurora Sky, cannabis from this facility is not yet available for sale, and he expects the company continued to purchase product wholesale in the third quarter. For Q3, he forecasts adjusted EBITDA of \$0.7 million and EPS of (\$0.00).

Bottomley believes Aurora is positioned to be a leading cannabis producer in Canada. He remains bullish on the name ahead of construction milestones for Aurora Sky (as well as Aurora Sun) and the potential for a German production license in 2018, while CanniMed entrenches Aurora as a global medical player. Through the acquisition of Pedanios and its pursuit of a German production license, Bottomley believes Aurora has established itself in emerging European markets.

[Click here for more](#)

Aphria* (APH : \$10.30), Net Change: 0.49, % Change: 4.99%, Vol: 2,807,271

Quest▲ 10

Horizons Marijuana Life Sciences (HMMJ : \$16.73), Net Change: 0.30, % Change: 1.83%, Vol: 276,394

Ready to exhale. Last week, Canaccord Genuity Life Sciences Analyst Matt Bottomley had the opportunity to tour Aphria's "Aphria One" facility in Leamington, Ontario. Since his last visit prior to initiation of coverage in March 2017, the company has made substantial progress in its various expansion initiatives at this location. To date, management has completed its Part I, II and III build-outs, which now represent a combined ~300,000 sq. ft. of operational space that is currently capable of producing an annual output of ~30,000 kg. Further, its Part IV expansion (expected to produce its first sale in January 2019), will bring Aphria One to a total operational footprint of ~1 million sq. ft. with an annual capacity of ~100,000 kg at full crop rotation.

With dozens of facility tours under his belt over the past 18 months, Bottomley says Aphria One represents one of the largest cultivation sites (in terms of production already up and running) that he has seen to date. He believes having capacity up and running today is of particular importance in order to secure large purchase orders from many of the provincial authorities that will be responsible for rolling out retail distribution in the coming months. In addition to its cultivation footprint, Bottomley was impressed with the facility's high level of automation and increased oil extraction capabilities since his last visit.

Bottomley continues to believe that Aphria remains one of the more attractive large cap Licensed Producers on its relative valuation, with a two-year fwd EV/EBITDA multiple of 8.9x (a significant discount to its most comparable peers at 20.9x) and we would remain buyers at current levels.

[Click here for more](#)

Dorel Industries* (DII'B : \$25.03), Net Change: -1.97, % Change: -7.30%, Vol: 127,597

Quest▼2

The real toy story. Canaccord Genuity Consumer Products Analyst Derek Dley has downgraded Dorel Industries following its weaker-than-expected Q1/18 earnings results. After excluding a \$0.29 impact related to Toys "R" Us, adjusted EPS of \$0.46 was well below consensus of \$0.65 and last year at \$0.69. The results were challenged in all divisions for Dorel, and outside of Dorel Home, Dley says he does not see a material improvement in any of the headwinds faced during Q1/18 over the balance of the year – Dorel Sports is likely to remain challenged by softness at mass market retailers, and incremental promotional activity to clear out existing inventory. At Dorel Juvenile, sales trends in Chile appear to be deteriorating as online competition accelerates. Meanwhile, the company experienced some manufacturing inefficiencies during the quarter which are likely to continue in the near term.

At Dorel Home, which has been the bright spot for Dorel over the last three years, revenue declined 6% YoY to \$192 million as the division experienced a soft January, with growth reaccelerating in the back half of the quarter. E-commerce represented 50% of sales. Adjusted operating income declined 7.1% to \$18 million as higher operating costs to support e-commerce sales reduced quarterly profitability. Dorel Sports remained challenged in the quarter, with organic revenue declining 6.2%. The division was impacted by softness in the mass-market channel, and the pending bankruptcy at Toys "R" Us. Gross profit margin fell 30 bps due to an unfavourable sales mix.

At Dorel Juvenile, organic revenue increased 0.4%, with strong growth in international markets, namely Brazil and Peru. However, profitability was unfavourably impacted by a bevy of issues, including production issues at the company's China manufacturing facilities, higher commodity costs, and a more competitive market in Chile where a number of wholesale customers shifted to alternative on-line suppliers. Dley remains bearish on Dorel, calling for a deterioration in revenue and margin trends in the near term, reducing his EBITDA expectations meaningfully at Dorel Sports and Dorel Juvenile.

[Click here for more](#)

Ensign Energy Services* (ESI : \$6.05), Net Change: -0.26, % Change: -4.12%, Vol: 688,487

Quest▼3

Best Prince album? Ensign o' the times? Canaccord Genuity Oilfield Services Analyst John Bereznicki says that while Ensign met his Q1/18 revenue estimate, margin pressure and higher-than-expected G&A drove a \$7.9-million shortfall relative to his \$60.2 million EBITDA estimate (consensus EBITDA was ~\$58 million). While Ensign does not disclose geographic operating profit, Bereznicki believes Q1/18 margin pressure was likely broad-based with the company's domestic and international operations posting sizable y/y activity declines and its U.S. operation realizing a sequential decline in operating days.

The company generated Q1/18 domestic revenue of \$73.8 million (in line), which reflected a 12% y/y decline. Bereznicki estimates Ensign's domestic contract drilling fleet realized utilization of 31% in Q1/18 while its domestic well servicing unit realized utilization of 28% in the quarter (as expected). Ensign had 18 rigs under long-term contract at the end of Q1/18 (~21% of its fleet). Management continues to expect WCSB activity levels to be flat y/y (or down modestly) in 2018 driven by continued political uncertainty and widening oil and natural gas differentials.

Ensign's international segment generated Q1/18 revenue of \$59.1 million (in line), which reflected a 14% y/y decline. Bereznicki estimates this operation realized contract drilling utilization of ~33% in the quarter, which was ~300 bps below his forecast. Ensign had 12 (~20%) of its international rigs under long-term contract at the end of

the quarter. Management continues to expect its international activity levels to be up modestly this year barring a further deterioration in Venezuelan activity levels.

[Click here for more](#)

Hudson's Bay* (HBC : \$9.20), Net Change: 0.31, % Change: 3.49%, Vol: 334,846

Quest ▼ 1

Riocan REIT* (REI.UN : \$23.57), Net Change: 0.19, % Change: 0.81%, Vol: 818,299

Please take the pigeons, too. Iconic department store owner Hudson's Bay and joint venture partner RioCan REIT have signed a conditional agreement to sell HBC's flagship store in downtown Vancouver for about \$675 million to an Asian buyer, a person familiar with the matter told Reuters. The buyer, who owns a closely held real estate company, is seeking to arrange interim financing from at least one Canadian lender, according to the source. The source declined to identify or give the nationality of the buyer, but said the deal is expected to be finalized by mid-June.

HBC had said in October it was exploring the sale of the Vancouver property. At that time, the company, which owns Saks Fifth Avenue and Lord & Taylor, has said it would lease back space in the property if it is sold, and continue to operate the store. Earlier in October, HBC sold its Lord & Taylor building on New York's Fifth Avenue to WeWork Companies for US\$850 million, a 30% premium to its last appraised value.

Analysts note HBC has been battling an industry-wide slump for department store operators. HBC Executive Chairman Richard Baker and activist investor Jonathan Litt have previously butted heads on the future of North America's oldest company. Litt, founder of hedge fund Land & Buildings, last year valued HBC's real estate at \$35 a share, and called for the company to sell some stores, convert them to alternate uses or go private.

[Click here for more](#)

Quebecor* (QBR.B : \$23.33), Net Change: -0.12, % Change: -0.51%, Vol: 187,027

Quest ▼ 3

#BlameBergevin Quebecor is scheduled to report its Q1/18 results today. Canaccord Genuity Media & Telecom Analyst Aravinda Galappatthige is looking for \$385.3M in consolidated EBITDA (+5.5% y/y) led by sharp growth in wireless profitability closer to 30% y/y and 1.5% growth in wireline EBITDA. This compares with consensus of \$386.5M. Galappatthige's revenue estimate of \$1,026.1M implies 3.0% growth with Telecom growth projected at 4.0% (wireless +18.5%). His adj. EPS is at \$0.29 vs consensus of \$0.32.

Galappatthige expects wireless momentum to continue, looking for solid growth in wireless yet again with revenues projected to grow 18.5% y/y to \$169.4M, reflecting no loss of momentum from recent quarters. He is calling for 24.9k in wireless net adds in Q1/18 vs. 27.0k last year, generally in line with Street expectations. However, considering the Q4/17 beat and current industry strength Galappatthige says he would not be surprised to see another above-consensus result. He also sees ARPU growth continuing to tick up following the slowing in Q3/17.

Videotron's subscriber returns in Q1 will be keenly watched given that **BCE (BCE)** reported stronger internet and residential line numbers. Considering that **Rogers (RCI.B)** held its ground fairly well in Q1/18, one is tempted to wonder whether Bell's gains came at the expense of Videotron.

Galappatthige believes investors will remain focused on the potential Caisse repurchase and the January 2019 timeline, not to mention Quebecor's holdco discount. He believes the holdco discount remains material despite the sharp upswing in the stock in 2017 and could further dissipate as we get close to the January 2019 timeline, even in the event of a partial (but material) repurchase of the remaining 18.47% interest.

[Click here for more](#)

U.S. Market Strategy

Now is NOT the time to get cautious

Canaccord Genuity Chief Market Strategist Tony Dwyer says that with the **S&P 500 (SPX)** down the better part of 10% over the past three months, there is a clear sense of caution in the current environment. Clearly, the proper time to get nervous for a pullback would have been in late January when investors were talking about the synchronized global recovery, Fed fear was low, business and consumer confidence were bumping up against record highs, and it was nearly impossible to find a bearish newsletter writer. In the first three weeks of 2018, the S&P 500 rallied 7.5% on these factors. That was time to be nervous.

But now is NOT the time to be nervous, Dwyer argues. With the recent FAANG and Bank drubbing, the near 10% correction feels a lot more real to many investors. Talk of inflation driving long-term interest rates higher, mid-term elections causing political upheaval, recognition of slowing global and domestic growth from the peak, and much more uncertain monetary policy has investors on edge. That said, Dwyer notes the drivers of the nine-year bull market remain firmly in place:

- **Core Inflation remains in the middle of its 30-year range**, with average hourly earnings growth flat over past two years. The higher average hourly earnings growth that caused a spike in rates in January has since been revised and the most recent trend does not appear worrisome.
- **A still-positive yield curve, with no recession in sight.** Dwyer again points to his study over recent months showing that over the past seven economic cycles, a recession takes place a median 19 months after the initial date of inversion of the 2-10yr U.S. Treasury yield spread. It has taken even longer over the past three cycles.
- **EPS likely up 25% in 1Q/18 and over 20% for CY2018.** Obviously, the 2017 Tax Cut legislation and improved regulatory environment have helped ramp EPS for the current quarter and year. The great news is that top-line growth should be up 8.4% for the quarter and mid- to upper-single digits the rest of the year. In addition, given the current trend of the economic data and slope of the yield curve, Dwyer believes it would take an economic catastrophe to cause our 2018 operating EPS of \$155 to be too high.
- **Near-record-high profit margins despite the fear labor inflation and higher input costs.** Have you ever noticed the negatives are always considered dynamic, while the positives are considered static? Despite fear of inflation hitting corporate profit margins, top-line growth and price flexibility must be in part responsible for record high margins.
- **Any valuation compression has been due to sharply higher earnings** vs. any significant increase in rates over the last three months. The SPX entered the year at 20x trailing 2017 operating EPS, and if the market is flat from current levels by the end of the year, it would trade at just 17x with no significant increase in core inflation or recession in sight.

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U.S. Equities of Interest

Listed Alphabetically by Symbol

Berkshire Hathaway* (BRK'A : US\$295600.00), Net Change: 3000.00, % Change: 1.03%, Vol: 0,253 Quest► 7

Stay off my lawn! Billionaire investor Warren Buffett on Monday said buyers of bitcoin, which he has characterized as "rat poison squared," thrive on the hope they'll find other people who will pay more for it. Lkening bitcoin demand to the tulip bulb mania in 17th century Holland, Buffett, the chairman and chief executive of Berkshire Hathaway, said the mystique behind the cryptocurrency has caused its price to surge. "If you don't understand it, you get much more excited," Buffett told CNBC. "People like to speculate, they like to gamble."

Buffett said investors now are much better off owning U.S. stocks, whose prices are elevated but not in a “bubble,” and it would take a “nanosecond” for him to choose stocks over 10- or 30-year U.S. government bonds now yielding around 3%. Charlie Munger, Buffett's long-time business partner and a Berkshire vice chairman, is also not a bitcoin fan, describing it as “worthless artificial gold.” He likened it to Oscar Wilde's definition of fox hunting, calling it “the pursuit of the uneatable by the unspeakable.”

Buffett, 87, and Munger, 94, spoke two days after they presided at Berkshire's annual shareholder meeting in Omaha, Nebraska. It was the first meeting since Berkshire elevated long-time executives Greg Abel and Ajit Jain to vice chairmen, making them top contenders to replace Buffett as chief executive. Berkshire has said its board knows who would become chief executive if the need arose. One of its members, **Microsoft (MSFT)** co-founder Bill Gates, said on CNBC “it's not a horse race” between Abel and Jain.

Buffett renewed his desire to spend some of Berkshire's low-yielding cash on a major acquisition. He said he would be happier if Berkshire had \$30 billion of cash and equivalents, not the \$108.6 billion it reported holding at the end of March. “If a \$100-billion deal came along that Charlie and I really liked, we'd get it done,” he said.

Celgene* (CELG : US\$84.50), Net Change: -2.38, % Change: -2.74%, Vol: 7,864,686 Quest▶ 6

Canaccord Genuity Biotechnology Analyst John Newman remains bullish on Celgene following Friday's Q1/18 results, noting total Revlimid (its flagship cancer treatment) net sales of \$2.23B beat consensus of \$2.21B and his estimate of \$2.18B, based on continued volume growth and longer treatment duration due to adoption of triplet combinations treatment, a strong indicator of long-term growth. This is further supported by Celgene's updated ~\$9.5B guidance for FY18 Revlimid net sales, a +~15% YOY change.

Ex-US Revlimid sales of \$747M was above the consensus of \$744M, driven by growth in Newly Diagnosed Multiple Myeloma (NDMM) market share in ex-U.S. markets, in addition to the increasing adoption of triplet therapy for RRMM and growth in post-ASCT maintenance therapy. Newman is looking for positive Phase 3 AUGMENT and ROBUST readout in 2018, and triplet data for NDMM in 2018 to further assess the growth potential of Revlimid.

Newman continues to like Celgene, based on his expectation of continued upside from the pipeline and the company's strong execution of pipeline diversification and expansion based on organic R&D, in-licensing, and M&A. He's encouraged by the steady growth in Revlimid to help support Celgene's business development strategy to acquire and expand the existing pipeline. Furthermore, Newman is looking forward to strong data update from the CART programs, which could help strengthen Celgene's leadership in hematological oncology space while bolstering defence against future generic pressure on Revlimid by pivoting to biologic therapy.

[Click here for more](#)

Plug Power* (PLUG : US\$1.86), Net Change: 0.06, % Change: 3.33%, Vol: 3,558,535 Quest▼ 1

In for a shock? Canaccord Genuity Sustainability Analyst Chip Moore has previewed Plug Power's Q1/18 results, expected tomorrow before the open. He models GAAP gross revenue (before warrants) of \$32.4M, with corresponding adjusted EPS of ~\$(0.06) and adjusted EBITDAs of ~\$(6.6)M (vs. consensus at ~\$34.6M/\$(0.02)/\$(6.2)M). For the unfamiliar, Plug Power is an established developer and provider of hydrogen and fuel cell technology alternative energy solutions. The company's flagship offering is its turnkey GenKey system (including fuel cell solutions for forklifts, hydrogen fueling infrastructure and dedicated service support), with ~20,000 cumulative GenDrive fuel cell units deployed to material handling customers worldwide (60+ sites installed, over 150M operating hours).

Moore continues to look for potential accelerated market momentum in the '19+ timeframe (moving towards \$500M+ annual deployment goal in 2022) given newly enacted investment tax credit tailwinds (for projects commencing before year-end 2021 and commissioned by 2024) and ongoing growth initiatives. Net, Moore remains constructive on the longer-term opportunity taking shape.

Beyond progress in the core forklift market (and thoughts on recent Hyster-Yale/Ballard agreement), Moore is also look for updates on the recent delivery of the first ProGen powered fuel cell electric vehicle to **FedEx (FDX)** for on-road use (built by Workhorse Group). The vehicle has already proven itself during ~3,000 miles of initial tests (with ~27,000 miles of on-road experience expected over next ~six months).

In terms of visibility, ~75% of '18 guidance is currently booked, with **Walmart (WMT)** and **Amazon (AMZN)** accounting for ~60% of the projection. Importantly, the recent convertible notes offering provides Plug with additional financial flexibility (supporting strategic growth plans for '18+ at attractive rates, in Moore's view.

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Starbucks* (SBUX : US\$57.44), Net Change: -0.24, % Change: -0.42%, Vol: 10,575,607

Quest▶ 6

Clooney, beaten by a mermaid. As Bloomberg noted yesterday, for years, a smoldering George Clooney would sip his espresso and ask: "Nespresso...what else?" Turns out the answer is: Starbucks. In the third-biggest transaction in Nestle's 152-year history, the Swiss food giant will spend \$7.15 billion for the right to market Starbucks products from beans to capsules, marrying its international distribution network with the allure of arguably the biggest name in java.

Nestle won't get any physical assets in the deal. Instead, CEO Mark Schneider is harnessing the name recognition of Starbucks (heard of them?), with its 28,000 outlets around the globe and massive draw in the U.S. Nestle has struggled there for years with its own products like Nespresso and Dolce Gusto.

Analysts note that Nestle could use a jolt – sales rose at their weakest pace in more than two decades last year. By entering a marketing pact with Starbucks, the Swiss company is revealing the limits to growing with Nescafe and Nespresso. Nestle's Nespresso portioned-coffee business is one of its largest growth engines, but knockoff capsules – including Starbucks-branded ones – that are compatible with the machines have dented revenue. The new deal will give the Swiss company control of Starbucks capsules, among other products. It comes as Nestle's Nescafe brand of instant coffees has lost market share in four of the past five years, according to Euromonitor.

Tyson Foods* (TSN : US\$67.22), Net Change: 0.25, % Change: 0.37%, Vol: 4,057,222

Quest▲ 8

Nothing like a little Monday morning meat sweat. Tyson Foods pared sharp early losses on Monday following last-half profit optimism after its quarterly profits missed Wall Street estimates, as the biggest U.S. meat processor felt the brunt of higher freight and labour costs. For the second quarter ended March 31, net income fell to \$315 million, or \$0.85 per share, from \$340 million, or \$0.92 per share, a year earlier. The company paid \$109 million in one-time cash bonuses to its employees across its businesses as it passed on the benefits on of changes in the U.S. tax code. Excluding certain items, Tyson earned \$1.27 per share, while revenue rose 7.6% to \$9.77 billion; analysts on average had expected earnings of \$1.30 per share on \$9.89 billion.

Tyson, like other U.S. meat processing and packaged food companies, has been facing higher transportation costs as railroads and truck fleets have raised prices amid a shortage of drivers, reduced capacity, higher fuel prices and a strengthening U.S. economy. The rise in freight costs had a net effect of about 14 cents per share for the quarter, with a full-year estimated impact of roughly \$250 million, up from the first-quarter estimate of \$200 million, Tyson CEO Tom Hayes said on a conference call. "While we were climbing the hill, the grade steepened," said Hayes. Some of that cost will be passed on to consumers at the meat case, he added.

Shares dropped in initial trading in response to the earnings news, but later rose from opening lows in anticipation of fewer challenges facing the industry with respect to freight and labour issues in the coming quarters. "We think the back half of the year looks a lot stronger and that's positive for our business," said Stewart Glendinning, Tyson's CFO. Hayes noted the company was not significantly affected by the 25% additional tariff on U.S. pork imposed by China in early April in response to higher duties by Washington on Chinese steel and aluminium. Tyson sells less than 0.5% in total pork sales to China; in 2017 that was about \$150 million, said Hayes.

But note the maker of Ball Park hotdogs and Jimmy Dean sausages is facing higher feed costs as prices of commodities like soybean and corn increase. It expects chicken feed costs to rise by about \$100 million in fiscal 2018. Tyson also lowered its fiscal 2018 sales forecast range by \$1 billion to \$40-41 billion.

Expected Earnings

Source: Thomson Reuters

George Weston Ltd (WN). Expected Q1 earnings of C\$1.41 per share
Gibson Energy Inc (GEI). Expected Q1 earnings of 7 cents per share
Home Capital Group Inc (HCG). Expected Q1 earnings of 39 cents per share
Intact Financial Corp (IFC). Expected Q1 earnings of 86 cents per share
Keyera Corp (KEY). Expected Q1 earnings of 40 cents per share
Kinross Gold Corp (K). Expected Q1 earnings of 5 cents per share
Peyto Exploration & Development Corp (PEY). Expected Q1 earnings of 33 cents per share
Quebecor Inc (QBRb). Expected Q1 earnings of 32 cents per share
Sun Life Financial Inc (SLF). Expected Q1 earnings of C\$1.11 per share
TransAlta Corp (TA). Expected Q1 earnings of 2 cents per share
Valeant Pharmaceuticals International Inc (VRX). Expected Q1 earnings of 59 cents per share
WestJet Airlines Ltd (WJA). Expected Q1 earnings of 36 cents per share
Xenon Pharmaceuticals Inc (XENE). Expected Q1 loss of 48 cents per share

THE LAST DROP: I'm starting a candy company & it's going to be amazing... I am super super serious... It just occurred to me that the plot of Willy Wonka is really messed up... Ok ok, just for sake of argument, what do u wish for in candy?... Cryptocandy... Warren B will not be able to resist investing!

– Elon Musk @elonmusk 

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How the triAngle score is calculated

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