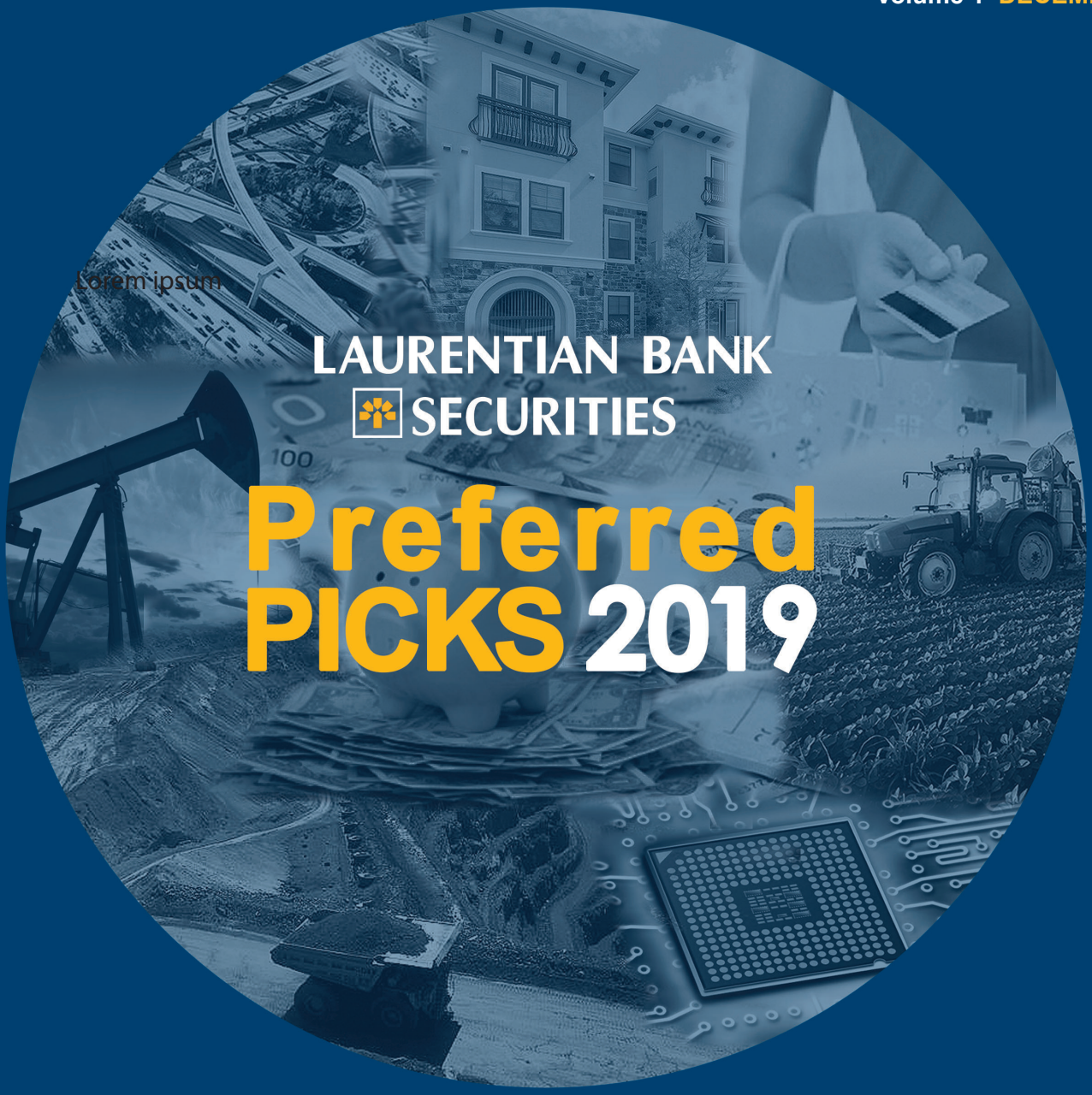
Volume 1 DECEMBER 2018



LAURENTIAN BANK SECURITIES

Preferred PICKS 2019

CONSUMER PRODUCTS & SPECIAL SITUATIONS

DIVERSIFIED AGRICULTURE

DIVERSIFIED TECHNOLOGY

SPECIAL SITUATIONS

TRANSPORTATION & INFRASTRUCTURE

MINING

OIL & GAS

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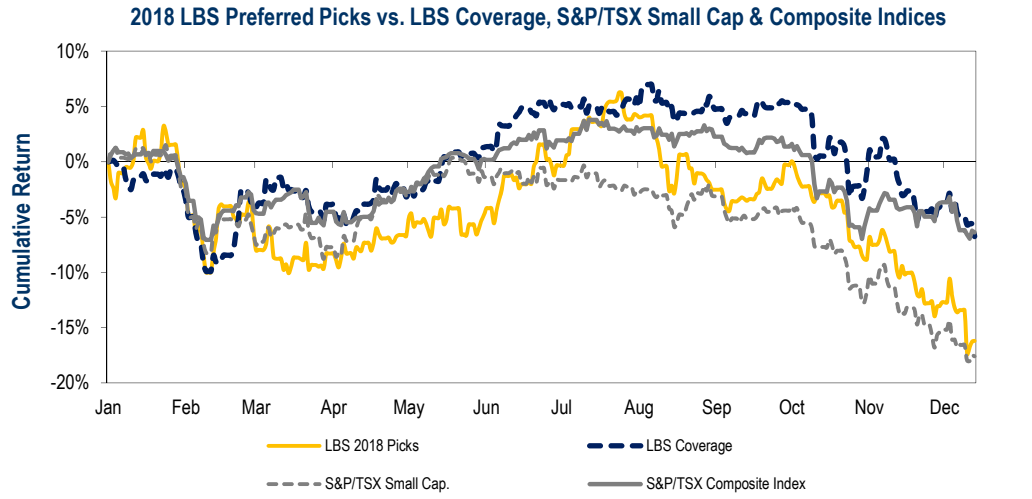
LAURENTIAN BANK SECURITIES

INSTITUTIONAL EQUITY

2019 LBS Preferred Picks

Our Annual Institutional Equity Preferred Picks report summarizes our best investment ideas for 2019 as well as our outlook for each sector in the Laurentian Bank Securities coverage universe.

Year to date, our 2018 preferred picks had a mixed performance with our picks outperforming the S&P/TSX Small Cap Index by 140bps, but underperforming the S&P/TSX Index due to our Industrials and Energy picks. Our overall coverage universe performance was similar to the S&P/TSX performance at -6.8%. LBS's 2018 picks, which included Wesdome (best performer with 70.6% return YTD), Solium Capital, DIRTT Environmental, People Corp., Rubicon Minerals, Brick Brewing, IBI Group and Paramount Resources, returned -16.2% (equal weighted) and -27.9% (market cap weighted) which was below the S&P/TSX Composite Index's return of -6.4%, negatively influenced by the Energy weighting. Despite the market volatility in 2018, we continue to demonstrate our ability in selecting early stage companies, reflective in our outperformance relative to the Small Cap Index, and in focusing on sound coverage names given our historical outperformance relative to the broader S&P/TSX Index.



Note: LBS Coverage, S&P/TSX Composite and S&P/TSX Small Cap indexes are capitalization weighted and include dividends. LBS Picks are equal weighted and include dividends. Top Pick ratings are reported as 200% of returns plus dividends, Buy ratings reported as 100% of returns plus dividends, Hold ratings are not considered in the return calculation and Reduce ratings reported as -100% of returns plus dividends; LBS coverage does not include discontinued companies.
Source: Thomson Reuters Eikon; LBS.

As we enter 2019 under a cloud of market volatility and economic uncertainty, our basket of preferred picks, generally speaking, is defined by two key attributes: defensive but with "torque". The basket is comprised of names characterized by solid industry fundamentals, steady growth, and overall good liquidity. At the same time, should markets re-establish their upward trend in 2019, our collective picks have a meaningful beta, thus should stand to benefit to the upside.

Sector	Analyst	Company	Ticker	Rating	Risk Rating	Mkt Cap (M)	Price	Target	Div. Yield	1-yr RoR
Consumer Products & Special Situations	Elizabeth Johnston	CCL Industries Inc.	CCL.B-T	Buy	Medium	$9,541	$53.60	$71.00	1.0%	33.4%
Diversified Agriculture	John Chu	Nutrien Ltd.	NTR-T	Buy	Medium	$29,667	$47.05	$70.00	3.7%	52.4%
Diversified Technology	Nick Agostino	Savaria Corporation	SIS-T	Buy	Medium	$562	$12.50	$20.00	3.4%	63.4%
Domestic Mining	Barry Allan	Wesdome Gold Mines Ltd.	WDO-T	Buy	High	$486	$3.60	$6.25	0.0%	73.6%
International Mining	Ryan Hanley	Argonaut Gold	AR-T	Buy	High	$224	$1.26	$2.75	0.0%	118.3%
Oil & Gas	Todd Kepler	Whitecap Resources Inc.	WCP-T	Buy	High	$1,880	$4.53	$9.50	7.1%	116.8%
Real Estate	Yashwant Sankpal	BSR REIT	HOM.U-T	Buy	Medium	$333	$8.38	$11.00	6.0%	37.2%
Special Situations	Chris Martino	People Corporation	PEO-V	Buy	High	$424	$7.00	$9.75	0.0%	39.3%
Transportation & Infrastructure	Mona Nazir	WSP Global Inc.	WSP-T	Buy	Medium	$6,429	$61.62	$81.00	2.4%	33.9%

T - Toronto Stock Exchange, V - TSX Venture Stock Exchange *Pricing as of Dec. 13, 2018.*
Source: Thomson Reuters Eikon; LBS.

Cameron Baker, CFA M.IM.| Head of Equities

INSTITUTIONAL EQUITY

All pricing as of December 13, 2018 unless otherwise indicated.

CONSUMER PRODUCTS & SPECIAL SITUATIONS

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Our preferred pick is CCL Industries (CCL.B-T). The company has reported consistent revenue growth (an estimated 22% 5-yr CAGR), driven by growth from acquisitions and supplemented by positive consolidated organic growth. Organic growth has remained strong within the core CCL segment and benefitted from multiple regions and sub-segment growth. Within Food & Beverage, CCL has continued to benefit from the 'premiumization' in packaging decoration (which includes sleeves), which consumer companies are using to help drive sales of premium brands and products. While we forecast that the majority of the growth in EBITDA is coming from the top line, there remains an opportunity for improvement in EBITDA margin, particularly within the Innovia segment (~11% of consolidated revenue). EBITDA margin in this segment has been under pressure y/y, further to rapidly rising resin prices coupled with the lag in passing along these costs. Looking ahead, we see multiple factors which should start to benefit margin through 2019 including a moderation in resin prices, the start-up of a new line in Mexico (Treofan), and longer term, the tightening of pricing pass-throughs. In terms of M&A, the company's balance sheet remains well-positioned and they have recently indicated that purchase price multiples have moderated - thus we expect CCL to remain acquisitive.

Restaurants: Anticipating Moderate SSSG Overall in 2019

Among Canadian-listed restaurants, average SSSG in 2018 YTD has remained in the low-single digit range, with the exception of **A&W Revenue Royalties IF (AW.UN-T)** which has outperformed the group and rebounded from 2017, with the growth driven by menu innovation and supported by menu price increases. Across all brands, menu re-pricing in excess of typical increases was in part driven by minimum wage increases (Ontario over +20%, and other provinces), but we believe this was offset by traffic declines (in part relating to these higher prices in certain markets). As we head into 2019, we believe restaurant SSSG will generally remain moderate, as brands work through ongoing labour challenges (both in regards to cost and availability) and to compete for consumer dollars against existing and new players (i.e. third-party delivery; meal kits) in what remains a highly competitive environment.

M&A Remains an Important Source of Growth

Within our coverage universe overall, M&A remains a key driver of revenue growth for multiple companies. **Boyd Group IF (BYD.UN-T)** is anticipated to remain active in 2019, with tuck-ins making a meaningful contribution to revenue growth. M&A is anticipated to be a part of **IPL Plastics' (IPLP-T)** growth, though the company is expected to look at strategic-type acquisitions. **Uni-Select (UNS-T)** has historically been acquisitive, particularly with tuck-ins, though we note that given the ongoing strategic review, coupled with the higher leverage, we have a limited expectation for M&A activity in 2019.

CCL Industries Inc.
(CCL.B-T – $53.60)
Buy – Target Price: $71.00

Company Profile

CCL Industries is a global specialty packaging company with four business segments: (1) CCL; (2) Avery; (3) Checkpoint; and (4) Innovia (specialty films). CCL operates 154 manufacturing facilities in 36 countries and has over 20,000 employees. For 2018, we forecast that the company will generate $5.2B in total sales.

Source: BigCharts.com

Market and Company Data

Ticker *	CCL.B-T	**FD Shares O/S (M)**	178.0
Rating	Buy	**Market Cap (M)**	$9,541
Risk	Medium	**Float O/S (M)**	170.9
Price	$53.60	**Float Value (M)**	$9,159
1-Yr Target	$71.00	**Avg Daily Volume (k)**	650
Dividend	$0.52	**Enterprise Value (M)**	$11,582
1-Yr ROR	33.4%	**Control Blocks:**	
52 Wk High-Low	$67.74-$50.42	*1281228 Ontario Inc.*	17%
Valuation	12.5x 2019E/20E EBITDA		
BVPS	$13.81	**Net Debt/EBITDA**	2.0x
Year End	Dec 31	**Next Reporting**	Feb-19

Adjusted EPS (FD)	Q1	Q2	Q3	Q4	Annual	P/E
2017	$0.56 A	$0.67 A	$0.60 A	$0.81 A	$2.64 A	20.3x
2018E	$0.68 A	$0.69 A	$0.66 A	$0.69	$2.73	19.7x
2019E	$0.77	$0.76	$0.71	$0.81	$3.05	17.6x
2020E					$3.28	16.3x
Adjusted EBITDA ($M)						
2017	$211.4 A	$248.4 A	$240.1 A	$259.0 A	$958.9 A	12.1x
2018E	$249.1 A	$255.0 A	$246.7 A	$254.1	$1,005	11.5x
2019E	$277.2	$269.1	$256.1	$282.4	$1,085	10.7x
2020E					$1,133	10.2x

* Represents primary ticker; Voting shares trade under the ticker CCL.A-T

Source: Company reports; Thomson; Bloomberg; LBS estimates.

Core Operations Solid; Anticipating CCL to Remain Acquisitive

Investment Thesis and Rationale

CCL is a global specialty packaging company with diversified geographic exposure and a multinational customer base. The company produces value-add solutions for its customers. The company has grown both organically and through acquisitions, with strong organic growth from its core label segment. M&A is part of the growth strategy (tuck-ins and platform acquisitions) and transactions can be completed at favourable multiples. CCL tends to transact at purchase price / EBITDA multiples in the range of 4x-7x (which compares to their LTM EV/EBITDA multiple of ~11.5x). With leverage at 2x at the end of Q3/18 (and forecasted to reduce to 1.4x by the end of 2019E), we expect the company to remain active.

Key Catalysts

Innovia margin poised to improve. This improvement is anticipated in the near term from the moderation of the pace of resin price increases, in the medium term from additional capacity (which will come online in 2019; Treofan), and longer-term from the tightening of resin price passthroughs. In order to be conservative, our forecast does not include any Innovia margin improvement and therefore this represents upside to our estimates (Innovia represents ~11% of consolidated revenue and ~6% of adjusted EBITDA).

Valuation

Our $71.00 target price is based on 12.5x our 2019E/2020E EV/EBITDA. This compares to the peer group which trades at ~9x forward. Historically, CCL has traded at a premium, an average of 2x higher than the peers (3-year average). We believe that a premium multiple remains appropriate given the company's market-leading position, organic growth profile, future growth from recent acquisitions and the potential future M&A activity.

Key Risks

Rapid changes in input costs. Input costs, particularly resin, can meaningfully impact EBITDA margin, and we have seen the effects of higher resin prices impacting EBITDA margin through 2018. **An economic slowdown could put pressure on label volumes and/or pricing,** which could be negative for CCL. **The secular decline in Avery's legacy product lines** have led to negative organic growth in this segment, and there is a risk that the pace of decline could accelerate and that growth from the printable media / direct-to-consumer products do not offset this decline.

INSTITUTIONAL EQUITY

DIVERSIFIED AGRICULTURE

John Chu, MBA, CFA | ChuJ@lb-securities.ca • 416 941-7701

Our preferred pick is Nutrien Ltd. (NTR-N, NTR-T). On the back of recently raised 2018 guidance and an increased dividend (up 7.5%), we believe this sets the stage for a good 2019. A strong 2018 harvest in N.A and S. America should drive 2019 fertilizer demand, which along with expected global supply constraints (nitrogen and potash) should result in an ongoing tight market and help keep fertilizer prices firm. The Dec/18 completion of NTR's SQM stake (>US$4B in proceeds) should drive an aggressive retail growth strategy (U.S., Brazil, Australia) in 2019. As such, we expect the company to extend the momentum from 2018 into 2019.

China / U.S. Trade War Resolution Could Be an Indirect Catalyst

As China and the U.S. renew trade discussions, there is optimism the two sides may reach a resolution. As noted in our June 20, 2018 note, a trade war would hurt U.S. farmers (more so soy than corn farmers) but Canada and Brazil could be beneficiaries as alternative sources of supply (soy, corn, wheat, beef); as such, more global-oriented companies are less likely to feel much of an impact. In addition, a trade resolution should also kick-start China's ethanol mandate (10% ethanol blend by 2020) given that the U.S. is the world's biggest corn and ethanol exporter. This would bode well for fertilizers (Nutrien) and grain handling equipment (Ag Growth).

Fertilizers and Storage Should Fare Well but Farm Equipment Could be Peaking

Fertilizer demand is expected to remain robust in 2019. While prices have shown good momentum in 2018, we are seeing some signs that prices may be slowing or peaking. Nonetheless, we expect the fertilizer market to remain healthy in 2019. Similarly, on the back of continued strong crop harvests and ongoing soft crop prices, demand for grain storage should remain solid in 2019 as should demand for portable grain handling equipment. With respect to farm equipment (tractors, combines etc.) we remain concerned that demand may be peaking as recent data, especially for large equipment (100+ HP, combines etc.), has been weak the past few months (double digit y/y declines for Aug, Sep, Oct). As such, we are more inclined to have investors focus on the fertilizer (Nutrien) and storage (Ag Growth) sectors as a means to gain exposure to the global agriculture sector.

Alcohol Sector to Chug Along but Cannabis-infused Drinks / Edibles a Potential Headwind

While not recession proof, the alcohol sector is generally more recession resilient than other sectors. Consumers tend to purchase less from drinking establishments (bars, restaurants) and more for home and have shown a tendency to switch to more value products than more expensive ones. As such, we expect industry leaders in the wine (Andrew Peller) and craft beer (Brick Brewing) sectors to be resilient should a recession occur or otherwise continue to see ongoing solid volume growth. We believe companies with brand loyalty, wide distribution (LCBO, grocery stores, The Beer Store, and overall shelf space) and a broad product portfolio that spans from value brands to premium should continue to perform well in 2019. However, we are mindful of the impact cannabis-infused beverages and edibles may have on the alcohol sector. Based on some studies of some U.S. states where adult-use cannabis is already legal, the data has shown alcohol sales have declined by as much as 15% since legalization. We also note that the LPs in Canada have deeper pockets and strong JV partners that can assist with formulation, branding and overall credibility, which should help accelerate market penetration in Canada.

Cannabis Industry Leaders should Rise Above the Noise

We believe the sector will continue to go through some growing pains as supply falls short as LPs ramp up production. Demand will remain somewhat muted through Q2/Q3 until brick and mortar retail outlets ramp up in Ontario and B.C. (recall, in Ontario, retail sales are restricted to online sales only with a private retail store model expected to be launched in April 2019). However, an announcement on the timing of legalizing edibles (expected Oct/19 or late 2019) should act as an industry catalyst. There should be ongoing news of new countries legalizing medical cannabis, which should suggest a rapidly growing global market opportunity. Overall, we expect near-term headwinds, which should start to alleviate as we enter H2/19 as new retail stores open and as edibles are formally introduced to the marketplace. We believe investors should focus on the industry leaders (Aurora, Canopy, and HEXO) as the best way to weather potential near-term industry shortfalls while also have upside exposure when edibles become formally legalized.

Nutrien Ltd.
(NTR-N, NTR-T – US$47.05)
Buy – Target Price: US$70.00

Company Profile

Nutrien is a major global producer and distributor of agricultural products and services. The company has a wholesale division which supplies products (i.e. fertilizers) to distributors around the world. Nutrien also has a retail division which is the number one retail distributor in North America and globally by a considerable margin. This division provides advice and products (e.g. crop nutrients, crop protection, and seeds) directly to farmers.

Source: BigCharts.com

Market and Company Data

Ticker	NTR-N; NTR-T	**Shares O/S (M)**	630.5
Rating	Buy	**Market Cap (M)**	$29,667
Risk	Medium	**Float O/S (M)**	630.5
Price	$47.05	**Float Value (M)**	$29,667
1-Yr Target	$70.00	**Avg Daily Volume (K)**	367
Yield	3.7%	**Enterprise Value (M)**	$45,841
1-Yr ROR	52.4%	**Control Blocks:**	Mgmt & Dir
52 Wk High-Low	$58.99 - $44.04	*Voting*	0%
BVPS	$22.41	*Equity*	0%
Valuation	11.8x Q4/19-Q3/20 EBITDA	**Net Debt/Cap**	30%
Year End	31-Dec	**Next Reporting**	Feb-19

EPS (US$, FD, ex-FX, gains)

	Q1	Q2	Q3	Q4	Annual	P/E
2018E	$0.16 A	$1.48 A	$0.47 A	$0.61	$2.72	17.3x
2019E	$0.25	$1.49	$0.56	$0.79	$3.08	15.3x
2020E					$3.43	13.7x

EBITDA (US$M, ex-FX, gains)

	Q1	Q2	Q3	Q4	Annual	EV/EBITDA
2018E	$553 A	$1,604 A	$839 A	$1,038	$4,034	11.4x
2019E	$724	$1,717	$953	$1,141	$4,535	10.1x
2020E					$4,695	9.8x

Source: Company reports; Bloomberg; LBS estimates.

Building Off of a Good 2018

Investment Thesis and Rationale

We believe the company's first year as Nutrien was a success with the completion of potash investment stakes, a dividend hike (up 7.5%), a completed NCIB and synergy targets raised several times during the year.

A better than expected recovery on the macro fertilizer front (volume and prices) also added to the company's overall performance in 2018. A good 2018 harvest in the U.S. and South America point to an ongoing healthy fertilizer market where demand should remain robust, supply tight from plant closures, and as a result prices remaining firm.

Key Catalysts

Aggressive M&A/expansion. On the back of >US$4B in proceeds from the sale of NTR's SQM stake, we expect to see an accelerated approach to its retail growth strategy through M&A and greenfield expansions with a focus on the U.S., Brazil and Australia.

Synergies. NTR raised its 2018 synergies target twice in 2018 and recently raised its 2019 target to US$600M, from US$500M. We believe we could see this target raised in H2/19.

China ethanol mandate. A China/U.S. trade war resolution could help kick-start China's ethanol policy, which could see the U.S. as one of the biggest beneficiaries (e.g. corn or ethanol exports to China). NTR could benefit from the high corn demand (corn is a big consumer of nitrogen).

Valuation

NTR is trading at 8.6x forward EV/EBITDA, which is a ~25% discount to our estimated pro forma historical average (2013+) for NTR of ~11.5x.

Valuation catalysts. 1) scarcity value – we have long maintained that recent mega-mergers in the ag sector should eventually lead to a valuation re-rating in the sector, in which NTR could be a beneficiary; and 2) an accelerated M&A / expansion strategy may warrant a higher valuation as well.

Key Risks

1) China exporting more nitrogen; 2) global fertilizer demand falls short of expectations; and 3) M&A and expansion develops more slowly than expected.

INSTITUTIONAL EQUITY

DIVERSIFIED TECHNOLOGY

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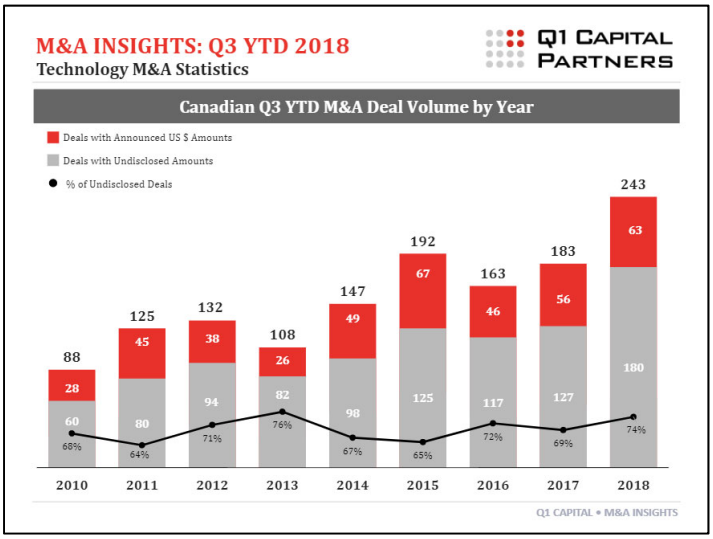
Our preferred pick is Savaria Corporation (SIS-T). Heading into 2019 with volatile market conditions fueled by economic and tariff uncertainty, we opted for a name with defensive characteristics while offering the ability for investors to benefit from meaningful torque should market overhangs subside. In picking Savaria we note its underlying favourable demographics supported by an aging population and take comfort in the ~3% dividend yield, consistent dividend increases, a 2-year low in trading multiple (11x) and strong CF generation characteristics. Generally speaking, the company has done a good job meeting sales expectations, in part by delivering above-industry organic growth rates; we expect this to continue in 2019. In our view, successful M&A integration during 2019 should help return margins to normalized levels, coupled with further strategic acquisition activity, we see an opportunity for Savaria's premium multiple to be restored.

M&A Activity to Remain Unabated

Healthy M&A activity has been prevalent within our coverage universe and at the forefront of the technology industry over the last few years, fueled by favourable stock currencies, growth multiple expectations and business scale aspirations. With the recent sell-off in publicly-traded equities, we believe with time this will drive attractive valuation opportunities within the private market coupled with more willing sellers. Concurrently, an agreement on a new USMCA deal could fuel increased activity among U.S.-based assets, and could include acquisitions of AI and ML assets. With strong balance sheets from most of the companies in our universe, we anticipate 5N Plus, Descartes, Savaria and Solium to be willing shoppers, and to a lesser extent TECSYS, given the closing of its recent transaction.



Sale or Divestiture of Assets

Over the course of the last 12+ months, we have seen notable technology company sales including PayPal's acquisition of Tio Networks in the payment space and Searchlight Capital Partner's acquisition of Mitel Networks in the telecom arena. An evolving technology landscape and a new corporate tax framework in the U.S. should keep companies active in the sale of technology assets, in whole or in part, or the divestiture of non-core or under-performing assets. We expect sale/divestiture activity to continue within the Canadian technology market in 2019, and within our coverage universe highlight Mediagrif, with its ongoing strategic review, as a potential seller of assets in whole or in part. To a lesser degree given current depressed valuations, we highlight BSM Technologies.

Double-digit Cash Flow Growth to Expand Beyond Cloud Names

During 2018, with increasing scale, solid sales growth and strong operating leverage, we have witnessed continued growth in CF and FCF generation amongst Canadian technology companies, supporting M&A activity, dividend growth and buybacks. Of note, companies within our coverage universe on pace to deliver peak FCF (ex. w/c) in 2018 all offer Cloud Services and include: Descartes (11% YoY growth), Kinaxis (8%), and Solium (100%+). For 2019, with the exception of TSO_3, we look for all other coverage names to post YoY double-digit FCF (ex. w/c) growth, namely: 5N Plus (10%), BSM Technologies (27%), Descartes (11%), Kinaxis (37%), Mediagrif (10%), Savaria (47%), Solium (190%) and TECSYS (50%).

Savaria Corporation (SIS-T – $12.50) Buy – Target Price: $20.00

Company Profile

Founded in 1979, Savaria Corporation (SIS) offers a product line to assist the mobility challenged, targeting commercial/residential markets in North America and around the world. Operations are divided into three reporting segments: Accessibility (lifts), Adapted Vehicles (van conversions) and Span (medical products/ equipment). SIS is headquartered in Laval, QC with manufacturing/ assembly facilities in Brampton and Beamsville, ON, Laval and Magog, QC, Greenville, SC, Huizhou, China, Milan, Italy and across Australia. The company operates a network of 500 retailers and employs ~1,400 people.

Source: BigCharts.com

Market and Company Data

Ticker	SIS-T	**Shares-basic O/S (M)**	45.0
Rating	Buy	**Shares-FD O/S (M)**	45.0
Risk	Medium	**Market Cap (M)**	$562.2
Price	$12.50	**Float O/S (M)**	30.1
1-Yr Target	$20.00	**Avg Daily Volume (K)**	191.9
Yield	3.4%	**Enterprise Value (M)**	$650.2
1-Yr ROR	63.4%	**Cash (M)**	$13.4
52 Wk High-Low	$20.95 - $12.22	**Net Debt (M)**	$88.1
Valuation	15x 2019/2020 EV/EBITDA	**Ownership**	
Year End	Dec-31	Manag. & Dir.	33.0%
Next Reporting	Mar-19	Institutional	33.2%
		Net Debt/Total Cap	30.8%

EPS (FD)

	Q1	Q2	Q3	Q4	Annual	P/E
2016A	$0.08 A	$0.10 A	$0.10 A	$0.10 A	$0.37	33.5x
2017A	$0.09 A	$0.11 A	$0.13 A	$0.21 A	$0.55	22.8x
2018E	$0.10 A	$0.12 A	$0.12 A	$0.18	$0.52	23.8x
2019E	$0.19	$0.19	$0.19	$0.19	$0.77	16.3x
2020E					$0.92	13.6x

EBITDA (M)

	Q1	Q2	Q3	Q4	Annual	EV/EBITDA
2016A	$4.1 A	$5.2 A	$5.7 A	$5.8 A	$20.8	31.2x
2017A	$5.2 A	$6.7 A	$9.6 A	$9.6 A	$31.1	20.9x
2018E	$7.9 A	$10.1 A	$9.7 A	$14.4	$42.1	15.4x
2019E	$15.1	$14.8	$15.3	$15.4	$60.6	10.7x
2020E					$70.8	9.2x

Source: Company reports; Bloomberg; LBS estimates.

Down But Not Out

Investment Thesis and Rationale

SIS is well positioned as a leading global supplier of accessibility products for the mobility challenged. The company operates in one of the best fundamental markets today, supported by an aging demographic globally; and largely through acquisition-driven scale, benefits from an extensive product suite and an expanding geographic reach.

SIS has done a good job meeting sales expectations, in part by delivering above-industry organic growth rates and operating from a position of strength with industry-leading margins and strong CF generation backed by its China supply operations. This should continue in 2019.

Key Catalysts

Margin recovery. SIS is undertaking restructuring/retooling exercises at both Garaventa and Span aimed at bringing these subsidiaries to double-digit margins near-term. The company is also witnessing record bookings and building a solid backlog in its legacy business, while seeing a reversal in foam input costs at Span, which should benefit margins in 1H/19.

More M&A. Bolstered by a solid balance sheet and strong CF generation, M&A has been at the core of SIS's growth strategy over the last few years. We expect this to continue in 2019 with SIS targeting a large transaction (~$100M) for 2H/19. As of Q3/18, SIS has up to $130M in available funds for M&A and is adequately levered at pro-forma net debt / EBITDA of 1.5x.

Valuation

Potential for a multiple re-rating on improved margins. In the wake of missed Q3/18 results, SIS now trades at a 2-year low. In our view, successful M&A integration in 2019 and a right-sizing of Span / Garaventa operations should help return margins to more normalized levels. This coupled with meeting street expectations should drive a multiple re-rating.

We value SIS shares based on 15x 2019/2020E EBITDA, which includes 2 multiple turns for ongoing M&A activity. SIS currently trades at 11.0x NTM EV/EBITDA, at the bottom end of the peers' trading range of 11-14.6x, despite posting stronger top line growth and a higher margin profile.

Key Risks

Trade wars. SIS has already adjusted its supply chain, both in China and N.A., in the wake of current tariffs. Should tariffs be applied to other SIS products beyond stair lifts, it could impact profitability.

Elevator demand. Elevators are a core product, driving organic sales and EBITDA/margins growth. A slowdown in demand could impact profitability.

INSTITUTIONAL EQUITY

MINING

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Our preferred domestic pick is Wesdome Gold Mines (WDO-T). Continued strong operating performance of an existing operating mine coupled with the potential of increased high-grade reserves and resources at both mine sites, should materially allow for the generation of a good level of cash flow and for the expansion of production.

Our preferred international pick is Argonaut Gold (AR-T). A rebound in operations and the resulting free cash flow (FCF) generation should result in a rebound in share price, while any appreciation in gold price would be an added bonus. We see AR as being FCF positive down to a gold price of approximately US$1,150/oz.

No Joy from Gold Price

The prospect of a continuation of rising interest rates, more so in the United States, further suggests a period of strong US dollar performance, which is not constructive to higher gold prices. In Canadian dollar terms, a weak Canadian dollar supports the generation of good levels of operating cash flow for domestic gold producers, but a good Canadian dollar gold price is expected to do little for overall investor interest. 2019 is not anticipated to be about higher gold prices; indeed, our forecasted gold price for next year is essentially flat with 2018 (forecast of US$1,250/oz for 2019 vs. an average of US$1,282/oz through the first three quarters of 2018).

Execution should be King, Again

We anticipate that equity valuations will be about the execution of strong business plans and delivering superior operating results, much as it was in 2018. A good strategic growth plan and being a low-cost producer should be important elements in maintaining underlying equity value. No incremental market value is likely to be ascribed to performing in-line with consensus forecast or expectations. Exceptions to this general rule may only be where prior operating performance has been so poor that equities are trading at a steep discount to the peer group, in which case 'expected' operating results should in fact be seen as good.

Recognition of Exploration Companies May Still Lag

In what may be characterized as a bear-market for gold producers, non-producing and exploration companies may continue to struggle to raise sufficient funds to advance project development in spite of overwhelming fundamental merits, where better underlying valuation may be dependent on major step-changes in resource quality and quantity. Existing operating companies are likely to remain reticent in making bold take-over offers for any project that has not been totally de-risked.

Wesdome Gold Mines Ltd.
(WDO-T – $3.60)
Buy – Target Price: $6.25

Company Profile

Wesdome Gold Mines own and operate the Eagle River Complex in Ontario, which consists of two high-grade gold mines (Eagle River underground mine and Mishi open-pit mine) feeding a centrally located 900 tonne per day (tpd) mill. The company also has the Kiena mine in Quebec which was closed in 2013. Successful discoveries at each mine suggest the Eagle Complex may be expanded and that the Kiena mine may be re-started, providing good incremental production growth over the next two years.

Source: BigCharts.com

Market and Company Data

Ticker	WDO-T	**Shares-basic O/S (M)**	134.9
Rating	Buy	**Shares-FD (M)**	137.3
Risk	High	**Market Cap (M)**	$485.7
Price	$3.60	**Float O/S (M)**	134.9
1-Yr Target	$6.25	**Ave Daily Vol (K)**	531.1
Valuation Method	1.25 X NAVPS	**52-Wk High-Low**	$4.18-$1.64
NAVPS	$5.03	**Year-end**	Dec
Div. Yield	0.0%	**Next Reporting**	Feb-19
1-Yr ROR	73.6%	**Working Cap (M)**	$15.0

	2017A	2018E	2019E	2020E
Gold Price (US$/oz)	$1,265	$1,258	$1,250	$1,300
Gold Prod'n (koz)	59.0	74.7	81.5	168.8
Op. Cost (US$/oz)	$845	$680	$680	$687
EPS (C$/sh)	$0.01	$0.15	$0.18	$0.47
P/EPS	377.4x	23.4x	19.7x	7.7x
CFPS (C$/sh)	$0.18	$0.33	$0.37	$0.87
P/CFPS	19.8x	11.0x	9.8x	4.1x

Source: Company reports; LBS estimates

Déjà Vu All Over Again

Investment Thesis and Rationale

We anticipate WDO will once again enjoy very gold operating success from the existing Eagle River Complex, while at the same time experiencing significant near-mine exploration success at both the Kiena and Eagle River mines. By the end of 2019, it is expected that WDO will have successfully transformed itself from a smallish one-mine junior producer to a larger producer with a materially longer mine-life operating two separate gold mines. In 2018, WDO was a top performing gold equity, which we expect to be repeated again in 2019.

Key Catalysts

There are three primary catalysts expected in 2019:

1) High-grade gold production from the existing Eagle River mine allowing for good cash flow generation
2) Expansion of high-grade reserves and resources on Zones 300 and 7 at the Eagle River mine
3) Expansion of high-grade resources and definition of reserves at the Kiena mine

Valuation

NAV is likely understated. While the underlying value of WDO has continued to expand with successful exploration and has achieved our initial target price, we continue to be believe that reserves and resources may still be understated causing the underlying NAV to be also understated. We therefore have reset our target price multiple back to 1.25 x NAV, and have upgraded our target price to $6.25 from $4.50.

Key risks

Exploration risk. The target price of WDO contains a good degree of exploration risk, and has a significant valuation component on expanding known mineralization at both the Eagle River and Kiena mines to support an increase in reserves and resources. The degree of operating risk is low given that both mines are well established and located in known mining camps in Canada.

Argonaut Gold
(AR-T – $1.26)
Buy – Target Price: $2.75

Company Profile

Argonaut Gold (AR-T) is a Canadian gold company which holds a portfolio of assets, including three operating mines and two development projects. The company's primary assets include the El Castillo mine and construction stage San Agustin project in Durango, Mexico, as well as the La Colorada mine in Sonora, Mexico. AR's development assets include the San Antonio project in Baja California Sur, Mexico as well as the Magino project in Ontario.

Source: BigCharts.com

Market and Company Data

Ticker	AR-T	**Shares-basic O/S (M)**	177.8
Rating	Buy	**Shares-FD (M)**	184.0
Risk	High	**Market Cap (M)**	C$224.0
Price	C$1.26	**Float O/S (M)**	177.8
1-Yr Target	C$2.75	**Ave Daily Vol (M)**	0.33
Valuation Method	1.0x NAV/sh	**52-Wk High-Low**	C$1.18-C$2.87
NAVPS	C$2.67	**Year-end**	December
Div. Yield	0.0%	**Next Reporting**	February
1-Yr ROR	118.3%	**Working Cap ($mm)**	$95.8

	2017A	2018E	2019E	2020E
Gold Price US$/oz	$1,273	$1,200	$1,250	$1,300
Gold Prod'n (koz GEO)	126.7	165.5	210.8	230.4
Op. Cost (US$/oz Au)	$787	$733	$779	$737
EPS ($/sh)	$0.15	$0.09	$0.18	$0.26
P/EPS	6.4x	10.8x	5.4x	3.9x
CFPS ($/sh)	$0.27	$0.39	$0.43	$0.58
P/CFPS	3.6x	2.5x	2.2x	1.7x

Source: Company reports; LBS estimates

FCF Generation to be the Focus in 2019

Investment Thesis and Rationale

Following the release of below consensus Q2/18 results in August, along with further pressure from comments made in November by a Mexican senator relating to potential changes in Mexican mining laws, AR's shares have been depressed. We believe that any fears caused by the Mexican senator's comments are unwarranted, and that AR's operations should rebound significantly, beginning with Q4/18 results. Given these expectations, we believe that AR will generate strong levels of FCF from Q4/18 onward, and as a result, have made it our 2019 Preferred Pick.

Key Catalysts

Production results. We are expecting AR to post strong Q4/18 results, with our forecast calling for production of 51.8koz GEO at cash costs of US$726/oz, leading to US$8.8M in FCF. Looking ahead to 2019E, we are expecting production to grow by over 27% y/y to just under 211koz GEO at cash costs of US$779/oz, leading to US$18.5M in FCF. This equates to a FCF yield of 11% based on our current US$1,250/oz gold price assumption, or a FCF yield of ~6% based on a US$1,225/oz gold price. We calculate that AR should be FCF positive right down to an average realized gold price of US$1,150/oz.

Given weaker Q2/18 and Q3/18 results, the release of stronger production results, beginning with Q4/18 results in late February, will be key catalysts.

Valuation

AR currently trades at 0.48x on a P/NAV basis and 2.3x on a 2019E P/CF basis vs. peers which average 0.72x and 4.8x, respectively. We continue to believe that once AR is able to post consecutive quarters of stronger production, that not only will the valuation gap narrow, but AR may trade at a premium given the number of companies within the peer group which have much more constrained balance sheets and are not FCF positive.

Key Risks

Gold price. While changes to Mexican mining laws are possible, we do not see this risk as significant (see our November 26 note). It is also important to note that Q1/19 is expected to include elevated capex, as US$10M is expected to be spent at San Agustin (of our US$17.5M 2019E forecast) in order to grow throughput from 20,000tpd in Q1/19 to 30,000tpd in Q4/19. Lastly, aside from the usual operating and exploration risks, AR offers an elevated level of torque relative to the gold price. While this is positive in a rising gold price environment, we note that we do not expect AR to generate positive FCF below a gold price of US$1,150/oz.

INSTITUTIONAL EQUITY

OIL & GAS

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Our preferred pick is Whitecap Resources Inc. (WCP-T). Whitecap Resources is an oil weighted producer operating in Saskatchewan, Alberta, and NE B.C. We are forecasting production of 74,000 boe/d (85% liquids) in 2019 and free cash flow generation of ~$40 mm based on a $500 mm capital program. The current dividend yield is 7.2% and the balance sheet remains healthy with expected YE19 D/CF of 1.9x.

Conservative Budgets with Muted Production Growth

The extreme volatility in oil and gas prices in the past few months has collapsed equity valuations and reminded the energy sector that the market requires balance sheet strength to navigate an uncertain commodity outlook. As such, we expect producers to introduce muted capital programs for 2019 that roughly align spending with cash flow to protect balance sheets, while providing flexibility to step on the accelerator should pricing dictate. We expect companies to position themselves to be prepared to quickly respond to strong pricing and flip to growth mode.

Market Response to the Made-in-Alberta Solution to Wide Crude Differentials

In early December, the Alberta government introduced The Energy Diversification Act, crude-by-rail ownership, and government mandated shut-ins of AB crude through 2019 in an attempt to improve oil export capacity out of the province and provide relief to the WCS and MSW differentials that had widened to historically wide levels in October and November. Immediately following the announcements, the Canadian differentials tightened and have continued to narrow on a spot basis to more “normal” levels. We see a lower risk to a repeat of the differential blow outs in 2019 and believe the conclusion of the shut-ins could coincide with the Enbridge Line 3 replacement start-up, which is expected to add 370,000 b/d of new pipeline export capacity into the PADD 2 markets in H2/19.

AECO Pricing Lags the Improved North American Benchmarks

Despite North American gas storage inventories entering the winter heating season below historical levels, ongoing pipeline bottlenecks out of western Canada are preventing Alberta and B.C. gas prices from realizing the same strong pricing enjoyed by eastern hubs where winter gas demand is strong. Ironically, the majority of Canadian gas producers have diversified their respective gas marketing mixes to incorporate significant exposure to high-priced Dawn, Chicago City gate, and/or NYMEX pricing hubs, yet these gas producers continue to be valued in the market as if they are fully exposed to AECO. This valuation mismatch, combined with gradual pipeline capacity increases out of Alberta, is expected to create some attractive trading opportunities for the longer-term investor.

Depressed Valuations to Drive Corporate M&A, but at a More Measured Pace

Throughout 2018 a theme emerged whereby companies were navigating the turmoil by either combining with a peer through a strategic merger or growing by acquiring cheap assets via hostile takeovers. However, the market seemingly responded to each deal by punishing the acquirer’s stock. Oil and gas asset valuations are at or near historical lows heading into 2019, providing a compelling reason for ongoing consolidation within the sector. However, until public companies receive positive market signals to engage in M&A with a competitive cost of capital, management teams are likely to be more cautious while shopping for value.

Whitecap Resources Inc. (WCP-T – $4.53) Buy – Target Price: $9.50

Company Profile

Whitecap is a midcap, dividend-paying, oil weighted producer operating in western Canada. The Company focuses on high netback, low decline assets to generate sustainable growth for shareholders with a target of 5 - 8% annual per share growth. It focuses on oil development in Saskatchewan, Alberta, and northeast B.C.

Source: BigCharts.com

Market and Company Data

Ticker	WCP-T	**Shares-basic O/S (mm)**	415.0
Rating	Buy	**Shares-FD O/S (mm)**	421.4
Risk	High	**Market Cap (mm)**	$1,880.0
Price	$4.53	**Float O/S (mm)**	407.7
1-Yr Target	$9.50	**Avg Daily Volume (mm)**	1.8
Yield	7.1%	**Enterprise Value (mm)**	$3,168.2
1-Yr ROR	116.8%	**Net debt (mm)**	$1,297.1
52 Wk High-Low	$10.355/$4.14	**Net Debt/Total Cap**	28.6%
Target Valuation	5.7x 2020E EV/EBITDA	**Ownership**	
Year End	Dec-31	Manag. & Dir.	1.8%
Next Reporting	Mar-05	Institutional	42.6%

CFPS (FD)

	Q1	Q2	Q3	Q4	Annual	P/CF
2017A	$0.33 A	$0.33 A	$0.32 A	$0.38 A	$1.36	3.3x
2018E	$0.40 A	$0.47 A	$0.49 A	$0.26	$1.60	2.8x
2019E	$0.38	$0.39	$0.41	$0.42	$1.60	2.8x
2020E	$0.47	$0.48	$0.51	$0.48	$1.94	2.3x

EBITDA ($mm)

	Q1	Q2	Q3	Q4	Annual	EV/EBITDA
2017A	132.8 A	131.3 A	128.6 A	155.8 A	548.5	5.8x
2018E	180.0 A	212.3 A	220.2 A	119.6	732.1	4.3x
2019E	172.7	176.2	183.8	188.2	720.9	4.4x
2020E	208.5	214.6	226.5	210.3	859.9	3.5x

Source: Company reports, Thomson Reuters, LBS estimates

WCP – Compelling Value Play Positioned to Outperform

Investment Thesis and Rationale

WCP has a significant exposure to light oil, with market diversification to Edmonton MSW, Midale Par, and Fosterton Par hubs and substantial cash flow torque with improved crude pricing. WCP has hedged ~30% of its 2019 oil production, through a combination of swaps and collars, at prices above current strip pricing providing some downside protection without forfeiting the upside exposure. The low decline asset base and high capital efficiencies allow the Company to record free cash flow (FCF) in 2019 based on current strip pricing and the current dividend yield is 7.2%. FCF can be deployed to repay debt or redistributed to shareholders in the form of share buybacks, potential dividend increases, and opportunistic acquisitions in a depressed valuation market.

Key Catalysts

We see three main catalysts for WCP in 2019. (1) increase in commodity pricing resulting in additional FCF; (2) shift to growth mode with additional drilling/capital; (3) accretive tuck-in acquisitions at attractive metrics. The first two are interconnected with a conservative budget expected with built in operational flexibility to increase the pace of development should pricing improve. With depressed valuations, we see the opportunity for WCP to continue consolidation efforts and add drilling inventory in its core areas.

Valuation

We estimate WCP to generate ~$39 mm in FCF in 2019 and have a combined FCF and dividend yield of 9.2%. At the closing price on December 13, 2018 of $4.53, WCP was valued at 4.4x and 3.5x 2019E and 2020E EV/EBITDA, respectively, compared to the peer group averages of 4.1x and 3.6x. Attainment of our $9.50 target implies a 5.7x 2020E EV/EBITDA.

Key Risks

The main risks that should be considered before making an investment decision. These are: (1) commodity price risk on the volatility of oil and gas prices; (2) risk of changes to regulatory or energy policies in Canada and the U.S.; (3) well completion and reservoir risk that the actual production levels and recoverable reserves do not match the type curve expectations; and (4) market access risk, including the possibility of force majeure on pipelines, or the possible delay or cancellation of new pipelines.

INSTITUTIONAL EQUITY

REITs

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Our preferred pick is BSR REIT (HOM.U-T): HOM is an apartment landlord with its properties located in the U.S. Sunbelt region. See the next page for more details.

Rising Rates and a Flattening Yield Curve Create Confusion

While short-term interest rates are on the rise, the US 10-year bond yields have held steady recently, resulting in a flattening yield curve, warning about a lack of inflation and potentially a recession. From a REIT investing point of view, this is a confusing scenario as many investors, unfortunately, look to the US 10-year treasury yield to make a call on the direction of the Canadian REIT index (in the opposite direction). With such confusion, investors are likely to stick with REITs experiencing strong operating fundamentals and good balance sheets.

Momentum Chasing has Created Attractive Investment Opportunities

Many investors are seeking investment ideas that have some meaningful catalyst over the next 12 months or so and are willing to ignore valuation risk (high or low) as a critical factor in their risk reward analysis. As a result, we are seeing some REITs trade at Price / FFO multiples that are 20-60% higher than their 5-year averages, some sub-sectors have a 10+ multiple point range between the P/FFO of the highest and lowest valued REITs (for example the Apartments REIT sector). There are a few REITs trading at a 20-40% discount to NAV as the market has abandoned them; there are a few unproven REITs that are trading at unprecedented P/FFO multiples. We believe this momentum chasing behavior has created some attractive opportunities in the Canadian REIT sector.

Pay Attention to the FFO/Unit Trend Line – Aggressive Growth Doesn't Always Pay

In 2018, we saw sharp declines in the unit prices of some REITs, which grew aggressively through consolidation a few years ago. When these REITs were making aggressive bets, many investors focused only on an expected cap rate compression (i.e. multiple expansion), the benefits of a bigger platform and the REITs' ability to access the stock market, while ignoring factors such as value creation for unitholders (i.e. FFO/unit growth). We believe a quick glance at the FFO/unit trend lines would have allowed investors to question the growth strategies of these REITs. Having said that, there are still a few more REITs that are potentially headed in the direction the above mentioned REITs went.

Apartment REITs to Drive Cash Flow Growth

The Canadian apartment industry continues to enjoy generally positive rental fundamentals with the national vacancy rate reaching 2.4% in October 2018, the lowest in the last 10 years. While Alberta and Saskatchewan are being affected negatively by the weak commodity price environment and new supply, BC, Ontario, Quebec and Atlantic Canada are experiencing strong rental fundamentals on the back of population growth, favourable demographic trends, rent control policies and a resultant supply-demand imbalance. We believe the Canadian Apartment sector should be able to deliver the best FFO/unit growth in 2019, across the sector.

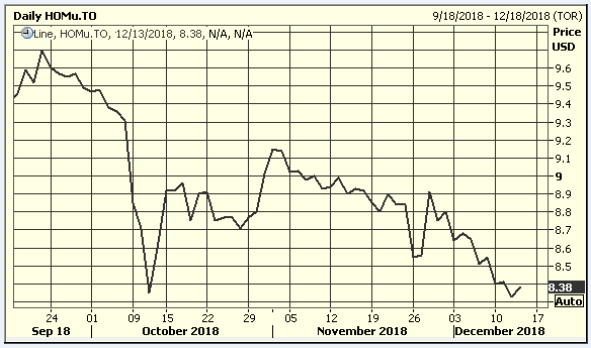
Seniors Living Sector Should Chug Along Despite New Supply Risk Emerging

The Canadian Seniors Living sector continues to benefit from demographic tailwinds. Additionally, the government-controlled Long Term Care (LTC) segment is benefitting from guaranteed occupancy and revenue streams. The Ontario LTC segment is also benefiting from the government's initiative to encourage landlords to redevelop their existing facilities, with the government subsidizing approximately half of the cost. While the Retirement Home (RH) segment enjoyed positive fundamentals over the last 3-4 years, effects of emerging new supply are beginning to show in slowing rent growth and moderating occupancy levels.

BSR REIT
(HOM. – US$8.38)
Buy – Target Price: US$11.00

Company Profile

BSR REIT owns and operates a portfolio of 49 apartment properties (~10,100 suites) located in the Sunbelt region of the United States.



Source: Thomson Eikon

Market and Company Data

Ticker	HOM.U-T	**Units O/S (M)**	40
Rating	Buy	**Market Cap (M)**	$333
Risk	Medium	**Debt (M)**	$393
Price	$8.38	**Enterprise Value (M)**	$726
1-Yr Target	$11.00	**Avg. Daily Volume (K)**	26
Dividend	$0.50	**2019E AFFO Payout Ratio**	77%
Div. Yield	6.0%	**2018 Debt to EBITDA**	8.4x
1-Yr ROR	37.2%	**Debt to GBV**	45%
52 Wk Hi-Lo	$9.70-8.16	**NAV**	$11.40
Year End	Dec-31	**Cap Rate**	6.4%
Next Reporting	Mar-'19	**Price / NAV**	74%
Valuation	15% Premium to NAV, 5-yr DCF		

Funds From Operations (FFO) per Unit

	Q1	Q2	Q3	Q4	Annual	P/FFO
2018E	NA	NA	$0.19 A	$0.20	$0.39	21.4x
2019E	$0.20	$0.20	$0.22	$0.22	$0.85	9.9x

Adjusted Funds From Operations (AFFO) per Unit

	Q1	Q2	Q3	Q4	Annual	P/AFFO
2018E	NA	NA	$0.13 A	$0.15	$0.28	30.2x
2019E	$0.15	$0.15	$0.17	$0.17	$0.65	12.9x

All figures in US dollars unless specified otherwise

Defensive Sunbelt Apartment REIT Trading at 25% Discount to NAV

Investment Thesis and Rationale

HOM is currently trading at a 26% discount to our $11.40 NAV and 16% below its $10.00 IPO price in May 2018. HOM is trading at this discounted valuation, in spite of a sizable mid-market apartment portfolio in the US Sunbelt region, a fully internalized management platform, a positive outlook for FFO/growth, and a relatively under-levered balance sheet. The REIT has a fully internalized management platform and its CEO owns a 37% interest in the REIT. We believe at the current price, HOM offers one of the best value propositions in the Canadian REIT sector. See our report: "Highlighting Absolute Value when Valuations are Shaky" dated October 26, 2018 for more details.

Key Catalysts

Steady operating results and accretive acquisitions should attract investor attention. While the current valuation discount should also act as an important catalyst, as HOM begins delivering steady quarterly results (since going public in May 2018, the company has released only one quarter) investors should be able to appreciate this company's cash flow growth potential. Also, HOM's fully internalized management structure should allow meaningful accretion from third-party acquisitions. A steadily growing FFO/unit trend line can only be ignored so long.

Valuation

On a Price to 2019E FFO basis, HOM trades at 9.9x, a 7.5x discount to the Canadian Apartment REIT peer average of 17.4x. On a Price to NAV basis, the REIT trades at a 26% discount, while the peer group trades at a 6% discount. HOM offers an attractive distribution yield of 6.0%, which compares with the peer group average of 4.0%.

Key Risks

Trading discount. Growing by consolidation is a key component of HOM's growth strategy and to achieve that goal it is dependent on the stock market and/or private investors that are willing to co-invest with the REIT. As a result, the current discount valuation detracts the REIT from investing in attractive acquisition opportunities.

New supply. Some pockets of the US sunbelt region are experiencing a material amount of new supply that can potentially have a spillover effect – lower occupancy and lower rents – on HOM's properties. Having said that, HOM's focus on mid-market properties tend to be less impacted by competition from newly-built luxury apartment buildings.

INSTITUTIONAL EQUITY

SPECIAL SITUATIONS

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Our preferred pick is People Corporation (PEO-V). In light of volatile markets driven by growing geopolitical tensions and uncertainty around the sustainability of global economic growth, we like the defensive nature of PEO's revenue and its double-digit growth profile, backed by strong organic performance and continued M&A execution in an industry primed for consolidation. Overall, in addition to its active M&A strategy, the company has delivered consistent margin performance on better-than-industry organic growth, which we expect to continue in 2019.

Providing Stability Against a Volatile Backdrop

Generally speaking, we view HR services, benefits consulting and other diversified professional services positively in the context of current market volatility given the non-discretionary defensive nature of these industries, consolidation-driven upside potential, and the inflationary characteristics of insurance products. Aggregate insured premiums in Canada continue to expand ($41.6B in 2017 representing YoY growth of 4.7% and a 3.7% CAGR since 2008), supported by favourable demographics driving persistent increases in healthcare costs and utilization. We believe MSI-T is also well-positioned in this industry given its defensive characteristics in the context of the current market, underscored by its >95% recurring revenue base driven by long-term contracts, strong FCF generation and stable cost structure; with potential upside from U.S. penetration and cross-selling success on its recent acquisition of LifeWorks. On the whole, the diversified professional services space remains attractive, particularly within the Canadian small-mid cap universe which remains populated by companies with lumpy revenue, resource exposure, highly variable costs and structural headwinds, resulting in a wide variance in earnings quality.

M&A will Remain a Key Driver

We expect the consolidation theme to remain significant in 2019, particularly for PEO. The list of potential targets in the benefits consulting space numbers in the hundreds as the industry increasingly favours scale, driven by a shifting regulatory landscape, complex compliance requirements and an increasingly demanding client base. We note that both SMEs and enterprise clients have become increasingly discriminating, demanding value-add services and tailored benefit plan design which is driving a shift away from basic benefits brokerage toward scale operators possessing deep plan design/customization capabilities and subject matter expertise. In light of these factors, and given an aging demographic of private benefits consultant owners, we think the pool of willing sellers can only increase. In addition, sustained volatility in public equities should eventually result in tempered multiple expectations and/or a greater willingness to sell among private owners. While the industry has seen increased bidding activity from U.S. players, particularly Hub International and NFP, targets remain plentiful.

People Corporation (PEO-V – $7.00) Buy – Target Price: $9.75

Company Profile

People Corporation offers group benefits, group retirement, pension advisory and human resources consulting services to small and medium size enterprises (SMEs) across Canada; and has recently begun targeting larger enterprises. In the past several years, the Company has broadly expanded its service offering through M&A, creating a platform for organic growth from both existing customers and acquired companies.

Source: BigCharts.com

Market and Company Data

Ticker	PEO-V	**Shares-Basic O/S (M)**	60.6
Rating	Buy	**Shares-FD O/S (M)**	64.3
Risk	High	**Market Cap (M)**	$424
Price	$7.00	**Float O/S (M)**	49.5
1-Yr Target	$9.75	**Avg Daily Volume (K)**	44.3
Yield	0.0%	**Enterprise Value (M)**	$435
1-Yr ROR	39.3%	**Cash (M)**	$21
52 Wk High-Low	$8.52 - $6.18	**Net Debt (M)**	$10
Valuation	13x FY2020E EBITDA (cap.-adj)	**Ownership**	
Year End	Aug-31	Manag. & Dir.	18%
Next Reporting	Mar-18	Institutional	28%

Revenue (M)	**Q1**		**Q2**		**Q3**		**Q4**		**Annual**	**EV/Rev.**
F2016	$16	A	$18	A	$20	A	$25	A	$80	5.4x
F2017	$23	A	$26	A	$28	A	$29	A	$106	4.1x
F2018	$28	A	$33	A	$33	A	$36	A	$131	3.3x
F2019E	$37		$39		$40		$40		$156	2.8x
F2020E									$171	2.5x
EBITDA (M)	**Q1**		**Q2**		**Q3**		**Q4**		**Annual**	**EV/EBITDA**
F2016	$3.7	A	$4.2	A	$4.2	A	$3.8	A	$14.1	30.8x
F2017	$3.7	A	$5.2	A	$5.4	A	$5.7	A	$20.1	21.6x
F2018	$5.4	A	$7.0	A	$7.4	A	$7.7	A	$27.5	15.8x
F2019E	$7.3		$7.9		$8.7		$8.9		$32.7	13.3x
F2020E									$36.5	11.9x

Source: Company reports, Thomson, Bloomberg, LBS.

Benefitting from Benefits

Investment Thesis and Rationale

PEO has emerged as a significant consolidator in the benefits consulting and administration space, having made seven acquisitions in the past two years with a total value exceeding $80 million. While industry transaction multiples have moved higher, the company remains disciplined, fully financed and well-positioned to continue executing. Given potential targets numbering in the hundreds, the company's clean balance sheet (net debt/EBITDA <1.0x) and indications of a strong M&A pipeline, we see PEO continuing to drive accretive transactions in a fragmented industry favouring scale.

Key Catalysts

M&A-driven growth, organic holding its own. PEO boasts a full M&A pipeline ripe for execution, with an expanding list of targets in an industry increasingly favouring scale. In addition, near-term organic growth should remain strong in light of early successes from PEO's revamped small group and enterprise channel leadership, as well as new disability management and HR product launches due in FQ2/19 and FQ3/19 following successful pilots. More generally, in light of recent acquisitions and PEO's track record in driving strong organic growth from acquired businesses in the ~2 years following transaction, particularly from new client adds, we see the potential for M&A growth to be supplemented by high-single or low double-digit organic performance in 2019.

Valuation

Post the recent market turbulence, which we attribute to macro concerns and a broad revaluation of growth rather than company-specific fundamentals, PEO currently trades at 12.7x consensus NTM EBITDA and 13.3x our estimate (assumes no new M&A), in line with slower-growing industry peers and below Canadian-listed active consolidators at 15.5x. In our view, PEO's valuation does not come close to valuing a forward-looking normalized run rate in light of consistent M&A execution and what we estimate to be a market share under 4%. When considering the long transaction runway, PEO's low leverage and track record of execution, we see the company as attractively valued.

Key Risks

Deal competition. Canadian benefits consultants have seen transaction multiples move higher on increased bidding activity from U.S. players.

Integration. The company's increasing scale could introduce integration risk as operations and technology platforms are consolidated.

INSTITUTIONAL EQUITY

TRANSPORTATION & INFRASTRUCTURE

Mona Nazir, MBA | NazirM@lb-securities.ca • 514 350-2964 / 647 252-5609

Our preferred pick is WSP Global (WSP). The current elevated level of uncertainty plaguing the market and overall bearish investor sentiment drives our selection. Despite lack of infrastructure investment in North America, WSP has been the strongest performer within the E&C coverage universe in Canada and a top global pure play firm in regard to organic growth, margin profile and diversification. A history of an aggressive and forward thinking growth strategy, punctuated by significant bolt-on transactions spanning the globe have culminated to the current $6B in net revenue contribution and a current headcount of 44,000. Looking at the prior 2015-2018 strategic plan, M&A remained a key growth driver (30% M&A growth over a 3 year period) and we do not envision acquisition activity to slow. The company's next strategic plan is expected in early 2019 and we believe that investors could see continued mid-single digit organic growth (5.8% YTD) augmented by double digit M&A growth. The company`s sheer size and FCF generation capability (~$350M annually) has allowed it to increased headcount by 44% (from 34,000 to 49,000), if we were to include the most recently announced acquisition of Louis Berger, without tapping into the equity capital markets for financing needs. While the stock price is down ~18% from the 52 week and all-time high of $75.42 (June, 2018), we continue to believe that upside exists on the back of an upward estimate revision (future M&A not factored in) and multiple strength (premium merited).

Looking to Unlock Value

Despite in-line or strong company performance (quarterly results or strategic move), equity capital markets have not been rewarding from the perspective of stock price appreciation and/ or valuation multiple. This has ultimately led to certain firms looking to "unlock strategic value". **SNC** was negatively impacted by the Prosecutor's office not signing a DPA (deferred prosecution agreement) or remediation agreement and the stock price subsequently fell over 25% (from $60+ to $44 level). Although we have seen some recovery to the $47 range, the potential trial and the related possibility of blacklisting has caused the overhang to continue. CEO, Neil Bruce is looking at all available options to restore value and potential options, from our perspective include 1) divesting part of the 407 asset (first round of bids accepted, announcement early 2019), 2) Re-allocation of Canadian resources to other global cost centers/ projects, 3) Share buyback program, and 4) privatization efforts. It was noted that the company may be susceptible to a foreign take-out bid (E&C business trading at sub 5x). Similarly, **TFII**, a consolidator in the Canadian and U.S. trucking industry, filed a shelf prospectus to potentially complete a U.S. listing (TL division or combining with a U.S. entity). "Unlocking value" or "extracting shareholder value" has been a core value of CEO, Alain Bedard and similar to its waste division divestiture, investors could see an uptick in the current stock price as a result of a higher SOTP valuation (1+1=3).

M&A Activity Significant Growth Driver

Although our, "Diversified Industrials" universe remains broad in regard to coverage, within each vertical whether it be utilities or railway operators, the global E&C space (SNC, WSP, STN, IBG), TFII and the North American trucking sector, or even TRZ's foray into the southern hotelier market, industry consolidation and M&A remain a significant growth driver and part of an often formalized growth strategy. A tier one consolidator among our coverage universe remains WSP. The company has increased its headcount, from 15,000 in 2014 to ~49,000 (inclusive of recently announced Louis Berger). It is notable that stripping out the company's sub 5% annualized organic growth figure, the majority of the over 3-fold increase in employee count has stemmed from acquisitions. Turning to Stella-Jones and looking at its M&A track record, the company has completed 17 acquisitions over the last 10 years, equating to $1.2B in revenue or north of 50% of the current revenue base. Looking forward, with leverage at the 2.1x level, and as foreshadowed on the Q3/18 conference call, future M&A may be imminent (within the utility pole or tie category). Longer term we continue to believe that its growth via acquisition strategy should continue with 5-10% of annualized top line growth, stemming from SJ's industry consolidation efforts. Within the utility space, consolidation efforts remain a source of growth, with Canadian peer Fortis generating 60% of its earnings south of the border, while Algonquin and Emera also expanded into the U.S. The U.S. market is more attractive from a return perspective, given higher equity thickness (50%) and richer ROE rates. While Hydro One's recent bid for Avista was recently rejected by the Washington regulator, we expect a higher growth profile in the U.S. to continue to be an attraction factor for Canadian utilities.

WSP Global
(WSP-T – $61.62)
Buy – Target Price: $81.00

Company Profile

WSP Global is a leading Canadian engineering services firm providing private and public sector clients with a comprehensive and diversified range of professional consulting services through all execution phases of a project including planning, design, construction and maintenance. The company provides services in the buildings, industrial and power, urban infrastructure, transportation and environment segments.

Source: BigCharts.com

Market and Company Data

Ticker	WSP-T	**Shares O/S (M)**	104.3
Rating	Buy	**Market Cap (M)**	$6,429
Risk	Medium	**Float O/S (M)**	64.2
Price	$61.62	**Float Value (M)**	$3,958
1-Yr Target	$81.00	**Avg Daily Volume (K)**	198.4
Dividend	$1.50	**Enterprise Value (M)**	$7,826
Yield (%)	2.4%	**Control Blocks:**	
1-Yr ROR	33.9%	Manag & Dir	1%
52 Wk High-Low	$75.42 - $56.38	CPPIB & CDP	38%
BVPS	$29.88	**Net Debt/Cap**	16%
Valuation	23x P/E (2019)	**Next Reporting**	Feb-19
Year End	31-Dec		

Adjusted EPS (FD)

	Q1		Q2		Q3		Q4		Annual	P/E
2016A	$0.33	A	$0.56	A	$0.66	A	$0.68	A	$2.22	27.7x
2017A	$0.49	A	$0.64	A	$0.77	A	$0.54	A	$2.44	25.3x
2018E	$0.53	A	$0.78	A	$0.95	A	$0.73		$3.00	20.5x
2019E	$0.66		$0.97		$1.09		$0.81		$3.53	17.5x
2020E									$3.74	16.5x

Adjusted EBITDA ($M)

	Q1		Q2		Q3		Q4		Annual	EV/EBITDA
2016A	91.5	A	125.0	A	147.2	A	135.3	A	499.0	15.7x
2017A	114.5	A	140.3	A	160.4	A	140.0	A	555.2	14.1x
2018E	133.5	A	169.5	A	187.5	A	154.6		645.1	12.1x
2019E	163.5		204.3		218.7		180.5		767.0	10.2x
2020E									797.6	9.8x

Source: Company reports; Bloomberg; LBS.

Best in Class Pure Play With Track Record

Investment Thesis and Rationale

WSP Global has carved out a position as a global pure play leader within the engineering and consulting space. Via a bullish growth strategy that has been well executed over the last twelve years, the company is expected to continue to reap the rewards from a well-diversified strategy (20% CDN, 30% U.S., 50% Europe, Asia, Africa, S.A., Australia), dominant market position (#1 international design firm and top rankings in transportation and buildings) and strong visionary management team.

Key Catalysts

Continued M&A activity. The company has been able to increase its headcount 3 fold (to ~49,000; inclusive of Louis Berger) over the last four years due to an aggressive acquisition strategy and we expect such to continue. The number of pure play targets remain plentiful (public and private) and speaking to the various division heads we could conceivably see the addition of another 6,000 employees in the U.S. and significant head count additions in South America, Australia and Continental Europe.

Margin expansion. Although we have seen the expansion of margins from the 9.2% level (post the PB acquisition in 2014) to ~10.5% (TTM), we continue to believe that upside exists as evidenced by the recent acquisition of Louis Berger and the expected synergies, bringing consolidated proforma margins to the 11% range. On the Q3/18 conference call, CEO Alexandre L'Heureux, foreshadowed the possibility of continued margin growth as the company strives to surpass prior targets and establish a new level of performance.

Valuation

Stronger financial performance has brought with it premium valuation. While we have seen WSP's valuation multiples trend up to the 13x forward EBITDA and 21x forward earnings level, the recent 18% stock price decline has brought the multiples down to the 10.2x and ~18x range. Although the valuation remains ~1x above closest peer STN's and 3x above global peers, it is merited given margins of 10.4% are 400bps+ ahead and organic growth of 4%-5% is also elevated in light of lack of North American infrastructure spending.

Key Risks

Market downside risk. Although performance has been shielded from economic and market volatility, given its diverse model, the recent stock price decline is somewhat driven by concern of a down cycle and potential implications on the company's financial results and/ or valuation multiple.

CPPIB/ CDP block. Both the Caisse de Depot and Canadian Pension Plan have supported the company and backstopped acquisitions. Should they exit, some risk exists from a perception and support perspective.

Appendix I – Coverage Universe

Coverage	Ticker	Rating	Risk Rating	Mkt Cap ($M)	Price	Target	Div. Yield	1-Yr RoR
Nick Agostino, MBA, CFA, P.Eng. – Diversified Technology								
5N Plus Inc.	VNP-T	Buy	High	$254.7	$3.02	$4.25	na	40.7%
BSM Technologies	GPS-T	Buy	High	$55.8	$0.68	$1.75	na	157.4%
The Descartes Systems Group Inc.	DSG-T	Buy	High	$2,105.1	$27.41	$33.50	na	22.2%
Kinaxis Inc.	KXS-T	Buy	High	$1,798.6	$65.53	$100.00	na	52.6%
Mediagrif Interactive Technologies Inc.	MDF-T	Buy	High	$141.5	$9.50	$12.00	4.2%	30.5%
Savaria Corporation	SIS-T	Buy	Medium	$562.6	$12.79	$20.00	3.3%	59.7%
Solium Capital	SUM-T	Buy	High	$685.8	$12.18	$14.00	na	14.9%
TECSYS Inc.	TCS-T	Buy	High	$177.4	$13.78	$17.00	1.6%	25.0%
TSO3 Inc.	TOS-T	Spec. Buy	High	$43.0	$0.44	$0.80	na	83.9%
Barry Allan, MBA – Mining								
Americas Silver Corporation.	USA-T	Buy	High	$80.6	$1.80	$6.50	na	288.9%
Balmoral Resources Ltd.	BAR-T	Buy	High	$20.1	$0.15	$0.75	na	417.2%
Detour Gold Corp.	DGC-T	Buy	High	$1,942.5	$10.29	$20.00	na	84.6%
Eastmain Resources Inc.	ER-T	Buy	High	$45.5	$0.20	$1.00	na	400.0%
Jaguar Mining Inc.	JAG-T	Buy	High	$65.7	$0.20	$0.35	na	75.0%
Marathon Gold Corporation	MOZ-T	Buy	High	$129.3	$0.80	$2.50	na	212.5%
TMAC Resources Inc.	TMR-T	Buy	High	$724.1	$6.57	$8.50	na	29.4%
Wesdome Gold Mines	WDO-T	Buy	High	$485.1	$3.72	$6.25	na	68.0%
John Chu, MBA, CFA – Diversified Agriculture								
Ag Growth International	AFN-T	Buy	Medium	$872.1	$46.94	$72.00	5.1%	58.5%
AGT Food and Ingredients Inc.	AGT-T	Buy	Medium	$412.0	$16.87	$20.00	3.6%	22.1%
Andrew Peller Limited	ADW.A-T	Buy	Medium	$539.0	$12.00	$20.75	1.7%	74.6%
Aurora Cannabis Inc.	ACB-T	Buy	High	$7,583.7	$7.91	$8.50	na	7.5%
Brick Brewing Co. Ltd.	BRB-T	Buy	Medium	$104.3	$2.86	$4.75	3.5%	78.3%
Canopy Growth Corporation	WEED-T	Buy	HIgh	$14,086.1	$42.50	$54.00	na	27.1%
Cervus Equipment Corp.	CERV-T	Buy	Medium	US$195.3	US$12.49	US$19.00	3.2%	55.3%
GreenSpace Brands Inc.	JTR-V	Spec. Buy	High	$27.7	$0.37	$1.00	na	174.0%
HEXO Corp.	HEXO-T	Buy	High	$989.1	$5.04	$8.00	na	58.7%
Nutrien Ltd.	NTR-T	Buy	Medium	$30,541.9	$47.44	$70.00	3.0%	50.6%
Rocky Mountain Dealerships Inc.	RME-T	Buy	Medium	$168.8	$8.39	$12.00	5.8%	48.9%
Ryan Hanley – Mining								
Alamos Gold Inc.	AGI-T	Buy	High	$1,660.6	$3.93	$9.00	0.7%	129.7%
Argonaut Gold Inc.	AR-T	Buy	High	$224.0	$1.24	$2.75	na	121.8%
Ascendant Resources Inc.	ASND-T	Buy	High	$33.1	$0.39	$1.75	na	348.7%
New Gold Inc.	NGD-T	Hold	High	$625.1	$1.04	$1.15	na	44.2%
Rubicon Minerals Corp.	RMX-T	Buy	High	$79.0	$1.19	$2.50	na	110.1%
Superior Gold Inc.	SGI-V	Buy	High	$76.6	$0.80	$1.75	na	118.8%

Source: EIKON, LBS estimates

Appendix I – Coverage Universe (Cont'd)

Coverage	Ticker	Rating	Risk Rating	Mkt Cap ($M)	Price	Target	Div. Yield	1-Yr RoR
Elizabeth Johnston, CFA – Consumer Products & Special Situations								
A&W Revenue Royalties Income Fund	AW.UN-T	Hold	Medium	$431.4	$33.75	$36.00	5.1%	11.8%
Boston Pizza Royalties Income Fund	BPF.UN-T	Hold	Medium	$330.0	$14.88	$18.00	9.3%	30.2%
Boyd Group Income Fund	BYD.UN-T	Buy	Medium	$2,234.3	$109.63	$135.00	0.5%	23.6%
CCL Industries Inc.	CCL.B-T	Buy	Medium	$9,532.8	$52.77	$71.00	1.0%	35.5%
DIRTT Environmental Solutions	DRT-T	Buy	High	$533.4	$6.27	$8.00	na	27.6%
Freshii Inc.	FRII-T	Hold	High	$62.9	$2.41	$3.00	na	24.5%
IPL Plastics Inc.	IPLP-T	Buy	High	$481.3	$9.22	$16.00	na	73.5%
K-Bro Linen Inc.	KBL-T	Buy	Medium	$355.3	$32.97	$42.00	3.6%	31.0%
Keg Royalties Income Fund	KEG.UN-T	Buy	Medium	$190.5	$16.76	$23.00	6.8%	44.0%
MTY Food Group Inc.	MTY-T	Hold	High	$1,617.7	$61.23	$65.00	1.0%	7.1%
Recipe Unlimited Corporation	RECP-T	Hold	High	$1,547.4	$24.70	$30.00	1.7%	23.2%
SIR Royalty Income Fund	SRV.UN.T	Hold	High	$133.3	$15.50	$14.75	8.1%	3.3%
Sleep Country Canada Holdings Inc.	ZZZ-T	Buy	Medium	$787.2	$20.92	$36.00	3.5%	75.6%
Uni-Select Inc.	UNS-T	Hold	Medium	$837.6	$19.78	$27.00	1.9%	38.4%
Chris Martino, CFA –Special Situations								
Morneau Shepell Inc.	MSI-T	Hold	Medium	$1,635.0	$25.51	$28.50	3.1%	14.8%
People Corporation	PEO-V	Buy	High	$424.5	$7.00	$9.75	na	39.3%
Todd Kepler, CFA – Oil & Gas								
Baytex Energy Corp.	BTE-T	Buy	HIgh	$1,348.9	$2.40	$5.50	na	129.2%
Birchcliff Energy Ltd.	BIR-T	Buy	High	$816.4	$3.05	$5.75	3.3%	91.8%
Crew Energy Inc.	CR-T	Buy	High	$154.8	$1.01	$2.00	na	98.0%
InPlay Oil Corp.	IPO-T	Buy	High	$68.9	$0.94	$2.25	na	139.4%
Paramount Resources Ltd.	POU-T	Buy	High	$889.5	$6.84	$16.00	na	133.9%
Pieridae Energy Limited	PEA-V	Restricted	Restricted	$146.7	$2.96	Restricted	na	
Surge Energy Inc.	SGY-T	Buy	High	$458.0	$1.39	$2.25	7.2%	69.1%
Tamarack Valley Energy Ltd.	TVE-T	Buy	High	$542.8	$2.21	$5.25	na	137.6%
TORC Oil & Gas Ltd.	TOG-T	Buy	High	$966.1	$4.33	$7.50	6.1%	79.3%
Whitecap Resources Inc.	WCP-T	Buy	High	$1,883.4	$4.26	$9.50	7.6%	130.9%
Yangarra Resources Ltd.	YGR-T	Buy	High	$221.9	$2.46	$7.50	0.0%	204.9%
Mona Nazir, MBA – Transportation & Infrastructure								
CargoJet Inc.	CJT-T	Buy	Medium	$1,024.6	$73.84	$98.00	1.1%	33.9%
Exchange Income Corp.	EIF-T	Buy	Medium	$840.5	$26.38	$45.00	8.3%	78.9%
Hydro One Ltd.	H-T	Hold	Low	$12,477.8	$20.81	$21.00	4.4%	5.3%
Heroux Devtek Inc.	HRX-T	Buy	Medium	$463.7	$12.70	$16.00	na	26.0%
IBI Group Inc.	IBG-T	Buy	Medium	$127.1	$4.05	$8.00	na	97.5%
SNC-Lavalin Group Inc.	SNC-T	Buy	Medium	$8,282.6	$47.36	$60.00	2.4%	29.1%
Stantec Inc.	STN-T	Buy	Medium	$3,473.7	$30.36	$40.00	1.8%	33.6%
Stella-Jones Inc.	SJ-T	Buy	Medium	$2,653.2	$38.13	$52.00	1.3%	37.6%
Transat A.T. Inc.	TRZ-T	Buy	High	$225.0	$6.23	$8.50	na	36.4%
TFI International Inc.	TFII-T	Buy	Medium	$3,405.0	$38.02	$50.00	2.2%	33.7%
WSP Global Inc.	WSP-T	Buy	High	$6,435.7	$61.57	$81.00	2.4%	34.0%
Yashwant Sankpal, MBA – REITs								
Boardwalk REIT	BEI.UN-T	Buy	Medium	US$1,857.4	US$40.86	US$56.00	2.4%	39.5%
BSR REIT	HOM.U-T	Buy	Medium	$330.8	$8.27	US$11.00	6.1%	39.1%
BTB REIT	BTB.UN-T	Hold	Medium	$248.1	$4.48	$4.50	9.4%	9.8%
InterRent REIT	IIP.UN-T	Buy	Medium	$1,413.8	$13.41	$14.00	na	4.4%
Killam REIT	KMP.UN-T	Hold	Medium	$1,417.6	$16.41	$16.50	3.9%	4.4%
Morguard North American REIT	MRG.UN-T	Buy	Medium	$615.3	$17.67	$18.00	na	1.9%
Northview REIT	NVU.UN-T	Hold	Medium	$1,400.6	$25.25	$27.50	6.5%	15.4%
PROREIT	PRV.UN-V	Buy	Medium	$171.2	$1.99	$2.45	na	23.1%
Pure Multi-Family REIT LP	RUF.U-V	Buy	Medium	$476.4	$6.03	US$7.15	6.3%	24.9%
Sienna Senior Living Inc.	SIA-T	Hold	Medium	$1,088.6	$16.67	$18.00	5.5%	13.5%

Source: EIKON, LBS estimates

Appendix II – Important Disclosures

Company		Ticker	Disclosures*
5N Plus Inc.	Nick Agostiino (Diversified Technology)	VNP-T	U, V
A&W Revenue Royalties Income Fund	Elizabeth Johnston (Special Situations)	AW.UN-T	U, V
Ag Growth International	John Chu (Diversified Agriculture)	AFN-T	U
AGT Food and Ingredients Inc.	John Chu (Diversified Agriculture)	AGT-T	N/A
Alamos Gold Inc.	Ryan Hanley (Mining)	AGI-T	V, P
Americas Silver Corporation.	Barry Allan (Mining)	USA-T	V, P
Andrew Peller Limited	John Chu (Diversified Agriculture)	ADW.A-T	N/A
Argonaut Gold Inc.	Ryan Hanley (Mining)	AR-T	V, P
Ascendant Resources Inc.	Ryan Hanley (Mining)	ASND-T	V, P
Aurora Cannabis Inc.	John Chu (Diversified Agriculture)	ACB-T	V
Balmoral Resources Ltd.	Barry Allan (Mining)	BAR-T	N/A
Baytex Energy Corp.	Todd Kepler (Oil & Gas)	BTE-T	V
Birchcliff Energy Ltd.	Todd Kepler (Oil & Gas)	BIR-T	V
Boardwalk REIT	Yashwant Sankpal (REITs)	BEI.UN	V
Boston Pizza Royalties Income Fund	Elizabeth Johnston (Special Situations)	BPF.UN-T	V
Boyd Group Income Fund	Elizabeth Johnston (Special Situations)	BYD.UN-T	N/A
Brick Brewing Co. Ltd.	John Chu (Diversified Agriculture)	BRB-T	N/A
BSM Technologies	Nick Agostiino (Diversified Technology)	GPS-T	N/A
BSR REIT	Yashwant Sankpal (REITs)	HOM.U	V
BTB REIT	Yashwant Sankpal (REITs)	BTB.UN-T	U
Canopy Growth Corporation	John Chu (Diversified Agriculture)	WEED-T	V
CargoJet Inc.	Mona Nazir (Transportation & Infrastructure)	CJT-T	V
CCL Industries Inc.	Elizabeth Johnston (Special Situations)	CCL.B-T	U, V
Cervus Equipment Corp.	John Chu (Diversified Agriculture)	CERV-T	N/A
Crew Energy Inc.	Todd Kepler (Oil & Gas)	CR-T	V
Detour Gold Corp.	Barry Allan (Mining)	DGC-T	V, P
DIRTT Environmental Solutions	Elizabeth Johnston (Special Situations)	DRT-T	V
Eastmain Resources Inc.	Barry Allan (Mining)	ER-T	U, V, P
Exchange Income Corp.	Mona Nazir (Transportation & Infrastructure)	EIF-T	U
Freshii Inc.	Elizabeth Johnston (Special Situations)	FRII-T	V
GreenSpace Brands Inc.	John Chu (Diversified Agriculture)	JTR-V	U
Heroux Devtek Inc.	Mona Nazir (Transportation & Infrastructure)	HRX-T	V
HEXO Corp.	John Chu (Diversified Agriculture)	HEXO-T	V
Hydro One Ltd.	Mona Nazir (Transportation & Infrastructure)	H-T	U
IBI Group Inc.	Mona Nazir (Transportation & Infrastructure)	IBG-T	V
InPlay Oil Corp.	Todd Kepler (Oil & Gas)	IPO-T	V
InterRent REIT	Yashwant Sankpal (REITs)	IIP.UN	V
IPL Plastics Inc.	Elizabeth Johnston (Special Situations)	IPLP-T	U, V
Jaguar Mining Inc.	Barry Allan (Mining)	JAG-T	N/A
K-Bro Linen Inc.	Elizabeth Johnston (Special Situations)	KBL-T	U, V
Keg Royalties Income Fund	Elizabeth Johnston (Special Situations)	KEG.UN-T	N/A
Killam REIT	Yashwant Sankpal (REITs)	KMP.UN	V
Kinaxis Inc.	Nick Agostiino (Diversified Technology)	KXS-T	N/A
Marathon Gold Corporation	Barry Allan (Mining)	MOZ-T	N/A
Mediagrif Interactive Technologies Inc.	Nick Agostiino (Diversified Technology)	MDF-T	N/A
Morguard North American REIT	Yashwant Sankpal (REITs)	MRG.UN	N/A
Morneau Shepell Inc.	Chris Martino (Special Situations)	MSI-T	V

Last updated Dec. 13, 2018

Appendix II – Important Disclosures (Cont'd)

Company		Ticker	Disclosures*
MTY Food Group Inc.	Elizabeth Johnston (Special Situations)	MTY-T	V
New Gold Inc.	Ryan Hanley (Mining)	NGD-T	V, P
Northview REIT	Yashwant Sankpal (REITs)	NVU.UN	V
Nutrien Ltd.	John Chu (Diversified Agriculture)	NTR-N	N/A
Paramount Resources Ltd.	Todd Kepler (Oil & Gas)	POU-T	V
People Corporation	Chris Martino (Special Situations)	PEO-V	U
Pieridae Energy Limited	Todd Kepler (Oil & Gas)	PEA-V	U
PROREIT	Yashwant Sankpal (REITs)	PRV.UN-V	U
Pure Multi-Family REIT LP	Yashwant Sankpal (REITs)	RUF.UN-V	U
Recipe Unlimited Corporation	Elizabeth Johnston (Special Situations)	RECP-T	V
Rocky Mountain Dealerships Inc.	John Chu (Diversified Agriculture)	RME-T	N/A
Rubicon Minerals Corp.	Ryan Hanley (Mining)	RMX-T	U, V
Savaria Corporation	Nick Agostiino (Diversified Technology)	SIS-T	U, V
Sienna Senior Living Inc.	Yashwant Sankpal (REITs)	SIA-T	U, V
SIR Royalty Income Fund	Elizabeth Johnston (Special Situations)	SRV.UN-T	N/A
Sleep Country Canada Holdings Inc.	Elizabeth Johnston (Special Situations)	ZZZ-T	V
SNC-Lavalin Group Inc.	Mona Nazir (Transportation & Infrastructure)	SNC-T	N/A
Solium Capital	Nick Agostiino (Diversified Technology)	SUM-T	U
Stantec Inc.	Mona Nazir (Transportation & Infrastructure)	STN-T	N/A
Stella-Jones Inc.	Mona Nazir (Transportation & Infrastructure)	SJ-T	U
Superior Gold Inc.	Ryan Hanley (Mining)	SGI-V	N/A
Surge Energy Inc.	Todd Kepler (Oil & Gas)	SGY-T	V
Tamarack Valley Energy Ltd.	Todd Kepler (Oil & Gas)	TVE-T	V
TECSYS Inc.	Nick Agostiino (Diversified Technology)	TCS-T	U, V
TFI International Inc.	Mona Nazir (Transportation & Infrastructure)	TFII-T	N/A
The Descartes Systems Group Inc.	Nick Agostiino (Diversified Technology)	DSG-T	V
TMAC Resources Inc.	Barry Allan (Mining)	TMR-T	N/A
TORC Oil & Gas Ltd.	Todd Kepler (Oil & Gas)	TOG-T	V
Transat A.T. Inc.	Mona Nazir (Transportation & Infrastructure)	TRZ-T	D
TSO3 Inc.	Nick Agostiino (Diversified Technology)	TOS-T	U, V
Uni-Select Inc.	Elizabeth Johnston (Special Situations)	UNS-T	V
Wesdome Gold Mines	Barry Allan (Mining)	WDO-T	V, P
Whitecap Resources Inc.	Todd Kepler (Oil & Gas)	WCP-T	U, V
WSP Global Inc.	Mona Nazir (Transportation & Infrastructure)	WSP-T	U
Yangarra Resources Ltd.	Todd Kepler (Oil & Gas)	YGR-T	V

Last updated Dec. 13, 2018

The analyst(s) certify that (1) the views expressed in this report in connection with securities or issuers they analyze accurately reflect their personal views and (2) no part of their compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed by them in this report. The Research Analyst's compensation is based on various performance and market criteria and is charged as an expense to certain departments of Laurentian Bank Securities (LBS), including investment banking.

A The Analyst, in his/her own account or in a related account, owns securities of this issuer.
A* A member of equity research department, in his/her own account or in a related account, owns securities of this issuer.
D A member of the Board of Directors of LBS sits on the Board of Directors of this issuer.
L LBS collectively beneficially owns in excess of 1% of one or more classes of the issued and outstanding equity securities of this issuer.
O The Head/Deputy Head of Equity Research, in his/her own account or in a related account, owns securities of this issuer.
U Within the last 24 months, LBS has undertaken an underwriting liability with respect to equity securities of, or has provided advice for a fee with respect to, this issuer.
V The Analyst has visited material operations of this issuer:
P This issuer paid a portion of the travel-related expenses incurred by the Analyst to visit material operations of this issuer

The analyst(s) certify that (1) the views expressed in this report in connection with securities or issuers they analyze accurately reflect their personal views and (2) no part of their compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed by them in this report.
The Research Analyst's compensation is based on various performance and market criteria and is charged as an expense to certain departments of Laurentian Bank Securities (LBS), including investment banking.

* Legend

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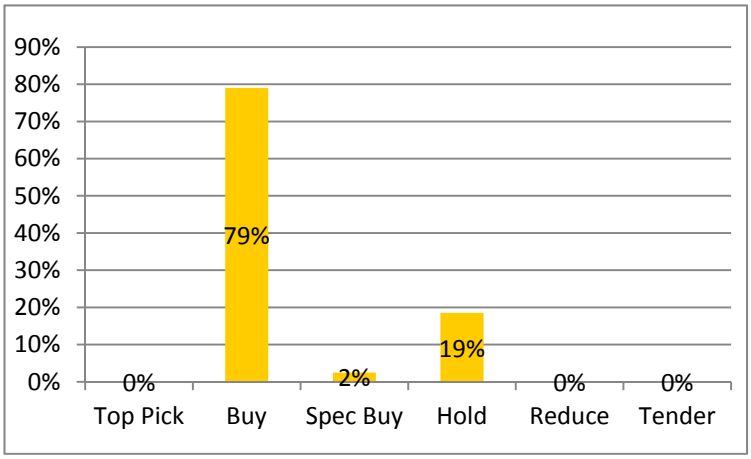
V The Analyst has visited material operations of this issuer.
P This issuer paid a portion of the travel-related expenses incurred by the Analyst to visit material operations of this issuer.

Laurentian Bank Securities Equity Research Ratings Distribution



Percentage of companies covered by Laurentian Bank Securities Equity Research within each rating category.

Source: Laurentian Bank Securities

Terminology	LBS (Laurentian Bank Securities) recommendation/risk terminology is as follows:	
Recommendation	**Top Pick**	Our best investment idea, the greatest potential value appreciation.
	Buy	The stock is expected to generate significant risk-adjusted returns over the next 12 months.
	Hold	The stock is expected to generate modest risk-adjusted returns over the next 12 months.
	Reduce	The stock is expected to generate negative risk-adjusted returns over the next 12 months.
	Tender	Analyst is recommending that investors tender to a specific offering for the stock.
	Our ratings may be followed by "(S)" which denotes that the investment is speculative and has a higher degree of risk associated with it. Additionally, our target prices are based on a 12-month investment horizon.	
Risk Ratings	**Low**	Low financial/operational risk, high predictability of financial performance, low stock volatility.
	Medium	Moderate financial/operational risk, moderate predictability of financial performance, moderate stock volatility.
	High	High financial/operational risk, low predictability of financial performance, high stock volatility.

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