



DIVERSIFIED

DIVERSIFIED TECHNOLOGY

SPECIAL SITUATIONS

TRANSPORTATION & INFRASTRUCTURE

MINING

OIL & GAS

SPECIAL SITUATIONS

REITS



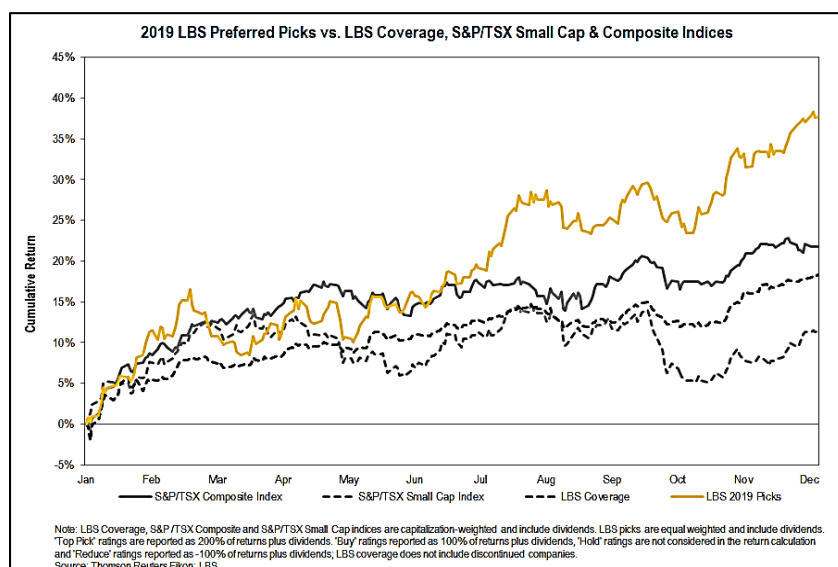
LAURENTIAN BANK
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2020 LBS Preferred Picks

Our Annual Institutional Equity Preferred Picks report summarizes our best investment ideas for 2020 as well as our outlook for each sector in the Laurentian Bank Securities coverage universe.

Year to date, LBS' 2019 Preferred Picks returned 37.6% (equal-weighted), significantly outperforming the TSX Composite and Small Cap indices by 15.8% and 26.2%, respectively. Our picks for 2019 were CCL Industries Inc. (CCL-B-T), Nutrien Ltd (NTR-T), Savaria Corp. (SIS-T), Wesdome Gold Mines Ltd. (WDO-T), Argonaut Gold Inc. (AR-T), Whitecap Resources Inc. (WCP-T), BSR REIT (HOM.U-T), People Corp. (PEO-V) and WSP Global Inc. (WSP-T). Among these, gold producer Wesdome generated the highest return (YTD total return of 108.4%), outperforming the S&P TSX Global Gold Index which returned 35.7% over the comparable period, followed by BSR REIT, which returned 56.7% YTD. Our coverage universe returned 18.3%, generating a positive alpha of 6.9% vs. the TSX Small Cap index. Our Preferred Picks and coverage universe outperformance relative to the Small Cap index demonstrates our continued ability to build a basket of fundamentally strong and high-potential early stage companies. Our coverage universe, however, delivered a negative alpha of 3.5% vs. the TSX Composite index due to a lower Consumer Products contribution.



As we enter 2020 against a backdrop of solid economic growth, our basket of Preferred Picks, generally speaking, is defined by fundamentally sound companies with healthy balance sheets (for M&A), positive organic growth and earnings leverage. M&A is a central theme in our picks, comprising of both companies that are active in industry consolidation as well as companies that may be attractive targets within their respective industries.

Sector	Analyst	Company	Ticker	Rating	Risk Rating	Mkt Cap (M)	Price	Target	Div. Yield	1-yr RoR
Diversified	Chris Blake	Aurora Cannabis Inc.	ACB-T	Buy	High	\$3,724	\$3.44	\$4.75	0.0%	38.0%
Diversified Technology	Nick Agostino	TECSYS Inc.	TCS-T	Buy	High	\$250	\$19.07	\$23.00	1.3%	21.9%
Industrials (Transportation and Infrastructure)	Mona Nazir	TFI International Inc.	TFI-T	Buy	Medium	\$3,685	\$43.67	\$55.00	2.4%	28.3%
Mining (International)	Ryan Hanley	Argonaut Gold Inc.	AR-T	Buy	High	\$332	\$1.85	\$3.00	0.0%	62.2%
Mining (Domestic)	Barry Allan	Marathon Gold Corporation	MOZ-T	Buy	High	\$306	\$1.71	\$3.00	0.0%	75.4%
Mining (Base & Industrial Metals)	Jacques Wortman	Altius Minerals Corporation	ALS-T	Buy	High	\$495	\$11.58	\$16.50	1.7%	44.2%
Oil & Gas (Midcap)	Todd Kepler	Whitecap Resources Inc.	WCP-T	Buy	High	\$1,934	\$4.71	\$7.25	7.3%	61.2%
Oil & Gas (Small cap)	Jonathan Tempore	PetroShale Inc.	PSH-V	Buy	High	\$111	\$0.58	\$1.50	0.0%	158.6%
Real Estate Investment Trusts	Yashwant Sankpal	Extendicare Inc.	EXE-T	Buy	Medium	\$755	\$8.45	\$10.00	5.7%	24.0%
Special Situations	Furaz Ahmad	Boyd Group Income Fund	BYD.UN-T	Buy	Medium	\$3,963	\$199.40	\$230.00	0.3%	13.1%

T - Toronto Stock Exchange, V - TSX Venture Stock Exchange
Source: Thomson Reuters Eikon, LBS

Pricing as of December 12, 2019

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

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DIVERSIFIED — Chris Blake	1
Aurora Cannabis Inc. (ACB-T – \$3.44)	
DIVERSIFIED TECHNOLOGY — Nick Agostino	3
TECSYS Inc. (TCS-T – \$19.07)	
DOMESTIC MINING — Barry Allan	5
Marathon Gold Corporation (MOZ-T – \$1.71)	
INTERNATIONAL MINING — Ryan Hanley	7
Argonaut Gold Inc. (AR-T – \$1.85)	
BASE METALS — Jacques Wortman	8
Altius Minerals Corporation (ALS-T – \$11.58)	
OIL & GAS (Midcap) — Todd Kepler	9
Whitecap Resources Inc. (WCP-T – \$4.71)	
OIL & GAS (Small Cap) — Jonathan Temprow	11
PetroShale Inc. (PSH-V – \$0.58)	
REITs — Yashwant Sankpal	12
Extencicare Inc. (EXE-T – \$8.45)	
SPECIAL SITUATIONS — Furaz Ahmad	14
Boyd Group Income Fund (BYD.UN-T – \$199.40)	
TRANSPORTATION & INFRASTRUCTURE — Mona Nazir & Nauman Satti	16
TFI International Inc. (TFII-T – \$43.67)	
Appendix I – Coverage Universe	18
Appendix II – Important Disclosures	20

All pricing as of December 12, 2019 unless otherwise indicated.

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Our preferred pick is Aurora Cannabis Inc. (ACB-T). Following a year whereby ACB's shares have underperformed relative to the broader cannabis sector average (-49% vs. -35% for the Horizons Marijuana Life Sciences Index or HMMJ), we believe the shares are poised for a recovery. We attribute the share price underperformance to the following four factors: 1) a slower-than-expected rollout of retail stores across Canada resulting in missed financial targets for F2019; 2) an ambitious capital investment plan that was not quite fully funded, requiring additional funding; 3) regulatory violations by a few operators; and 4) sector valuations compressing, coincident with a 30% reduction to consensus sales estimates for both 2019 and 2020.

These headwinds are starting to diminish with production better-reflecting supply/demand fundamentals, stronger balance sheets following recent share issuances and construction curtailments, Ontario's recent announcement to further expand the number of retail stores, and the introduction of higher margin Cannabis 2.0 products launching in January.

Acceleration in Store Openings in Ontario

The retail store-rollout in Canada's two most populous provinces (Ontario and Quebec) has been too slow. Industry sales nationwide are hovering around \$350 million/quarter or just 20% of our estimated total market demand, leaving \$1.4 billion/quarter in the hands of the black market. By our estimates, these two provinces should be able to support at least another 1,100 stores and well above the combined total of 46 currently operating. However, relief is on the way as the Ontario government recently announced that it will allow 20 new stores per month, starting in April 2020, while the province of Quebec is set to more than double its store count to 48 by Q1/2020. While we expected more stores would be allowed to open, this is a good first step and government officials did not rule out the possibility of raising the monthly limit at a later date. When combined with the 25 stores currently open, and another 40 set to launch in Q1/2020 from a previous lottery, we expect the Ontario store count to reach 250 by the end of 2020. This is important because Ontario accounts for just 26% of industry sales yet accounts for 40% of Canada's population. This announcement should help close this gap. We believe the current distribution bottleneck will limit industry sales growth in the near term (3–6 months) but will ramp up significantly throughout 2H/2020 and more so into 2021, as these stores open.

Pace of Medical Legalization Reform Globally on the Rise

Beyond Canada and the United States, the global cannabis legal market is estimated to be currently valued at approximately \$1 billion and is expected to grow at a CAGR of 40% through to 2024, to just under \$5 billion. Legalization reform across additional countries is expected to fuel this growth, combined with growing adoption of medical cannabis as a treatment of various chronic diseases by physicians and patients. There are 50 countries around the world that have, or are in the midst of implementing some form of access to medical cannabis, with Europe among the most progressive. Very few Canadian LPs have the opportunity to serve these emerging medical markets. This is because most EU countries require that all medical products sold be sourced from GMP-certified facilities or equivalent. There are currently five GMP-certified licensed producers in Canada including: Aurora Cannabis (three facilities), Canopy Growth Corp. (two), Tilray Inc., Cronos Group Inc., and Wayland Group Corp. with one facility each.

Higher Margin Cannabis 2.0 Products are Set to Launch

The second phase of cannabis legalization in Canada — edibles and alternative cannabis products collectively known as Cannabis 2.0 — has finally arrived and is a market segment estimated to be worth \$2.7 billion, annually. These products are expected to be a significant profit driver for the industry and should mitigate the impact of lower expected prices for flower-based products. These products are quite popular as they are considered to be a more discreet way for consumers who are not interested in smoking cannabis or who wish to avoid the social stigma surrounding smoking it. As such, prevalence rates are expected to rise and thus provide a complementary revenue stream for LP's to broaden their addressable markets through these higher-margin formats (i.e. 80–90% gross margins vs. 40–50% for Recreational flower). We believe cannabis is rapidly becoming a consumer good just like any other product in the consumer packaged goods (CPG) industry and we expect valuations will start to reflect this growing trend.

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Chris Blake, CFA | DIVERSIFIED

Aurora Cannabis Inc. (ACB-T – \$3.44) Buy – Target Price: \$4.75

Company Profile

Aurora Cannabis Inc. (Aurora) is a licensed producer that cultivates cannabis and produces dried flower, oils and other products, for both the recreational and medical markets. The company is headquartered in Edmonton, Alberta and employs roughly 3,000 employees in Canada and globally. Aurora is the largest licensed producer in Canada as measured by current run-rate production and second largest by revenues for the most recent quarter.



Source: BigCharts.com

Market and Company Data

Ticker	ACB-T, ACB-N		Shares O/S (M)	1,082
Rating	Buy		Market Cap (M)	\$3,724
Risk	High		Float O/S (M)	975
Price	\$3.44		Float Value (\$M)	\$3,354
1-Yr Target	\$4.75		Avg Daily Volume (K)	8,364
Dividend	\$0.00		Enterprise Value (\$M)	\$3,898
Yield (%)	0.0%		Control Blocks:	
1-Yr ROR	38%		Mgmt. & Dir	4%
52 Wk High-Low	\$13.67-\$2.82		Net Debt/Cap	11%
Valuation	SOTP / DCF		BVPS	\$4.37
Year End	Jun-30		Next Reporting	Feb-20

Sales	Q1	Q2	Q3	Q4	Annual	EV/Sales
2018A	\$8	A \$12	A \$16	A \$19	A 55	nmf
2019A	\$30	A \$54	A \$65	A \$99	A 248	15.7 x
2020E	\$75	A \$72	E \$103	E \$106	E 357	10.9 x
2021E	\$138	E \$141	E \$150	E \$147	E 575	6.8 x

Adjusted EBITDA (\$M)	Q1	Q2	Q3	Q4	Annual	EV/EBITDA
2018A					-54	
2019A	-\$68	A -\$39	A -\$37	A -\$12	A -156	nmf
2020E	-\$40	A -\$37	E -\$19	E -\$14	E -109	nmf
2021E	\$2	E \$6	E \$10	E \$11	E 29	nmf
2022E	34	E 36	E 41	E 42	E 152	25.6 x

Source: Company reports; Thomson Eikon; LBS.

Poised for a Rebound

Investment Thesis and Rationale

Aurora is well positioned to meaningfully participate in a number of growth opportunities including: medical legalization reform across a growing number of countries, the continued roll-out of recreational cannabis in Canada, and expansion into new product categories (i.e. THC/CBD cosmetics, edibles, and health & wellness). **We expect sales to increase at a 33% CAGR to \$1.46 billion in F2025.**

Roughly 50% of the company's current revenues are tied to both domestic and international medical markets. This is significant because these markets operate under significant barriers to entry and provides investors good downside earnings protection relative to its publicly traded peers that are focused almost exclusively in Canada's recreational markets.

Key Catalysts

Well positioned for Ontario's second expansion wave. ACB has the top three selling dried flower products in the province of Ontario (largest market in Canada with 40% of Cdn. population). As such, the company is well positioned for the significant expansion of retail stores in Ontario next year (250 by year end 2020 vs. 25 currently).

Broad reach across international medical markets. There are 50 countries around the world that have, or are in the midst of implementing some form of access to cannabis for medical purposes. ACB has an active presence in 25 of these countries, operates two of Canada's five GMP-Certified facilities (capable of producing 100,000 kg/yr.) and thus has broad reach to penetrate this estimated US\$5B market opportunity.

Cannabis 2.0 set to launch. ACB is expected to launch its initial suite of derivative products focused on high potency items such as vapes, concentrates, gummies and chocolates. Products are set to hit store shelves early in the new year.

Valuation

Our \$4.75 price target is based on a combination of a sum-of-the-parts valuation and discounted cash flow analysis with a weighting of 75/25, respectively.

Key Risks

1) Number of retail stores opened in Canada below expectations; 2) Recreational prices decline more than our 10% expectation; and 3) A longer-than-expected consumer uptake or roll-out of higher margin Cannabis 2.0 products.

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Nick Agostino, CFA, MBA, P.ENG. | DIVERSIFIED TECHNOLOGY

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Our preferred pick is TECSYS Inc. (TCS-T). In picking TCS we note its underlying positive fundamentals supported by growing demand within the healthcare and retail/e-commerce markets, take comfort in the ~1.3% dividend yield, and highlight the trading multiple (2.3x EV/Sales) discount to peers despite higher adjusted organic growth, opportunity for meaningful earnings leverage over time (which is starting to manifest itself) and strong CF generation characteristics. Generally speaking, the company has been exceeding expectations of late, despite the financial headwinds associated with its business model transition to SaaS. We expect this strong performance to continue in 2020. In our view, with a well-performing base business with ample room for growth (only 17% base account penetration in Healthcare), layered with continued M&A (two recent acquisitions have been solid contributors to F2020 results), the company should continue to post strong results. As such, we see an opportunity for TCS to be re-rated at, or above peers.

M&A Should Remain Prevalent

Healthy M&A activity continues to be prevalent within our coverage universe and has been at the forefront of the technology industry over the last few years, fueled by favourable stock currencies, growth multiple expectations and business scale aspirations. In the first nine months of 2019, we saw 301 technology deals of varying sizes involving Canadian businesses, up 25% YoY over the comparable period. With companies within our coverage universe continuing to strengthen their balance sheet, we expect 5N Plus Inc. (VNP-T), The Descartes Systems Group Inc. (DSG-T), Savaria Corp. (SIS-T), TECSYS Inc. (TCS-T) and Mediagrif Interactive Technologies Inc. (MDF-T) to be willing shoppers, the latter triggered by a new CEO and a refocused growth strategy.

Sale or Divestiture of Assets an Ongoing Theme

Over the last 12 months, we have seen notable technology company sales within our coverage universe, including Morgan Stanley's acquisition of Solium Capital Inc. in the stock options management space, GeoTab's acquisition of BSM Technologies Inc. in the telematics and asset management market, and Stryker's acquisition of TSO₃ Inc. in the sterilization arena. An evolving technology landscape 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, as was the case with Mediagrif's sale of LesPAC in 2019 and planned divestiture of Jobboom Inc. and Reseau Contact Inc. as it exits the B2C market. We expect sale/divestiture activity to continue within the Canadian technology market in 2020.

Strong Cash Flow Generation to Continue

During 2019, 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 YoY FCF growth (ex. w/c) in 2019 all offer Cloud Services including Kinaxis Inc. (KXS-T) (56%), TECSYS (43%) and Descartes (22%), with the one exception being Savaria, at 19%. For 2020, we look for a generally slower rate of FCF growth within our coverage universe with 5N Plus (66%), Savaria (24%), Mediagrif (8%), Descartes (8%) and TECSYS (5%) leading the way.

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Nick Agostino, CFA, MBA, P.ENG. | DIVERSIFIED TECHNOLOGY

TECSYS Inc.
(TCS-T – \$19.07)
Buy – Target Price: \$23.00

Company Profile

Founded in 1983, TECSYS Inc. (TCS) develops, markets and sells enterprise-wide supply chain management (SCM) software for distribution, warehousing, and transportation logistics, targeting primarily the North American market. The offering is a single-source solution that combines proprietary software and with third-party hardware. TCS is headquartered in Montreal, QC, operating four offices and one storage facility, with three locations in Quebec and two in Ontario. As of F2019, TCS derives 61% of its revenues from the U.S., 32% from Canada, and the balance from abroad. The company employs ~365 people with ~190 in services.



Source: BigCharts.com

Market and Company Data

Ticker	TCS-T	Shares-basic O/S (M)	13.1
Rating	Buy	Shares-FD O/S (M)	13.7
Risk	High	Market Cap (M)	\$249.5
Price	\$19.07	Float O/S (M)	9.2
1-Yr Target	\$23.00	Avg Daily Volume (K)	3.0
Yield	1.3%	Enterprise Value (M)	\$246.0
1-Yr ROR	21.9%	Cash (M)	\$20.0
52 Wk High-Low	\$19.50 - \$10.30	Net Debt (M)	-\$3.5
Valuation	2.7x F2021/22 EV/Sales	Ownership	
Year End	Apr-30	Manag. & Dir.	30.0%
Next Reporting	Mar-20	Institutional	38.1%
		Net Debt/Total Cap	n/a

Sales (FD)							P/E
	Q1	Q2	Q3	Q4	Annual		
2017A	\$16.1	A \$16.5	A \$17.4	A \$18.4	A \$68.4		3.6x
2018A	\$16.5	A \$18.1	A \$17.2	A \$18.9	A \$70.7		3.5x
2019A	\$16.3	A \$18.2	A \$18.8	A \$23.2	A \$76.4		3.2x
2020E	\$24.3	A \$26.0	A \$26.1	\$26.4	\$102.8		2.4x
2021E					\$108.9		2.3x

EBITDA (M)							EV/EBITDA
	Q1	Q2	Q3	Q4	Annual		
2017A	\$0.8	A \$1.7	A \$2.0	A \$2.5	A \$7.0		35.1x
2018A	\$0.7	A \$2.2	A \$1.4	A \$2.3	A \$6.6		37.3x
2019A	\$0.5	A \$1.8	A (\$0.1)	A \$0.6	A \$2.8		86.7x
2020E	\$2.0	A \$3.7	A \$2.5	\$2.4	\$10.6		23.2x
2021E					\$10.9		22.5x

Source: Company reports; Bloomberg; LBS estimates.

Firing on All Cylinders

Investment Thesis and Rationale

Over the years TCS has built a supply chain execution platform focused on Healthcare, Complex Distribution (CD) and more recently, retail/e-commerce. Unlike in prior years, in 2019 we have seen all three segments perform at top level rates. We expect this to continue in 2020. This performance is reflected in 1H/F20 results, where sales grew organically by 19% (when adjusted for SaaS transition headwinds). In the most recent quarter (FQ2), TCS delivered double-digit organic growth in its Cloud/SaaS revenue streams (improving predictability), saw 17% organic growth in bookings to a record \$27.9M, which benefitted from a 72% increase (including M&A) in total contract value bookings, and yielded a record backlog of \$87.0M. Beyond a steady, strong win-rate in Healthcare, results are benefitting from a doubling of the CD win-rate to the low 40s range.

Key Catalysts

Margins expansion. Despite headwinds from a transition to SaaS, TCS has seen EBITDA margins expand from a 10-year low in Q3/F19 to a 3.5-year high of 14.7% in Q2/F20 (>20% when adjusted for SaaS), the second highest level over the last 10 years. Aided by top-line growth, the leverage of the model is filtering through and should continue, over time, under a favourable operating environment and as the SaaS transition progresses.

More M&A. Building off two successful transactions in the last 12 months (OrderDynamics and PCSYS) which are operating at, or above expectations, we look for TCS to pursue further M&A in 2020 to bolt-on to its Healthcare, CD and/or retail/e-commerce segments and to leverage these areas to expand its European footprint.

Valuation

We value TCS shares based on 2.7x F2021/22 Sales. On a NTM EV/Sales, TCS trades at 2.3x with adjusted organic growth of 19% (FQ2), a discount to the peer blend of 2.7x growing at 5.5%. Although our valuation multiple is in-line with peers, we see further multiple upside (to >3x) as TCS becomes a sustainable 30-40% sales growth + EBITDA margin performer.

Key Risks

Healthcare. With the 2020 U.S. elections less than one year out, an election platform that revisits Medicare/Medicaid funding could put a near-term damper on healthcare spending budgets, similar to that witnessed in 2016/17. The result could be a zero growth healthcare environment.

Economy. The current economy is supporting robust spending activity, particularly in e-commerce. An economic downturn could dampen spending and shipments, impacting TCS's CD and retail/e-commerce businesses.

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PRECIOUS METALS

Our preferred domestic pick is Marathon Gold Corporation (MOZ-T). Marathon owns the 4.2 Moz Valentine Lake gold project in west-central Newfoundland. An initial economic assessment indicates the resource has capacity to support a conventional open-pit mine able to produce 250 Koz of gold per year for 10 years. After an extensive drill campaign in 2019, an updated resource is expected early in 2020, followed by a prefeasibility study in H1/20. In 2020, we expect Marathon may attract the attention of established gold producers looking for additional assets to develop.

Our preferred international pick is Argonaut Gold Inc. (AR-T). Argonaut currently operates three open-pit heap leach mines: the El Castillo complex, which is comprised of the El Castillo and San Agustin mines in Durango, Mexico; and the La Colorada mine, which is located in Sonora, Mexico. The focus for these three assets through 2020 will largely be on free cash flow generation. In addition to its operating assets, AR is also advancing its Magino project in Ontario. Although a Feasibility Study was released at the end of 2017, which outlined a potential open-pit operation, we believe that AR may be able to enhance the value of this project by further defining high-grade structures at depth, with a 20,000m drill program currently underway.

BASE AND INDUSTRIAL METALS

Our preferred pick is Altius Minerals Corporation (ALS-T). Altius Minerals holds a diversified portfolio of royalties and streams, with exposure primarily to potash, coal and base metals. In addition, Altius holds a 5.9% interest in Labrador Iron Ore Royalty Corporation. As part of its Project Generator model, Altius has built significant portfolios of both non-producing royalties and equity investments. ALS owns a 95% interest in Altius Renewable Royalties (ARR), a subsidiary that acquires royalties on wind power projects in the United States. Before the end of 2019, we expect ALS to complete another significant transaction within ARR, similar in scope — or larger — than the US\$30 mm deal completed with Tri Global Energy in Feb/19. ALS management has signalled that the company is contemplating an IPO of the ARR unit once a critical mass of >\$100 mm of renewable royalty business is completed. We believe that the growth opportunities and valuation potential of ARR is compelling.

Strong Cash Flow Generation to Continue

For 2020, we anticipate gold prices to remain at an attractive level, allowing for good levels of free cash flow to be generated by the gold mining industry, supporting a healthy level of equity valuations. In this environment, it is anticipated that appetite for new assets will remain strong, leading to a heightened level of exploration activity and corporate due diligence.

M&A May Continue to Playout at the Forefront

At the end of 2019, the level of M&A activity had increased as various recombined companies sought to become more streamlined and concentrated on defining relevant core assets and shedding less relevant operations. We expect this activity to continue into 2020, driven, in part, by international buyers seeking the more stable jurisdiction of Canada. The activity may also lead to a general consolidation in older, more established mining regions where individual mining operations may become more relevant by merging to achieve scale of operation and better investor awareness.

Cautiously Optimistic Outlook for Base Metals and Bulk Commodities

While each of the LME metals and bulk commodities — such as coking coal and iron ore — have specific market drivers and fundamentals, our general view is that this 'basket' is driven by global economic growth and trade stability. Our cautious stance is driven by both the need for better clarity on the China-U.S. trade deal in principle; and low, but increasing, potential for a global recession in 2020.

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Barry Allan, MBA | MINING

Marathon Gold Corporation (MOZ-T – \$1.71) Buy – Target Price: \$3.00

Company Profile

Marathon Gold is an early-stage gold development company focused on the 100%-owned Valentine Lake Gold project, located in west-central Newfoundland. The project consists of a very large land package of approximately 240 km² centered on 30 kms of strike length along the Valentine Lake Thrust Fault, and the project consists of a number of gold deposits lying immediately adjacent (north) of the fault zone. In November 2018, an updated PEA illustrated a critical mass of gold resources justified further project advancement. An extensive in-fill drill campaign was completed in 2019 and an updated resource in 2020, it is anticipated that the Valentine Lake project total resource has grown to ~5.0 Moz and has become the largest undeveloped gold mine in Atlantic Canada.



Source: BigCharts.com

Market and Company Data

Ticker	MOZ-T	Shares-basic O/S (M)	178.8
Rating	Buy	Shares-FD (M)	193.9
Risk	High	Market Cap (C\$M)	\$305.8
Price (C\$)	\$1.71	Float O/S (M)	178.8
1-Yr Target (C\$)	\$3.00	Ave Daily Vol (K)	263.8
Valuation Method	1.00 X NAVPS	52-Wk High-Low (C\$)	\$1.73-\$0.73
NAVPS (C\$)	\$3.03	Year-end	December
Div. Yield	0.0%	Next Reporting	Feb, 2020
1-Yr ROR	75.4%	Working Cap (C\$M)	\$30.2

	2019E	2020E	2021E	2022E
Gold Price (US\$/oz)	\$1,325	\$1,400	\$1,400	\$1,400
Gold Prod'n (Koz)	0.0	0.0	0.0	313.5
Op. Cost (US\$/oz)	\$0	\$0	\$0	\$558
EPS (C\$/sh)	(\$0.02)	(\$0.02)	(\$0.02)	\$1.47
P/EPS	n.m.	n.m.	n.m.	1.2x
CFPS (C\$/sh)	(\$0.02)	(\$0.02)	(\$0.02)	\$2.13
P/CFPS	n.m.	n.m.	n.m.	0.8x

Source: Company report; LBS estimates

A Prime Takeover Candidate

Investment Thesis and Rationale

A material asset, attractive to any gold producer. Marathon Gold have successfully delineated a significant gold resource in west-central Newfoundland that has the capability to support a 250 Koz/year gold mine for more than ten (10) years, exploiting a total resource of 4.2 Moz. Located in an established mining region of Newfoundland and potentially developed as a conventional open-pit mine and mill, the project has a comparatively low-risk profile for commercial success. In our opinion, Marathon Gold represents an attractive acquisition target for nearly every established gold producer who is looking to add low-risk gold assets to its production profile.

Key Catalysts

An updated resource and a PFS. After an extensive in-fill drilling campaign in 2019, an updated resource is expected in Q1/20, followed by a prefeasibility study in early H1/20. While we continue to believe the annual production rate will remain ~250 Koz per year, we do anticipate that the total resource may have materially increased from 4.2 Moz to more than 5.0 Moz, adding to the overall mine-life and enhancing the overall project economics. Further, we expect the development timeline may take a more phased approach to reduce the risk of start-up and lower the amount of up-front capital.

Valuation

Discounted cash flow at 8% after-tax. Our valuation methodology is based on inputs from the PEA and the last resource discounted at 8% after-tax, using a long-term gold price assumption of US\$1,400/oz and an FX assumption of C\$1.30/US\$. While the financial model only recovers 2.7 Moz of the total 4.2 Moz resource, we anticipate that once the new resource is released, the overall mine-life may be extended, allowing more resources to be captured in our mine model and adding to the underlying NAV.

Key Risks

Construction the primary hurdle. The risk of construction is the primary hurdle facing the Valentine Lake gold project. Conceptually, the mine is to be a conventional open-pit mine using established technology in the mill to recover gold. An additional heap-leach process is to be built to recover gold from lower-grade ores that are expected to be moved as part of the overall mining process to access high-grade areas of the deposit. The anticipated scale of mining operations is to be in the order of 9,000 tpd with required up-front capital in the order of \$468 million. However, a PFS has yet to be completed and there is a possibility that construction of the mine may occur in phases, with initial mill operation followed by construction of a heap-leach facility.

INSTITUTIONAL EQUITY

Ryan Hanley | MINING

Argonaut Gold Inc.
(AR-T – \$1.85)
Buy – Target Price: \$3.00

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)	179.5
Rating	Buy	Shares-FD (M)	187.5
Risk	High	Market Cap (M)	C\$332.1
Price	C\$1.85	Float O/S (M)	179.5
1-Yr Target	C\$3.00	Ave Daily Vol (M)	0.44
Valuation Method	1.0x NAV/sh	52-Wk High-Low	C\$2.87-C\$1.18
NAVPS	C\$2.90	Year-end	December
Div. Yield	0.0%	Next Reporting	March
1-Yr ROR	62.2%	Working Cap (\$mm)	\$70.9

	2017A	2018A	2019E	2020E
Gold Price US\$/oz	\$1,273	\$1,267	\$1,450	\$1,400
Gold Prod'n (koz GEO)	126.7	165.1	195.0	211.7
Cost (US\$/oz Au Sold)	\$787	\$792	\$900	\$849
EPS (\$/sh)	\$0.15	(\$0.04)	\$0.15	\$0.21
P/EPS	9.5x	n/a	9.5x	6.6x
CFPS (\$/sh)	\$0.27	\$0.33	\$0.39	\$0.48
P/CFPS	5.3x	4.3x	3.6x	3.0x

All figures are in US\$ unless otherwise noted

The AR-T of 'Double-or-Nothing'

Investment Thesis and Rationale

We made Argonaut Gold a Preferred Pick for 2019, which ultimately led to a return of 46.8% vs. a return of 41.6% for the GDXJ (Van Eck Junior Miner ETF) and 37.5% for the GDX (Van Eck Gold Miner ETF) over the same period. Given our belief that AR should generate good levels of free cash flow (FCF) from Q4/19 through 2020, we have elected to go 'double-or-nothing', and are once again making Argonaut Gold our Preferred Pick for the year.

Key Catalysts

We believe that the key catalyst for AR is simply ongoing quarterly results, which should demonstrate strong levels of FCF. For Q4/19, we are expecting production of 56.1koz of gold equivalents (GEO) at cash costs of \$876/oz, to lead to \$17.2M in FCF, based on a gold price of \$1,450/oz.

Looking ahead to 2020, given that AR's capital-intensive projects have now been completed (i.e. San Agustin crushing expansion, construction of additional leach pads at San Agustin and El Castillo, etc.), we expect the combination of lower capital expenditures and a higher gold price (our assumptions are based on our conservative \$1,400/oz forecast for 2020) to lead to ~\$40M in FCF for the year. Given AR's current market cap of C\$332M, this equates to a FCF yield of ~15.7%. Should we increase our gold price assumption to \$1,500/oz for 2020, our projected FCF generation would increase to just under \$52M, equating to a FCF yield of ~20.6%.

Recall that AR previously entered into a series of 'zero-cost' collar option contracts which cover a total of 145.5koz from Q4/19 to mid-2022. The floor price of the monthly gold collars was set at \$1,450/oz, while the ceiling price of the collars ranges from \$1,630/oz in Q4/19 to \$1,760/oz in H1/22.

Valuation

AR currently trades at 0.64x on a P/NAV basis and 3.0x on a 2020E P/CF basis vs. a peer group average of 0.72x and 5.0x, respectively. We believe that once AR has demonstrated sequential quarters of strong FCF generation, that it should trade in line with, or at a premium to, its peers.

Key Risks

Most of the key risks associated with AR are tied to operations, and include the potential for grade variability, higher input costs, and/or recovery issues which may arise due to the type of ore stacked on the leach pads and/or solution flow challenges (including the usual dilution issues typically seen in Q3, with the onset of the rainy season).

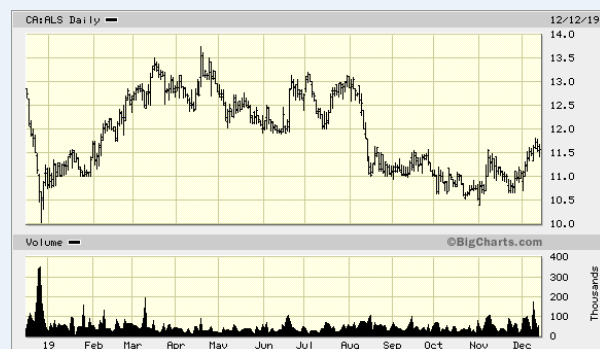
INSTITUTIONAL EQUITY

Jacques Wortman, MBA | MINING

Altius Minerals Corporation (ALS-T – \$11.58) Buy – Target Price: \$16.50

Company Profile

Altius Minerals holds a diversified portfolio of royalties and streams, with exposure primarily to potash, coal and base metals. In addition, Altius holds a 6.3% interest in Labrador Iron Ore Royalty Corporation. As part of its Project Generator model, Altius has built significant portfolios of both non-producing royalties and equity investments. The Project Generator model is based on the vending out of exploration and development assets in return for royalties and equity positions in the acquirers. In addition to 'writing' royalties via this model, ALS also purchases royalties directly. ALS owns a 95% interest in Altius Renewable Royalties, a subsidiary that formed a JV in early 2019 with Tri Global Energy, to acquire royalties on wind power projects in the United States.



Source: BigCharts.com

Market and Company Data

Ticker	ALS-T	Shares - basic O/S (mm)	42.8
Rating	Buy	Shares - FD (mm)	43.1
Risk	High	Market Cap (\$ mm)	\$495.3
Price (\$)	\$11.58	Enterprise Value (\$ mm)	\$644.4
1-Yr. Target (\$)	\$16.50	Float O/S (mm)	42.8
Valu'n Method	1.5xNAV/15.5xEV/EBITDA	Ave Daily Vol (K)	49,339
NAVPs (\$)	\$11.73	52-Wk High-Low (\$)	\$13.76-10.04
Div. Yield	1.73%	Year-end	December
1-Yr ROR	44.2%	Next reporting	Mar-20
		Working Cap (\$ mm)	\$20.2

	Q1	Q2	Q3	Q4	Annual	
Potash Price 2019 (\$/t)	\$224	A \$266	A \$269	A \$250	\$252	
Cu price 2019 (US\$/lb)	\$2.82	A \$2.77	A \$2.63	A \$2.70	\$2.73	
Adjusted EPS (\$)						P/E
2018A	\$0.06	\$0.12	\$0.14	(\$0.01)	\$0.31	37.5x
2019E	\$0.15	A \$0.15	A \$0.10	\$0.11	\$0.52	22.4x
2020E	\$0.12	\$0.14	\$0.14	\$0.14	\$0.54	21.3x
2021E	\$0.16	\$0.16	\$0.16	\$0.16	\$0.64	18.0x
Adjusted EBITDA (\$ mm)						EV/EBITDA
2018A	\$12.7	\$13.0	\$13.9	\$13.4	\$53.0	12.2x
2019E	\$17.4	A \$16.3	A \$15.3	A \$13.2	\$62.2	10.4x
2020E	\$13.8	\$14.6	\$14.8	\$14.8	\$58.0	11.1x
2021E	\$14.0	\$14.0	\$14.0	\$14.0	\$55.97	11.5x

Source: Company reports, LBS estimates

Share Price Supported by NAV; ARR Will Lead Growth

Investment Thesis and Rationale

ALS' share price is well-supported by our sum-of-the-parts NAV, which consists of the paying potash, coal and base metal royalties, the Altius Renewable Royalties (ARR) unit, a conservative value ascribed to the non-producing royalties, and the mark-to-market value of the equity portfolio, adjusted for quarter-end balance sheet items. Beyond the NAV of the assets themselves, there is additional upside value potential:

- **Near-term:** initial production at Excelsior's **Gunnison** in-situ copper operations (Q4/19) — ALS holds an equity position and a 1.625% Gross Revenue Royalty (GRR); **Adventus Mining Corp.** (BUY; \$1.85/sh TP) drill results from Curipamba, Santiago and Pijili properties in Ecuador in H1/20;
- **Medium-term:** royalty revenue expected from ARR (2021); continued weaker junior market environment could create new potential opportunities for Project Generation model;
- **Longer-term:** ALS holds a 2% NSR royalty on Adventus' El Domo project, which is advancing through the Feasibility Study stage; production capacity expansions planned at potash mines ALS holds royalties on.

Key Catalysts

In the near-term, the key items to watch for are new developments on ARR and the start of production at Excelsior's Gunnison mine. Regarding ARR, management expects to announce a new transaction before the end of 2019, potentially similar in structure, but larger in scope, relative to the US\$30 mm deal announced in Feb/19 with Tri Global Energy. ALS is also exploring the possibility of IPO'ing the ARR unit once a critical mass of US\$100 mm of transactions has been reached.

Valuation

Altius trades at 0.99x our NAV of \$11.73 per share. In 2020, we currently forecast attributable royalty revenue of \$74.5 mm and EBITDA of \$58.0 mm. Our price target of \$16.50 per share is based on a 50/50 weighting of 1.5x NAV (paying royalties only) and 15.5x F19/F20 EV/EBITDA.

Key Risks

Altius has a strong balance sheet and its core asset base is located in North America (plus the Chapada copper stream in Brazil and the pre-production Curipamba royalty in Ecuador). As such, the primary forms of risk for ALS are market-based and include: 1) commodity price risk (especially potash, base metals and iron ore), and 2) exposure to junior mining equities in its equity portfolio.

INSTITUTIONAL EQUITY

Todd Kepler & Jonathan Temprow | OIL & GAS

OIL & GAS

Todd Kepler, CFA | KeplerT@lb-securities.ca • 403 453-2909

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Our preferred midcap 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 71,500 boe/d (85% liquids) in 2020 and free cash flow ("FCF") generation of ~\$120 mm based on the mid-point of its \$360 - \$380 mm capital program. The current dividend yield is 7.3% and the balance sheet continues to improve with estimated trailing D/CF at YE20 of 1.7x.

Our preferred small cap pick is PetroShale Inc. (PSH-V). PetroShale is an oil weighted producer operating in the Bakken play in North Dakota. We are forecasting production of 12,750 boe/d (84% liquids) in 2020, which represents ~50% production growth over 2019. On a capital budget of \$70 mm, we estimate PSH will generate FCF of ~\$48 mm, which will be allocated to debt reduction initiatives, share buybacks, and/or opportunistic tuck-in acquisitions.

Focus on Free Cash Flow Generation and Balance Sheet Preservation

As 2020 budgets and guidance have been introduced to the market over the last few weeks a key theme has emerged; conservative spending focused on the highest netback assets in order to generate free cash flow and protect balance sheets. We expect companies to continue positioning themselves in anticipation of more positive equity markets (and hence access to capital), returning to growth rather than solely balance sheet protection.

Market Response to OPEC+ Supply Cuts and Tighter Crude Market Heading into 2020

On December 6, 2019, OPEC+ committed to deeper production cuts through March 2020, from the existing cuts of 1.2 mmb/d to 1.7 mmb/d (~1.7% of global supply). U.S./China trade and tariff tensions along with eroding global oil demand concerns have seen WTI trading within the US\$50.00/b to US\$65.00/b range throughout the year. Even an attack on the Saudi's Abqaiq processing plant, which temporarily knocked ~5% of the global crude supply offline, couldn't prop prices up for longer than a couple trading sessions. The crude oil futures remain in backwardation, although we note that at time of writing WTI does not dip below US\$50.00/b. We are currently running our estimates for 2020 based on WTI prices of US\$55.00/b, which is ~5% below current strip pricing.

Canadian Attempt to Narrow Crude Differentials Continues

The former NDP government in Alberta enacted production limits in January 2019 to assist in supporting crude prices and offset high Canadian crude inventory levels. The UCP government announced an extension of the cuts into 2020, with increases to the curtailment cut-off and a stipulation that newly drilled wells and crude shipped by rail would not count towards production limits. AB Premier Jason Kenney announced that a sale of the province's crude-by-rail contracts would be coming shortly, which could see rail exports ultimately over 500,000 b/d, compared to September levels of ~320,000 b/d. Crude-by-rail has become an important egress component for western Canadian producers as pipeline expansions continue to hit regulatory roadblocks.

Bearish Sentiment on Natural Gas Heading into Winter Heating Season

A continuing natural gas theme has been the tightening of the AECO basis differential as Henry Hub pricing has struggled throughout 2019 and at the start of the 2020 winter heating season. Pricing remains volatile on a regional basis, which highlights the importance of regional diversification and the significant impact various hubs can have on realized pricing.

Corporate M&A Activity To Heat Up with Depressed Valuations and Closed Capital Markets

Similar to commentary from last year, oil and gas asset valuations are at or near historical lows heading into 2020, 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.

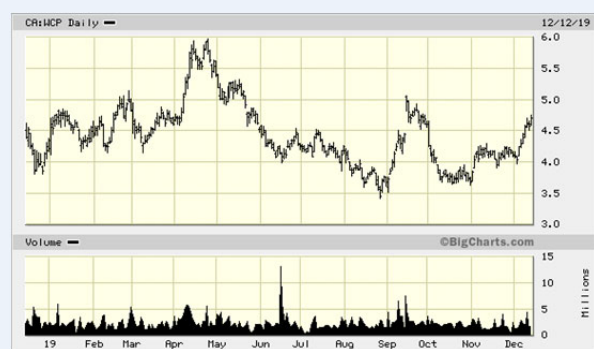
INSTITUTIONAL EQUITY

Todd Kepler, CFA | OIL & GAS

Whitecap Resources Inc.
(WCP-T – \$4.71)
Buy – Target Price: \$7.25

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 long-term 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)	412.9
Rating	Buy	Shares-FD O/S (mm)	418.8
Risk	High	Market Cap (mm)	\$1,933.7
Price	\$4.71	Float O/S (mm)	405.6
1-Yr Target	\$7.25	Avg Daily Volume (mm)	1.8
Yield	7.3%	Enterprise Value (mm)	\$3,182.8
1-Yr ROR	61.2%	Net debt (mm)	\$1,249.1
52 Wk High-Low	\$5.98/\$3.41	Net Debt/Total Cap	28.3%
Target Valuation	5.5x 2020E EV/EBITDA	Ownership	
Year End	Dec-31	Manag. & Dir.	1.8%
Next Reporting	Feb-27 E	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	7.1x	
2018A	\$0.39	A \$0.47	A \$0.49	A \$0.33	A \$1.67	5.1x	
2019E	\$0.39	A \$0.42	A \$0.37	A \$0.38	\$1.56	3.0x	
2020E	\$0.39	\$0.39	\$0.37	\$0.38	\$1.53	3.1x	

EBITDA (\$mm)							
	Q1	Q2	Q3	Q4	Annual	EV/EBITDA	
2017A	132.8	A 131.3	A 128.6	A 155.8	A 548.5	9.7x	
2018A	178.3	A 212.3	A 220.2	A 154.5	A 765.3	6.3x	
2019E	191.2	A 196.4	A 177.6	A 179.8	745.0	4.2x	
2020E	184.4	181.5	172.8	175.5	714.2	4.2x	

Source: Company reports, Thomson Reuters, LBS estimates

WCP — Ticking the Right Boxes in Uncertain Times

Investment Thesis and Rationale

WCP remains a best-in-class mid-cap oil producer with strong operations, low leverage, and significant free cash flow (“FCF”) generation. The low decline asset base and high capital efficiencies allow the Company to record material FCF in 2020 based on current strip pricing that will 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. In a period of muted growth, investors can be rewarded with a 7.3% dividend yield and are paid to wait.

Key Catalysts

We see three main catalysts for WCP in 2020: (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 will generate ~\$123 mm in FCF in 2020 and have a combined FCF and dividend yield of ~14%. At the closing price on December 12, 2019 of \$4.71, WCP was valued at 4.2x 2020E EV/EBITDA, compared to the peer group average of 4.2x. Attainment of our \$7.25 target implies a 5.5x 2020E EV/EBITDA.

Key Risks

The main risks that should be considered before making an investment decision on WCP 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

Jonathan Tempro, MBA | OIL & GAS

PetroShale Inc.
(PSH-V – \$0.58)
Buy – Target Price: \$1.50

Company Profile

PetroShale is a pure-play, small-cap North Dakota Bakken light oil producer. PSH has amassed a top-tier acreage in the heart of the Bakken with drilling opportunities across multiple, stacked oil zones. The Company has historically acquired land and reserves at attractive metrics, providing a large drilling inventory and opportunity to pursue significant growth over the next 12–24 months.



Source: BigCharts.com

Market and Company Data

Ticker	PSH-V	Shares-basic O/S (mm)	192.2
Rating	Buy	Shares-FD O/S (mm)	195.1
Risk	High	Market Cap (mm)	\$111.2
Price	\$0.58	Float O/S (mm)	128.3
1-Yr Target	\$1.50	Avg Daily Volume (mm)	0.1
Yield	na	Enterprise Value (mm)	\$411.6
1-Yr ROR	158.6%	Net debt (mm)	\$300.4
52 Wk High-Low	\$1.36/\$0.38	Net Debt/Total Cap	61.7%
Target Valuation	4.1x 2020E EV/EBITDA	Ownership	
Year End	Dec-31	Manag. & Dir.	33.3%
Next Reporting	Apr-09 E	Institutional	13.8%

CFPS (FD)							
	Q1	Q2	Q3	Q4	Annual		P/CF
2017A	\$0.22	A \$0.03	A \$0.02	A \$0.04	A \$0.13		9.8x
2018A	\$0.07	A \$0.10	A \$0.12	A \$0.04	A \$0.28		6.7x
2019E	\$0.03	A \$0.06	A \$0.13	A \$0.12	\$0.34		1.7x
2020E	\$0.14	\$0.15	\$0.17	\$0.16	\$0.61		0.9x

EBITDA (\$mm)							
	Q1	Q2	Q3	Q4	Annual		EV/EBITDA
2017A	8.0	A 4.5	A 3.0	A 5.7	A 21.2		11.9x
2018A	10.9	A 20.3	A 22.0	A 11.7	A 64.9		8.4x
2019E	9.6	A 16.3	A 30.0	A 28.4	84.3		5.3x
2020E	32.3	34.7	38.0	35.4	140.4		2.9x

Source: Company reports, Thomson Reuters, LBS estimates

PSH — Continued Growth South of the Border

Investment Thesis and Rationale

Following a year in which PSH grew production from ~5,000 boe/d in Q1/19 to over 11,000 boe/d in H2/19, the Company plans to increase production another ~10% in 2020 on a \$70 mm capital program while generating ~\$48 mm in FCF. PSH hold sizeable drilling inventory in the heart of a prominent stacked U.S. shale play, with ~70% of future location operated and the remaining ~30% operated by larger top-tier producers. The Company receives premium pricing compared to Canadian peers and has no exposure to Canada's egress/regulatory overhang. PSH offers a high torque play on oil prices, with no 2020 hedges in place, which results in an estimated \$2.3 mm or ~2% increase to 2020 cash flow for every US\$1.00/b or ~2% change to WTI.

Key Catalysts

We see two main catalysts for PSH in 2020: (1) increase in commodity pricing resulting in additional FCF; (2) PSH as a potential takeover candidate as ongoing consolidation in the Bakken continues. A sustained increase in WTI or the Bakken differential should afford PSH the opportunity to accelerate net debt reduction, which sat at ~\$300 mm (~\$212 mm excluding the preferred share obligation) or 3.0x Q3-annualized cash flow, at the end of September. With a top-tier land position and strong operating results to date, PSH could be an attractive take-over candidate for a larger producer seeking to increase its footprint in the area.

Valuation

We estimate PSH will generate ~\$118 mm in cash flow and ~\$48 mm in FCF in 2020. At the closing price on December 12, 2019 of \$0.58, PSH was valued at 2.9x 2020E EV/EBITDA, compared to the peer group average of 3.3x. Attainment of our \$1.50 target implies a 4.1x 2020E EV/EBITDA.

Key Risks

The main risks that should be considered before making an investment decision on PSH are: (1) commodity price risk on the volatility of oil and gas prices; (2) risk of changes to regulatory or energy policies in 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

Yashwant Sankpal, MBA | REITS

REITS

Yashwant Sankpal, MBA | SankpalY@lb-securities.ca • 416 865-5941

Our preferred pick is Extendicare Inc. (EXE-T). Extendicare Inc., one of the largest Seniors Living platforms in Canada, trading at a 23% discount to NAV, is in our view, one of the best risk-reward opportunities in the entire Canadian real estate sector. There is no balance sheet risk and there is no business risk (i.e. no supply or demand issues) in this story. The only issue it is struggling with is poor operating margins of its Home Care (HC) division caused by an endogenous factor — staff scheduling issues. While the Home Care division accounts for only ~30% of total NOI and is still profitable, the stock market seems to be treating EXE as if all four of its divisions — Long-Term Care, Home Health, Retirement Homes, and third-party management — are struggling. In addition, EXE has been moving closer to resolving the scheduling issues and the division's operating margins are expected to stabilize by mid-2020 — a clear catalyst. In the meantime, investors earn a 5.7% yield. As a result, if EXE trades up even to a 10% discount to NAV from the current 23% discount, investors will earn a 23% total return on this position.

Steady Fundamentals and Low Interest Rates Drive Cap Rates Down/Hold Steady

All commercial sub-sectors are seeing either steady or declining cap rates (i.e. steady or increasing property market valuations). Sub-sectors that are able to drive rental growth — Apartments and Industrial — continue to see cap rate compression. On the other hand, the out-of-favour sectors, Retail and Suburban-Office, are not seeing much movement in cap rates as rent growth remains nominal or negative. The low interest rates and a flexible credit environment are putting further pressure on cap rates as investors are able to meet their target returns even at the low cap rates.

Aggressive Acquisition Activity Points to Future FFO Dilution

The property acquisition activity in the REIT sector was quite robust in 2019 and will likely spill over into 2020. We are, however, cautious about a few REITs that are gobbling up properties at rich valuations by issuing equity. It is our experience that such frenzied activity, if unchecked, generally leads to FFO and NAV per unit dilution in the long-run. We are currently seeing at least three REITs that are unwinding their portfolios which were assembled in a similar haste, in the past 10 years.

Renovation/Redevelopment will Continue to be Source of Incremental Returns

With investment returns on acquisitions continuing to decline in tandem with cap rates, REITs are looking at value-add opportunities/development projects to drive FFO/unit growth. This was a theme in 2019 and is likely to continue in 2020.

Low Interest Rate Environment Keeps Income Securities in Demand

With the 10-year Canada yield in the 1.6% range, yield securities continue to remain in demand. With average yields of the Apartment and Industrial sectors below 5%, investors are now looking at REITs in other sub-sectors — Diversified, Office and Retail — for high-yield securities which are still yielding 8%+.

Rich Security Valuations are a Risk

Two sub-sectors in the Canadian real estate sector are trading at historically high valuation levels — the Apartment sector and the Industrial sector (barring a few exceptions). While both sectors are enjoying extremely strong fundamentals, investing in these sub-sectors at extremely rich valuations could result in poor investment returns, even if fundamentals continue to remain strong. Moreover, these rich valuations discourage the M&A activity by private or institutional investors without the benefit of similarly rich public valuations.

Complacency Setting In?

Increasingly, we are noticing institutional REIT investors defending the rich valuations of their holdings in the Apartments and Industrial segments and being reluctant to rotate out/take some profit on such stocks, on the pretext that nothing could possibly go wrong with the current situation. Our analysis shows that an apartment REIT trading at a 25x Price/2020 FFO will have to deliver annual FFO/unit growth of 13% over the next seven years to justify the current multiples. To put this in context, over the last five years, a period with very favorable rental environment in Ontario, not one apartment company was able to generate a FFO CAGR higher than 8%.

INSTITUTIONAL EQUITY

Yashwant Sankpal, MBA | REITS

Extendicare Inc.
(EXE-T – \$8.45)
Buy – Target Price: \$10.00

Company Profile

EXE operates 120+ Long Term Care (LTC) and Retirement Home (RH) facilities across Canada. EXE also runs its Home Care (HC) businesses through 35 branches across the country. In addition, the company manages Senior Care (SC) properties and provides group purchasing services to third parties.



Market and Company Data

Ticker	EXE-T	Shares O/S (M)	89
Rating	Buy	Market Cap (M)	\$755
Risk	Medium	Debt (M)	\$565
Price	\$8.45	Enterprise Value (M)	\$1,320
1-Yr Target	\$10.00	Avg. Daily Volume (K)	191
Dividend	\$0.48	2019 AFFO Payout Ratio	83%
Div. Yield	5.7%	Debt to GBV	49%
1-Yr ROR	24.0%	2019 Debt to EBITDA	5.1x
52 Wk Hi-Lo	\$9.60-5.95	NAV	\$11.00
Year End	Dec-31	Cap Rate	8.3%
Next Reporting	Mar-'20	Price / NAV	77%
Valuation	1.15x NAV, 5-yr DCF		

Funds From Operations (FFO)						
	Q1	Q2	Q3	Q4	Annual	P/FFO
2017A	\$0.11 A	\$0.14 A	\$0.15 A	\$0.19 A	\$0.60	14.1x
2018A	\$0.12 A	\$0.18 A	\$0.15 A	\$0.14 A	\$0.59	14.4x
2019E	\$0.10 A	\$0.14 A	\$0.13 A	\$0.14	\$0.52	16.2x
2020E	\$0.14	\$0.16	\$0.17	\$0.16	\$0.63	13.3x
Adjusted Funds From Operations (AFFO)						
	Q1	Q2	Q3	Q4	Annual	P/AFFO
2017A	\$0.12 A	\$0.15 A	\$0.17 A	\$0.21 A	\$0.64	13.2x
2018A	\$0.14 A	\$0.20 A	\$0.15 A	\$0.15 A	\$0.64	13.2x
2019E	\$0.12 A	\$0.16 A	\$0.15 A	\$0.16	\$0.58	14.6x
2020E	\$0.15	\$0.17	\$0.19	\$0.18	\$0.69	12.2x

All figures in Canadian dollars unless specified otherwise

Best Risk-Reward Profile in the Canadian Real Estate Sector

Investment Thesis and Rationale

At the current stock price, we believe EXE offers an attractive risk-reward opportunity — a P/NAV discount of 23% for one of the largest Seniors Living platforms in Canada that has an under-levered and liquid balance sheet. EXE's HC division, the main factor behind EXE's deep-discount valuation, has begun to recover its lost volumes and margins from the scheduling issues and is on track to stabilize by mid-2020. Moreover, the remaining divisions of EXE (66–75% of total NOI) are showing steady performance. Lastly, at the current price, EXE's real estate is trading at an implied cap rate of 10.3%.

Key Catalysts

1. **Stabilization of HC margins.** EXE is installing a new ERP system for the HC division to resolve staff utilization issues that arose when it began the integration of Revera's HC business with its legacy HC business. Currently, the new system is handling approximately three-quarters of total volumes. With the scheduling issues mostly behind it, EXE expects to not only recover its lost volumes, but to grow them at least 4% per year. As a result, the HC division is expected to return to its historical margins (11–12%) in the second half of 2020.

2. **Reorganization?** With an activist investor having a 10% stake in EXE, it is reasonable to assume that there will be some initiatives to unlock value. One view is that EXE may get out of some of its business lines.

Valuation

23% discount to NAV and 5.6% dividend yield. EXE trades at one of the highest discounts among its TSX listed peers and has one of the least levered balance sheets. We highlight that P/FFO and AFFO ratios of Canadian Seniors Living companies are not comparable as the underlying cash flows are not calculated on a comparable basis.

Key Risks

Impediments to achieving our target price include, but are not limited to, risks inherent in the senior care industry, including: increased government regulation and oversight; changing consumer preferences; and fluctuations in occupancy levels and business volumes. In addition, there are inherent legal, reputational and other risks involved in providing housing and health care services to seniors.

INSTITUTIONAL EQUITY

Furaz Ahmad, CFA, CPA, CMA | SPECIAL SITUATIONS

SPECIAL SITUATIONS

Furaz Ahmad, CFA, CPA, CMA | AhmadF@lb-securities.ca • 416 865-5982

Our preferred pick is Boyd Group Income Fund (BYD.UN-T). While Boyd's stock has increased ~77% in 2019, we believe there is still material upside potential over the next 12 months and a number of catalysts which may drive the stock higher. Given the fragmented nature of the collision repair industry, we believe acquisitions will continue to be a focal point for growth, and a key catalyst should Boyd continue with its recent pace of acquisition activity and/or complete a material acquisition. 2020 will mark the end of Boyd's 5-year plan to double revenue on a constant currency basis vs. 2015. We are confident that Boyd will exceed its 5-year plan and believe a key catalyst for the stock will be incoming CEO, Tim O'Day's new 5-year plan, which should be introduced sometime in H2/20. Our 2020 forecast calls for top-line growth of ~14%, consisting of organic growth of 4% and acquisition growth of ~10%.

M&A Remains a Focal Point for Growth

As overall economic growth moderates, we expect consolidation to remain a key focal point for the North American small cap diversified universe in 2020. Private equity sponsors, who have ample capital to deploy, are driving up acquisition multiples across the universe, particularly in industries that generate significant free cash flow. While larger sell-side-led acquisition processes tend to demand higher prices and more private equity interest, we believe there continues to be opportunity to pursue small-scale tuck-in acquisitions at more measured valuation multiples. Acquisitions are expected to be a key driver of growth for the North America small cap diversified universe, and similarly for Boyd, in the North American collision repair industry, which is highly fragmented and primarily consists of independent family-owned businesses that operate in their local markets.

Labour Constraints Continue to be a Headwind

The North American labour market continues to be constrained, leading to a shortage of skilled and un-skilled labour. We believe this has led to a moderation in growth across various companies in the North American small cap diversified universe and has tapered short-term growth expectations. This has also led many companies to invest in technology, which may help bolster growth and increase overall productivity. With regards to Boyd, the company has introduced a number of initiatives to attract and retain technicians. These initiatives include improved benefits packages, increased compensation and apprenticeship programs. We believe the benefits of these initiatives will take time to materialize and may lead to short-term weakness in SSSG as Boyd, and the industry as a whole, trains and develops additional technicians.

INSTITUTIONAL EQUITY

Furaz Ahmad, CFA, CPA, CMA | SPECIAL SITUATIONS

Boyd Group Income Fund (BYD.UN-T – \$199.40) Buy – Target Price: \$230.00

Company Profile

Boyd Group is the largest corporate-owned multi-location operator in North America's \$30–40B collision repair industry, with 130 locations in Canada and 537 in the United States. Boyd currently operates three brands as well as an auto glass repair referral network. Repair services are offered to commercial and individual vehicle owners, and focus heavily on insurance repair claims.



Source: BigCharts.com

Market and Company Data

Ticker	BYD.UN-T	Year End	Dec. 31
Rating	Buy	FD Shares O/S (M)	19.9
Risk	Medium	Market Cap (fd) (M)	\$3,963
Price	\$199.40	Float O/S (M)	18.9
1-Yr Target	\$230.00	Float Value (M)	\$3,769
Dividend	\$0.54	Avg Daily Volume (k)	42.4
1-Yr ROR	15.6%	Enterprise Value (M)	\$4,830
52 Wk High-Low	\$103.17-\$204.94	Net Debt/EBITDA	2.7x
Valuation	13.0x 2021E EBITDA	Next Reporting	Mar-20

Adjusted EPU FD						
	Q1	Q2	Q3	Q4	Annual	P/E
2016	\$0.69 A	\$0.70 A	\$0.71 A	\$0.77 A	\$2.87 A	69.6x
2017	\$0.71 A	\$0.82 A	\$0.61 A	\$1.05 A	\$3.14 A	63.4x
2018	\$1.05 A	\$1.07 A	\$1.03 A	\$1.16 A	\$4.31 A	46.2x
2019E*	\$1.42 A	\$1.18 A	\$1.04 A	\$1.26	\$4.90	40.7x
2020E*	\$1.42	\$1.54	\$1.43	\$1.55	\$5.94	33.6x
2021E*	\$1.91	\$2.03	\$1.90	\$2.03	\$7.88	25.3x

Adj. EBITDA (\$M)						
	Q1	Q2	Q3	Q4	Annual	EV/EBITDA
2016	\$29.5 A	\$30.5 A	\$31.6 A	\$32.6 A	\$124.3 A	38.9x
2017	\$32.8 A	\$35.5 A	\$35.6 A	\$41.8 A	\$145.6 A	33.2x
2018	\$42.1 A	\$42.5 A	\$41.2 A	\$47.6 A	\$173.4 A	27.9x
2019E*	\$78.3 A	\$80.1 A	\$77.4 A	\$79.2	\$315.1	15.3x
2020E*	\$88.6	\$91.5	\$88.5	\$91.6	\$360.2	13.4x
2021E*	\$101.6	\$105.0	\$102.1	\$105.9	\$414.5	11.7x

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

Priced as of December 13, 2019

Acquisition Driven Growth Strategy Expected to Continue

Investment Thesis and Rationale

As the only public company in the industry, we believe investors have the unique opportunity to invest in a best-in-class operator participating in the early innings of the consolidation of the collision repair industry. We believe Boyd is well positioned to continue to grow organically and through acquisitions, given its strong balance sheet and significant internal free cash flow generation.

Key Catalysts

Acquisition driven growth expected to continue. With the fragmented nature of the collision repair industry, acquisitions are expected to continue to be a focal point for growth and a key catalyst for the stock, should Boyd continue with its recent pace of acquisition activity and/or complete a material acquisition. Boyd has a robust acquisition pipeline in the U.S., where there are >32,000 collision repair locations, with ~73% single-location shops and small MSOs.

Incoming CEO and new five-year plan. Current President and COO, Mr. Tim O'Day, will take over the CEO role from Mr. Brock Bulbuck on Jan. 1, 2020, as Mr. Bulbuck assumes his new role as Executive Chairman. We believe Mr. O'Day will outline a new 5-year growth plan for the company in the next 12 months as Boyd will assuredly meet its previous 5-year plan to double revenues on a constant currency basis by 2020 (vs. 2015).

Valuation

Our \$230.00 target price is based on 13.0x 2021 EV/EBITDA. This compares to the peer group which trades at 10.9x. We believe that a premium valuation vs. the peer group is warranted in light of Boyd's significantly above-average forecasted EBITDA growth rates, and leading position in the North American collision repair market.

Key Risks

Continued tightness in the labour market. The availability of skilled labour continues to remain a constraint for Boyd, and is a limiting factor for SSSG. Boyd has introduced several initiatives to address the ongoing issue; however, if none of these initiatives yield material benefits, SSSG may be negatively impacted.

Increased competition may lead to elevated M&A multiples. M&A continues to be a key driver of growth for Boyd and elevated acquisition multiples may impact the pace of returns on acquisitions, particularly if private equity-backed competitors become more active on the M&A front.

INSTITUTIONAL EQUITY

Mona Nazir & Nauman Satti | TRANSPORTATION & INFRASTRUCTURE

TRANSPORTATION & INFRASTRUCTURE

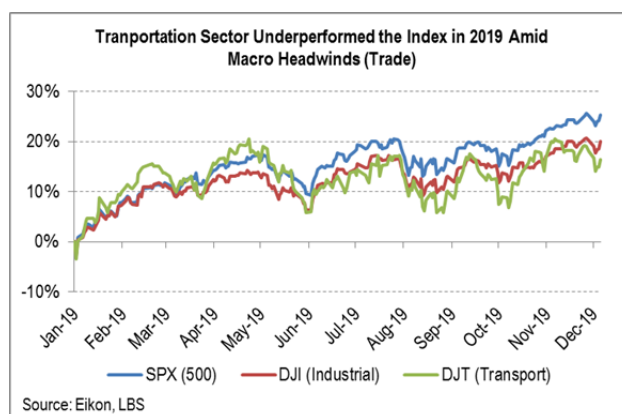
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Our preferred pick is TFI International Inc. (TFII-T). Although TFII stock has rallied 22% YTD, it remains ~12% below its \$49/share high in late 2018, before the freight volumes started to show weakness. While recognizing the near-term macro headwinds, we believe TFII is well-positioned to benefit from a rebound in earnings growth and a multiple re-rating once the freight market starts to improve. The freight data remained weak for Oct, and Q4 results may feel that pressure. But volumes should start to pick up in 2H of 2020 as the cloud of uncertainty surrounding a trade deal alleviates and corporate investment activity picks up. We remain positive on the long-term TFII story due to the company's prudent acquisition strategy, room for further OR (operating ratio) improvement, high cash flow yield, effective capital deployment, and company-shareholder interest alignment (with TFII's Chairman/President/CEO Alain Bédard being the largest shareholder). TFII has acquired more than 80 companies since 2008, allowing it to more than double revenue growth during this period. The trucking industry remains fragmented with ample opportunity for acquisitive growth. Growth in e-commerce provides an additional avenue for expansion with consumer companies offering shorter delivery periods along with return options for clients (double trips for transporters).

M&A Growth to Remain at the Forefront

Industry consolidation remained a dominating topic in 2019 and we expect 2020 to be no different. In our broad coverage universe, WSP Global Inc. (WSP-T), TFI International Inc. (TFII-T), Exchange Income Corp. (EIF-T), Héroux Devtek Inc. (HRX-T), and IBI Group Inc. (IBG-T) remained active in M&A, while Transat AT Inc. (TRZ-T) received shareholder approval to be acquired by Air Canada. Stella-Jones Inc. (SJ-T) and Stantec Inc's (STN-T) M&A activity remained muted but management reiterated their focus on acquisitive growth with potential deals in the near future. Our favorable view on TFII, WSP and EIF partially stems from their ability to drive growth via M&A, along with generating efficiencies post-acquisition. Smaller players within the trucking industry are the worst-off with the macro headwinds, as reflective in multiple bankruptcies in 2019 (New England Motors, Falcon Transport, ALA Trucking, LME); we believe these conditions should provide favorable acquisition multiples for TFII. Similar to the trucking industry, the engineering and design sector remains highly fragmented with ample tuck-in acquisition opportunities. In the case of WSP, we expect a relatively large acquisition in 2020 as they continue to progress towards the 2019-2021 strategic plan. Meanwhile, in the engineering and design space, valuations are stretched in some geographies (Australia) while stable in others (Canada). Our confidence on WSP stems from its track-record of generating synergies even if the M&A is done at slightly rich multiples.



Trade/Brexit Deal can Change Macro Headwinds to Tailwinds

TFII managed to curtail topline contraction in 2019 despite the uncertainty on a trade deal that is impacting business confidence. However, a potential trade deal can remove the uncertainty, which should result in an uptick in investments that should bode well for TFII. Meanwhile, the ambiguity on Brexit has pushed WSP and STN to be cautious in the U.K. We believe a resolution post-general elections should provide acquisitive opportunities for WSP and STN. Following the recent federal elections in Canada, we expect the pace of projects should pick up as organic growth in Canada has remained muted for engineering and design firms.

Value Pockets

In a trough market, valuation multiples should trade at a premium as earnings contraction takes place. However, in some of the cases, lower earnings estimates have pushed multiples to historical lows as well. SNC's risk associated with its exposure to fixed construction contracts are reflected in estimates yet trading multiples have also seen contraction. As SNC delivers on its profitability targets, market confidence should improve and translate into a multiple re-rating. WSP is trading at a ~1.5x premium to its peers on EV/EBITDA. We believe the premium is warranted, and can quickly diminish once the firm undertakes a large acquisition.

INSTITUTIONAL EQUITY

Mona Nazir & Nauman Satti | TRANSPORTATION & INFRASTRUCTURE

TFI International Inc.
(TFII-T – \$43.67)
Buy – Target Price: \$55.00

Company Profile

TFI International is a leader in the North American transportation and logistics industry with annual revenues of ~\$4.0 billion. The company manages a large network of wholly-owned subsidiaries across Canada and the United States. TransForce companies service four distinct segments: Package and Courier, Less-Than-Truckload, Truckload (specialized truckload and dedicated services), and Specialized Services (energy services sector, logistics, fleet management and personnel services).



Source: BigCharts.com

Market and Company Data

Ticker	TFII-T	Shares O/S (M)	84.4
Rating	Buy	Market Cap (M)	\$3,685
Risk	Medium	Float O/S (M)	80.0
Price	\$43.67	Float Value (M)	\$3,495
1-Yr Target	\$55.00	Avg Daily Volume (K)	259.8
Dividend	\$1.04	Enterprise Value (M)	\$5,469
Yield (%)	2.4%	Control Blocks:	
1-Yr ROR	28.3%	Manag & Dir	5.2%
52 Wk High-Low	\$47.37-\$33.36	Net Debt/Cap	55%
Valuation	7.5x EV/EBITDA (2020)	BVPS	\$17.62
Year End	Dec. 31	Next Reporting	Mar-20

Adjusted EPS (FD)									
	Q1	Q2	Q3	Q4	Annual				P/E
2017A	\$0.35	A \$0.68	A \$0.53	A \$0.60	A \$2.08				21.0 x
2018A	\$0.56	A \$0.99	A \$1.04	A \$0.96	A \$3.54				12.3 x
2019E	\$0.77	A \$1.18	A \$1.04	A \$1.02	E \$4.02				10.7 x
2020E	\$0.87	E \$1.06	E \$1.10	E \$1.12	E \$4.15				10.4 x

Adjusted EBITDA (\$M)									
	Q1	Q2	Q3	Q4	Annual				EV/EBITDA
2017A	107.6	A 144.2	A 128.2	A 131.0	A 511.0				10.7 x
2018A	129.0	A 184.4	A 187.2	A 176.0	A 676.6				8.1 x
2019E	184.5	A 231.1	A 215.1	A 211.7	E 842.4				6.5 x
2020E	199.1	E 218.3	E 220.3	E 219.6	E 857.3				6.4 x

Source: Company reports; Thomson Eikon; LBS.

A Track Record of Growth

Investment Thesis and Rationale

TFII has demonstrated itself to be a prudent asset consolidator with double-digit revenue and EBITDA CAGR over the last two decades. Although currently caught up in a tough macro-economic environment, we like the long-term story as TFII continues its acquisitive growth strategy along with pushing for cost control and improving yields. We believe, as the macro headwinds alleviate, TFII is well-positioned to drive bottom-line growth and undergo a multiple re-rating, albeit the improvement should come with a lag to overall freight market improvements.

Key Catalysts

M&A-led growth. TFII has acquired 80 companies over the last 10 years which has fueled the growth for the company. It has acquired eight companies in 2019 (YTD), and with FCF generation close to ~\$400M, the company is gearing up to spend another ~\$200M on acquisitions during 2020. The trucking industry remains fragmented so the pipeline remains strong. Furthermore, TFII can quickly generate synergies from the acquired assets in the shape of new insurance policies and fuel costs. Leverage of 2.3x (upper limit of ~3.2x) provides a cushion for TFII to pursue its acquisitive strategy.

E-commerce provides an additional growth avenue. Although LTL growth appears to be in a secular decline, we believe a substantial opportunity exists in the e-commerce space with the growing online shopping trend, a largely untapped market, and retailers offering product return policies. More importantly, we view management's focus on returns/yield — rather than market share — positively, as it should result in managed (controlled costs) growth.

Valuation

Our \$55.00/share TP is based on a 7.5x EV/EBITDA on 2020e. The stock is trading at 6.4x on 2019E as compared to 6.7x (LTL + TL) for peers. We believe once the freight volumes start to improve, the stock should see a multiple re-rating in the historical range of >7.0x along with profitability growth. Furthermore, the FCF yield of 10%+ and a potential reduction in share-count from stock buy-backs provides an additional value proposition.

Key Risks

Prolonged trade deal uncertainties and freight weakness. If freight volumes and spot prices continue to remain weak, it can start to put pressure on margins and can have further negative implications on results and multiples.

INSTITUTIONAL EQUITY

Appendix I – Coverage Universe

Coverage	Ticker	Rating	Risk Rating	Mkt Cap (\$M)	Price	Target	Div. Yield	1-Yr RoR
Barry Allan, MBA – Mining								
Americas Gold and Silver Corporation	USA-T	Buy	High	\$324	\$3.92	\$4.75	na	21.2%
Balmoral Resources Ltd.	BAR-T	Restricted	Restricted	\$50	\$0.33	Restricted	na	
Detour Gold Corp.	DGC-T	Buy	High	\$4,467	\$25.16	\$26.50	na	5.3%
Eastmain Resources Inc.	ER-T	Buy	High	\$25	\$0.10	\$1.00	na	952.6%
Guyana Goldfields Inc.	GUY-T	Buy	High	\$100	\$0.57	\$4.25	na	645.6%
Jaguar Mining Inc.	JAG-T	Spec Buy	High	\$87	\$0.12	\$0.22	na	83.3%
Marathon Gold Corporation	MOZ-T	Buy	High	\$307	\$1.71	\$3.00	na	75.4%
Probe Metals Inc.	PRB-V	Buy	High	\$117	\$0.96	\$2.40	na	150.0%
TMAC Resources Inc.	TMR-T	Buy	High	\$381	\$3.31	\$9.00	na	171.9%
Wesdome Gold Mines	WDO-T	Buy	High	\$1,269	\$9.23	\$9.50	na	2.9%
Nick Agostino, MBA, CFA, P.Eng. – Diversified Technology								
5N Plus Inc.	VNP-T	Buy	High	\$188	\$2.25	\$3.00	na	33.3%
The Descartes Systems Group Inc.	DSG-T	Hold	High	US\$3161	US\$41.16	US\$38.00	na	-7.7%
Kinaxis Inc.	KXS-T	Buy	High	\$2,729	\$103.95	\$110.00	na	5.8%
Liberty Defense Holdings Ltd.	SCAN-V	Restricted	Restricted	\$15	\$0.23	Restricted	na	
Mediagrif Interactive Technologies Inc.	MDF-T	Buy	High	\$89	\$5.93	\$8.50	na	43.3%
Savaria Corporation	SIS-T	Buy	Medium	\$707	\$14.00	\$17.00	3.3%	24.7%
TECSYS Inc.	TCS-T	Buy	High	\$250	\$19.07	\$23.00	1.3%	21.9%
Furaz Ahmad, CMA, CFA – Special Situations								
Boyd Group Income Fund	BYD.UN-T	Buy	Medium	\$3,963	\$199.40	\$230.00	0.3%	15.6%
Chris Blake, CFA – Diversifieds								
Aurora Cannabis Inc.	ACB-T	Buy	High	\$3,724	\$3.44	\$4.75	na	38.1%
Ryan Hanley – Mining								
Alamos Gold Inc.	AGI-T	Buy	High	\$2,803	\$7.16	\$11.00	0.7%	54.4%
Argonaut Gold Inc.	AR-T	Buy	High	\$332	\$1.85	\$3.00	na	62.2%
Ascendant Resources Inc.	ASND-T	Spec Buy	High	\$16	\$0.21	\$0.50	na	138.1%
Major Drilling International Ltd.	MDI-T	Buy	High	\$465	\$5.77	\$7.75	na	34.3%
New Gold Inc.	NGD-T	Hold	High	\$741	\$1.10	\$1.90	na	72.7%
Radisson Mining Resources Inc.	RDS-V	Restricted	Restricted	\$31	\$0.20	Restricted	na	
Rubicon Minerals Corp.	RMX-T	Buy	High	\$85	\$0.95	\$2.25	na	136.8%
Superior Gold Inc.	SGI-V	Buy	High	\$55	\$0.57	\$1.25	na	119.3%

Pricing as of Dec. 12, 2019*

*ACB-T and BYD.UN-T priced as of Dec. 13, 2019

Source: EIKON, LBS estimates

INSTITUTIONAL EQUITY

Appendix I – Coverage Universe (Cont'd)

Coverage	Ticker	Rating	Risk Rating	Mkt Cap (\$M)	Price	Target	Div. Yield	1-Yr RoR
Todd Kepler, CFA – Oil & Gas								
Baytex Energy Corp.	BTE-T	Buy	High	\$905	\$1.62	\$4.00	na	146.9%
Birchcliff Energy Ltd.	BIR-T	Buy	High	\$644	\$2.42	\$4.75	4.3%	100.6%
Crew Energy Inc.	CR-T	Buy	High	\$73	\$0.47	\$1.00	na	115.1%
InPlay Oil Corp.	IPO-T	Buy	High	\$44	\$0.64	\$2.00	na	212.5%
Paramount Resources Ltd.	POU-T	Buy	High	\$954	\$7.10	\$10.00	na	40.8%
Surge Energy Inc.	SGY-T	Buy	High	\$330	\$1.01	\$2.10	9.9%	117.8%
Tamarack Valley Energy Ltd.	TVE-T	Buy	High	\$427	\$1.89	\$4.25	na	124.9%
TORC Oil & Gas Ltd.	TOG-T	Buy	High	\$926	\$4.21	\$6.00	7.1%	49.6%
Whitecap Resources Inc.	WCP-T	Buy	High	\$1,929	\$4.71	\$7.25	7.3%	61.2%
Yangarra Resources Ltd.	YGR-T	Buy	High	\$107	\$1.25	\$3.50	0.0%	180.0%
Mona Nazir, MBA – Transportation & Infrastructure								
CargoJet Inc.	CJT-T	Hold	Medium	\$1,362	\$100.44	\$110.00	0.9%	10.5%
Exchange Income Corp.	EIF-T	Buy	Medium	\$1,507	\$43.49	\$53.00	5.2%	13.3%
Hydro One Ltd.	H-T	Hold	Low	\$15,280	\$25.59	\$24.00	3.8%	-2.4%
Heroux Devtek Inc.	HRX-T	Buy	Medium	\$656	\$18.02	\$23.00	na	27.6%
IBI Group Inc.	IBG-T	Buy	Medium	\$183	\$5.84	\$8.00	na	37.0%
SNC-Lavalin Group Inc.	SNC-T	Buy	Medium	\$4,099	\$23.33	\$33.00	0.3%	11.8%
Stantec Inc.	STN-T	Buy	Medium	\$4,038	\$36.35	\$41.00	1.6%	14.4%
Stella-Jones Inc.	SJ-T	Buy	Medium	\$2,493	\$36.64	\$52.00	1.5%	43.4%
Transat A.T. Inc.	TRZ-T	Tender	High	\$601	\$15.91	\$18.00	na	13.1%
TFI International Inc.	TFI-T	Buy	Medium	\$3,561	\$43.67	\$55.00	2.2%	28.1%
WSP Global Inc.	WSP-T	Buy	Medium	\$9,224	\$87.00	\$92.00	1.7%	7.5%
Yashwant Sankpal, MBA – REITs								
Boardwalk REIT	BEI.UN	Buy	Medium	\$2,116	\$45.74	\$56.00	2.2%	24.6%
BSR REIT	HOM.U	Buy	Medium	US\$479.6	US\$11.99	US\$12.25	4.2%	
BTB REIT	BTB.UN-T	Hold	Medium	\$305	\$4.91	\$5.00	8.6%	10.4%
Extendicare Inc.	EXE-T	Buy	Medium	\$753	\$8.45	\$10.00	5.7%	24.0%
Firm Capital Property Trust	FCD.UN-V	Restricted	Restricted	\$183	\$6.72	Restricted	7.1%	
InterRent REIT	IIP.UN	Hold	Medium	\$1,868	\$15.39	\$15.70	na	2.0%
Killam Apartment REIT	KMP.UN	Hold	Medium	\$1,874	\$19.18	\$19.75	3.4%	6.4%
Mainstreet Equity Corp.	MEQ-T	Buy	Medium	\$704	\$74.99	\$81.00	na	8.0%
Morguard North American REIT	MRG.UN	Buy	Medium	\$694	\$17.78	\$22.50	na	26.5%
Northview REIT	NVU.UN	Hold	Medium	\$1,755	\$29.13	\$29.50	5.6%	6.9%
PROREIT	PRV.UN-V	Buy	Medium	\$272	\$7.29	\$7.35	na	0.8%
Sienna Senior Living Inc.	SIA-T	Hold	Medium	\$1,221	\$18.31	\$18.50	5.1%	6.1%
True North Commercial REIT	TNT.UN-T	Buy	Medium	\$593	\$7.06	\$7.50	8.4%	14.6%
Jonathan Temprow, MBA – Oil & Gas								
PetroShale Inc.	PSH-V	Buy	High	\$111	\$0.58	\$1.50	na	158.6%
Pipestone Energy Corp.	PIPE-V	Buy	High	\$270	\$1.42	\$3.50	na	146.5%
Return Energy Inc.	RTN-V	Spec Buy	High	\$6	\$0.06	n/a	na	
Southern Energy Corp.	SOU-V	Spec Buy	High	\$8	\$0.04	\$0.15	na	328.6%
Jacques Wortman, CFA – Mining								
Adventus Mining Corp.	ADZN-V	Buy	High	\$91	\$0.90	\$1.85	na	105.6%
Altius Minerals Corporation	ALS-T	Buy	High	\$492	\$11.58	\$16.50	1.7%	44.2%
Atico Mining Corporation	ATY-V	Buy	High	\$30	\$0.25	\$0.60	na	140.0%
Champion Iron Ltd.	CIA-T	Buy	High	\$1,068	\$2.45	\$3.25	na	32.7%
Fortuna Silver Mines Inc.	FVI-T	Buy	High	\$732	\$4.56	\$6.26	na	37.3%

Pricing as of Dec. 12, 2019*

*ACB-T and BYD.UN-T priced as of Dec. 13, 2019

Source: EIKON, LBS estimates

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Appendix II – Important Disclosures

Company		Ticker	Disclosures*
5N Plus Inc.	Nick Agostino (Diversified Technology)	VNP-T	U, V
Adventus Mining Corp.	Jacques Wortman (Mining)	ADZN-V	U, V
Alamos Gold Inc.	Ryan Hanley (Mining)	AGI-T	V, P
Altius Minerals Corporation	Jacques Wortman (Mining)	ALS-T	N/A
Americas Silver Corporation.	Barry Allan (Mining)	USA-T	N/A
Argonaut Gold Inc.	Ryan Hanley (Mining)	AR-T	U
Ascendant Resources Inc.	Ryan Hanley (Mining)	ASND-T	V, P
Atico Mining Corporation	Jacques Wortman (Mining)	ATY-V	U, V, P
Aurora Cannabis Inc.	Chris Blake (Diversifieds)	ACB-T	V
Balmoral Resources Ltd.	Barry Allan (Mining)	BAR-T	U
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
Boyd Group Income Fund	Furaz Ahmad (Special Situations)	BYD.UN-T	V
BSR REIT	Yashwant Sankpal (REITs)	HOM.U	U, V
BTB REIT	Yashwant Sankpal (REITs)	BTB.UN-T	U, V
CargoJet Inc.	Mona Nazir (Transportation & Infrastructure)	CJT-T	U, V
Champion Iron Ltd.	Jacques Wortman (Mining)	CIA-T	V
Crew Energy Inc.	Todd Kepler (Oil & Gas)	CR-T	V
Detour Gold Corp.	Barry Allan (Mining)	DGC-T	V
Eastmain Resources Inc.	Barry Allan (Mining)	ER-T	U, V, P
Exchange Income Corp.	Mona Nazir (Transportation & Infrastructure)	EIF-T	U, V
Extendicare Inc.	Yashwant Sankpal (REITs)	EXE-T	A, V
Firm Capital Property Trust	Yashwant Sankpal (REITs)	FCD.UN-V	U, V
Fortuna Silver Mines Inc.	Jacques Wortman (Mining)	FVI-T	N/A
Guyana Goldfields Inc.	Barry Allan (Mining)	GUY-T	N/A
Heroux Devtek Inc.	Mona Nazir (Transportation & Infrastructure)	HRX-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	U, V
Jaguar Mining Inc.	Barry Allan (Mining)	JAG-T	N/A
Killam REIT	Yashwant Sankpal (REITs)	KMP.UN	U, V
Kinaxis Inc.	Nick Agostino (Diversified Technology)	KXS-T	N/A
Liberty Defense Holdings Ltd.	Nick Agostino (Diversified Technology)	KXS-T	N/A
Mainstreet Equity Corp.	Yashwant Sankpal (REITs)	MEQ-T	A, V
Major Drilling International Ltd.	Yashwant Sankpal (REITs)	MEQ-T	A, V
Marathon Gold Corporation	Barry Allan (Mining)	MOZ-T	U
Mediagrif Interactive Technologies Inc.	Nick Agostino (Diversified Technology)	MDF-T	N/A
Morguard North American REIT	Yashwant Sankpal (REITs)	MRG.UN	U, V
New Gold Inc.	Ryan Hanley (Mining)	NGD-T	V, P
Northview REIT	Yashwant Sankpal (REITs)	NVU.UN	V
Paramount Resources Ltd.	Todd Kepler (Oil & Gas)	POU-T	V
Pipestone Energy Corp.	Jonathan Tempore (Oil & Gas)	PSH-V	V
Probe Metals Inc.	Barry Allan (Mining)	PRB-V	U
PROREIT	Yashwant Sankpal (REITs)	PRV.UN-V	U, V
Radisson Mining Resources	Yashwant Sankpal (REITs)	PRV.UN-V	U, V
Return Energy Inc.	Jonathan Tempore (Oil & Gas)	RTN-V	U
Rubicon Minerals Corp.	Ryan Hanley (Mining)	RMX-T	U, V, P

Last updated Dec. 12, 2019*

*ACB-T and BYD.UN-T updated as of Dec. 13, 2019

INSTITUTIONAL EQUITY

Appendix II – Important Disclosures (Cont'd)

Company		Ticker	Disclosures*
Savaria Corporation	Nick Agostino (Diversified Technology)	SIS-T	U, V
Sienna Senior Living Inc.	Yashwant Sankpal (REITs)	SIA-T	U, V
SNC-Lavalin Group Inc.	Mona Nazir (Transportation & Infrastructure)	SNC-T	N/A
Southern Energy Corp.	Jonathan Tempio (Oil & Gas)	SOU-V	A, L, U, V
Stantec Inc.	Mona Nazir (Transportation & Infrastructure)	STN-T	V
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	U, V
Tamarack Valley Energy Ltd.	Todd Kepler (Oil & Gas)	TVE-T	V
TECSYS Inc.	Nick Agostino (Diversified Technology)	TCS-T	U, V
TFI International Inc.	Mona Nazir (Transportation & Infrastructure)	TFIT-T	N/A
The Descartes Systems Group Inc.	Nick Agostino (Diversified Technology)	DSG-T	V
TMAC Resources Inc.	Barry Allan (Mining)	TMR-T	V, P
TORC Oil & Gas Ltd.	Todd Kepler (Oil & Gas)	TOG-T	V
Transat A.T. Inc.	Mona Nazir (Transportation & Infrastructure)	TRZ-T	N/A
True North Commercial REIT	Yashwant Sankpal (REITs)	TNT.UN-T	U, V
Wesdome Gold Mines	Barry Allan (Mining)	WDO-T	V, P
Whitecap Resources Inc.	Todd Kepler (Oil & Gas)	WCP-T	V
WSP Global Inc.	Mona Nazir (Transportation & Infrastructure)	WSP-T	N/A
Yangarra Resources Ltd.	Todd Kepler (Oil & Gas)	YGR-T	V

Last updated Dec. 12, 2019*

* ACB-T and BYD.UN-T updated as of Dec. 13, 2019

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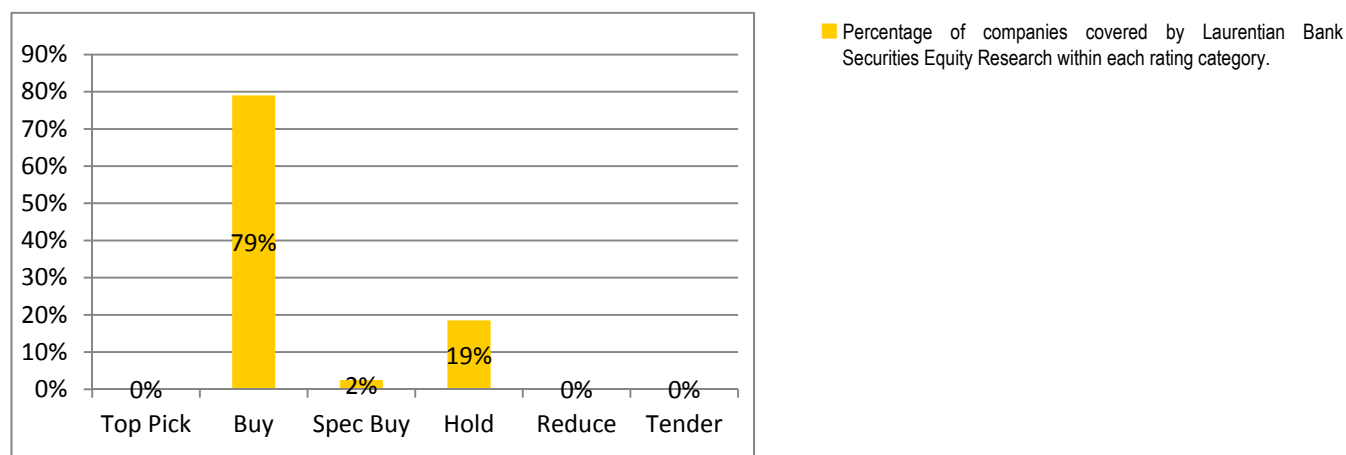
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