



**NATIONAL BANK
OF CANADA**

FINANCIAL MARKETS

The Family Advantage

The Sustainable
Outperformance
of Canadian
Family-Controlled
Public Companies



2018 EDITION

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AUTHORS & COLLABORATORS:

Angelo Katsoras
Geopolitical Analyst

Vincent Joli-Coeur
Vice-Chairman
Financial Markets

Philippe Lefebvre Duquette
Associate
Financial Markets

NBC CANADIAN FAMILY INDEX CREATED BY:

Nicolas Patard
Managing Director
Global Equity Derivatives

Daniel Straus, M. Fin., PhD
Vice President
ETFs and Financial Products Research

Ling Zhang, M. Fin., CFA
Analyst
ETFs and Financial Products Research

Linda Ma, CFA
Associate Analyst
ETFs and Financial Products Research

Tiffany Zhang, M. Fin., M.A.
Associate Analyst
ETFs and Financial Products Research

GRAPHIC DESIGN:

Giuseppe Saltarelli

Foreword

Family businesses are the backbone of several economies around the world. Whether located in developed or developing countries, family-controlled companies often represent some of the world's top private sector employers. Successfully navigating through economic cycles, family-controlled businesses demonstrate an ability to yield long-term returns over the span of generations.

In our inaugural edition of **THE FAMILY ADVANTAGE**, published in October 2015, we highlighted the long-term outperformance of Canadian family-controlled public companies. Our selected sample of 30 Canadian family-controlled businesses from different industries and regions across the country outperformed the S&P/TSX Composite Index by 120.3% over a 10-year period. Our analysis demonstrated the exceptional outperformance of Canadian family-controlled public companies compared with their widely-held Canadian public counterparts.

In our 2018 edition of **THE FAMILY ADVANTAGE** report, we are unveiling a new **NBC Canadian Family Index Calculated By S&P Dow Jones Indices**, which tracks and measures the performance of Canadian family-controlled companies relative to the S&P/TSX Composite Index, the headline index for the Canadian equity market. Our Index includes 43 companies and relies on the application of objective quantitative filters on a Public Company Universe provided by **S&P Dow Jones Indices**, the Index Calculator.

In the context of this unique report, we had the privilege to interview several leaders of Canadian family businesses. We take pride in sharing their views and insights regarding family-controlled businesses in the context of today's challenging business environment. At a time when many companies are increasingly under pressure to deliver short-term returns, National Bank of Canada takes comfort in the long-term focus of family-controlled companies. This report sheds light on why Canadian family-controlled public companies outperform their widely-held counterparts and enable our readers to gain a better understanding of these pillars of the Canadian economy.

Vincent Joli-Coeur
Vice-Chairman
Financial Markets

Éric Bujold
President
Private Banking 1859

Regional breakdown of the 43 companies included in the NBC Canadian Family Index (June 2017)¹

BRITISH COLUMBIA

- Canfor Corporation
- Ivanhoe Mines Ltd.
- Teck Resources Limited
- West Fraser Timber Co. Ltd.

ALBERTA

- ATCO Ltd.
- Canadian Utilities Limited
- Paramount Resources Ltd.
- Shaw Communications, Inc.

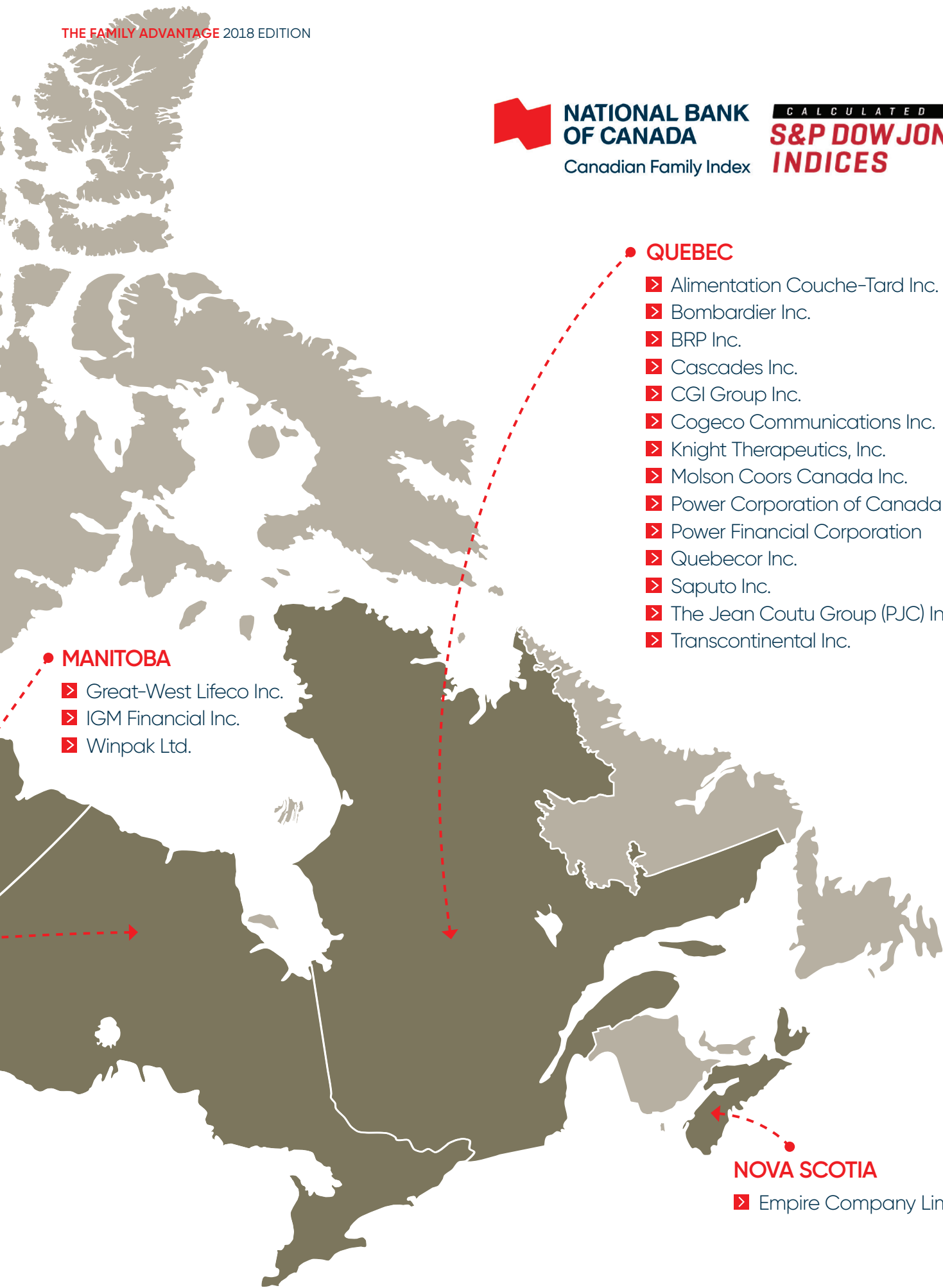
ONTARIO

- | | | |
|--------------------------------------|-----------------------------|-------------------------------|
| ➤ Canadian Tire Corporation, Limited | ➤ FirstService Corporation | ➤ Northland Power Inc. |
| ➤ CCL Industries Inc. | ➤ George Weston Limited | ➤ Onex Corporation |
| ➤ Celestica Inc. | ➤ Linamar Corporation | ➤ Rogers Communications Inc. |
| ➤ Colliers International Group Inc. | ➤ Loblaw Companies Limited | ➤ Shopify Inc. |
| ➤ Corus Entertainment Inc. | ➤ Lundin Mining Corporation | ➤ Thomson Reuters Corporation |
| ➤ Fairfax Financial Holdings Limited | ➤ Maple Leaf Foods Inc. | |

¹Based on the June 2017 Annual Review.

 **NATIONAL BANK
OF CANADA**
Canadian Family Index

CALCULATED BY
**S&P DOW JONES
INDICES**



MANITOBA

- Great-West Lifeco Inc.
- IGM Financial Inc.
- Winpak Ltd.

QUEBEC

- Alimentation Couche-Tard Inc.
- Bombardier Inc.
- BRP Inc.
- Cascades Inc.
- CGI Group Inc.
- Cogeco Communications Inc.
- Knight Therapeutics, Inc.
- Molson Coors Canada Inc.
- Power Corporation of Canada
- Power Financial Corporation
- Quebecor Inc.
- Saputo Inc.
- The Jean Coutu Group (PJC) Inc.
- Transcontinental Inc.

NOVA SCOTIA

- Empire Company Limited

1 Introduction

In the township of Komatsu located in the Japanese prefecture of Ishikawa, lies Hoshi Ryokan, a traditional family hotel whose owners have perfected the skill of preparing next generations to take over the family business. Founded in the year 718, Hoshi Ryokan has remained under the care of the same family for forty-six generations and still, to this day, welcomes guests to enjoy their hot springs. It is the oldest continuously operating family business in the world². Whether in the hands of family founders or of the forty-sixth generation, family businesses prove to be long-term focused and resilient even in times of economic turbulence. Family companies are a crucial component of the global economy and have a strong positive impact on their respective communities. This is particularly the case in Canada where several family-controlled businesses have passed along perennial family values deeply instilled into family business cultures to next generations. This long-term focus is one of the main factors behind the success of family-controlled firms.

Family companies are a crucial component of the global economy, including Canada. For decades, management gurus and others have predicted the decline in prominence of large family-controlled businesses. Despite these dire forecasts, large family public companies have not only remained a crucial component of the global economy, but have, for the most part, significantly outperformed their widely-held counterparts.

Generally speaking, in order for a company to be considered family-controlled, the family must own enough of the company to have significant influence over decisions in regard to important matters such as the choice of the CEO and the company's long-term strategic direction. In the case of large publicly-listed firms, families often exercise ownership control via equity that carry multiple votes for each single share.

In the context of the NBC Canadian Family Index, we attempt to capture family control with our proprietary family control definition. In the next chapter, we highlight the systemic importance of family-controlled firms and their competitive advantage.

Photo: Wieland Wagner, Der Spiegel

Left: The entrance of the Hoshi Ryokan.
Right: The family head Zengoro Hoshi with his daughter Hisae before the traditional summer house, the luxury suite of the inn.

² «Japon : les secrets des plus anciennes entreprises du monde», Le Figaro, Oct. 26, 2016



2 The Family Advantage

Family Businesses: A Global Powerhouse

Until recently, there was a broad consensus that family companies were better suited to past eras.³ Conventional wisdom would dictate that in a modern rules-based economy, family-controlled businesses would be pushed to the margins by the rise of public corporations owned by diverse shareholders and run by professional managers. It was thought that these professionally-run public firms would have a greater capacity to raise capital, attract highly qualified workers and earn higher profits. As illustrated in this report however, these predictions have vastly underestimated the ability of a large number of family firms to not only survive, but to thrive.

Another popular misconception has been to overly associate family businesses with small neighbourhood “mom and pop” stores, and thus overlook the key role large family-controlled corporations play in the global economy, such as Volkswagen, LVMH, Walmart, Samsung and Alibaba.

The Significant Global Presence of Family-Controlled Companies

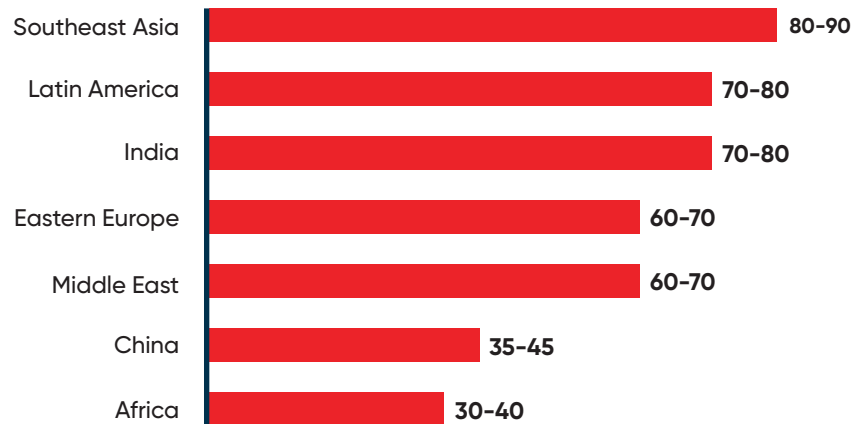
Family-controlled firms are a crucial part of the global economy, accounting for approximately 80% of companies worldwide. They range in size from the smallest of businesses to the world’s largest corporations. In 2014, McKinsey & Company estimated that family-controlled firms accounted for 19% of the companies in the Fortune Global 500, which tracks the world’s largest firms by sales. McKinsey defines family-controlled businesses as those in which the family has at least 18% ownership or voting equity in the company and the power to nominate the CEO. Of all U.S. firms in the Fortune Global 500, 15% are family-owned.

As for Europe, 40% of its Fortune Global 500 companies are family-controlled. Germany, in particular, stands out in this regard. About 90% of German businesses are family-owned. This includes the vast majority of Germany’s mid-sized manufacturers, collectively known as the *Mittelstand*, which are the driving force behind the country’s industrial and export prowess.

As the following chart illustrates, large family-controlled companies have an even more significant presence in the developing world. Approximately 60% of private-sector companies in the developing world with revenues of \$1 billion or more were family-controlled in 2010. McKinsey forecasts that, by 2025, nearly 40% of the world’s companies generating revenues of \$1 billion or more will be emerging-market family-owned businesses, up from 15% in 2010.⁴

³ “To have and to hold”,
The Economist, April 18, 2015

⁴ “The family-business factor in emerging
markets”, McKinsey & Company, Dec. 2014

Share (%) of large companies that are family owned⁵

Source: "The family-business factor in emerging markets," McKinsey & Company, December 2014

The Center for Family Business at St. Gallen University in Switzerland estimates that the world's 500 largest family businesses account for a combined US\$6.8 trillion in annual sales. This is enough revenue to be counted as the third-largest economy in the world behind the U.S. and China.⁶

The Competitive Advantages of Family-Controlled Businesses

The main strengths of family firms, which we will examine in more detail throughout the report, include the ability to resist market pressures to increase short-term profits favouring instead longer-term investments that will pay off many years down the road.

The often intense pressure on executives to meet short-term profit targets was brought into sharp focus by a revealing 2013 survey of over 1,000 executives from various countries and sectors done by McKinsey and the Canadian Pension Plan Investment Board:

- › 79% of the executives surveyed said they felt significant pressure to produce results within 2 years or less;
- › 63% percent felt that pressures to meet short-term financial targets had increased over the past 5 years;
- › A majority of executives said they would choose not to make an investment to increase their profits by 10% over 3 years if it meant missing quarterly earnings.⁷

The Challenge of Aligning the Interests of Shareholders and Managers

One of the biggest challenges facing widely-held public companies is ensuring that managers put the company's interests before their own. In the past, many corporate governance experts have argued that the best way to align the interests of shareholders and managers was to get managers to think more like owners by giving them stock options. While this sounded good in theory, it often only increased managers' motivation to opt for short-term measures that quickly boost stock prices at the expense of long-term profitability and sustainability.

In contrast, family-controlled firms are quite often run by people who wish to pass the company in good financial health to the next generation and therefore tend to be much more motivated to hold key managers to account. For the same reason, family ownership also increases the motivation to invest the necessary time and resources to improve long-term performance.

⁵ As of 2013 or closest available year, captured at headquarters location.

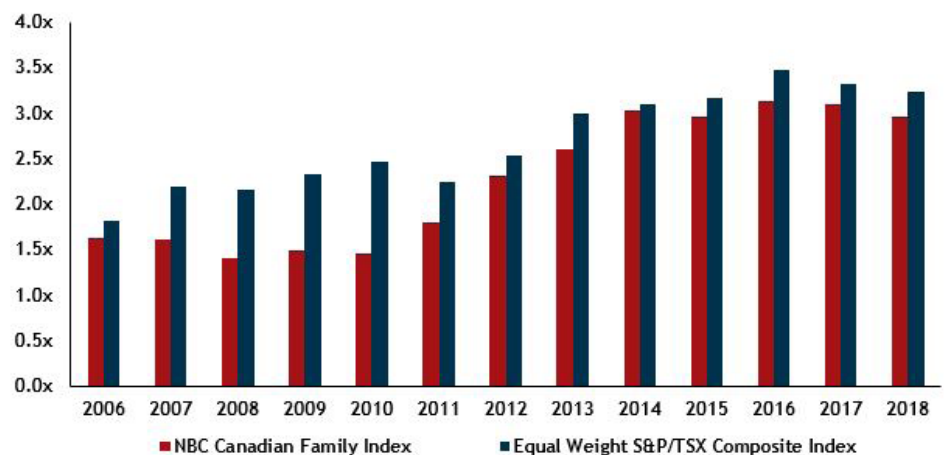
⁶ "Top 500 family businesses firms amount to the third-largest economy in the world", E&Y, June 2017

⁷ "Focusing Capital on the Long Term", Canadian Pension Plan and McKinsey & Company, Dec. 26, 2013

Lower Leverage

Research published by the Boston Consulting Group and Harvard Business Review found that family-controlled firms are, generally speaking, much more effective in keeping debt levels under control than their widely-held counterparts⁸. This has also been the case in Canada. This is in large part due to the fact that they tend to be much more selective with regard to large capital expenditures and/or takeovers. Family-controlled firms are more likely to associate higher debt levels with risk as opposed to a strategy to maximize value creation. This makes them much more cautious when it comes to approving large capital expenditures. Family ownership also puts many of these firms in a better position to resist pressure from activist investors to spend their savings, or what they called “*dead capital*”. This generally cautious view regarding debt levels has left many family-controlled firms in a much better financial position to weather significant economic downturns, such as the recent 2008 financial crisis, a period in which cash became king.

Net Debt to EBITDA over the last 12 years



Source: Bloomberg data

Note: Outliers above 10x excluded from NBCFAM and TSX averages

Lower Employee Turnover

Family-controlled companies also have relatively low employee turnover rates, which allows them to benefit from their employees' greater experience and dedication. While the average tenure of CEOs in large U.S. companies is 4.6 years, those currently in charge of the 100 largest family businesses have already served an average of 13 years.⁹

The Contribution of Family-Controlled Businesses to the Canadian Economy

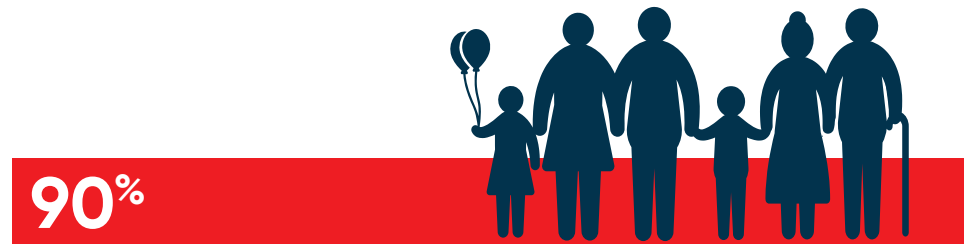
Family-run businesses are the cornerstone of the Canadian and U.S. economies. It is estimated that approximately 90% of companies in Canada and the U.S. are family-owned.¹⁰

⁸ "What you can learn from family business", Harvard Business Review, Nov. 2012

⁹ "Four Lessons Firms Can Learn From Family Businesses", Forbes, April 30, 2015

¹⁰ "Family Business in North America: Facts and Figures", EY Family Business Yearbook, 2014

The importance of family businesses in North America



of the companies in North America are family-owned businesses.

Employ 57% of North America's workforce (more than 97 million employees)

Generate 57% of the United States' GDP

60% of Canada's GDP

Create 70% of all new jobs in North America

Provide 55% of all charitable donations

Source: "Family Business in North America: Facts and Figures", EY Family Business Yearbook, 2014

According to the Creaghan McConnell Group, Canadian companies controlled by the 500 wealthiest business families accounted for 23% (or \$313 billion) of the revenue of all medium and large businesses in 2013. These firms also accounted for 15% (or 1.6 million) of all private sector jobs.¹¹

Furthermore, 10 of Canada's 25 largest employers are family-controlled.¹⁰ NBC Canadian Family Index companies are based in 6 provinces and employ an astounding figure of 1.1 million people for the most part in Canada but also abroad. Top employers include George Weston (195,000), Empire Co. (125,000), Alimentation Couche-Tard (120,000), Canadian Tire (85,000), CGI Group (75,000) and Bombardier (69,500).

¹¹ "Business Families: Building a Brighter Future", Creaghan McConnell Group, 2014

3 The NBC Canadian Family Index: Strong Outperformance

Index Selection Rules

The NBC Canadian Family Index *Calculated By S&P Dow Jones Indices* (Tickers: NBCFAM and NBCFAMTR) tracks and measures the performance of publicly-listed Canadian family-controlled businesses versus the performance of the S&P/TSX Composite Index, Canada’s headline equity Index. The Index currently includes 43 Canadian family-controlled businesses across different industries and regions of the country and that have met our selection criteria. The results highlighted by the Index demonstrate the exceptional outperformance of Canadian family-controlled companies compared to widely-held Canadian public companies.



Family-Controlled Business Definition

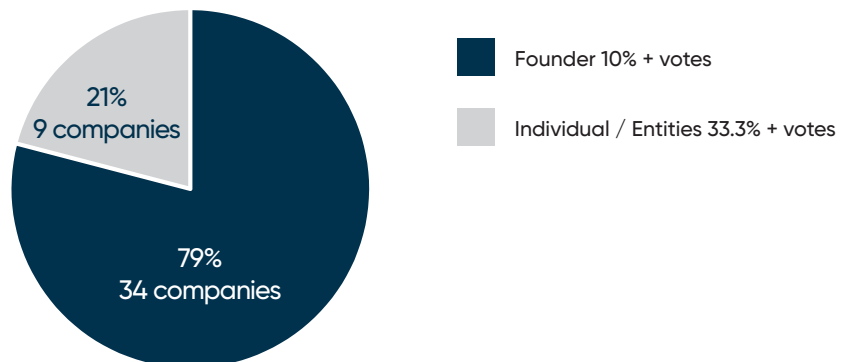
Family-controlled businesses are defined as businesses whose long-term strategy, planning, and decisions are under the significant influence of family members and relatives.

For the purposes of the NBC Canadian Family Index, we considered a company to be family-controlled if it meets the following criteria:

NBC Canadian Family Index – Selection Criteria

A founding family or founder(s) controls, directly or indirectly, 10.0% or more of the voting rights
OR
An individual and/or related entities, with ownership that directly or indirectly control 33.3% or more of the voting rights

NBC Canadian Family Index



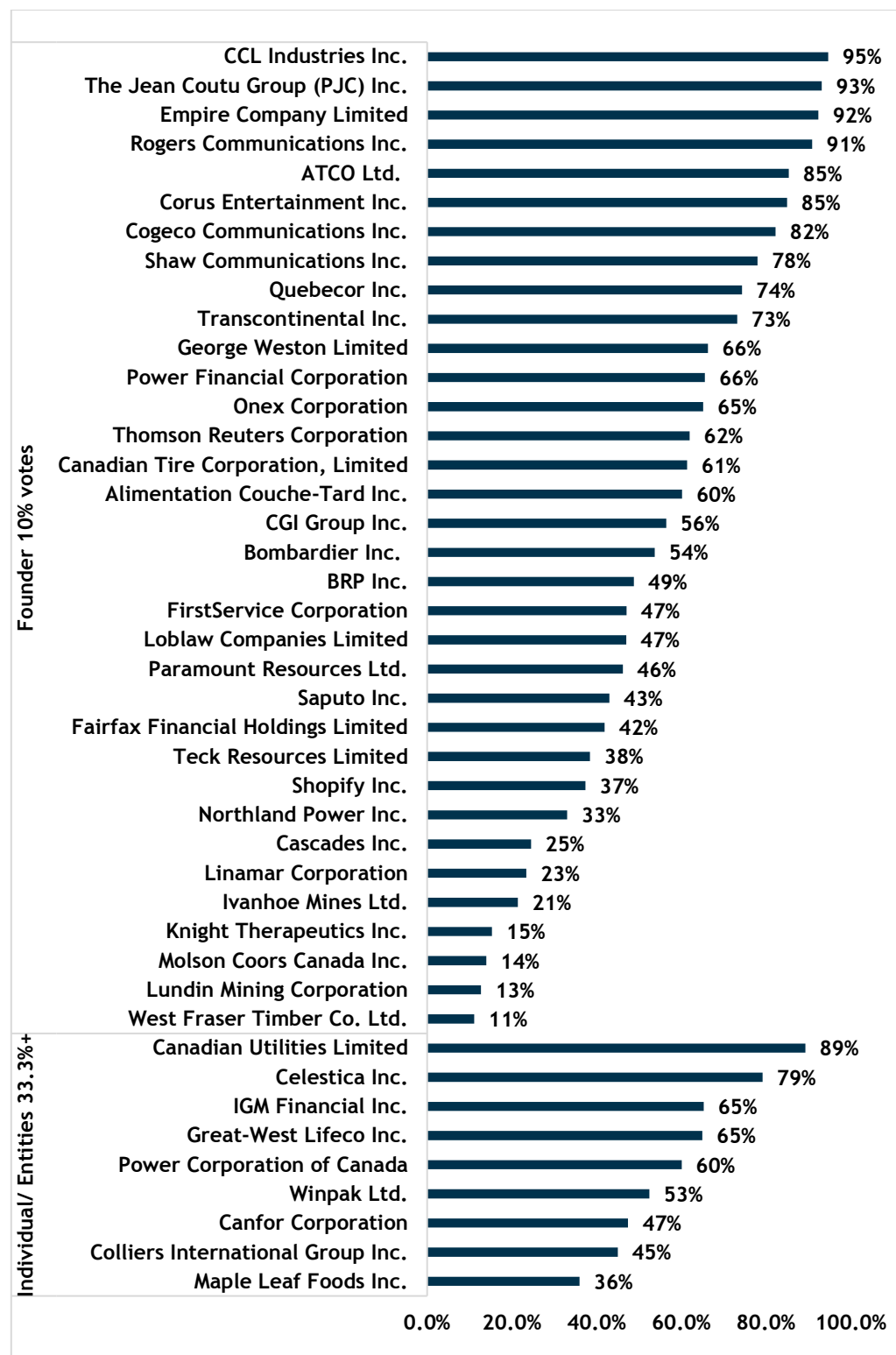
Source: NBF database, company filings as of March 2018

The above criteria take into consideration that companies included in the NBC Canadian Family Index are under the control of either company founder(s), who may intend to retain control of the company for future generations or by an individual or related entities that exercise significant influence over management through their important ownership stake or even through directorship responsibilities. Controlling shareholders may, in some cases, even hold management positions themselves.

Even if more voting power often means more influence, in many situations, families may exercise significant influence over the long-term strategy of the business, even when they control far less than 50% of the votes. This is especially the case when the family holds key management positions or key roles on the board of directors, and is deeply involved in overseeing management, particularly in the functions of planning and implementing long-term strategies. As demonstrated by the previous chart, the NBC Canadian Family Index is currently composed of 34 founder or founding family companies and 9 individual and/or related companies for a total of 43 companies.

On average, families featured in the NBC Canadian Family Index control 55% of the votes of their respective companies. Certain families such as CCL Industries' Lang family, who control the leading Canadian specialty packaging company, own upwards of 90% of the company's voting rights. At the lower end of the voting control spectrum, slightly above the 10% Family Index minimum ownership threshold, is the Ketcham family which owns approximately 11% of the votes of British Columbia's pulp and paper company West Fraser.

Companies Included in the NBC Canadian Family Index – Family Voting Control (%)¹²



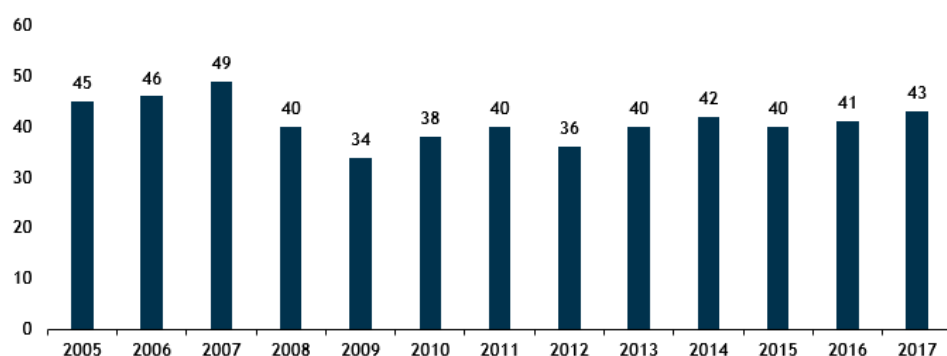
Source: NBF database, company filings as of March 2018

¹² All ownership control % are based on the sum of votes attached to all classes of shares. In the case of co-founder or joint-founding family-controlled companies, aggregate ownership is presented.

Additional Quantitative Selection Criteria

The NBC Canadian Family Index process relies on the systematic application of quantitative filters on a Public Company Universe provided by S&P Dow Jones Indices, the Index Calculator. Safeguarded by an Index Committee consisting of members of National Bank of Canada and of an independent leading Canadian law firm, the Index Annual Review screening process is based on transparent and objective criteria applied once per year on “Annual Review Date” as detailed in the *Index Rules Book* document published on NBC’s website¹³. As previously mentioned, the Index is currently composed of 43 companies, a figure which was relatively stable through time.

NBC Canadian Family Index – A Stable Number of Eligible Companies Over Time



Source: NBF database (latest data as of June 2017 Annual Review)

In order to be included in the Index a family-controlled company must also respect the following criteria:

➤ **Listed on the Toronto Stock Exchange**

- › A Company’s common shares must be listed for at least 12 months as of the month-end prior to the “Annual Review Date”.

➤ **Float-adjusted market capitalization of at least C\$1.0 billion**

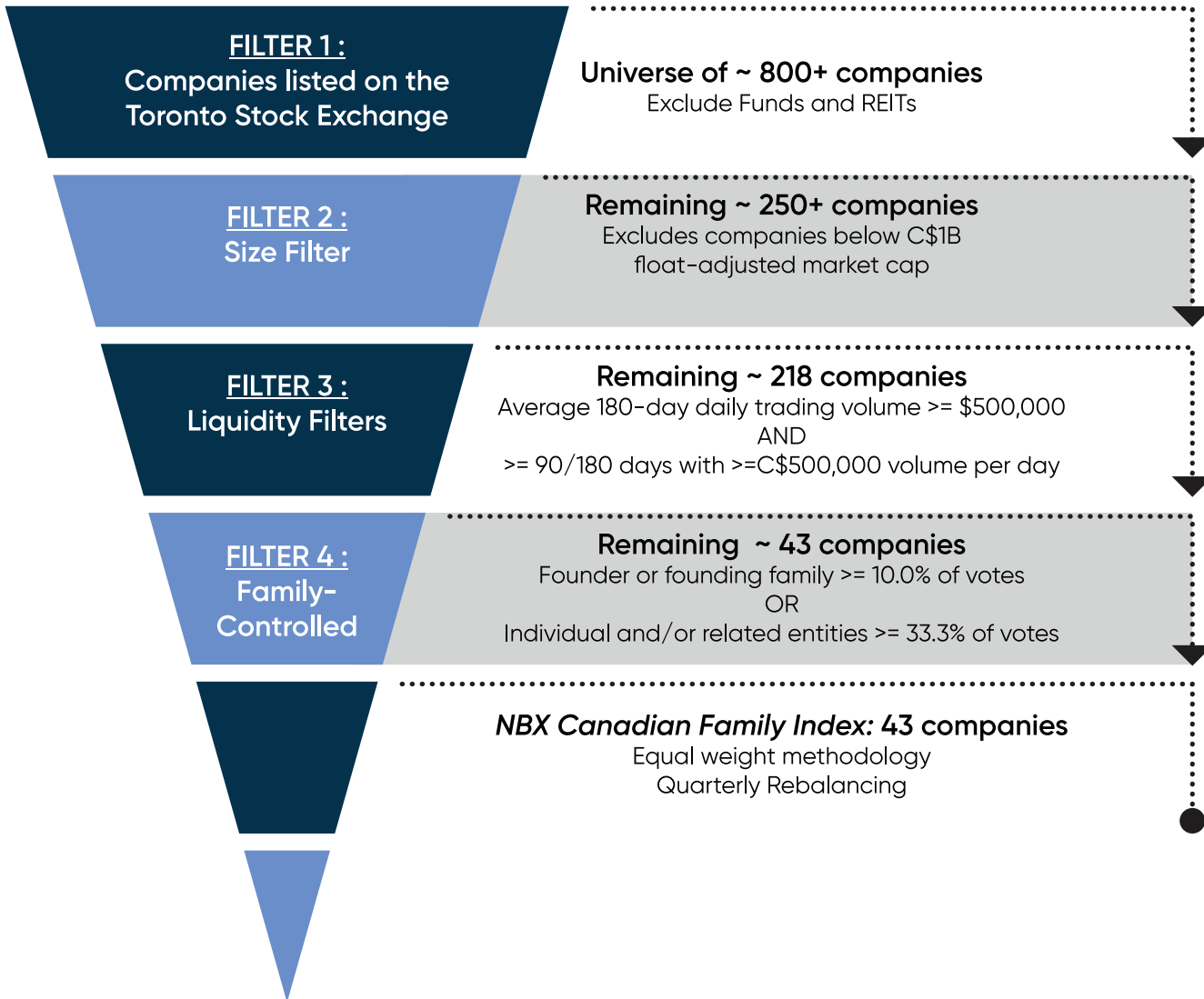
- › The free-float method excludes locked-in shares such as those held by insiders, promoters and governments. Most of the world’s major indices use a similar method.
- › In the case of multiple classes, the float shares of each class are combined for the purpose of determining a company’s float-adjusted market cap.

➤ **Average daily trading volume of at least C\$500,000 and have a minimum 90 days with at least C\$500,000 trading volume per day over the past 180 days**

- › In the case of multiple classes, the calculation of trading volume is based on the combined Canadian-listed share classes’ volume.

¹³ “NBC Canadian Family Index webpage: <https://nbfm.ca/en/products-and-services/investment-products-solutions/nbc-canadian-family-index/>

NBC Canadian Family Index – Annual Review Screening Process



Source: NBF database as of June 2017 Annual Review

NBC Canadian Family Index – Constituents

Symbol	Company Name	Family / Controlling Shareholder(s)	Sector	Province
ATD.B	Alimentation Couche-Tard Inc. Class B	Bouchard, D'Amours, Fortin, Plourde	Consumer Staples	Quebec
ACO.X	ATCO Ltd. Class I	Southern	Utilities	Alberta
BBD.B	Bombardier Inc. Class B	Bombardier, Beaudoin	Industrials	Quebec
DOO	BRP Inc.	Bombardier, Beaudoin	Consumer Discretionary	Quebec
CTC.A	Canadian Tire Corporation, Limited Class A	Billes	Consumer Discretionary	Ontario
CU	Canadian Utilities Limited Class A	Southern	Utilities	Alberta
CFP	Canfor Corporation	Pattison	Materials	B.C.
CAS	Cascades Inc.	Lemaire	Materials	Quebec
CCL.B	CCL Industries Inc. Class B	Lang	Materials	Ontario
CLS	Celestica Inc.	Schwartz	Information Technology	Ontario
GIB.A	CGI Group Inc. Class A	Godin, Imbeau	Information Technology	Quebec
CCA	Cogeco Communications Inc.	Audet	Telecom / Media	Quebec
CIGI	Colliers International Group Inc.	Hennick	Real Estate	Ontario
CJR.B	Corus Entertainment Inc. Class B	Shaw	Telecom / Media	Ontario
EMP.A	Empire Company Limited Class A	Sobey	Consumer Staples	Nova Scotia
FFH	Fairfax Financial Holdings Limited	Watsa	Financials	Ontario
FSV	FirstService Corporation	Hennick	Real Estate	Ontario
WN	George Weston Limited	Weston	Consumer Staples	Ontario
GWO	Great-West Lifeco Inc.	Desmarais	Financials	Manitoba
IGM	IGM Financial Inc.	Desmarais	Financials	Manitoba
IVN	Ivanhoe Mines Ltd. Class A	Friedland	Materials	B.C.
PJC.A	The Jean Coutu Group (PJC) Inc. Class A	Coutu	Consumer Staples	Quebec
GUD	Knight Therapeutics Inc.	Goodman	Health Care	Quebec
LNR	Linamar Corporation	Hasenfratz	Consumer Discretionary	Ontario
L	Loblaw Companies Limited	Weston	Consumer Staples	Ontario
LUN	Lundin Mining Corporation	Lundin	Materials	Ontario
MFI	Maple Leaf Foods Inc.	McCain	Consumer Staples	Ontario
TPX.B	Molson Coors Canada Inc. Class B	Molson, Coors	Consumer Staples	Quebec
NPI	Northland Power Inc.	Temerty	Utilities	Ontario
ONEX	Onex Corporation	Schwartz	Financials	Ontario
POU	Paramount Resources Ltd.	Riddell	Energy	Alberta
POW	Power Corporation of Canada	Desmarais	Financials	Quebec
PWF	Power Financial Corporation	Desmarais	Financials	Quebec
QBR.B	Quebecor Inc. Class B	Péladeau	Telecom / Media	Quebec
RCI.B	Rogers Communications Inc. Class B	Rogers	Telecom / Media.	Ontario
SAP	Saputo Inc.	Saputo	Consumer Staples	Quebec
SJR.B	Shaw Communications Inc. Class B	Shaw	Telecom / Media	Alberta
SHOP	Shopify Inc. Class A	Lütke	Information Technology	Ontario
TECK.B	Teck Resources Limited Class B	Keevil	Materials	B.C.
TRI	Thomson Reuters Corporation	Thomson	Telecom / Media	Ontario
TCL.A	Transcontinental Inc. Class A	Marcoux	Industrials	Quebec
WFT	West Fraser Timber Co. Ltd.	Ketcham	Materials	B.C.
WPK	Winpak Ltd.	Wihuri	Materials	Manitoba

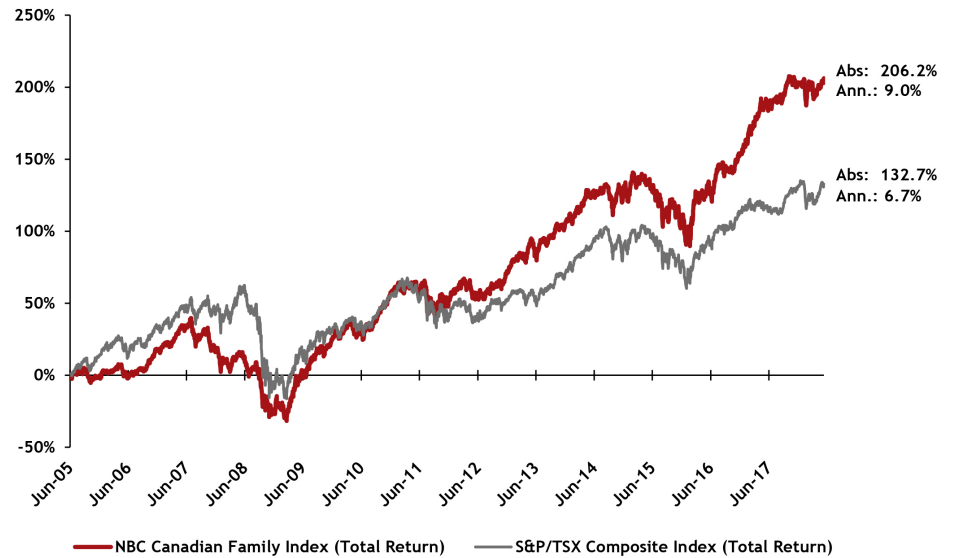
Source: NBF database

Note: as of the June 2017 Annual Review

Risk-Return Profile

As of May 31, 2018, the NBC Canadian Family Index registered an absolute total return of 206% since June 2005, the Index reference period, compared to 133% for the S&P/TSX Composite Total Return over the same period. On an annualized basis, the outperformance is also clear. Returns for the Family Index were 9.0% versus 6.7% for the S&P/TSX Composite Total Return Index.

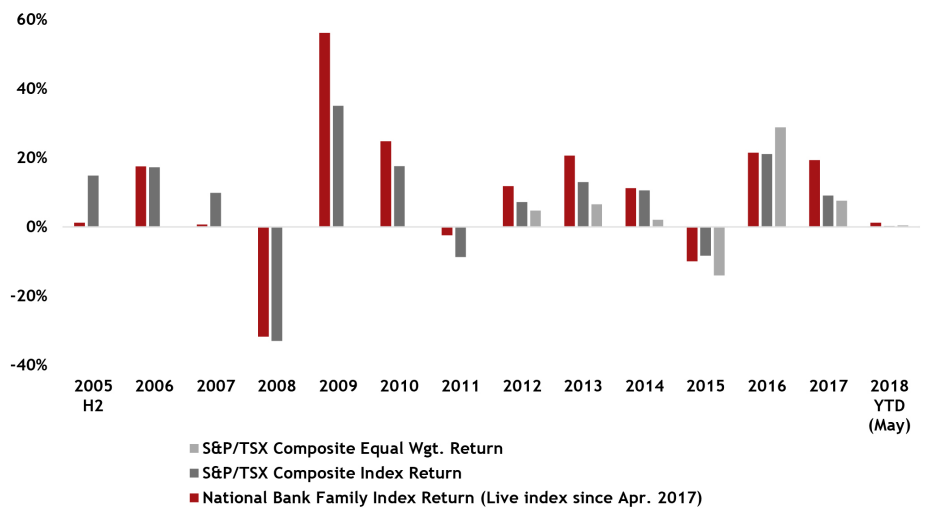
NBC Canadian Family Index – Cumulative Performance



Source: NBF database, SPDJI, Bloomberg

Note: Simulated backtest performance may differ from actual Index performance

NBC Canadian Family Index – Annual Performance



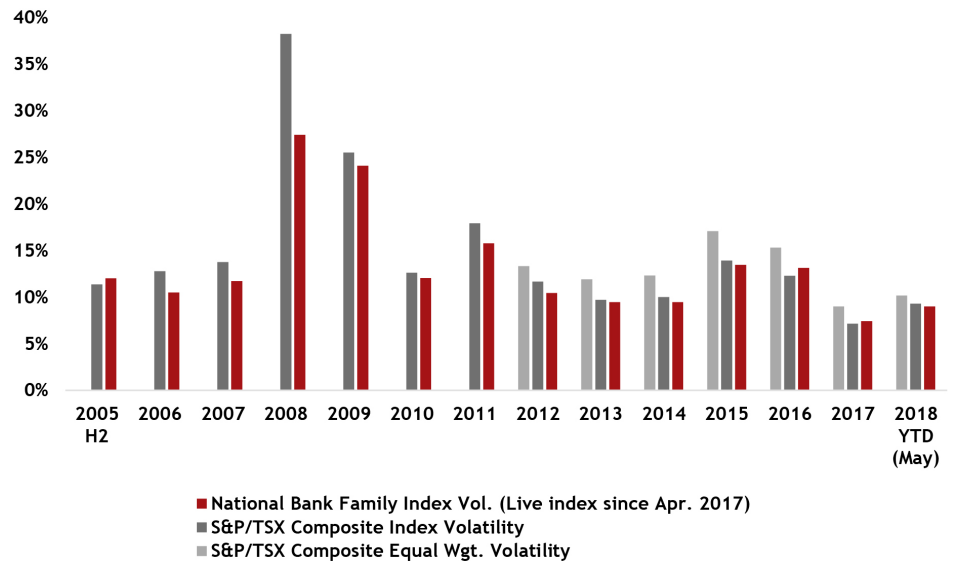
Source: NBF, SPDJI, Bloomberg

Notes:

- Simulated backtest performance may differ from actual Index performance
- S&P/TSX Composite Equal Wgt. Return data available from 2012 only

The Family Index has had similar volatility to the S&P TSX Composite in the long run, however, as demonstrated by the chart below, during extreme market conditions, such as the 2008 financial crisis, the NBC Canadian Family Index has showed resilience exhibiting much lower volatility than the S&P TSX Composite.

NBC Canadian Family Index – Annual Volatility



Source: NBF database, SPDJI, Bloomberg
 Note: Simulated backtest volatility may differ from actual Index volatility

Weights and Allocations

In addition to calculating the daily performance of the NBC Canadian Family Index and making all data available on its S&P DJI Custom Indices website, S&P Dow Jones Indices is responsible for executing weight rebalances on a quarterly basis.

The NBC Canadian Family Index uses an equal weighting methodology meaning that each company in the Index has the same weight regardless of its market capitalization. On a full market cap basis, NBC Canadian Family Index companies represent nearly one fifth (19%) of the total market capitalization of the S&P TSX Composite Index companies. We note that the only Family Index constituent listed on the Toronto Stock Exchange, but not included in the S&P TSX Composite Index is Molson Coors Canada.

The NBC Canadian Family Index is currently overweight Consumers and Materials and underweight Energy and Financials. Top sector exposures include 33% in Consumers, 19% in Materials, and 17% in Financials. Interestingly, the NBC Canadian Family Index sectorial exposures have been quite steady year over year.

NBC Canadian Family Index – Sector Breakdown (%)

% Weight	NBC Canadian Family	S&P/TSX Composite	Difference
	Index*	Index**	
Cons. Staples	16	3	13
Cons. Discr	17	6	11
Materials	19	12	7
Utilities	7	3	3
Technology	7	4	3
Real Estate	5	3	2
Health Care	2	1	1
Telecom	2	4	-2
Industrials	6	10	-5
Energy	2	19	-17
Financials	17	34	-17

Source: NBF database, SPDJI, Bloomberg, GICS, Data as at May 31, 2018

* Equal Weight Index

** Market Cap Weighted Index

The NBC Canadian Family Index is diversified among large, mid, and small cap names. Its allocation to large cap names is 61% compared to 88% for the S&P/TSX Composite Index. The Family Index constituents' market caps range between \$1.1 billion and \$35.8 billion, while the S&P/TSX Composite Index covers a wider spectrum of \$566 million to \$141 billion.¹⁴

NBC Canadian Family Index – Market Capitalization Breakdown (%)

% Weight	NBC Canadian	S&P/TSX Composite	Difference
	Family Index*	Index**	
Large Cap	61	88	-27
Mid Cap	31	8	23
Small Cap	8	5	4

Source: NBF database, SPDJI, Bloomberg, Data as at May 31, 2018

Note: to be included in the NBC Canadian Family index, companies must have at least \$1 billion in free float market capitalization

* Equal Weight Index

** Market Cap Weighted Index

¹⁴ NBF database, Bloomberg as at May 31, 2018

4 Pathways to Sustainable Outperformance for Family-Controlled Businesses: Myths and Reality

The Inherent Advantages of Family Businesses

Various international studies have put forward a number of the “*inherent advantages*” enjoyed by family firms to explain their outperformance, including a focus on longer-term profitability, more effective use of capital (lower debt levels and more disciplined cost controls), the ability to make quicker decisions to take advantage of opportunities, the capacity to retain talent at all levels of the firm and a corporate culture more focused on legacy and reputation.

Family Values Lead to Stronger Corporate Culture

The real and potential advantages of the corporate culture of family firms can easily be dismissed due to the fact that they are, to a large extent, unquantifiable. Yet, corporate culture more often than not underpins the superior performance of family companies. It includes intangibles such as the values of the founder: entrepreneurship, vision, work ethic, a deep understanding and commitment to the communities in which they are involved, personal relationships with stakeholders across the value chain, loyalty and concern for reputation.

A global survey by McKinsey based on firms with some 1,200 respondents from family firms concluded: “90% of none-family managers reported that family values were present in the organization; 70% said that these values were part of day-to-day operations.”¹⁵

An Ernst & Young survey of 25 large and successful family businesses in each of the top 21 global markets (with an average of 12,000 employees and \$3.4 billion in sales) found that two-thirds of respondents believed that family business branding helped to differentiate them from their competitors and improve the company’s reputation with customers, employees, and stakeholders. Other global studies have shown that “*family businesses are more likely to value and implement corporate social responsibility, sustainability practices, and engage in philanthropy (...) which are well established as being good for business.*”¹⁶

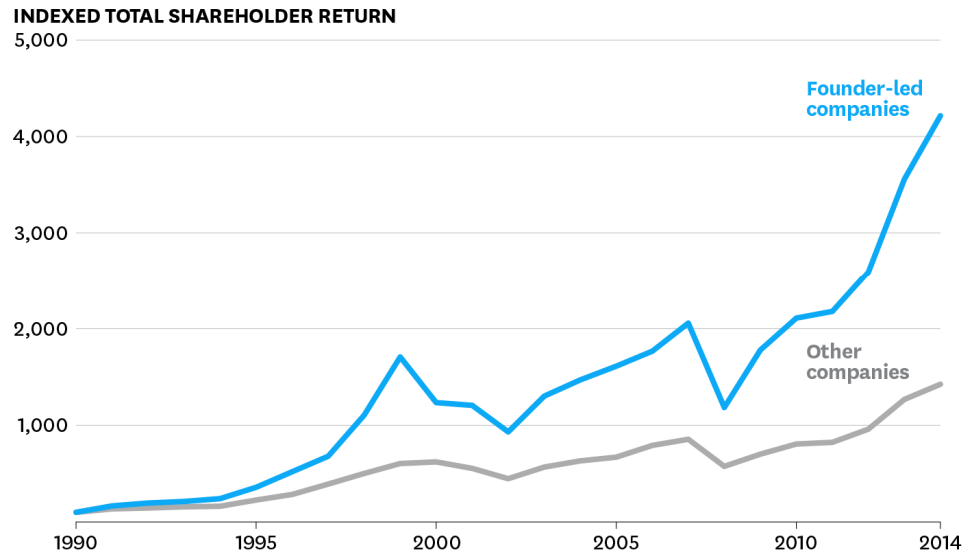
Another study, this time by Bain & Company, found that S&P 500 companies in which the founder remains deeply involved significantly outperformed their nonfamily run S&P 500 counterparts (see chart below). The reasons cited for this outperformance include the “*founder’s mentality*” which encompasses an intensive focus on detail and an obsession with customer service.¹⁷

¹⁵ “*Perspectives on Founder and Family-Owned Businesses*”, McKinsey & Company, 2014.

¹⁶ “*Staying Power: How do Family Businesses Create Lasting Success?*”, Ernst and Young, 2015.

¹⁷ “*Founder-Led Companies Outperform the Rest – Here’s Why*”, Harvard Business Review, March 2016.

S&P 500 Founder-Led Companies Outperform the Rest



Source: Chris Zook, "Founder-Led Companies Outperform the Rest – Here's Why", Harvard Business Review, March 2016

Andreesen Horowitz, a successful venture Capital firm, also broadly supports the findings of the above Bain study presented in the Harvard Business Review. The latter lists three reasons why the VC firm prefers founder CEOs: "founders have the moral authority to make the hard choices, they know the detail of the business and have better instincts, and they have a long-term perspective on investments and building a company that lasts."¹⁸

Focus on Sustainable Long-Term Profitability is Key to Outperformance

One of the most important benefits of the corporate family culture is the focus on sustainable long-term profitability. Many widely-held firms, by contrast, have come under increasing criticism for their inordinate focus on short-term results.

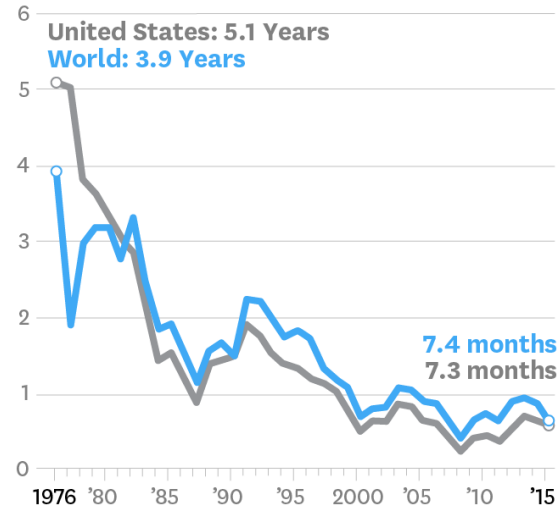
Another worrisome global trend in recent years has been that publicly-quoted companies have tended to invest less than private companies with similar profits and turnovers. One of the explanations for this is that "businesses have been encouraged to do so by shareholders, who demand that cash be returned to them in the form of buybacks and who turn over their portfolios much more quickly than in the past."¹⁹ As the following chart illustrates, the pressure for short-term results has caused a dramatic plunge in the average holding period for shares.

¹⁸ Chris Zook, "Founder-Led Companies Outperform the Rest – Here's Why", Harvard Business Review, March 2016

¹⁹ "A New Contract for Growth", The Economist, Aug. 2015

Average Holding Period for Public Company Shares

HOLDING PERIOD BY YEAR



Source: Joseph L. Bower and Lynn S. Paine, "The Error at the Heart of Corporate Leadership", Harvard Business Review, 2017

Despite increasing evidence and understanding of the benefits of long-term thinking, short-termism seems to be on the rise. A 2013 report commissioned by Dominic Barton, Global Managing Director of McKinsey & Company, and Mark Wiseman, former CEO of the CPP Investment Board, found that although 86% of global executives surveyed declared that using a longer time horizon to make business decisions would positively affect corporate performance in a number of ways, "63% [of them] said the pressure to generate strong short-term results had increased over the previous five years" and "79% felt especially pressured to demonstrate strong financial performance over a period of just two years or less."²⁰

This critique of short-termism is shared by Larry Fink, Chairman and Chief Executive Officer of Blackrock in his latest Annual Letter to CEOs: "Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders. It will succumb to short-term pressures to distribute earnings, and, in the process, sacrifice investments in employee development, innovation, and capital expenditures that are necessary for long-term growth."²¹

Key Challenges and Governance Issues

Family firms must manage a number of important challenges and governance issues. These include reconciling the needs of the business and the family, planning for succession and leadership transitions, safeguarding minority shareholder rights, and protecting the firm against conflicts of interest and other breaches of governance.

Succession Planning: A Complex but Critical Component of Lasting Success

One of the most critical functions of the board is to manage the recruiting, training and integration of new senior executives and manage the succession process. It must carefully balance the benefits of continued family involvement with the need to attract and retain top-notch external talent. The most successful family businesses are those that instill the founder's values into the business culture, have a clearly defined process for managing succession and have spent many years preparing the next generation

²⁰ Dominic Barton and Mark Wiseman, "Focusing Capital on the Long Term", Harvard Business Review, Jan.-Feb. 2014

²¹ "Larry Fink's Annual Letter to CEOs", Blackrock, 2018

of family members for leadership which includes getting experience outside of the family business.

With regard to succession, it is important that the commonly-cited figure stating most family-controlled firms do not survive past the third generation be put into the proper context: very few companies of any kind are still in existence over this length of time. A 2015 report by the Santa Fe Institute on 25,000 publicly traded companies from 1950-2009 found that on average they lasted only 10 years before either being purchased or shut down.²² From this perspective, some would argue that family-controlled businesses actually have a longer shelf-life.

A recent study from the University of Toronto's Rotman School of Management suggests that *"Family businesses tend to survive longer and represent a lower-risk investment than non-controlled public firms"* and observes that *"nearly 70% of the family businesses tracked over almost 50 years survived while all but 24% of non-controlled widely held companies had either gone out of business or been acquired or de-listed during the same period."*²³

Canada-Specific Factors

In addition to the advantages and challenges of family firms, it is important to consider the specific economic, social and political environment in which Canadian family firms operate. In part because Canada has a relatively small population, it produced a tightly-knit local business elite concentrated in a handful of cities which, among other advantages, has facilitated the development of personal relationships and interactions between elites, owners and large shareholders, as well as with the different levels of government. The desire of most Canadians to protect the national identity and to preserve a degree of economic autonomy vis-à-vis its powerful neighbour and ally, the United States, has also pressured the federal and provincial governments to impose foreign ownership guidelines and restrictions in what are considered key industries, including media, banking and telecommunications.

Dual-Class Shares and Minority Shareholder Rights

A sometimes heated debate has been ongoing in many countries, including Canada, about dual-class share structures which allow a number of shareholders, most notably family members, to exercise ultimate control over companies through superior voting shares. Some have argued in favour of the abolition of dual-share structures on the basis that they are contrary to the principles of good governance and the best interests of shareholders.

The above point is disputed by National Bank Financial Market's analysts who maintain the interests of Canadian family owners are in most cases aligned with those of the minority shareholders, even when a dual-class structure is in place. This can in large part be explained by two factors:

- › Since 1987, the Toronto Stock Exchange has required on a go-forward basis that any takeover bid made to the holders of dual-class shares be extended on equal terms to other classes of shareholders. There is no equivalent coattail requirement for American companies listed on the U.S. public markets.
- › Family members who have a significant portion of their personal wealth invested in the family business will typically seek to maximize the value of their shares over the long term.

Among the 43 Index constituents, 27 (or 63% of Family companies) feature dual-class share structures, also referred to as multiple voting shares, with more advantageous voting rights attached to one class than the other.

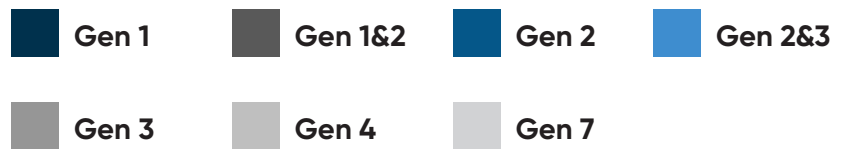
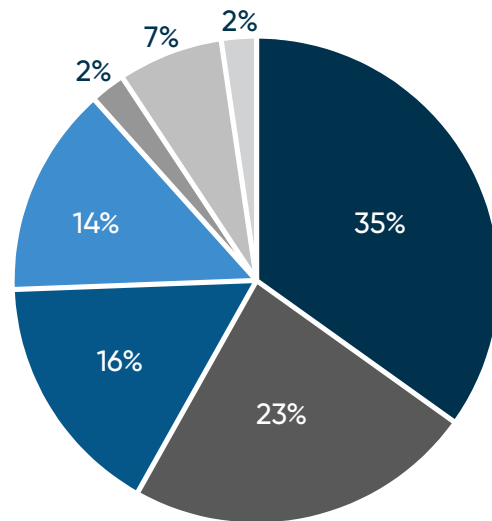
²² "Company mortality: Researchers find patterns in the life and death of firms", Santa Fe Institute, April 1, 2015 (*"Founder-Led Companies Outperform the Rest – Here's Why"*, Harvard Business Review, March 2016)

²³ "Family businesses survive longer and offer less investment risk, Rotman study finds", Financial Post, April 30, 2018

5 A Multigenerational Affair

Select Examples of Multigenerational Canadian Family Businesses

The sustained performance and success of family-controlled companies can, in a large part, be attributed to their ability to transfer the business from one generation to the next. Several companies included in the NBC Canadian Family Index have done exactly that. In fact, the majority of the companies in the Index are currently controlled by non-founding generations or by two generations of controlling family members alongside one another:



Canada's business landscape has been shaped by family-controlled companies that arose from humble origins to become powerful national firms. Below are a few key examples:

- › The Molson Coors Brewing Company can trace its origins to 1774. Since John Molson starting brewing beer in Montreal in 1786, the family company has gone through seven generations of family ownership. The 2005 merger between the Molson and Coors families joined respectively 7th generation Canadian and 5th generation American family businesses into a single stronger player in the competitive global beer industry.



Image: Molson Coors Collection

*Illustration of Molson's Montreal Brewery
circa 1860*

- › The Sobey family behind the success of the Empire Company, the owner of the Sobeys and IGA supermarket chains, among others, has grown from being a small meat delivery business in Nova Scotia in 1907 to become the second-largest grocer in the country with over 1,500 stores and 125,000 employees in 10 Canadian provinces. Empire also operates pharmacy, liquor retail and fuel locations.
- › Tracing its beginning back to 1882, at George Weston Limited, the parent company of Loblaw's and Shopper's Drug Mart, the baton was recently passed from Galen Weston to his son Galen G. Weston. The 4th generation of Westons, now controls a \$27 billion business employing approximately 200,000 employees.
- › The Thomson family founded The Thomson Corporation in 1934, a media company, while The Reuters Group traces its origins to 1851 in the UK, a business specialized in transmitting stock-market quotations. Today, Thomson Reuters is a world leading source of intelligent information for businesses and professionals. The company employs more than 50,000 people in over 100 countries.

- › Power Corporation of Canada, the Desmarais family business empire, began with the purchase of a single Ontario bus line in 1951 by Paul Desmarais. Today the family controls an important conglomerate with major holdings in the life insurance, mutual fund and asset management sectors. Co-Chairs of Power Corporation's board of directors, Paul Desmarais Jr. and André Desmarais, have groomed their sons, 3rd generation heirs to the family business, to develop a thorough business sense since a young age. Cousins Paul III and Olivier Desmarais developed complementary skill sets prior to joining the family business.
- › Canadian Tire Corporation was founded in 1922 in Toronto by two brothers, A.J. and J.W. Billes. Canadian Tire has evolved from selling tires and car parts to a wide variety of consumer goods. Canadian Tire is one of Canada's largest retail networks, with more than 1,700 locations and 85,000 employees. Today, 2nd and 3rd generations of family business leaders (Martha Billes and her son Owen) oversee the business.



Image:
Courtesy of the Canadian Tire Corporation

Beginning in 1923, Canadian Tire was located at the corner of Yonge and Gould streets in Toronto, Ontario (image circa 1931)

- › Bombardier and BRP (Bombardier Recreational Products) trace their origins to L'Auto-Neige Bombardier Limitée, founded in Valcourt (Quebec) in 1942 by Joseph-Armand Bombardier, the grand-father of Pierre Beaudoin, the current Chairman. Today, Bombardier is a global diversified transportation company that has diversified into the rail and aerospace industries. BRP was spun off from Bombardier in 2003, and has become a world leader in recreational products such as Ski-Doo, Sea-Doo watercraft and other off-road vehicles.



Photo: Fondation J. Armand Bombardier

Joseph-Armand Bombardier standing next to the Muskeg tractor at L'Auto-Neige Bombardier Limitée's plant in Valcourt, Quebec (1953)

- › Serge Godin and André Imbeau founded CGI in 1976. Through organic growth and multiple acquisitions, the small IT company went on to become a large global company with 84% of its revenues generated outside of Canada and 75,000 employees. Serge Godin's daughter, Julie Godin, joined the board of directors of the family business in 2013 and now acts as Vice-Chair of the Board and Executive Vice-President, Chief Planning and Administration Officer of the company.



Photo: CGI

Serge Godin - In 1986, CGI became a public company

6 Family Success Stories: In Their Own Words

This section focuses on the reasons given by leaders of major Canadian family-controlled companies for their success. These include a focus on long-term planning, a well prepared succession plan and the importance of avoiding the trap of a one-size-fits-all governance model.



Photo: CGI Leadership Conference

June, 2018 – George Schindler,
Serge Godin, Julie Godin

CGI Group Inc. – Serge Godin, Executive Chairman and Founder

Succession planning

Serge Godin, Executive Chairman and Founder of the CGI Group, feels that it is important for next generations of family business leaders to be exposed to as many roles as possible within the family business in order to better lead it later on: *“My daughter Julie has been on the CGI board since 2013. She joined CGI nine years ago and was appointed Head of CGI’s Global Human Resources. Instead of adopting a role rotation for her, we gradually added responsibilities to her role, such as strategic planning, M&A activities, cyber security and organizational strategy. The benefit she inherited was learning how to cope with both complexity and volume.”*

Developing a strong relationship between the controlling shareholder and the CEO

“I firmly believe that when selecting a CEO, key consideration must be given to compatibility of the culture between the founders and CEOs; namely, sharing the same objectives in creating value for each of our stakeholders: the clients, the employees and the shareholders.”

“Twenty years ago, when Michael Roach joined CGI, he came from Bell Sygma where he was CEO. He worked closely with me for two years, became COO of CGI a few years later to be appointed CEO in 2006. The same approach has been used for our current CEO, George Schindler, who came from one of our key acquisitions in the U.S., American Management Systems (AMS) in 2003. After having been promoted to COO in 2014, he became CEO in 2016. In both of these cases, by working very closely together, we learned to complement each other in order to attain the best equilibrium between our three stakeholders’ interests.”

Family-controlled companies support the long-term objectives of management

“Without multiple voting shares, CGI would have been sold at least 10 times and our head office would no longer be Canadian-based. Multiple voting shares are a great means of counter-weight to today’s hyper-active trading and offers organizations more stability and continuity which are key for long-term decision making.”

“40% of publicly traded stocks in North America change hands every 7 months on average. In fact, you cannot consider the holders of these stocks as shareholders having influence on the future of companies. With multiple voting rights, management of the controlled companies have a much better chance to counter such situations and build long-term relationships with their true shareholder base.”



Photo: The Canadian Press/Nathan Denette

Canadian Tire Chairman of the Board Maureen Sabia speaks to shareholders in Toronto on Thursday, May 14, 2015



Photo: The Canadian Press/Fred Thornhill

Galen G. Weston speaks to shareholders at Loblaw's annual general meeting in Toronto, Thursday, May 5, 2016



Photo: Bombardier

Pierre and Laurent Beaudoin in a Bombardier CRJ cockpit

Canadian Tire Corporation, Limited – Maureen Sabia, Chairman

A focus on the long-term is critical

“Our share structure and the long-term commitment of the Billes family protect us from the whims of short-termism. This leaves the Company’s management more freedom to do what is in the long-term interests of shareholders, customers and employees. It frees the Board and management from constantly looking over their shoulders. In my opinion, it is critical to have a Board of Directors composed of a majority of independent directors who have the courage to constructively challenge.”

The dangers of a one-size-fits-all governance model

“I do not believe there is an ideal governance model. A one-size-fits-all model should never be legislated as each company has its unique structure and challenges. Indeed, I believe that shareholder activism should be replaced with director activism as the better means of addressing the concerns of shareholders. I do not believe that we need more intervention by regulators or governance gurus.”

Galen G. Weston

George Weston Limited – Chairman and CEO

Loblaw Companies Limited – Chairman and CEO

Long term thinking is the key to success

“Continuity, patience, and the luxury of a long view are fundamental to the success of family firms. By creating value over decades and generations, rather than quarters and years, successful family firms outperform those seeking short-term shareholder returns.”²⁴

An ability to buck conventional thinking

“I have been able to make sweeping changes to our organization, invest in our customer while taking a considerable write-down, execute a \$12 billion acquisition, and much more, all in slightly longer than the average tenure of most CEOs. Few public company leaders could have done this, in part because few public company boards would have supported it.”²⁵

Bombardier Inc. – Pierre Beaudoin, Chairman of the Board of Directors

BRP Inc. – Laurent Beaudoin, Chairman of the Board of Directors

Working to the advantage of our companies, employees and the society

Mr. Laurent Beaudoin, who recently announced he would step down from Bombardier Inc.’s Board of Directors after a remarkable career of 55 years in leadership roles at the company, while remaining Chairman of BRP Inc., mentions: *“Family ownership allowed for BRP and Bombardier to prioritize employee loyalty along with customer satisfaction, innovation and company performance. Over the years, BRP and Bombardier became key employers on a global scale and had a transformative impact on their communities. Today, both companies employ more than 80,000 employees.”*

He adds: *“When a family controls a company, the CEO knows he can manage for the long run and make a positive sustainable impact on its employees, the company and even the society. For example, Bombardier, along with its network of suppliers, greatly contributed to make the Greater Montreal area one of the world’s three major aerospace centres, along with Seattle and Toulouse. As a society, we have all the reasons be proud of this collective achievement.”*

²⁴⁻²⁵ Re-Imagining Capitalism, 2016

United in our long-term focus: family and management looking to the future

Pierre Beaudoin: *"If we had given up the multiple voting shares I think we would not be here today, you would not see BRP and Bombardier as they are. For instance, at Bombardier, the state-of-the-art C Series would not have been in the air without the family and indeed I would suspect that the company would have been split up into a couple of parts and sold off except for the family."*

Laurent Beaudoin: *"As controlling family shareholders, we must strive to ensure that the rules of governance are clear and that management has all the leeway they need to manage the company just as any other typical widely-held public company".*

Sharing our passion for innovation

Pierre Beaudoin: *"Innovative products, processes and services are a must for any high-performing economy. They increase productivity, income per capita and the quality of social programs. They also enhance our competitiveness and enable us to engage in higher value-added activities."*

He adds: *"I believe that Canadian business leaders should lead the way in accelerating corporate innovation. At BRP and Bombardier, it is clear that innovation is a key focus of both management teams. They understand the importance of investing in research and development. Proof is in the pudding, Bombardier has ranked #1 for R&D spending in Canada for several years in a row now."*

He adds: *"Joseph-Armand Bombardier's legacy of developing innovative transportation systems undeniably was passed on to family members, to BRP and Bombardier employees and even to suppliers. From the invention of the Ski-Doo Snowmobiles and later to the manufacturing and assembly of trains and planes, my father [Laurent Beaudoin] and I are pleased to have actively contributed and witnessed the development of BRP and Bombardier into two globally recognized multinational companies. This said, we call upon every young person out there sharing the same passion for innovation as us to embark on a journey with BRP and Bombardier to help define how transportation will look like in the future."*

The entrepreneurial mindset

Pierre Beaudoin: *"We value entrepreneurs like my grandfather who founded a great business based on a single idea. We used to call them "patenteux" [tinkerers]. A lot of them ended up turning their inventions and creative ideas into businesses. In the view of our family, we value entrepreneurs who have a large dream. When we got into aerospace, a lot of people told us it couldn't be done, but we never allowed ourselves to limit the possibilities that we have or limit our dreams".*



Photo: Molson Coors
Andrew T. Molson

Molson Coors – Andrew T. Molson, Director

In search of the “juste milieu” for all shareholders

Andrew Molson: “Whether family-controlled or widely-held, public companies benefit from the support of long-term shareholders. It is obvious to me that dual-class shares enabled the Molson and the Coors families to lay the foundations and uphold long-term focus at Molson Coors, our globally-recognized brewing company which ranks as the third largest in the world by enterprise value.”

He adds: “In 2005, our families [Molson and Coors] decided to conclude a merger of equals, combining our strengths and leveraging the successful business relationships our companies had achieved. While marking a new and important chapter in the history of both companies, we aimed at implementing a fair and strong governance model at our newly created combined company Molson Coors. For example, the Coors and the Molson families agreed to implement a “coattail”²⁶ provision to our dual-class share structure. In the U.S., unlike in Canada, public companies with more than one share class are not required by law to adopt coattail provisions. Therefore, the Coors Brewing Company did not have a coattail provision prior to the merger. Adopting a coattail provision and having “skin in the game” allowed our families and Molson Coors’s management to engage, in an easier manner, with like-minded long-term institutional and individual shareholders.”

He adds: “As each company has its own particularities, it is my view that dual-class shares should be self-regulated. This said, it is imperative for controlled-companies such as ours to make sure that all the necessary “bells and whistles” are put in place by a knowledgeable and independent board of directors. All shareholders, not only controlling shareholders, should reap private benefits from a company’s success. This is a subject I am passionate about. In 2002, in the context of a Corporate Governance and Ethics Masters program in the UK, I wrote and defended a thesis titled “The ‘Juste Milieu’: Sharing the benefits of Control.”

Family values prospering through strong external management

“For a century and a half prior to Molson’s IPO, our family business was operating as a private company. In 1945, when Molson went public on the Montreal Stock Exchange, our family insisted on separating board functions from management functions. We believe in strong governance and in strong external management. The last thing we want is to be perceived as an impediment to the executive team’s ability to build on Molson Coors’s rich legacy and to deliver on long-term strategic objectives. We want to let our CEO do his job. Even though both the Molson and Coors family values are deeply rooted in the company’s DNA, today, we are merely influencers of the company’s business.”

Two families in it for the long game

“Over the past decades and to this day, the beer industry has been characterized by strong family ownership. For instance, when you look at the de Carvalho-Heineken family at the helm of Heineken, the South American Santo Domingo family and their sizeable stake in Anheuser-Busch InBev or even the Carlsberg Foundation, Carlsberg’s controlling shareholder, one quickly understands that brewing beer remains a family affair. When the Molson and Coors families teamed up to create Molson Coors, we quickly understood that our families shared among others the same business culture, a rich legacy and most importantly passion for brewing beer. As long-term shareholders, it is clear in our mind that we rather enjoy selling beer than shares.”

²⁶ Coattail definition: a legal provision that allows the holders of non-voting or restricted voting shares to convert their holdings into superior voting shares in the event the firm receives a takeover offer.

Appendix

Research on the NBC Canadian Family Index



July 17, 2018

ATD.B (TSX) **\$62.30**
TARGET PRICE: **\$73.00**
ESTIMATED TOTAL RETURN: **17.8%**

52-week range	\$67.96 - \$52.08
Shares Outstanding (mln)	565.0
Free Float	72%
Market Capitalization (CAD mln)	35,197

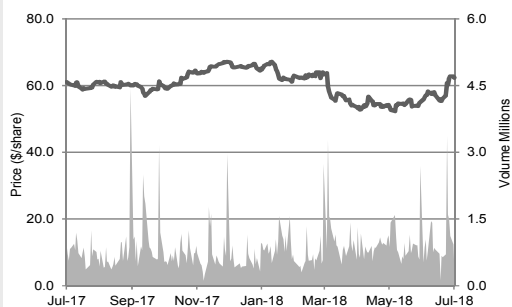
Fiscal Year End: April

	2018A	2019E	2020E
Sales (mln)	\$51,394	\$57,536	\$58,789
EBITDA (mln)	\$2,980	\$3,347	\$3,466
EPS (FD)	\$2.61	\$3.09	\$3.28
P/E	13.6x	11.1x	10.0x

Financial Data: As at Q4/F18

Cash (mln)	\$686
Total Debt (mln)	\$8,370
Net Debt (mln)	\$7,684
Debt/Capital	49%
BVPS	\$14.02
Dividend per share (CAD)	\$0.41
Dividend Yield	0.7%

Financial statement data denoted in \$U.S. unless stated otherwise.



Source: Thomson, NBF

Vishal Shreedhar - (416) 869-7930

vishal.shreedhar@nbc.ca

Associate:**Ryan Li - (416) 869-6767**

ryan.li@nbc.ca

For required disclosures, please refer to the end of the document.

Stock Rating: Outperform
Risk Rating: Average

Industry Rating: Overweight
 (NBF Economics & Strategy Group)

Alimentation Couche-Tard

COMPANY PROFILE

Alimentation Couche-Tard is the second largest convenience store chain in North America. ATD operates company operated stores in Canada, the United States and Europe (Scandinavia, Ireland).

INVESTMENT HIGHLIGHTS**Balance sheet to improve over time**

After recent acquisitions, ATD's balance sheet is elevated with adjusted net debt/EBITDAR at 3.1x. Taking into account the acquisitions and associated synergies, we forecast adjusted net debt/EBITDAR improving to 2.6x by the end of F2019.

Growth through acquisitions

ATD has successfully grown its business globally through its recent acquisitions of SFR, The Pantry, Topaz, Shell Denmark, Imperial Oil (Canada), CST Brands and Holiday Stationstores. Management indicated that it continues to look for acquisitions globally. We believe there are opportunities for acquisitions in ATD's current regions of operations as well as new regions.

Delivering on synergy capture

Synergy capture has progressed well with both SFR and The Pantry (SG&A and COGS savings); additional synergies are also expected from the Topaz, CST and Holiday acquisitions. Indicated acquisition synergies may be conservative. For example, with CST, management announced synergies of \$150-\$200 mln; however, that does not include potential benefits from fuel purchasing and sales synergies.

RISK FACTORS

The key risks to our outlook include volatility in gasoline margins, foreign exchange (Canadian dollar / European currencies), acquisition integration and regional economic conditions.

VALUATION

Maintain Outperform rating; price target is Cdn\$73

We value ATD at 17.0x our F2020 EPS (adj. for FX).

DISCLOSURES:

Ratings And What They Mean: **PRIMARY STOCK RATING:** NBF has a three-tiered rating system that is relative to the coverage universe of the particular analyst. Here is a brief description of each: **Outperform** – The stock is expected to outperform the analyst's coverage universe over the next 12 months; **Sector Perform** – The stock is projected to perform in line with the sector over the next 12 months; **Underperform** – The stock is expected to underperform the sector over the next 12 months. **SECONDARY STOCK RATING:** **Under Review** – Our analyst has withdrawn the rating because of insufficient information and is awaiting more information and/or clarification; **Tender** – Our analyst is recommending that investors tender to a specific offering for the company's stock; **Restricted** – Because of ongoing investment banking transactions or because of other circumstances, NBF policy and/or laws or regulations preclude our analyst from rating a company's stock. **INDUSTRY RATING:** NBF has an Industry Weighting system that reflects the view of our Economics & Strategy Group, using its sector rotation strategy. The three-tiered system rates industries as **Overweight**, **Market Weight** and **Underweight**, depending on the sector's projected performance against broader market averages over the next 12 months. **RISK RATING:** NBF utilizes a four-tiered risk rating system, **Below Average**, **Average**, **Above Average** and **Speculative**. The system attempts to evaluate risk against the overall market. In addition to sector-specific criteria, analysts also utilize quantitative and qualitative criteria in choosing a rating. The criteria include predictability of financial results, share price volatility, credit ratings, share liquidity and balance sheet quality.

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August 15, 2018

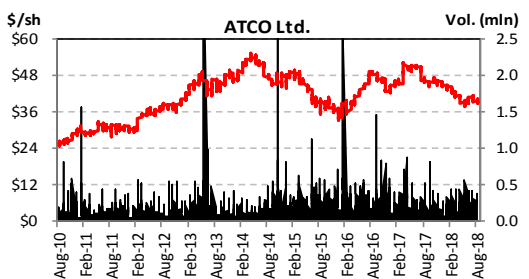
ACO'X; ACO'Y (TSX) **\$39.39 ; US\$39.45**
TARGET PRICE: **\$43.00**
CURRENT DIVIDEND YIELD **3.8%**
ESTIMATED TOTAL RETURN: **13.3%**

52-week range \$47.40 - \$37.78
 52-week range (ACOx) US\$47.25 - US\$37.90

(Year-End Dec. 31)	2017	2018e	2019e
EBITDA (mln)	\$1,900	\$2,027	\$2,162
EV/EBITDA	7.4x	7.0x	6.6x
Maint. Capex (mln)	(\$525)	(\$550)	(\$550)
Free-EBITDA (mln)	\$1,375	\$1,477	\$1,612
EV/Free-EBITDA	10.2x	9.6x	8.8x
EPS (FD)	2.9x	3.0x	3.3x
P/E	16.3x	13.7x	12.5x
AFFO/sh (FD)	\$4.61	\$3.66	\$3.84
P/AFFO	10.3x	11.1x	10.6x
Dividend per Share	\$1.31	\$1.51	\$1.62
Dividend Yield	2.8%	3.7%	4.0%
Adj. Payout Ratio	28%	41%	42%
Net Debt/EBITDA	4.5x	4.7x	4.4x

December 31, 2018e

Shares Outstanding (mln)	114.7
Market Capitalization (mln)	\$4,677
Ending Net Debt (mln)	\$9,441
Enterprise Value (mln)	\$14,117
Total Debt/Enterprise Value	67%
Total Return	13.3%



Source: Bloomberg

Patrick Kenny, CFA
 403.290.5451
 patrick.kenny@nbc.ca

Associates:
Dave Nielsen, CFA
 403.355.6643
 dave.nielsen@nbc.ca

Amber Brown, MBA
 403.290.5624
 amber.brown@nbc.ca

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Stock Rating: Sector Perform

Risk Rating: Average

Industry Rating:
Overweight - Utilities
Market Weight - Energy Equipment/Services; Oil/Gas/Consumable Fuels
Underweight - Chemicals
(NBF Economics & Strategy Group)

ATCO Ltd.

CORPORATE PROFILE (all \$ terms are Cdn)

ATCO Ltd. is a global conglomerate which owns and operates energy infrastructure assets. The company's core holdings include a ~53% controlling interest in Canadian Utilities Limited (TSX: CU / CU'X) and a ~100% consolidated interest in ATCO Structures & Logistics. Its business operations include Utilities (pipelines, natural gas and electricity distribution and transmission), Energy (power generation, natural gas gathering, processing, storage and liquids extraction), Structures & Logistics (manufacturing, logistics and noise abatement) and Technologies (business system solutions).

INVESTMENT HIGHLIGHTS

ATCO operates under a two-tier common share structure with non-voting and voting shares that are entitled to share equally in the earnings and dividends of the company. ATCO's common share structure consists of Class I (non-voting; TSX: ACO'X) and Class II (voting; TSX: ACO'Y) common shares representing ~88% and ~12% of aggregate common shares outstanding. Overall, we estimate that ~62% of ATCO's 2018e adjusted EBITDA stem from its Utilities/Electricity segment, ~36% from Energy/Pipelines & Liquids and ~10% from Structures & Logistics. ATCO offers attractive dividend growth averaging ~10% per year over the past five years. Going forward, we forecast 15% dividend growth through 2019 - bringing the company's annualized dividend to \$1.51/sh, while maintaining a sub-45% payout ratio.

GROWTH PROFILE

ATCO is currently pursuing \$4.5 billion of organic growth projects through 2019, of which \$3.5 bln will be targeted towards its rate-regulated Utilities and the remaining \$1.0 bln will be invested in long-term contracted capital from 2017-2019. Included in the Long-term capital investments are the following projects: the APL Fort McMurray 500kV Project (ISD June 2019), contracted hydrocarbon storage, hydroelectric generation and cogeneration. Elsewhere, ATCO's subsidiary (CU) announced in December 2017, the \$114 mln acquisition of a long-term contracted 35 MW hydroelectric power station in Veracruz, Mexico. CU also announced in March 2018 that it would build a 26 MW electricity cogeneration facility in Gomez Palacio, Mexico. In Structures & Logistics, ATCO has been awarded several Modular Structures projects and contracts. In April 2018, ATCO extended a contract to provide accommodation for 750 personnel at the LNG Modular Structures project in Lake Charles, LA through the end of 2018 with an option to extend to April 2019. Originally the contract was set to expire in May 2018 and extended for 29 months (starting in 2015) for a 1,900 person village. In Chile, ATCO completed the 100,000 sq. ft. modular structure manufacturing facility in Q2/18. From a growth prospective, the facility has the capacity to produce up to eight modular units per day and will support new projects in South America going forward. ATCO has been chosen to sit on four of the five working groups that the AESO has established to help design the proposed capacity market, utilizing the AESO's initial proposal as a starting point. This process commenced in June 2017 with feedback to the government expected through June 2018 and a formal structure in place by late 2018 / early 2019. The first auction is expected to take place in 2019 for delivery in 2021.

RISK FACTORS

There is no assurance that regulators will allow higher ROEs or rate bases at any of the Company's regulated utilities. Declining long-term interest rates may also negatively impact the allowed rate of return determined in setting customer rates. The company's business segments are also subject to macroeconomic growth, unfavourable macroeconomic conditions may decrease the rate of growth. There is no guarantee that ATCO will have access to the equity or debt capital markets on favourable terms to fund future growth prospects. Cash flows from the company's international operations are subject to foreign exchange risk.

VALUATION

Our \$43.00 (was \$45.00) target is based a risk-adjusted dividend yield of 3.75% applied to our 2019e dividend of \$1.62 (was \$1.73), 12.0x multiple of our 2019e Free-EBITDA and our DCF/sh valuation of \$43.00 (was 45.00). We maintain our Sector Perform rating.

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June 15, 2018

BBD.b (TSX) / BBD.a (TSX) C\$4.89 / C\$4.89
TARGET PRICE: C\$6.00
ESTIMATED TOTAL RETURN: 23%

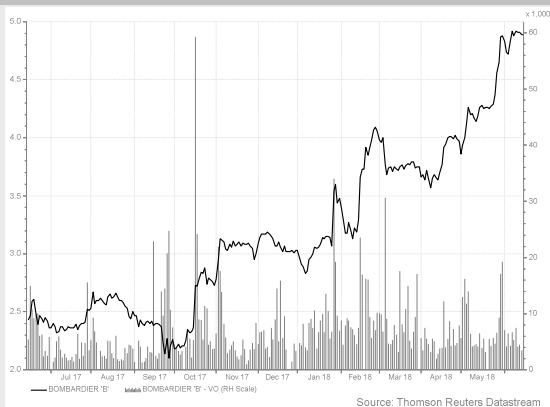
52-week range (BBD.b) \$4.97 - \$1.96

(US\$ mln. unless otherwise stated).

(FYE Dec. 31)	2017A	2018E	2019E
Sales (mln)	\$16,218	\$16,850	\$17,935
EBITDA (mln)	\$993	\$1,319	\$1,683
EV/EBITDA	15.7x	11.8x	9.3x
FD EPS	\$0.03	\$0.06	\$0.10
P/E	nmf	nmf	nmf

Other Data:

Shares Outstanding (mln)	2,372
Market Capitalization (mln)	\$11,597
Net Debt (mln)	\$6,773
Net Debt-to-Cap.	300%
Enterprise Value (mln)	\$15,605
Dividend per share	\$0.00
Dividend Yield	0.0%



Cameron Doerksen, CFA
 514.879.2579
 cameron.doerksen@nbc.ca

Associate:
Umayr Allem, CFA, MBA
 416.869.8577
 umayr.allem@nbc.ca

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Stock Rating: Outperform
Risk Rating: Above Average
 Industry Rating (Transportation): Overweight
 (NBF Economics & Strategy Group)

Bombardier Inc.

COMPANY PROFILE (all \$ terms are USD)

Bombardier is a leading manufacturer of transportation solutions. The company is one of the largest manufacturers of business jets and regional aircraft and holds a minority stake in the Airbus-controlled CSeries program. Bombardier Transportation is the global leader in passenger rail equipment manufacturing.

INVESTMENT HIGHLIGHTS

Company could outperform 2020 target margins

The Transportation EBIT margin is expected to come in at greater than 9.0% and given the current margin run rate of ~8.5% and the fact that the segment's transformation/restructuring is ongoing, we are confident this can be achieved. Bombardier's 2020 revenue target in Business Aircraft is \$8.5 billion, but management is effectively assuming no change in current model delivery rates (~135 planes/year) with revenue growth only from the ramp-up of the Global 7500 for which it has production slots filled through 2021. If the broader market does recover by 2020, we see this as potential upside. Finally, management's 2020 targets assume regional aircraft deliveries flat at ~35/year, but there is potential for new CRJ orders to materialize as part of a replacement cycle in the next few years.

Path to positive free cash flow

For 2018, FCF is expected to be breakeven (+/- \$150 million) with a target of positive \$750 million-\$1.0 billion in 2020. Notably, if one were to exclude the cash spending on the Global 7500 and the CSeries production ramp-up, as well as cash restructuring costs this year, Bombardier would already be producing \$600 million in positive FCF. Thus, the \$750 million targeted in 2020 seems very achievable even with only a modest improvement in earnings conversion.

Airbus deal de-risks CSeries program

The CSeries deal struck with Airbus creates much greater certainty around the ultimate value Bombardier will realize on the program as well as the path to positive cash flow for the program in 2020 and beyond.

RISK FACTORS

Financial position

Although we believe Bombardier has sufficient capital resources, debt levels are high and the company is exposed to interest rate and debt refinancing risk.

Competitive markets

Bombardier faces strong competition across all of its business segments.

End market variability

While demand for passenger rail has historically been stable, both the commercial aerospace and business jet markets are cyclical businesses.

VALUATION

Our target is based on applying a sum-of-the-parts valuation based on our 2020 estimates, which we then discount at 10% to the current period.

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August 15, 2018

DOO (TSX) **\$65.40**
TARGET PRICE: **\$67.00**
ESTIMATED TOTAL RETURN: **3%**

52-week range (Cdn)	\$66.81 - \$38.81
Shares Outstanding (mln)	102
Market Capitalization (mln)	\$6,659

(Cdn\$ mln, unless otherwise noted)

(FYE Jan. 31)	F2018A	F2019E	F2020E
Revenue	\$4,453	\$4,929	\$5,335
EBITDA*	\$536	\$652	\$739
EPS (adj.)	\$2.27	\$2.96	\$3.36
EV / EBITDA	13.8x	11.4x	10.0x
P/E	28.8x	22.1x	19.5x

*Normalized

Other Data:

Net Debt (mln)	\$765
Net Debt-to-Cap.	108%
Enterprise Value (mln)	\$7,424
Dividend per share	\$0.36
Dividend Yield	0.6%



Cameron Doerksen, CFA
514.879.2579
cameron.doerksen@nbc.ca

Associate:
Umayr Allem, CFA, MBA
416.869.8577
umayr.allem@nbc.ca

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Stock Rating: Sector Perform
Risk Rating: Above Average
Industry Rating (Leisure Products): Overweight
(NBF Economics & Strategy Group)

BRP Inc.**PROFILE**

BRP Inc. is a global leader in the design, manufacturing and marketing of powersports vehicles and propulsion systems. The company has leading market positions in the snowmobile, personal watercraft (PWC), recreational all terrain vehicle (ATV), recreational side-by-side vehicle (SSV) and outboard marine engine markets and is growing a new product category, the three-wheeled Spyder Roadster.

INVESTMENT HIGHLIGHTS**New product rollout driving growth**

BRP is in an aggressive new product rollout period that we believe will drive solid long-term revenue growth and market share gains. We expect further new introductions of SSVs as well as the introduction of a new competitively priced Spyder model to support revenue growth through our forecast period. Management is targeting \$6.0 billion in annual revenue by F2021, up from \$4.5 billion in F2018.

Margin improvements still to come

Growth in production at BRP's plants in Mexico, as well as the re-vamp of other manufacturing facilities will drive efficiency gains that will help BRP be more price competitive and also improve margins. The bottom-line benefits of these manufacturing changes have yet to be fully reflected in the company's financials.

BRP gaining market share

BRP already enjoys leading market shares in both snowmobiles and personal watercraft, but the company is gaining market share in the off-road segment with ongoing new model introductions and increased powersports dealer share expected to drive continued momentum.

RISK FACTORS**Cyclicality of business**

Powersports products are highly discretionary items and demand is subject to broader economic conditions.

Competitive markets

BRP faces intense competition across all of its product lines including from some larger and better capitalized players.

Potential NAFTA changes

About \$1.2 billion of goods are produced in BRP's Mexico plants and exported to the U.S. (~25% of total revenue). Changes to the NAFTA agreement that result in new tariffs on imports to the United States from Mexico could have an impact on BRP's costs and competitive position.

VALUATION

We value the stock by applying a 10.0x EV/EBITDA multiple to our F2020 forecast.

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August 16, 2018

CTC.A (TSX) \$163.95
TARGET PRICE: \$187.00
POTENTIAL RETURN: 16.3%

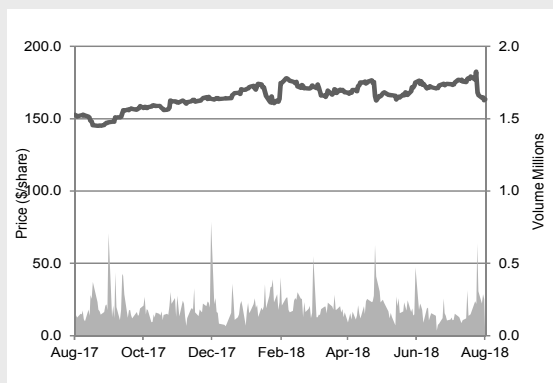
52-week High-Low	\$0.00
Shares Outstanding (diluted, mln)	65.5
Market Capitalization (mln)	\$10,736.9

Year End: Dec. 31	2017A	2018E	2019E
Sales (mln)	\$13,363.4	\$14,062.3	\$14,676.1
EBIT (mln)	\$1,225.1	\$1,208.4	\$1,346.7
EBIT Margin (%)	9.2%	8.6%	9.2%
Diluted EPS	\$10.67	\$10.76	\$12.49
P/E	15.4x	15.2x	13.1x

All amounts in Canadian dollars

Financial Data:	As at: Q2 2018
Cash (mln)	\$333.7
Net Debt (mln)	\$4,258.0
Net Debt to Total Capitalization	50%
Book Value per Share	\$66.01
Price to Book	2.5x
Dividend Yield	2.2%

All amounts in Canadian dollars



Source: Thomson, NBF

Vishal Shreedhar
vishal.shreedhar@nbc.ca
(416) 869-7930

Associate: Ryan Li
ryan.li@nbc.ca
(416) 869-6767

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Stock Rating: Outperform
Risk Rating: Below Average
Industry Weighting (Retailing): Underweight
(NBF Economics & Strategy Group)

Canadian Tire Corporation, Limited

COMPANY PROFILE

Canadian Tire is one of the largest retailers in Canada with more than 1,700 retail and gasoline outlets. Canadian Tire's primary retail business categories include: Automotive, Living, Fixing, Sports, Playing and Apparel. The company also has a Financial Services division, which offers products and services such as credit cards, retail deposits and insurance.

INVESTMENT HIGHLIGHTS

Investment in digital

Management acknowledged that it wishes to be a leading retailer in digital; the company has made material investments to expand its digital footprint/platform. The digital strategy began with Sport Chek and is expected to span other banners over several years. CTC's plan of returning capital to shareholders partially insulates against the potential for uneven results if investments and expected benefits don't manifest in unison.

Continuing to capitalize on real estate

Recall, CTC spun off CT REIT in 2013 in a deal to monetize its real estate holdings. CTC should benefit from vending further real estate into CT REIT supported by a strong pipeline of real estate which meets CT REIT's investment criteria.

Achieving Retail ROIC targets

Management provided a clear target for Retail ROIC improvement (10%+ by 2020) which suggests a commitment to improving Retail performance beyond the revenue and gross margin lines. We believe that there could be upward pressure on CTC's valuation multiple if management can sustainably deliver a higher ROIC, as it implies the ability to invest more profitably.

RISK FACTORS

Like most Canadian retailers, Canadian Tire remains highly susceptible to sales volatility as a result of unexpected weather patterns and regional economic strength. The company is also susceptible to increasing competition, primarily from foreign retailers.

VALUATION

Outperform Rating; price target is \$187

Our valuation is based on a sum-of-the-parts methodology. We value the Retail business at 15.5x our 2019/20 Retail EPS, Financial Services at 9.0x our 2019/20 Financial EPS and CTC's ownership in CT REIT less a 10% discount.

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June 29, 2018

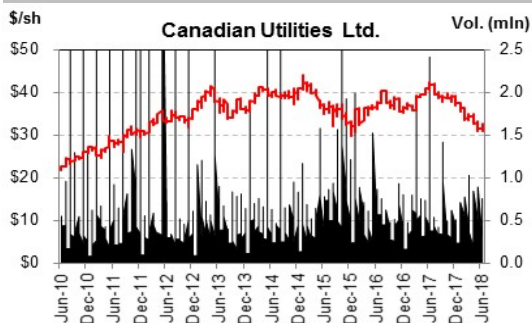
CU; CU.X (TSX) **\$33.20 ; \$33.15**
TARGET PRICE: **\$38.00**
DIVIDEND YIELD **4.7%**
ESTIMATED TOTAL RETURN: **19.7%**

52-week range \$41.90 - \$30.80

(Year-End Dec. 31)	2017	2018e	2019e
EBITDA (mln)	\$1,775	\$2,010	\$2,101
EV/EBITDA	11.0x	10.4x	9.4x
Maint. Capex (mln)	\$500	\$550	\$550
Free-EBITDA (mln)	\$1,275	\$1,460	\$1,551
EV/Free-EBITDA	15.3x	14.3x	12.8x
EPS (FD)	\$2.23	\$2.23	\$2.29
P/E	16.3x	17.4x	14.5x
AFFO/sh (FD)	\$4.67	\$3.35	\$3.49
P/AFFO	7.8x	11.6x	9.5x
Dividend per Share	\$1.43	\$1.57	\$1.73
Dividend Yield	3.9%	4.0%	5.2%
Adj. Payout Ratio	31%	47%	49%
Net Debt/EBITDA	5.3x	4.9x	4.8x

December 31, 2018e

Shares Outstanding (mln)	274.7
Market Capitalization (mln)	\$9,118
Ending Net Debt (mln)	\$9,043
Enterprise Value (mln)	\$19,832
Total Debt/Enterprise Value	46%
Total Return	19.7%



Source: Bloomberg

Patrick Kenny, CFA
403.290.5451
patrick.kenny@nbc.ca

Associate:
Dave Nielsen, CFA
403.355.6643
dave.nielsen@nbc.ca

Amber Brown
403.290.5624
amber.brown@nbc.ca

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Stock Rating: Sector Perform Risk Rating: Average

Industry Rating:
Overweight - Utilities
Market Weight - Energy Equipment/Services; Oil/Gas/Consumable Fuels
Underweight - Chemicals
(NBF Economics & Strategy Group)

Canadian Utilities Ltd.

CORPORATE PROFILE (all \$ terms are CAD)

Canadian Utilities Limited (owned ~53% by ATCO Ltd.) owns and operates ~\$21 bln of energy infrastructure assets including Structures & Logistics (workforce housing, modular facilities, construction), Utilities (power generation, distributed generation, electricity distribution, transmission and infrastructure development), Pipelines & Liquids (natural gas transmission, natural gas gathering, processing storage and liquids extraction, and industrial water solutions) and Retail Energy (electricity and natural gas retail sales). Canadian Utilities' Electricity and Pipelines & Liquids segments make up the bulk of the Company, with 87,000 km of electric power lines, 19 power plants, 2,517 MW of power generating capacity, 64,500 km of pipelines and natural gas and hydrocarbon storage.

INVESTMENT HIGHLIGHTS

Canadian Utilities operates under a two-tier common share structure with non-voting and voting shares that are entitled to share equally in the earnings and dividends of the company. The company's common share structure consists of Class A (non-voting; TSX: CU) and Class B (voting; TSX: CU'X) common shares representing ~70% and ~30% of aggregate common shares outstanding. As at December 31, 2016, ATCO Ltd. (TSX: ACO'X / ACO'Y) held ~39% of CU's Class A non-voting shares and ~89% of the company's Class B voting shares – representing a consolidated interest of ~53%. Overall, we estimate that ~65% of CU's 2017e adjusted earnings stem from its Utilities/Electricity segment and ~35% from Energy/Pipelines & Liquids. Through 2018e, we forecast a 10% dividend increase bringing the company's annualized dividend rate to \$1.57/share (currently \$1.43/share), while maintaining a ~45% payout ratio.

GROWTH PROFILE

CU is targeting a \$4.5 bln of planned capital investments from 2018 to 2020, of which \$3.6 bln is for regulated Utilities and \$0.9 bln for long-term contracted assets. The Company's major developments are listed below. Recall, CU (80%) and Quanta Services (20%) formed Alberta PowerLine (APL) in December 2014, a partnership to own and operate the 500 km transmission line from Edmonton to Fort McMurray. Construction on the project began in August 2017 with an anticipated in-service date in June 2019. On October 2, 2017 APL issued an aggregate \$1.4 bln of bonds (maturities ranging from 2032-2054) to finance development. In July 5, 2017 the AUC finalized a schedule for a 2018-2020 GCOC proceeding. A hearing has been set for March 2018 and submissions are currently scheduled to be filed by October 31, 2017 with the AUC planning to issue a decision by the end of 2018. In December 2017, Canadian Utilities announced the \$114 mln acquisition of a long-term contracted, 35 MW hydroelectric power station in Veracruz, Mexico. CU will also be building a 26 MW electricity cogeneration facility near GomeX Palacio, Mexico for \$70 mln (ISD 2019).

RISK FACTORS

There is no assurance that regulators will allow higher ROEs or rate bases at any of the Company's regulated utilities. Declining long-term interest rates may also negatively impact the allowed rate of return determined in setting customer rates. The company's business segments are also subject to macroeconomic growth, unfavourable macroeconomic conditions may decrease the rate of growth. There is no guarantee that CU will have access to the equity capital markets or debt markets on favourable terms to fund future growth prospects. Cash flows from the company's international operations are subject to foreign exchange risk.

VALUATION

Our \$38.00 target is based on an adjusted dividend yield of 4.50% applied to our 2019e dividend of \$1.73/sh, a 14.0x multiple of our 2019e Free-EBITDA and our DCF/sh valuation of \$37.50. We currently rate CU an Sector Perform.

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May 25, 2018

CAS (TSX) **\$12.34**
TARGET PRICE: **\$18.00**
ESTIMATED TOTAL RETURN: **47.2%**

52-week range	\$18.20 - \$11.91
Shares Outstanding (mln)	94.7
Market Capitalization (\$ mln)	\$1,169

(YE December)	2017a	2018e	2019e
Revenue (mln)	\$4,321	\$4,573	\$4,791
Adjusted EBITDA (mln)	\$393	\$512	\$554
Adjusted EBITDA margin	9.1%	11.2%	11.6%
Adjusted EPS (fd)	\$0.72	\$1.23	\$1.55
P/E	17.1x	10.0x	8.0x
EV/EBITDA	6.8x	5.3x	4.6x

As at:	March 31, 2018
Total Debt (mln)	\$1,671
Net Debt (mln)	\$1,534
Net Debt/EBITDA (LTM)	3.6x
Net debt to Capital	48%
Dividend per share	\$0.16
Dividend Yield	1.3%

Source: Company reports, NBF estimates



Leon Aghazarian, M.Sc.
 514-879-2574; leon.aghazarian@nbc.ca
Associate: Zachary Evershed, CFA
 514-412-0021; zachary.evershed@nbc.ca

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Stock Rating: Outperform
Risk Rating: Above Average
 Industry Rating (Packaging): Market Weight
 (NBF Economics & Strategy Group)

Cascades Inc.

COMPANY PROFILE

Cascades is a producer, converter and marketer of packaging and tissue products composed mainly of recycled fibres in North America and Europe. Cascades' two main business segments are Tissue and Packaging, with the latter including Boxboard Europe, Containerboard and Specialty Products. The Québec-based company, which was founded in 1964 by the Lemaire family, currently employs close to 11,000 people in about 90 facilities.

INVESTMENT HIGHLIGHTS

Old Corrugated Container (OCC) costs continue falling in 2018

OCC costs were up ~70% y/y in the first three quarters of 2017, but plummeted \$US60/ton in October, and have continued dropping since, now US\$75/ton in May, well below the five-year average price of ~US\$105/ton. The sudden drop in price can be attributed almost entirely to drastically reduced export demand caused by new contaminant limits on OCC imports into China. As Cascades furnishes its containerboard mills primarily with recycled fiber (e.g., OCC), the price swing will likely constitute a significant tailwind in 2018: all else equal, CAS' annual EBITDA could increase \$29 million per US\$15/ton drop in OCC according to our sensitivity analysis. Should OCC prices stay at their current level, this would represent an upside of ~6.1% to our 2018e EBITDA.

The political situation in China can evolve rapidly, leading us to be cautious in counting on the newly reduced level of OCC prices over the long term. Imports thus far in 2018 have been ~40% lower than for the same period in 2017 and enforcement of new regulations appears stringent, however, which is a positive for lower OCC pricing.

March 2018 containerboard price hike tailwind

Containerboard producers announced a price hike on linerboard and medium effective in March (+US\$50 to \$755/ton). Due to usual lags in implementation, the benefits will likely begin in Q3/18, and fully in Q4/18. We believe the hike will be fully implemented in finished boxes as well, as operating rates in the containerboard industry are in the high 90s, and pulp prices, a major input for Cascades' competitors, have been increasing throughout 2017 and YTD.

All else equal, a US\$25/ton change in linerboard prices would increase Cascades' annual EBITDA by \$47 million according to our sensitivity analysis, which is reflected in our estimates for H2/18 and 2019.

Adverse Tissue industry backdrop

Underperformance in the Tissue segment continues, attributed to impacts from 1) ramping pulp prices, 2) lower sales volumes due to additional capacity coming to the market, 3) higher freight costs, and 4) slower than expected ramp-up of the Oregon converting plant.

RISK FACTORS

Demand for Cascades' products, containerboard and boxboard in particular, is sensitive to economic conditions. Cascades' markets are highly competitive and some of the competitors are large, global players. Unfavourable movements in exchange rates, selling prices and raw material costs can materially impact the company's financial results. Cascades' debt ratios are above the industry average.

VALUATION

Our \$18.00 target is derived from a sum-of-parts analysis based on 2019e EBITDA multiples: 7x Containerboard, 4x Tissue, 5x Boxboard Europe and 4x Specialty Products.

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March 6, 2018

GIB.A (T); GIB (N) C\$75.40; US\$58.48
TARGET PRICE: \$85.00
ESTIMATED TOTAL RETURN: 13%

52-week range	\$75.42 - \$61.06
Shares Outstanding (FD mln)	291.6
Market Capitalization (\$ mln)	\$21,836

Fiscal Year End: September 30

(Cdn\$)	2017A	2018E	2019E
Revenue (mln)	\$10,845	\$11,440	\$11,696
EBITDA (mln)	\$1,964	\$2,141	\$2,222
Adjusted EPS	\$3.65	\$4.25	\$4.48
CFO (mln)	\$1,359	\$1,687	\$1,728
FCF (mln)	\$1,047	\$1,398	\$1,438
FCF/share	\$3.59	\$4.80	\$4.93

Cash & ST Investments (mln)	\$239
Total Debt(mln)	\$1,823
Net Cash (Debt) (mln)	(\$1,584)
Net Cash per share	(\$5.43)
Enterprise Value (mln)	\$23,420



Richard Tse - (416) 869-6690
 richard.tse@nbc.ca

Associates:

Andrew McGee - (416) 869-8049
 andrew.mcgee@nbc.ca

Steven Walt - (416) 869-7938
 steven.walt@nbc.ca

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Stock Rating: Outperform
Risk Rating: Average
 Industry Rating (Software & Services): Overweight
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CGI Group Inc.

COMPANY PROFILE

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INVESTMENT HIGHLIGHTS

What's our Investment Thesis?

In our view, CGI is once again in the midst of another transition – one that's moving the Company up the value chain with an increasing proportion of revenue from intellectual property (IP) – organically built and acquired. We see that driving outsized earnings growth and a premium valuation to its peers. The gravy – opportunistic acquisitions which has historically been a catalyst for this stock.

Here are the following key issues:

- Organic growth momentum,
- The prospects for acquisitions - we see capacity for \$7-8 bln; and,
- IP and Digital - structural change in the market.

We believe CGI has positioned itself well over the past 18-24 months to harvest investments to drive organic growth, while deleveraging has positioned CGI to execute on the M&A component of its growth strategy. The upside is that both those growth opportunities appear to be hitting their stride at the same time – something we have not seen from CGI in a while. We see those multiple growth drivers positively impacting GIB.a / GIB's valuation. We continue to like CGI for its defensive (recurring cash flow and deleveraging) characteristics and optionality attributes (M&A, expanding margins via IP), particularly given a consistent record of execution.

VALUATION

We reiterate our Outperform rating and \$85 DCF-based target, which implies a 20x P/E and 12.3.6x EV/EBITDA on our F2018 estimates. This remains a core holding in Canadian Tech.

RISK FACTORS

1. Execution: Management may fail to increase IP revenue mix; 2. Acquisition / Integration Management may be unable to realize synergies; 3. Threat of "new" digital entrants.

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July 17, 2018

CCA (TSX) **\$70.89**
TARGET PRICE: **\$79.00**
ESTIMATED TOTAL RETURN: **14.1%**

Stock Data:

52-week High-Low (CAD) \$95.21 - \$63.60

Bloomberg/Reuters: CCA CN;CCA TO

(YE Aug. 31)	2017a	2018e	2019e
Revenue (mln)	\$2,227	\$2,434	\$2,607
EBITDA (mln)	\$1,005	\$1,095	\$1,183
EV/EBITDA	5.8x	5.9x	5.6x
Adjusted EPS	\$6.13	\$5.90	\$6.77
FCF Yield	10.7%	8.7%	11.1%
FCF per share	\$7.57	\$6.19	\$7.88

Financial Data as at: May 31, 2018

Shares Outstanding (mln)	49.6
Diluted Shares Outstanding (mln)	49.9
Float (mln)	19.1
Market Value (mln)	\$3,514
Net Debt (mln)	\$3,833
Shareholders' Equity (mln)	\$2,246
Net Debt to Capital	63.1%
BVPS / Price/BVPS	\$45.23/1.6x
2018e ROE	19.8%
Dividend/Yield	\$1.90/2.7%



Source: Thomson Reuters

Adam Shine, CFA514.879.2302
adam.shine@nbc.ca**Associates:****Luc Troiani, CFA**
416.879.6585
luc.troiani@nbc.ca**Ahmed Abdullah, CFA**514.879.2564
ahmed.abdullah@nbc.ca

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Stock Rating: Outperform
Risk Rating: Average
 Industry Rating: Market Weight
 (NBF Economics & Strategy Group)

Cogeco Communications Inc.**COMPANY PROFILE**

Cogeco Communications provides residential customers with TV, Internet and telephony services and commercial broadband data services through its Enterprise segment (expanded after Peer 1 buy 1/29/13). After buying Atlantic Broadband (11/30/12), MetroCast Connecticut (6/8/15) and the remainder of MetroCast (1/4/18), the company also offers cable services in the United States. Parent COGECO Inc. owns 31.7% of CCA's equity and controls 82.2% of votes. The Audet Family owns 11.4% of COGECO Inc.'s equity and controls 71.2% of votes. Rogers Communications Inc. owns 36.2% of CGO and 21.6% of CCA. Cogeco Cable was renamed Cogeco Communications Inc., and Cogeco Cable Canada was renamed Cogeco Connexion.

INVESTMENT HIGHLIGHTS**Canadian Cable faces lower growth as IPTV competition only partly mitigated by TiVo.**

Cogeco Communications (Cogeco) is the second largest cable operator in Ontario and Quebec with its subscribers and financial metrics split approximately 75/25 between the two provinces. In contrast to most of its larger Canadian telecommunications peers, the company doesn't own content assets, though has recently acquired spectrum and indicated that it's exploring a potential future entry into wireless as a hybrid MVNO/facilities-based operator.

Coping with evolving telco competition with Canadian margins still slowly rising.

Though Bell is steadily rolling out IPTV as part of its enhanced bundle in Cogeco's footprint, the latter is well-positioned to leverage its superior broadband network. Although pressure from Bell and ongoing wireless substitution are dynamics that aren't expected to diminish in the near future, margins remain impressive above 52% and have been modestly rising amidst cost-saving efforts and changes in mix, with a 30 bps improvement in f2017.

Business ICT EBITDA declined in f2016 & f2017, growth should resume during 2H18.

On its 2Q16 call, CCA indicated that Business ICT growth was expected to be flat in f2016 before gains were to resume thereafter, which was followed by a \$450 mln impairment charge on the segment taken in 3Q16. In f2016, Revenues declined -3.9% and EBITDA fell -10.2%, with f2017 posting an incremental improvement at -3.6% and -7.4%, respectively, ahead of an anticipated return to growth in late f2018. Utilization is expected to be running at around 50% of the unit's roughly 400,000 square feet of gross capacity.

U.S. Cable benefitting from upside in bundling, tuck-in M&A being pursued.

A less fragmented market in the United States in addition to further subscriber gains through bundling initiatives should support mid-single digit gains at ABB, while FX tailwinds diminish. The company's TiVo product has helped drive further upside to ARPU and reduced customer churn. With respect to acquisitions, Cogeco made it clear that the purchase of Atlantic Broadband marked its first step in the United States with future M&A likely in the form of small tuck-in deals. On June 8, 2015, Connecticut-based MetroCast was acquired for US\$200 mln (3.7x revenues & 7.9x Adjusted EBITDA), with the deal closing Aug. 20, 2015.

On July 10, 2017, Cogeco announced the acquisition of Harron Communication's remaining MetroCast assets for US\$1.4 bln. The assets pass 236K homes and businesses in New Hampshire, Maine, Pennsylvania, Maryland & Virginia, and were expected to generate f2017 Revenues & EBITDA of US\$230 mln & US\$121 mln, putting the acquisition multiple at 11.6x EBITDA (or 9.0x after adjusting for tax benefits with an anticipated PV of US\$310 mln). Concurrent to the purchase (closed 1/4/18), Caisse de dépôt et placement du Québec (CDPQ) invested US\$315M for a 21% stake in ABB's holding company. Following the transactions, Cogeco's leverage rose to 3.8x (3.4x PF). Cogeco will focus on reducing this to the low 3x range ahead of further acquisitions, which is expected to take about 18 months.

RISK FACTORS

Despite our expectations for Cogeco Communications, we acknowledge that Canadian economic growth or that of Cogeco's footprint could soften, rising competitive intensity from Wireless substitution is poised to impact the telephony business, and secular pressures persist in addition to intense competition from telecom providers. Although cord-cutting has not yet been significant in Canada, its incidence may intensify as demographics shift. Regulation and other government intervention represent risks that must always be considered, and one must also acknowledge the commoditization of the lower end of the enterprise market.

VALUATION**CCA is rated Outperform with a target of \$79.**

Our target is based on f2018E/f2019E DCF and f2019E/f2020E NAV, with implied EV/EBITDA multiples of 6.3x f2018E, 5.9x f2019E, and 5.6x f2020E.

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July 17, 2018

CJR.B (TSX) \$4.49
TARGET PRICE: \$5.50
ESTIMATED TOTAL RETURN: 27.8%

Stock Data:

52-week High-Low (CAD) \$14.10 - \$4.42
 Bloomberg/Reuters: CAD CJR/B CN / CJR'b

(YE Aug. 31)	2017a	2018e	2019e
Revenue (mln)	\$1,679.0	\$1,645.3	\$1,613.2
Adj. EBITDA (mln)	\$578.1	\$566.7	\$521.6
EPS (ex charges)	\$1.10	\$1.11	\$0.97
P/E	4.1x	4.0x	4.6x
EV/EBITDA	5.5x	5.5x	5.6x
Free Cash (mln)	\$271.1	\$318.0	\$289.2
FCF per share	\$1.35	\$1.53	\$1.37
FCF per Corus (mln)	\$292.7	\$313.2	\$289.2

Financial Data as at: May 31, 2018

Shares Outstanding (mln)	209.8
Float (mln)	123.3
Market Value (mln)	\$941.9
Net Debt (mln)	\$1,924.3
Common Equity (mln)	\$1,492.1
Net Debt to Capital	56.3%
BVPS / Price/BVPS	\$7.11/0.6x
ROE 2018E	11.8%
Dividend/Yield	\$0.24/5.3%



Source: Thomson Reuters.

Adam Shine, CFA
 514.879.2302
 adam.shine@nbc.ca

Associates:
Ahmed Abdullah, CFA
 514.879.2564
 ahmed.abdullah@nbc.ca

Luc Troiani, CFA
 416.869.6585
 luc.troiani@nbc.ca

Stock Rating: Sector Perform
Risk Rating: Above Average
 Industry Rating (Media): Market Weight
 (NBF Economics & Strategy Group)

Corus Entertainment Inc.

COMPANY PROFILE

Corus Entertainment Inc. is a leading integrated media and entertainment company with an attractive base of specialty TV and radio properties, as well as content assets geared to children/families. The Shaw Family Living Trust & related members control 84.7% of votes and 6.0% of equity, while Shaw Communications owns 38.8% of equity through lockup (39.4% of Class B Shares).

INVESTMENT HIGHLIGHTS

Soft market conditions for TV advertising continue to put pressure on results. Seasonally-important Q1/18 set a rather disappointing tone for the TV advertising business for f2018 as results came in weaker than expected amidst soft market conditions and despite its 4% share increase in fall TV viewing. As expected, Q2 TV ad sales were impacted by the Olympics, with pressure to come in Q4 due to the soccer World Cup. However profits were aided by the timing of some programming costs. In Q3, acknowledging secular challenges, TV ad sales saw a greater drop than we & Corus had expected with limited visibility ahead. Much time was spent on the Q3 call on Corus's objectives of delevering, diversifying its revenue base and optimizing its core business (portfolio optimization & content partnerships, follow viewers on all platforms, leverage power of local, own more content, integrate technology throughout the business). The key is whether management can execute to achieve more stable results which nobody expects in the short term and won't be easy longer term. Bill S-228 which proposes to limit unhealthy food & beverage advertising to children likely gets passed this fall & comes into force effective Sept. 2020.

Sale of Historia & Séries+ Specialty Networks to Bell not approved.

On Oct. 17, Corus announced it was selling French-language specialty TV services Historia and Séries+ to Bell for \$200M (EBITDA was said to be \$20M for a multiple of 10x), subject to approval from the CRTC & Competition Bureau. Late on May 25, the latter communicated to the parties that it did not approve of the deal. Back in 2013 when Bell acquired Astral and divested of certain assets, it agreed not to repurchase these two services for 10 years. Despite a rapidly changing media landscape, five years just wasn't long enough. Bell can plead its case before the Competition Tribunal as a last effort, otherwise Corus, which had hoped to use the sale for some modest delevering (20 bps), can seek other bidders for the channels or potentially explore the sale of other assets.

Leverage sits at 3.4x, dividend cut 79% & goes quarterly in f2019, no DRIP discount.

Management had been targeting a reduction of leverage to 3.0x in f2018, however, due to weaker than expected results in Q1/18, management noted that its target leverage won't be achieved in f2018. Given pressures & leverage at 3.4x (target sub-3x), Corus had to chop its dividend effective in f2019. The DRIP's 2% discount goes away and shares will be bought in the market rather than issued from Treasury. We forecast leverage of 3.4x in f2018, 3.3x in f2019 and 3.1x as we carry lower FCF expectations than consensus. We have the dividend payout in f2019 falling to around 17.5% vs. what otherwise would have been 83% with no cut and ex-DRIP.

RISK FACTORS

Corus generates over half of its revenues from advertising, which remains cyclical. Besides secular pressures, any potential weakness in the Canadian economy would have a negative impact on expenditures by advertisers. Although benefiting from penetration-based rate cards that should protect its subscriber revenues in the near term from the prospect of cord-shaving and cord-cutting, the potential loss of subscribers for its specialty TV services could have implications for ad sales and, over time, undermine subscriber revenues. The integration of Shaw Media is going well so far, but it remains to be seen how secular headwinds affect the net impact of all anticipated synergies. Shaw Communications can sell a third of its stock in Corus on each of the 12, 18 and 24-month anniversaries of the closing of Shaw Media (4/1/16). As such, the prospect of these share sales could weigh on the stock.

VALUATION

Corus is rated Sector Perform with a \$5.50 target. Our target is based on the f2020E metric in our NAV, with implied EV/EBITDA of 6.0x f2018E-f2020E.

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July 17, 2018

EMP.A (TSX) **\$26.89**
TARGET PRICE: **\$31.00**
ESTIMATED TOTAL RETURN: **16.9%**

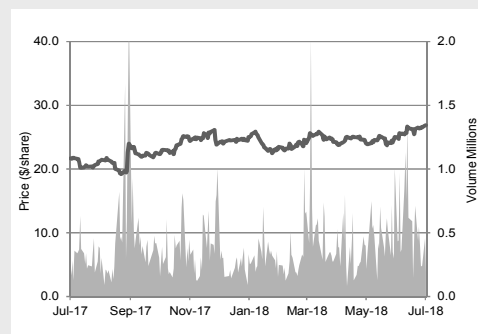
52-week range	\$27.08 - \$19.12
Shares Outstanding (mln)	272.2
Free Float	85%
Market Capitalization (\$ mln)	7,319

Fiscal Year End: May

	2018A	2019E	2020E
Sales (mln)	\$24,215	\$24,401	\$24,745
EBITDA	\$1,015	\$1,096	\$1,298
EPS (FD)	\$1.27	\$1.52	\$2.12
P/E	21.2x	17.6x	12.7x
EV/EBITDA	8.2x	7.6x	6.4x

As at Q4 F2018

Cash (mln)	\$628
Total Debt (mln)	\$1,667
Net Debt (mln)	\$1,039
Net Debt/Capital	22%
BVPS	\$13.60
Dividend per share	\$0.44
Dividend Yield	1.6%



Source: Thomson, NBF

Vishal Shreedhar
 416.869.7930
 vishal.shreedhar@nbc.ca

Associate:
Ryan Li
 416.869.6767
 ryan.li@nbc.ca

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Stock Rating: Outperform
Risk Rating: Average
 Industry Rating (Food Retailing): **Overweight**
 (NBF Economics & Strategy Group)

Empire Company Ltd.**COMPANY PROFILE**

Empire Company Limited, headquartered in Stellarton, Nova Scotia, operates the second largest grocer in Canada through its wholly-owned subsidiary Sobeys Inc. Empire also holds real estate related investments through its equity interests in Crombie REIT and Genstar, a residential property developer.

INVESTMENT HIGHLIGHTS**Challenges with the Canada Safeway integration**

Pursuant to its acquisition of Canada Safeway, Empire reported challenges with its IT systems and process integration (into the Empire/Sobeys network). Difficult economic conditions in Western Canada and unsuccessful (thus far) merchandising strategies have also impacted results over recent quarters. Empire has launched a major transformative initiative to deliver \$500 million in annualized savings by the end of F2020.

Balance sheet and capital allocation considerations

The Food Retailing adjusted net-debt-to-EBITDAR (3.4x currently) has improved over recent quarters given better results. The company continues to invest in key initiatives to improve operational performance.

Expecting improvement, but volatility is expected

In our view, management's goal is not to deliver temporary growth aided by easy comparisons – it's to deliver sustainable growth with an efficient use of capital. As a result, we expect stock performance to be volatile as investors question Empire's network positioning (costs to broadly launch the discount banner), costs for enhancement of the digital offer and how much of the efficiency initiative will drop to the bottom line. Continued operational improvement is required to support sustained share price gains.

RISK FACTORS

The primary risks are related to the efficiency/efficacy of Project Sunrise, increased competition/market share issues, a tough grocery backdrop, minimum wage headwinds in Ontario/Alberta, litigation issues related to price fixing, and slowing same store sales growth.

VALUATION**Outperform rating; price target is \$31**

Our price target is based on 7.0x our F2020 Food Retailing EBITDA plus the value of Empire's investments.

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March 13, 2018

GWO (TSX) \$34.02
TARGET PRICE: \$39.00
ESTIMATED TOTAL RETURN: 19%

Stock Data:

52-week Low-High	\$33.01 - \$37.79
Shares Outstanding EOP (mln)	989
Market Capitalization (\$mln)	\$33,636
S&P/TSX Composite Weighting	0.5%

(Year-End 12/31)	2016A	2017A	2018E	2019E
EPS (Excl. Trust Unit Conv.)	\$2.66	\$2.17	\$2.97	\$3.25
Y/Y Growth	(4%)	(18%)	37%	9%
Core EPS	\$2.69	\$2.67	\$2.98	\$3.26
Y/Y Growth	(4%)	(1%)	12%	9%
Dividend / Share	\$1.38	\$1.47	\$1.56	\$1.65
F/D Avg. Shares	993	991	990	992
Book Value / Share	\$19.76	\$20.11	\$20.46	\$23.06
Price / Book	1.7x	1.7x	1.7x	1.5x
Price / Core Earnings	12.6x	12.7x	11.4x	10.5x
Net Income to Common	\$2,641	\$2,149	\$2,943	\$3,223
Core Earn. (after-tax)	\$2,673	\$2,647	\$2,950	\$3,230

Financial Data: (As of last quarter end)

Price / Book Value	1.7x
Dividend Information:	
Quarterly Dividend Per Share	\$0.37
Dividend Yield	4.3%



Gabriel Dechaine
 (416) 869-7442
 gabriel.dechaine@nbc.ca

Associates:
Mateen Latif
 (416) 507-8006
 mateen.latif@nbc.ca

Ganesh Kannan
 (416) 507-9555
 ganesh.kannan@nbc.ca

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Stock Rating: Outperform
Risk Rating: Below Average
 Industry Rating (Insurance): Market Weight
 (NBF Economics & Strategy Group)

Great-West Lifeco Inc.**COMPANY PROFILE**

GWO is a Canadian financial services holding company that is headquartered in Winnipeg, Manitoba. It is the second largest Canadian lifeco by market capitalization and provides life insurance, wealth management and reinsurance products to clients in the United States, Canada and Europe. Power Financial Corporation – a Canadian financial services holding company – owns the majority of GWO (67% ownership of common shares), which, in turn, is majority-owned by the holding company, Power Corporation of Canada (66% ownership of common shares). The Desmarais Family Residuary Trust has a controlling voting share in Power Corporation of Canada.

INVESTMENT HIGHLIGHTS

Improved earnings quality (refreshing). Excluding U.S. tax reform related charges of \$216 million, a \$122 million net charge on the disposal of a non-core equity investment and a \$4 million restructuring charge, GWO reported adjusted EPS of \$0.74, which beat our \$0.71 forecast and consensus of \$0.67. Unlike prior quarters, GWO delivered a generally clean (i.e. higher quality) set of results. For perspective, we always look at the contribution of experience gains and management actions to GWO's earnings. At 23%, these items combined for a "normal" contribution to pre-tax (adjusted) income. In fact, \$34 million of experience gains (41% of total) were the result of improved Canadian group morbidity experience, which was positive for the full year. As such, we should see this performance translate into higher expected profits in 2018 as GWO confirms their sustainability.

Canadian segment turnaround cemented. With 10% earnings growth during the quarter, GWO's Canadian segment ended the year on a strong note. We believe this momentum can continue in 2018, owing to: (1) easier comparables; (2) ongoing margin expansion in Group Insurance following successful re-pricing that has led to improved morbidity claims experience; and (3) efficiency gains. We note that this quarter marked the third consecutive quarter of flat or declining Y/Y expenses, reflecting advancement of the company's \$160 million cost-cutting program in the segment. GWO has achieved a 60% run rate of targeted cost savings and aims for full realization by Q1/19.

Putnam sales and earnings disappoint. This business reported a loss of \$5 million (we had forecasted a break-even quarter). Turning to sales, Putnam reported US\$800 million of net outflows comprised of US\$600 million of institutional & \$200 million of retail outflows. To be fair, Putnam's results are almost an afterthought, with the segment's outlook dominated by potential M&A activity. On that front, there were no updates to the M&A strategy at Putnam (understandably so). We continue to view a potential transaction as a positive outcome for Putnam, likely yielding "bankable" cost synergies for the company.

VALUATION

We rate the insurer Outperform with a price target of \$39. We derive the target of \$39 by applying an equally-weighted P/E multiple of 12x and a P/B multiple of 1.7x to our 2019E estimates.

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June 15, 2018

GUD (TSX) \$8.08
TARGET PRICE: \$9.50
ESTIMATED TOTAL RETURN: 17.6%

52-week High-Low	\$10.43 - \$7.38
Shares Outstanding (mln)	142.8
Market Capitalization (mln)	\$1,153.9

Year End: Dec.	2017a	2018e	2019e
Revenue (mln)	\$8.6	\$10.4	\$10.1
EBITDA (mln)	(\$7.3)	(\$4.4)	(\$4.0)
EBITDA margin (%)	nmf	nmf	nmf
EPS (f.d.)	\$0.12	\$0.17	\$0.18
P/E (adj.)	63.7x	46.0x	41.5x

Pro-forma

Cash (mln)	\$802.4
Cash per share	\$5.62
Total debt (mln)	\$0.0
Dividend per share	\$0.00



Endri Leno, MSc, MBA, CFA
 (416) 869-8047
 endri.len@nbc.ca

Associates:

Ammar Shah, CFA - (416) 869-7476
 ammar.shah@nbc.ca

Stephen Kwai - (416) 869-7571
 stephen.kwai@nbc.ca

Stock Rating: Outperform
Risk Rating: Above Average
 Industry Weighting (Health Care): Market Weight
 (NBF Economics & Strategy Group)

Knights Therapeutics Inc.**COMPANY PROFILE**

Knights Therapeutics Inc., headquartered in Montreal, Canada, is a specialty pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products in Canada and select international markets. Knight was born from the \$3 billion acquisition of Paladin Labs by Endo Health Solutions.

INVESTMENT HIGHLIGHTS**CEO with proven track record wants to build Paladin Labs 2.0**

CEO Jonathan Goodman's intention is clearly to shape Knights Therapeutics into a Paladin 2.0 by implementing the Canadian specialty pharma strategy that was successful during his years as CEO and Board member of Paladin Labs. At Paladin, he built a strong track record of profitable growth, assembled a vast portfolio of pharma products, maintained a very solid financial position (no debt) and generated significant value for shareholders.

Debt-free with cash position now at over \$800 million

Knights has \$800 million of cash and we are confident that, over time, it will be deployed into the right opportunities at the right price such as GUD's acquisition of the exclusive rights to Movantik in Canada (\$3-\$5 million potential peak sales in three to five years) and Israel from AstraZeneca. The balance sheet leaves room for larger deals consistent with the strategy of: (1) acquiring rights to niche products in Canada and select international markets and (2) secured loans to other healthcare companies in return for double-digit interest rates. So far, Knight has built a portfolio of over 20 products at various stages of development.

International partnerships/acquisitions are the way to go

"A GUD Knight will not overpay", and although interested, Canadian assets of Endo (ENDP:NASDAQ, Not Rated) and Valeant (VRX:TSX/NYSE, Not Rated) are too expensive or too core to these companies. Knight's attention is firmly focused on acquiring ownership stakes in RoW countries (Latin America, South Africa, Australia) as it seeks like partners with local regulatory and commercial expertise. Already achieved in Israel with Medison, the partnerships present opportunities to strengthen relationships with pharma companies which much prefer to deal with a single partner that has, ideally, multiple country-specific connections and know-how.

RISK FACTORS

Some of the main risk factors include, but are not limited to: 1) dependence on key personnel, 2) a single commercialized product, 3) acquisition-based growth strategy, and 4) competition and regulation.

VALUATION

Our \$9.50 target is derived from a sum-of-parts valuation: (1) a cash position at \$5.62 per share, (2) a 15x P/E multiple on estimated EPS from current operations at \$2.77 per share, (3) the value of Knight's investments in life sciences funds at \$0.46 per share, (4) a 28.3% equity interest in Israel-based Medison at \$0.66 per share, and (5) various smaller equity investments in public and private companies at \$0.11 per share. Outperform rating.

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July 17, 2018

L (TSX) **\$69.68**
TARGET PRICE: **\$71.00**
ESTIMATED TOTAL RETURN: **3.6%**

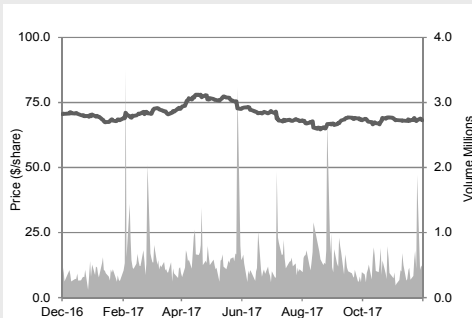
52-week range	\$78.87 - \$64.65
Shares Outstanding (mln)	395.0
Free Float	43%
Market Capitalization (\$ mln)	\$27,524

Fiscal Year End: December 31

	2017A	2018E	2019E
Sales (mln)	\$46,705	\$46,967	\$48,248
EBITDA	\$4,095	\$4,295	\$4,468
EPS (FD)	\$4.53	\$4.72	\$5.18
P/E	15.4x	14.8x	13.4x

As at: Q1 2018

Cash (mln)	\$3,014
Total Debt (mln)	\$13,213
Net Debt (mln)	\$10,199
Net Debt/Capital	44%
BVPS	\$33.18
Dividend per share	\$1.16
Dividend Yield	1.7%



Source: Thomson

Vishal Shreedhar
 416.869.7930
 vishal.shreedhar@nbc.ca

Associate: Ryan Li
 416.869.6767
 ryan.li@nbc.ca

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Stock Rating: Sector Perform
Risk Rating: Below Average
 Industry Rating (Food Retailing): Overweight
 (NBF Economics & Strategy Group)

Loblaw Companies Ltd.

COMPANY PROFILE

Loblaw is the largest food retailer in Canada. Loblaw has a multi-banner, multi-format strategy and operates conventional, superstore and hard discount stores. Loblaw also operates Shoppers Drug Mart, which is the largest drug retailer in Canada.

INVESTMENT HIGHLIGHTS

Several Major Headwinds

We believe that Loblaw will face significant operating headwinds in the near term, including: significant new drug reforms, the continued impact of material minimum wage increases in key provinces and re-emerging food store deflation (amid heightened competitive intensity in grocery). In general, we believe that L will deliver continued y/y EPS growth, although muted relative to historical performance (growth due to share repurchases and efficiency initiatives).

Investment Thesis

Looking forward over several years, we believe that Loblaw will benefit from several value drivers, including retail grocery margin normalization and ongoing capital return to shareholders. That said, for now, we find better options in our coverage universe..

RISKS

We believe that the largest risks for Loblaw are industry conditions and execution. In particular, elevated industry competition, minimum wage increases, and regulatory litigation are currently visible headwinds. Drug reform changes are a significant risk for the Shoppers Drug Mart business.

VALUATION

Maintain Sector Perform rating; price target is \$71

Our price target is based on a sum-of-the-parts methodology. We continue to value Loblaw using a sum-of-the-parts methodology; reflecting 7.5x our Retail EBITDA, 9.0x our Financial EPS, and Loblaw's REIT holdings adjusted for a 10% discount.

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July 17, 2018

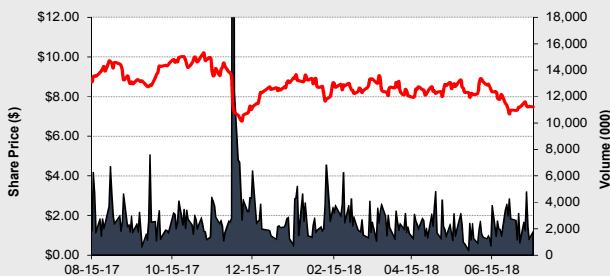
LUN (TSX) **\$7.59**
TARGET PRICE: **\$10.00**
ESTIMATED TOTAL RETURN: **33%**

Market Data

52-Week Trading Range (Cdn\$)	\$6.62 - \$10.22		
Shares Outstanding (mln)	731		
Fully Diluted Shares (mln)	745		
Fully Financed Shares (mln)	745		
Market Capitalization (Cdn\$ mln)	\$5,548		
Working Capital (US\$ mln)	\$1,638		
Long-Term Debt (US\$ mln)	\$446		
Enterprise Value (US\$ mln)	\$3,031		
Annual Dividend (Cdn\$)	\$0.09		
Dividend Yield (%)	1.2%		

Operational Summary	2017A	2018E	2019E
Copper Production (t)	228,853	165,417	178,137
Zinc Production (t)	149,319	148,829	171,370
Nickel Production (t)	22,081	17,588	13,168
C1 Copper Cost (US\$/lb)	\$1.15	\$1.67	\$1.53
C1 Zinc Cost (US\$/lb)	\$0.31	\$0.47	\$0.44
C1 Nickel Cost (US\$/lb)	\$0.93	\$1.03	\$1.73

Financial Summary	2017A	2018E	2019E
Revenue (US\$ mln)	\$2,077	\$1,815	\$1,845
Adjusted EBITDA (US\$ mln)	\$1,142	\$686	\$702
Adjusted Net Income (US\$ mln)	\$428	\$243	\$228
Operating CF - Before W/C (US\$ mln)	\$885	\$610	\$645
Adjusted EPS (US\$)	\$0.59	\$0.33	\$0.31
Adjusted CFPS (US\$)	\$1.22	\$0.83	\$0.88
NAVPS (US\$)	\$11.07		



Source: Thomson Reuters

Shane Nagle, CFA - (416) 869-7936
shane.nagle@nbc.ca

Associates:

Lola Aganga, M.Eng - (416) 869-6516
lola.aganga@nbc.ca

Alex Bauer - (416) 869-7935
alex.bauer@nbc.ca

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Stock Rating: Outperform
Risk Rating: Above Average
Industry Rating (Metals & Mining): Market Weight
(NBF Economics & Strategy Group)

Lundin Mining Corp.**COMPANY PROFILE** (All amounts in CAD unless noted)

Lundin Mining is a Canadian-based mining company with operations in Europe (Neves-Corvo, Zinkgruvan), Chile (Candelaria) and the United States (Eagle). Lundin offers investors leverage to copper and zinc prices from its stable operating base and growth potential through brownfield expansion opportunities at its existing operations.

INVESTMENT HIGHLIGHTS

Lundin remains a defensive pick in the base metal sector given its solid balance sheet, track record of prudent capital allocation and consistent operational results.

LUN maintains a strong balance sheet to be used towards reducing debt, completing brownfield expansion opportunities, supporting the dividend and pursuing acquisitions.

LUN highlighted that Eagle East ramp development continues on-track schedule with mill permit amendment expected by mid-2018. Completion of the Los Diques tailings facility at Candelaria is scheduled for H1/18.

RISK FACTORS

Lundin is exposed to the typical risks associated with mining companies, including commodity price risk, currency risk, input costs/labour dispute risk, as well as technical and financial risk.

VALUATION

Our target price is based on multiples of 1.00x NAV (50%) + 6.0x EV/2019E CF (50%) - consistent with our valuation methodology for other base metal producers under coverage.

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July 5, 2018

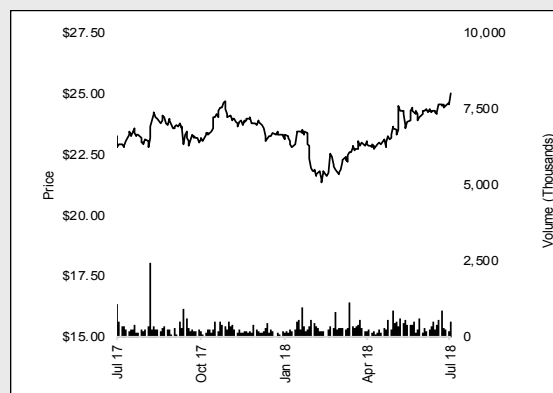
NPI (TSX) Cdn\$24.55
TARGET PRICE: Cdn\$28.00
ESTIMATED TOTAL RETURN: 19%

Cdn\$	
52-week High	\$24.86
52-week Low	\$21.35
Shares Outstanding (fd mln)	176.1
Market Capitalization (Cdn\$ mln)	4,322.5

Fiscal Year End: December 31

Cdn\$	F2017A	F2018E	F2019E
Sales (mln)	\$1,376.1	\$1,624.2	\$1,674.9
adj. EBITDA	\$765.2	\$942.4	\$978.7
EV/ adj. EBITDA	13.5x	11.5x	11.1x
Dividends/sh	\$1.08	\$1.20	\$1.20
Dividend yields	3.9%	4.3%	4.3%
Payout ratios	74%	63%	56%

As at March 31, 2018	Cdn\$
Cash & reserves (mln)	\$443.2
Adj. Total Debt (mln)	\$6,191.1
Net Debt (mln)	\$5,747.9
Cash per share (fd)	\$2.52
Enterprise Value (\$mln)	\$10,070.4



Source: Reuters

Rupert Merer, CFA, P.Eng.
 416.869.8008
 rupert.merer@nbc.ca

Associates:
Steven Hong
 416.869.7538
 steven.hong@nbc.ca

Adnan Waheed
 416.869.6763
 adnan.waheed@nbc.ca

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Stock Rating: Outperform
Risk Rating: Average

Industry Rating (Independent Power Producers): **Overweight**
 (NBF Economics & Strategy Group)

Northland Power Inc.

COMPANY PROFILE

Northland Power holds an economic interest of 2,029 MW in natural gas-fired and renewable power generation. The company has an active growth pipeline, including a net interest of 252 MW in one offshore wind farm in Germany that is targeting commercial operations in 2019E.

INVESTMENT HIGHLIGHTS

Award of 744 MW incremental to the previous 300 MW FIT

NPI's offshore partnership has been awarded another 744 MW of offshore wind capacity in Taiwan. The most recent awards came in Taiwan's auction process and should receive 20-year power purchase agreements (PPAs), with in-service dates of roughly 2025. The awards are incremental to the 300 MW that NPI and its partner (Yushan Energy) received in April during the FIT process.

Good visibility on growth in Taiwan

With NPI's 60% ownership of the partnership, the combined 1,044 MW for the Hai Long 2 (532 MW) and Hai Long 3 (512 MW) projects should add a net 626 MW to NPI. Given that Northland currently has 2,300 MW net (in operation or in construction), Taiwan represents roughly 28% growth. With its initial FIT contract at roughly US\$195 /MWh and with the incremental awards at about US\$80 /MWh, we believe that the projects should be able to achieve accretive returns. Before the end of July, Taiwan could offer another 1 GW or so of PPAs in a competitive process, and we believe there could be another 5 GW or more opportunities next year. However, returns on these could be lower.

Continuing the business on stable-cash-flow assets

NPI is not looking to recycle capital, as it believes it can be difficult to find new investment that can replace assets that are sold and transaction costs are high. In any case, at this point, we believe that NPI has an outlook for strong cash flow generation (pro-forma payout ratio 42% in 2020E), so access to capital is not a challenge.

RISK FACTORS

- Rising interest rates and dilution possible to fund incremental growth.
- Shares should be impacted by interest rate movements.
- An increasingly competitive market for wind projects (become increasingly challenging to develop or acquire projects that are accretive to cash flows for shareholders).
- Resource risks due to seasonality and variability.

VALUATION

\$28.00 Price Target, Outperform

Our target is based on a 7% equity discount rate (equal to 10.0x EV/EBITDA on 2019E) on lifecycle cash flows with \$3/sh for growth to account for its initiatives in Taiwan (which alone could be worth at least \$2 /sh) and other pipeline opportunities.

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July 17, 2018

POU (TSX) \$14.68
TARGET PRICE: \$22.50
ESTIMATED TOTAL RETURN: 53%

Stock Data Q2/18e

52-week High-Low (Cdn\$)	\$13.80 - \$25.57
Shares Outstanding (mln)	133.7
Free Float Pct	54%
Net Debt (mln)	\$749.0
Market Cap. (mln)	\$1,962.2
Enterprise Value (mln)	\$2,712.5

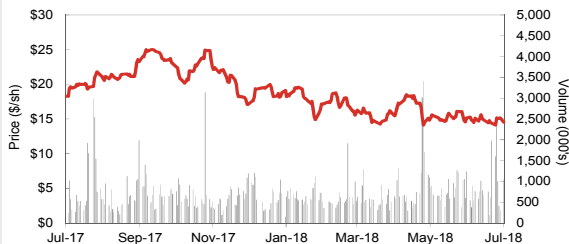
Production	2017	2018e	2019e
Oil & NGL's (bbls/d)	18,094	33,300	45,045
Nat. Gas (mcf/d)	161,270	340,200	431,730
Boe/d (6:1)	44,972	90,000	117,000
% Nat. Gas	60%	63%	62%

Pricing	2017	2018e	2019e
WTI (US\$/bbl)	\$51.00	\$64.50	\$63.00
AECO (Cdn\$/mcf)	\$2.20	\$1.60	\$1.70
Corp. Oil & NGL's (\$/bbl)	\$53.94	\$63.44	\$61.99
Corp. Nat. Gas (\$/mcf)	\$2.26	\$2.00	\$2.05
Corp. Wellhead (\$/boe)	\$29.79	\$31.03	\$31.43

Estimates	2017	2018e	2019e
Cash Flow (mln)	\$218.7	\$358.0	\$573.4
CFPS - diluted	\$1.89	\$2.68	\$4.29
CF Netback (\$/boe)	\$13.32	\$10.90	\$13.43
Capex (mln)	\$848.1	\$422.0	\$850.0
Net Debt (mln)	\$636.2	\$739.4	\$1,016.0

Valuation	2017	2018e	2019e
P/CF	7.8 x	5.5 x	3.4 x
EV/DACF	9.6 x	6.9 x	4.8 x
Net Debt / CF	2.9 x	2.1 x	1.8 x
EV/BOE/D	\$49,121	\$30,032	\$25,465
P/NAVPS	0.7 x		
EV/boe P+P	\$4.57		

Source: Company Reports, NBF Estimates



Source: Bloomberg

Dan Payne, CFA
 403.290.5441
 dan.payne@nbc.ca

Associate:
Mitch Mastel, CPA
 403.441.0952
 mitch.mastel@nbc.ca

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Stock Rating: Outperform

Risk Rating: Above Average

Industry Rating (Oil & Gas Exploration & Production): Market Weight
 (NBF Economics & Strategy Group)

Paramount Resources Ltd.

COMPANY PROFILE (all \$ terms are CAD)

Paramount Resources is an intermediate-sized, exploration and production company with a primary focus on liquids-rich natural gas opportunities in the Montney and Duvernay across the Deep Basin in Alberta. The company is guided by an accomplished Board of Directors and seasoned management team, which includes industry veteran, Mr. James (Jim) Riddell (President & CEO).

INVESTMENT THESIS

Following a downward revision to 2018 guidance, we reduced our 2018 cash flow forecast by a meaningful 20%. While this event will undoubtedly weigh on the momentum of the story through 2018, the 2019 outlook, even after modest changes to our forecast, still looks interesting on account of robust CF growth underpinned by a strong liquids ramp taking place in 2H/19. Upon execution, our forecast showcases a contraction of the 2019 EV/DACF multiple by over two full turns from 2018 to 5.0x, which when combined with a modest target multiple of 6.5x provides line of sight to 46% share price upside to \$22.50/share (the basis for our Target Price).

ASSET HIGHLIGHTS

Following the transformational transactions in 2017, Paramount holds key assets at Kaybob and Ante Creek, Alberta Deep Basin (includes Wapiti, Karr and Smoky/Resthaven) and Central Alberta. Production is expected to total 92 mboe/d in 2018 with approximately 37% oil and NGLs. Reserves, evaluated as of January 1, 2018 pro forma, total 376 mboe Proved and 593 mboe P+P. Paramount holds a Montney land position of approximately 372,000 net acres and a Duvernay position of approximately 223,000 acres, providing a top-tier base for liquids-rich gas development across Alberta.

VALUATION

Our target price is predicated on a methodology that solely reflects a cash flow multiple and is correlated to an asset value perspective. For Paramount, our target price is based on a 2019e EV/DACF multiple of 6.5x.

RISK FACTORS

Commodity price fluctuations, sourcing adequate labour and services, reserve estimates, regulatory, financing and key employee risk are the major risk factors applicable to Oil & Gas companies.

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May 14, 2018

QBR.B (TSX) **\$24.72**
TARGET PRICE: **\$29.00**
ESTIMATED TOTAL RETURN: **18.2%**

Stock Data:

52-week High-Low (CAD) \$25.27 - \$19.91
 Bloomberg/Reuters: QBR/B CN/ca;QBR'b

(YE Dec. 31)	2017-R	2018E	2019E
Revenue (mln)	\$4,145	\$4,195	\$4,311
EBITDA (mln)	\$1,628	\$1,698	\$1,806
EPS (ex-charges)	\$1.24	\$1.81	\$2.03
P/E	19.4x	13.3x	11.8x
EV/EBITDA *	6.9x	7.5x	6.9x
FCF/Share	\$1.91	\$2.00	\$1.36
FCF Yield	8.0%	8.3%	5.7%

* Based on forecast net debt + convertible debentures

Financial Data as at:	March 31, 2018
Shares Outstanding (mln)	234.1
Float (mln)	154.3
Market Value (mln)	\$5,787
Net Debt + Convertibles (mln)	\$5,704
Common Equity (mln)	\$1,335
Net Debt to Capital	93.6%
BVPS / Price/BVPS	\$3.34/7.4x
ROE 2018e	28.9%
Dividend/Yield	\$0.22/0.9%



Source: Thomson Reuters

Adam Shine, CFA
 514.879.2302
 adam.shine@nbc.ca

Associates:
Luc Troiani, CFA
 416.869.6585
 luc.troiani@nbc.ca

Ahmed Abdullah, CFA
 514.879.2564
 ahmed.abdullah@nbc.ca

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Stock Rating: Outperform
Risk Rating: Below Average
Industry Rating (Cable Services): Market Weight
(NBF Economics & Strategy Group)

Quebecor Inc.**COMPANY PROFILE**

Quebecor Inc. (QBR) serves as the holding company for privately-held Quebecor Media (QMI) which is currently owned 81.53% by QBR and 18.47% by Caisse de dépôt et placement du Québec (CDPQ), however, QBR will own 100% of QMI by June 22. Les Placements Péladeau Inc. controls 64.7% of the votes & 27.1% of the equity of Quebecor Inc.

INVESTMENT HIGHLIGHTS**Leveraging strong cable asset which anchors story.**

Quebecor is a media and telecommunications powerhouse in Quebec, dominating the cable, TV, and publishing markets in the province. Leveraging its superior cable asset and broadcasting content from TVA, the company continues to enjoy a market leadership position through its Vidéotron business unit that has been further complemented by the launch of its Wireless network since late 2010. While secular challenges continue to hamper its Media operations, diversification through acquisitions, divestments of a majority of its newspaper assets and evolving restructuring help to partly mitigate top-line pressures.

Vidéotron remains the company's source of free cash flow.

Despite product maturity and increased competitive pressures from Bell, Cable RGU performance was better than larger Canadian cablecos through early 2016 before the latter got more aggressive with promotions. Like its peers, Vidéotron is leveraging its broadband advantage (Internet revenues surpassed TV revenues in 2Q17), with the company opting to use Comcast's X1 platform for its IPTV upgrade which will debut late in 2018. Household ARPU continues to move higher, driven by Vidéotron's focus on selling the bundle and leveraging its unique French content. The introduction of the iPhone to its handset mix on 3/28/14 has helped deliver stronger Wireless ARPU growth over the past several years and stimulated better subscriber gains. Speculation of going outside of Quebec with wireless dissipated rapidly in 2015 and on 6/9/17, QBR exercised its option to sell Toronto AWS-1 spectrum to Rogers for \$184 mln (book value \$96.4 mln) followed on 6/13/17 by an agreement to sell its three 700 MHz licences covering Alberta, BC, and Southern Ontario and four 2500 MHz licences covering Toronto, Edmonton, Calgary & Vancouver to Shaw for \$430 mln (book value ~\$180 mln). Finally, acquisitions and growth in its data centres are adding to the Business Solutions unit and contributing to Vidéotron's overall growth story.

Media segment facing evolving secular pressures.

Representing less than a fifth of anticipated consolidated revenue in 2018 and under 4% of total forecast EBITDA, Media is striving to diversify its operations, as its conventional TV and magazine publishing units face softening advertising markets and changing consumer behaviour which require continuous restructuring to partly offset secular top-line challenges. The addition of MELS (formerly Vision Globale) provided some diversification to the Media segment, but the purchase was costly and proved significantly dilutive to minority shareholders of TVA. After underperforming in 2016, MELS rebounded strongly in 2017.

Acquiring Caisse's 18.47% Stake in QMI for \$1.69 bln by June 22.

Coming a little sooner than expected in 2018 and at a rather reasonable price point, Quebecor recently reached an agreement for the repurchase of CDPQ's interest in QMI. Quebecor and QMI will purchase 17.63 mln shares, representing an 18.47% stake in QMI, for \$1.69 bln. The price consists of \$1.54 bln in cash and a new \$150 mln six-year convertible, bearing interest at 4%, and consisting of a floor price of \$26.85 per Class B Share (max 5.59 mln shares) and ceiling price of \$33.5625 (min 4.47 mln shares). We calculate an EBITDA multiple of 7.8x or 8.0x ex-TVA. At the end of 1Q18, QMI had cash of \$929.0 mln, with unused revolving credit facilities of \$1.27 bln. As such, a bond issue may not materialize. We calculate that leverage of 3.0x at 1Q18 jumps to 4.0x on a pro forma basis (each 60 bps lower if existing convertible debentures treated as equity), with this poised to decline amidst strong FCF generation. The transaction should close by June 22. We view this news as an important milestone for the company which will soon fully control QMI and, in the process, set in motion a collapsing (long awaited clean-up) of the corporate structure. The Board is also now targeting the dividend to rise to a 30%-50% payout of FCF over a four-year period.

RISK FACTORS

Key risks to consider for Vidéotron include Bell's competitive efforts and coming step-up of its deployment of FTTP in Montreal. Although the company's managing its capex which doesn't appear destined for a material move higher in the near term, we still note the risk to our valuation from any potential need to spend more than expected on capex to strengthen the cable network. Inasmuch as secular challenges persist for Media, it remains to be seen if and when an NHL hockey team in Quebec City becomes part of the mix. Proceeds from the sale last year of its wireless licences outside of Quebec helped reduce leverage ahead of the takeout of CDPQ from QMI, with strong FCF generation poised to help further delevering.

VALUATION**QBR is rated Outperform with a \$29 target.**

Our target's based on the 2019E metric in our NAV, with implied EV/EBITDA multiples of 8.2x 2018E and 7.6x 2019E – these rise by ~40 bps ex the derivative asset in our valuation.

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July 19, 2018

RCI.B (TSX); RCI (N) **\$66.60; US\$50.26**
TARGET PRICE: **\$69.00**
ESTIMATED TOTAL RETURN: **6.5%**

Stock Data:

52-week High-Low (CAD) \$70.08 - \$55.63
 Bloomberg/Reuters: CAD RCI.B CN/ca; RCI.TO

(YE Dec. 31)	2017a	2018e	2019e
Revenue (mln)	\$14,369	\$15,037	\$15,486
EBITDA (mln)	\$5,502	\$5,895	\$6,136
Adjusted EPS	\$3.52	\$4.20	\$4.45
P/E	18.8x	15.7x	14.8x
EV/EBITDA *	9.0x	8.3x	7.9x
FCF/Share	\$3.62	\$3.41	\$3.55
FCF Yield	5.5%	5.2%	5.4%

* Based on forecast net debt, securitizations, prefs, NCI

Financial Data as at: June 30, 2018

Shares Outstanding (mln)	514.8
Shares Outstanding FD (mln)	515.8
Market Value (mln)	\$34,003
Net Debt (mln)	\$15,298
Preferred Equity (mln)	-
Securitizations (mln)	-
Minority Interest (mln)	-
Common Equity (mln)	\$7,445
Leverage per company	2.6x
BVPS / Price/BVPS	\$14.46/4.6x
Annualized Dividend	\$1.92
Dividend Yield	2.9%



Source: Thomson Reuters

Adam Shine, CFA
 514.879.2302
 adam.shine@nbc.ca

Associates:
Luc Troiani, CFA
 416.879.6585
 luc.troiani@nbc.ca

Ahmed Abdullah, CFA
 514.879.2564
 ahmed.abdullah@nbc.ca

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Stock Rating: Sector Perform
Risk Rating: Below Average
Industry Rating: Overweight
 (NBF Economics & Strategy Group)

Rogers Communications Inc.

COMPANY PROFILE

Rogers is a diversified Canadian communications and media company providing a wide range of services including wireless, cable TV, Internet and telephony for residential and business customers, while owning conventional & specialty TV, radio, publishing, online and sports assets. It is the largest national wireless carrier and second largest cable operator in Canada.

INVESTMENT HIGHLIGHTS

Revenue flow-through driving renewed Wireless EBITDA growth.

While Rogers is still capitalizing on evolving growth in smartphone penetration of its dominant postpaid base, it has ceded industry-leading churn to TELUS over recent years. That said, postpaid churn improved over the past 10 quarters excluding a technical issue in 4Q17. Following pressure due to lower priced roaming rates and the adoption of simplified price plans, postpaid ARPU has achieved renewed growth since 4Q14. This, plus a recovery in postpaid net adds, which has materially surprised since 2Q16 (again, excluding technical issue), has helped accelerate growth in service revenues and EBITDA. Greater spending for customer acquisition & retention remains a drag on margins.

Ontario Cable supremacy under attack from Bell but stemming net subscriber losses.

Rogers is Canada's second largest cable company, but ranks first in terms of number of basic TV subscribers, with over 90% of its base in Ontario. Bell continues to roll out IPTV as part of an enhanced bundle driven by its evolving deployment of fibre, but Rogers still boasts a superior network across most of its footprint. Although the company saw greater Basic TV losses during 2013-2015 due to aggressive promotions from Bell, with wireless substitution eroding its telephony base, Rogers has begun to better leverage its broadband advantage, with net Cable subscriber losses down y/y during 1H16 and a sharp reversal in 2H16 to net adds for the first time in 2.5 years. Since dropping its internal IPTV effort in favour of an X1 based platform which is expected to hit the market in 2018, Rogers has been leveraging its broadband advantage with aggressive Cable promotions to stem opportunistic subscriber acquisition efforts by Bell.

Media continues to work to mitigate secular publishing and advertising pressures.

While leveraging its stable of TV, radio and publishing assets along with the Blue Jays and Rogers Centre, Media remains well-positioned to capitalize on cross-selling opportunities across the Rogers organization, including its 37.5% stake in MLSE. A weak advertising backdrop and secular challenges persist, with a new approach being pursued in publishing. Contributions from the company's 12-year deal with the NHL are being closely monitored in the context of ratings and its prospect for growing profits. Meanwhile, the Sportsnet properties continue to see growth helped by both the NHL and the performance of the Jays.

No Dividend Increase for 3rd Year, No Great Explanation This Time

Two years ago, the market gave the company a pass for not increasing its dividend. Last year, an added justification was the transition to a new CEO who hadn't yet arrived. This year, however, the head-scratching is going to last a while, as improving leverage, accelerated EBITDA gains post-1Q17 and a strong 2018 outlook appear to suggest that comfort existed for a dividend increase...and yet, none came. Is the Board waiting for leverage to move down to its target range of 2.0x to 2.5x? It's on its way and the sector has been quite comfortable to stay above long-range leverage objectives. Is it concerned about capex? Perhaps the 2018 jump signals upside risk to capex going forward and FCF growth may be more muted thereafter. Also, perhaps spending in the 600 MHz spectrum auction in 2019 will skew higher than anticipated. We and others remain quite curious.

RISK FACTORS

Canadian economic growth or that of Rogers' incumbent province could soften, competitive intensity in Wireless remains high, Cable faces secular issues as well as a stronger Bell bundle, while cord-cutting and/or cord-shaving of TV services are headwinds. Regulation and government intervention are things of which to always be mindful. Finally, the transition to a new CEO is worth watching as Mr. Natale develops and executes new strategic initiatives.

VALUATION

We rate Rogers as Sector Perform with a target of \$69.

Our target is based on our 2018E/2019E DCF value and 2019E/2020E NAV metric, implying EV/EBITDA of 8.6x 2018E, 8.1x 2019E and 7.6x 2020E.

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July 17, 2018

SAP (TSX) \$45.16
TARGET PRICE: \$45.00
ESTIMATED TOTAL RETURN: 1.0%

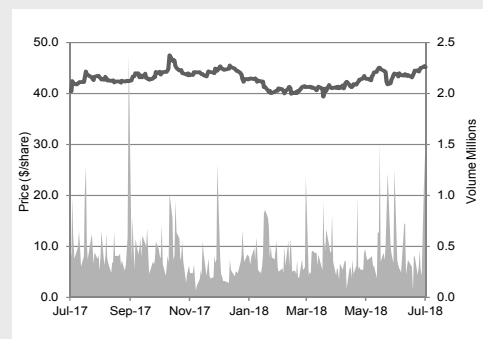
52-week range	\$47.59 - \$39.08
Shares Outstanding (mln)	390.5
Free Float	65.4%
Market Capitalization (mln)	\$17,635

Fiscal Year End: March 31

	F2018A	F2019E	F2020E
Sales (mln)	\$11,542.5	\$13,700.2	\$14,656.9
EBITDA (mln)	\$1,264.4	\$1,451.3	\$1,593.0
EPS (FD)	\$1.80	\$2.08	\$2.37
P/E	25.1x	21.7x	19.1x
EV/EBITDA	15.1x	13.2x	12.0x

As of: Q4 F2018

Cash (mln)	\$122
Total Debt (mln)	\$1,619
Net Debt (mln)	\$1,496
Net Debt/Book Capital	24.8%
BVPS	\$12.29
Dividend per share	\$0.63
Dividend Yield	1.4%



Source: Thomson, NBF

Vishal Shreedhar
 416.869.7930
 vishal.shreedhar@nbc.ca

Associate: Ryan Li
 416.869.6767
 ryan.li@nbc.ca

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Stock Rating: Sector Perform Risk Rating: Below Average

Industry Rating (Food, Beverage & Tobacco): Overweight
 (NBF Economics & Strategy Group)

Saputo Inc.

COMPANY PROFILE

Saputo produces, markets and distributes food products, primarily dairy, including cheese, fluid milk, and dairy ingredients. The company has grown over 50 years from a family-run business to become a leading dairy processor in the world.

INVESTMENT HIGHLIGHTS

Investment Thesis

Over the medium term, we believe that Saputo's outlook will be supported by acquisition opportunities and capital return to shareholders.

The challenge for Saputo will be to acquire strategically relevant companies which satisfy financial hurdle rates. We continue to believe that Saputo is a well-managed company with long-term opportunity for global dairy consolidation. Notwithstanding, we maintain our neutral stance as we find better value elsewhere in our coverage universe.

Acquisitions in Focus

Saputo recently closed on the Murray Goulburn (MG) acquisition. The focus moving forward is to pursue the mandated sale of the Koroit plant and identify milk intake improvement/optimization opportunities.

Management has recently indicated that the number of acquisition files it is reviewing is relatively high (4-5 files). Taking into account financial leverage after recently announced/closed deals, management indicated that the company still has the capacity to make large acquisition(s) in excess of \$3 billion. Management will remain financially prudent with its review of any potential transactions.

RISK FACTORS

The dairy industry is subject to agriculture commodity and government regulatory risks. Saputo's growing international presence also exposes the company to risk related to foreign currency movements and integration risk related to the company's acquisition-driven growth strategy.

VALUATION

Maintain Sector Perform rating; price target is \$45
 We value Saputo at 19.0x our F2020 EPS estimate.

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July 17, 2018

SJR.B (TSX); SJR (N) **\$27.36; US\$20.74**
TARGET PRICE: **\$28.00**
ESTIMATED TOTAL RETURN: **6.7%**

Stock Data:

52-week High-Low (CAD) \$30.00 - \$23.90
 Bloomberg/Reuters: CAD SJR/B / SJR'B-T

(FYE Aug. 31)	2017a	2018e	2019e
Revenue (mln)*	\$4,874	\$5,251	\$5,448
EBITDA (mln)*	\$1,996	\$2,085	\$2,201
Adjusted EPS*	\$1.11	\$1.15	\$1.34
P/E	24.6x	23.8x	20.5x
EV/EBITDA	9.3x	8.7x	8.3x
FCF/Share	\$0.89	\$0.81	\$0.89
FCF Yield	3.2%	2.9%	3.2%
P/FCF	30.7x	33.9x	30.8x

*Continuing operations only.

Financial Data as at: May 31, 2018

Shares Outstanding (mln)	504.0
Float (mln)	445.1
Market Value (mln)	\$13,789
Net Debt as per B/S (mln)	\$4,016
Preferred Equity (mln)	\$293
Common Shareholders' Equity (mln)	\$5,829
Leverage per company	2.0x
BVPS / Price/BVPS	\$11.59/2.4x
ROE 2018e	11.0%
Dividend/Yield	\$1.19/4.3%



Adam Shine, CFA
 514.879.2302
 adam.shine@nbc.ca

Associates:
Luc Troiani, CFA
 416.879.6585
 luc.troiani@nbc.ca

Ahmed Abdullah, CFA
 514.879.2564
 ahmed.abdullah@nbc.ca

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Stock Rating: Sector Perform
Risk Rating: Average
Industry Rating: Market Weight
(NBF Economics & Strategy Group)

Shaw Communications Inc.**COMPANY PROFILE**

Shaw Communications Inc. is a diversified communications & media company and is the largest cable operator in Canada based on revenue-generating units. It serves roughly 3.2 mln customers with TV, Internet, Home Phone, telecommunications services and satellite direct-to-home services. Shaw entered the wireless space in 2016 with the purchase of Wind (rebranded to Freedom Mobile on Nov. 21, 2016), while funding the acquisition with the sale of Shaw Media to Corus.

INVESTMENT HIGHLIGHTS

Strengthening Cable with Comcast's X1 feature set & doing more aggressive promos. Beyond the maturity of its core cable operations, greater competition from TELUS over the past few years, as the latter's IPTV service has steadily gained traction along with the telco's Optik-related bundles, had materially decelerated growth in Shaw's revenues and EBITDA. Following disappointing subscriber metrics in 3Q16, Shaw introduced an aggressive Internet promotion in mid-2016 in which it capitalized on its broadband advantage. This helped stimulate stronger Internet additions to close out f2016, as well as reduce evolving TV losses. To elevate its competitiveness against TELUS, on 1/11/17 Shaw launched its Comcast X1-based BlueSky TV in Calgary with a footprint-wide launch on 4/5/17, while DOCSIS 3.1, to be implemented throughout Shaw's cable network in f2018, will enable Internet speeds of 1 Gbps and more.

Total Business Transformation (TBT) initiative launched to streamline Cable segment

The initiative, launched in early 2018, began with a voluntary departure program that will see a total of 3,300 employees or 25% of Shaw's workforce departing over the next 18-24 months. The company took charges of \$417 mln in 2Q18 and \$13 mln in 3Q18, with the total charge not expected to exceed \$450 mln in f2018. Between the VDP and other elements of the initiative, Shaw expects to realize \$215 mln in opex/capex savings (with a 60/40 split) by the end of f2020.

Profitable ViaWest sale boosts cash as Shaw refocuses on core segments.

The Denver-based data centre operator was acquired in early f2015. Its f2016 revenues of \$301 mln and EBITDA of \$112 mln, helped by related FX tailwinds, had been Shaw's main driver of top-line growth as the U.S. portfolio was further bolstered by the 12/15/15 purchase of INetU for US\$163 mln. On 7/13/17, Shaw announced a deal to sell ViaWest for \$2.3 bln (17.4x LTM EBITDA, 16.5x f2017E & 14.5x f2018E) to Peak 10 in a transaction that closed 8/1/17 and netted ~\$900 mln cash.

Portfolio transformed in f2016 with purchase of Wind and sale of Shaw Media.

On Dec. 16, 2015, Shaw announced that it agreed to acquire 100% of Mid-Bowline Group Corp. and its subsidiary, Wind Mobile, for an EV of \$1.6 bln, adding a key missing piece to its platform and enabling the development of a converged wireline and wireless network. Shaw then announced, on Jan. 13, 2016, that it entered into an agreement to sell Shaw Media Inc. to Corus for \$2.65 bln, paid with ~\$1.85 bln in cash and ~71 mln Class B Shares of Corus at a price of \$11.21. The sale of Shaw Media (closed April 1, 2016) was used to fund the purchase of Wind which closed on 3/1/16. On 11/21/16, Wind was rebranded to Freedom Mobile and launched LTE in Toronto & Vancouver on 11/27/16 (LTE upgrade completed in fall 2017), while its handset selection continues to expand (iPhone launched 12/8/17). On 7/24/17, Shaw paid \$430 mln for Quebecor's 700 MHz spectrum in AB, BC & Southern ON and 2500 MHz spectrum in VCR, CGY, EDM & TOR (~\$1.01/MHzPoP).

F2018 outlook reflects evolving initiatives, in particular capex for spectrum rollout.

Shaw expects EBITDA of ~\$2.1 bln, reflecting growth of ~5.0% after a gain of 1.0% or -2.0% on an organic basis, weighted towards 2H. FCF is being guided to \$375 mln, marking a contraction from \$432 mln in f2017 and \$482 mln in f2016 due to the change in asset mix in f2016 and increased spending at Freedom (with the LTE upgrade complete, the increased capex is related to the rollout of recently acquired spectrum which is expected to add an extra \$350 mln primarily in f2018). Total 2018 capex is expected to be \$1.38 bln.

RISK FACTORS

While Canadian economic growth or that of Shaw's footprint could soften, ongoing pressure in Cable from telco bundles, wireless substitution, cord-cutting and/or cord-shaving and rising programming costs are issues worth monitoring. Regulation and other government intervention represent risks that must always be acknowledged. There is some degree of execution risk associated with the Total Business Transformation. Meanwhile, we also watch how Freedom Mobile's network upgrade and strategy evolves in an effort to scale the business.

VALUATION

We rate Shaw as Sector Perform with a target of \$28.00.

Our target's based on f2018E/f2019E DCF and f2019E/f2020E NAV, with implied EV/EBITDA of 8.9x f2018E, 8.4x f2019E, and 7.9x f2020E.

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7 The issuer is a client, or was a client, of National Bank Financial Inc. or an affiliate within the past 12 months.



August 17, 2018

SHOP(T); SHOP(N) Cdn\$179.11; US\$136.89
TARGET PRICE: US\$180.00
ESTIMATED TOTAL RETURN: 31%

52-week range	\$176.60 - \$89.35
Shares Outstanding (FD, mln)	106.0
Market Capitalization (\$ mln)	\$14,465

Fiscal Year End: Dec 31

	2018A	2019E	2020E
Revenue (mln)	\$673.3	\$1,046.3	\$1,439.3
EBITDA (mln)	\$23.4	\$24.6	\$94.3
Adjusted EPS	\$0.16	\$0.20	\$0.82
CFO (mln)	\$7.9	\$64.0	\$117.5
FCF (mln)	(\$12.1)	\$28.9	\$85.5
FCF/share	(\$0.11)	\$0.27	\$0.81

Financial Data

Cash & ST Investments (mln)	\$1,574
Total Debt (mln)	\$0
Net Debt (mln)	-\$1,574
Net Debt (Cash) per share	\$14.85
Enterprise Value (mln)	\$12,891



Source: Thomson Eikon

Richard Tse – (416) 869-6690
 richard.tse@nbc.ca

Associates:
Andrew McGee - (416) 869-8049
 andrew.mcgee@nbc.ca

John Shao - (416) 869-7938
 john.shao@nbc.ca

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Stock Rating: Outperform
Risk Rating: Above Average
 Industry Rating (Software & Services): Market Weight
 (NBF Economics & Strategy Group)

Shopify Inc.**COMPANY PROFILE (all \$ figures are USD)**

Shopify Inc. (Shopify) provides a cloud-based, multi-channel commerce platform designed for small and medium-sized businesses. The Company offers subscription solutions and merchant solutions. The Company's software is used by merchants to run their business across all of their sales channels, including Web and mobile storefronts, physical retail locations, social media storefronts and marketplaces. The Shopify platform provides merchants with a single view of their business and customers across all of their sales channels and enables them to manage its business all from one integrated back office.

INVESTMENT HIGHLIGHTS

Who is Shopify? Shopify is a technology platform company offering turn-key end-to-end e-Commerce solutions. Shopify has +600k merchants using its technology platform. As part of its platform, Shopify offers a comprehensive set of solutions that range anywhere from registering a domain name to a set of templates and tools to create virtual storefronts, all the way to payment processing of credit card transactions.

What's our Investment Thesis?

It's not too late. The obvious question is – whether there's any upside left? In our opinion, yes there's still upside from here.

In short:

- 1) We see outsized relative growth for Shopify over the next three to five years;
- 2) We believe Shopify is the technology (platform) leader in e-Commerce today;
- 3) We're still early in the e-Commerce growth cycle;
- 4) Shopify is without question a high probability takeover candidate; and
- 5) Relative opportunity = Outsized valuation.

VALUATION

Our DCF based target of \$180 implies EV/Sales of 11.7x on F2019E (Was 12x).

RISK FACTORS

1. Early stage business;
2. Potential for aggressive competitive response;
3. Loss of significant customer(s).

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June 14, 2018

TRI (TSX) C\$53.73
TRI (NYSE) US\$41.08
TARGET PRICE: C\$57.00
ESTIMATED TOTAL RETURN: 9.4%

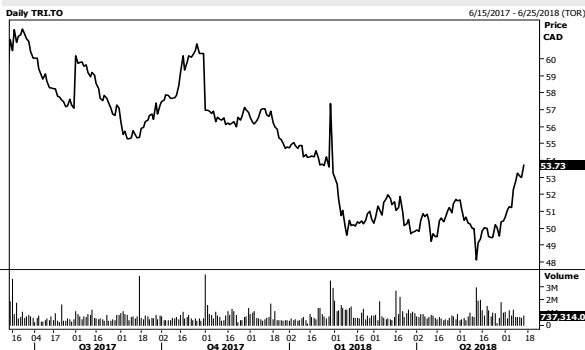
Stock Data:

52-week High-Low (CAD)	\$62.12 - \$46.69
52-week High-Low (US)	\$48.61 - \$36.52
Bloomberg/Reuters: CAD	TRI CN / TRI-T
Bloomberg/Reuters: US	TRI US / TRI-US

(FYE Dec. 31)	2017a	2018e	2019e
Revenue ¹ (mln)	\$5,297	\$5,544	\$5,956
Adj. EBITDA ^{1,2} (mln)	\$1,585	\$1,275	\$1,372
EPS ^{1,2} (ex-amort)	\$0.90	\$0.68	\$1.33
P/E ³	16.4x	60.0x	30.8x
EV/EBITDA ^{1,3,4}	10.5x	16.9x	16.3x
FCF ² (mln)	\$1,032	\$1,011	\$536
FCF per share	\$1.43	\$1.46	\$1.08

¹ Excludes F&R which is now classified as discontinued operations.² Profits ex-restructuring charges. FCF impacted by items.³ 2017A P/E & EV/EBITDA multiples incl. F&R. ⁴ Forecast ND, swaps & hedges.

Financial Data as at:	March 31, 2018
Shares Outstanding (mln)	711.5
Float (mln)	260.0
Market Capitalization (mln)	\$29,228.4
Net Debt ex-swaps (mln)	\$6,601.0
Common Equity (mln)	\$12,868.0
Net Debt to Capital	33.9%
BVPS / Price/BVPS	\$18.09/2.3x
ROE 2018E	5.8%
Dividend/Yield	\$1.38/3.4%



Source: Thomson Reuters

Adam Shine, CFA
 514.879.2302
 adam.shine@nbc.ca

Associates:
Ahmed Abdullah, CFA
 514.879.2564
 ahmed.abdullah@nbc.ca

Luc Troiani, CFA
 416.869.6585
 luc.troiani@nbc.ca

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INVESTMENT HIGHLIGHTS

Multi-year transformation of company steadily evolving.

From an organization that skewed more toward a conglomerate, management continues to re-orientate the company toward a more streamlined enterprise that has a cohesive strategy, more focussed offering to clients, better communication across businesses and improved leveraging of resources.

Blackstone buying 55% of F&R unit; deal has some leakage impacting value.

On Jan. 30, 2018, TRI announced that Blackstone will purchase a 55% interest in its F&R unit for \$17 bln (\$3 bln cash equity & \$14 bln from new debt & preferred equity to be funded by the partnership). CPPIB & GIC will be investing with Blackstone. F&R will be valued at \$20 bln, for an 11.5x EV/EBITDA deal multiple. The proceeds will be allocated as follows: 1) debt reduction of \$3 bln to \$4 bln to keep leverage under 2.5x target (TRI sees PF & ex-amount to be retained for reinvestment), 2) \$1.5 bln to 2.5 bln of cash taxes, transaction costs & other costs, 3) \$1 bln to \$3 bln allocated for M&A investments to drive growth in Legal and Tax & Accounting, and 4) \$9 bln to \$10 bln for a substantial issuer bid post-closing in early H2, where Woodbridge will move its ownership to 50%-60% from 64%. The company will not be proportionately accounting for F&R. Given the debt burden associated with the leveraging of the partnership, the initial equity contribution from F&R is expected to be immaterial. Corporate costs are to be \$500-\$600M in 2018, \$500-\$550M in 2019 & \$190M in 2020. Prior disclosures suggested a move from \$340M down to \$190M. Besides core costs of \$140M, stranded costs are to decline from \$150M to \$50M, with investments in the business at \$250-\$300M in 2018 and 2019.

TRI believes it successfully invested in stabilizing & growing F&R.

In turning around the operation and setting it on a course for potential momentum, it saw an opportunity to capitalize on demand in the marketplace for information services businesses. Well-positioned across the global financial services industry, Blackstone appeared to TRI as the ideal partner who will be able to leverage its market breadth and relationships to further stimulate F&R's growth and continue to extract further efficiencies from the platform.

RISK FACTORS

While TRI's exposure to F&R is being reduced, it will still maintain a 45% interest in the spun-off division and, as such, it remains necessary to monitor competitive pressures, secular desktop disconnects, and the implications of Brexit which are unknown, as are the nature and timing of its execution. As for what remains at the company as its core operations, Legal and Tax & Accounting, these are more focused on North America. As a result, we need to monitor the implications of recently enacted tax changes in the U.S. as well as other legislative pursuits afoot, including deregulation initiatives, in terms of how these may affect demand for tax, legal, and regulatory services. Additionally, U.S. employment levels at lawyers' offices and accounting & bookkeeping services will need to be closely watched for overall declines that may be caused by general economic pressures or industry challenges. Finally, FX should have a lesser effect on results after the F&R transaction, as the majority of the business will stem from the Americas.

VALUATION

Thomson Reuters is rated Outperform with a Cdn\$57.00 target price.

Inasmuch as TRI has noted that its substantial issuer bid (SIB) is likely to occur at a premium to the then-current market price of the stock soon after the sale of 55% of F&R to Blackstone occurs after regulatory approvals (likely in the fall), we lowered our SIB price assumption to \$47 from \$50 on June 12, 2018. Neither we nor investors should be disappointed if the price is actually higher. In our NAV, we opted to expand our multiple for Legal and Tax & Accounting by 25 bps to 13.25x, as we've recently seen the average EV/EBITDA multiple for RELX and Wolters Kluwer move up ~20-30 bps. We assign a value of \$2.7B to the pending 45% remaining stake in F&R per the deal metrics. Our target is based on the average of our 2019E/2020E NAV metrics, with our 2020E value pointing to Cdn\$64 or Cdn\$62.50 if we go back to our SIB pricing at \$50.

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July 17, 2018

TCL.a (TSX) \$30.09
TARGET PRICE: \$33.00
ESTIMATED TOTAL RETURN: 12.5%

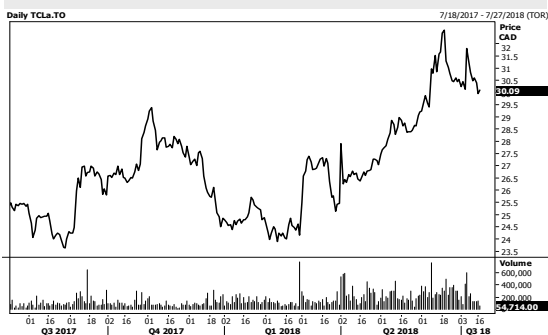
Stock Data:

52-week High-Low (CAD) \$30.12 - \$23.28
 Bloomberg/Reuters: CAD TCL/A CN / TCL.a

(FYE Oct. 31)	2017a	2018e	2019e
Revenue (mln)	\$2,007.2	\$2,489.3	\$3,055.9
EBITDA (mln)	\$396.7	\$463.6	\$548.8
EPS (ex-charges)	\$2.61	\$2.94	\$3.31
P/E	11.5x	10.2x	9.1x
EV/EBITDA*	6.1x	7.1x	6.5x
Free Cash (mln)	\$282.4	\$412.6	\$368.2
FCF per share	\$3.64	\$4.70	\$4.19
FCF Yield	12.1%	15.6%	13.9%

*2018E multiple pro forma M&A.

Financial Data as at:	Apr. 29, 2018 + Coveris
Shares Outstanding (mln)	87.8
Float (mln)	75.3
Market Value (mln)	\$2,642.9
Net Debt (mln)	\$1,491.3
Preferred Shares (mln)	-
Common Equity (mln)	\$1,587.4
Leverage At Deal Closing (Start of Q3E)	2.6x
BVPS / Price/BVPS	\$18.07/1.7x
ROE 2018E	17.0%
Dividend/Yield	\$0.84/2.8%



Source: Thomson Reuters

Adam Shine, CFA
 514.879.2302
 adam.shine@nbc.ca

Associates:
Ahmed Abdullah, CFA
 514.879.2564
 ahmed.abdullah@nbc.ca

Luc Troiani, CFA
 416.869.6585
 luc.troiani@nbc.ca

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Stock Rating: Sector Perform
Risk Rating: Above Average
 Industry Rating (Media): Market Weight
 (NBF Economics & Strategy Group)

Transcontinental Inc.

COMPANY PROFILE

Transcontinental is one of North America's largest commercial printers (#1 in Canada) with operations in Canada and, to a lesser extent, in the United States. The company is a leading publisher of weekly newspapers and door-to-door flyer distribution. It acquired U.S.-based Capri Packaging on May 5, 2014 to add a third leg to its platform, Ultra Flex Packaging on Sept. 30, 2015, Robbie Manufacturing on June 30, 2016, Flexstar Packaging on Oct. 17, 2016, Flexipak on Nov. 1, 2017 and Multifilm on March 7, 2018. On April 2, 2018, it acquired Coveris Americas for US\$1.32 bln (closed May 1, 2018). Packaging moved to ~48% of PF revenues and 37% of Adj. EBITDA. Rémi Marcoux, founder and chairman, controls 14.3% equity and 71.1% votes.

INVESTMENT HIGHLIGHTS

Flexible packaging gains scale & new offerings/verticals/capabilities with Coveris buy.

On April 2, 2018, Transcontinental signed a definitive agreement to acquire Chicago-based Coveris Americas (Coveris), a business held by Coveris Holdings S.A., a portfolio company of Sun Capital Partners, for US\$1.32 bln. The transaction closed on May 1, 2018, which made TCL 7th among the top 10 North American flexible packaging converters. Coveris generated US\$966 mln of revenues and US\$128 mln of Adj. EBITDA in its last FYE Dec. 31, 2017. The acquisition multiples are 1.4x revenues and 10.3x EBITDA or 8.9x after cost synergies which are expected to reach US\$20 mln with 24 months post-closing (US\$10 mln within first 12 months). TCL's total employees will rise by more than 3,100 to about 9,600 (packaging 4,000) and its number of Packaging plants jumps to 28 from seven. Coveris has well-invested production facilities in the United States, Canada, Ecuador, Guatemala, Mexico, U.K., New Zealand and China, with approximately 80% of its revenues coming from Canada and the United States.

Coveris dramatically scales packaging & materially changes business mix.

TCL previously did six acquisitions in packaging, with deal multiples ranging between 6.7x and 7.8x EBITDA. Cost synergies only materialized in the Flexstar and Multifilm buys as the Packaging platform started to benefit from network effects. Following the Multifilm purchase, we calculated that Packaging represented approximately 20% of pro forma revenues and around 13% of pro forma Adj. EBITDA (15% & 11% in f2017). The addition of Coveris to TCL will take Packaging's contribution to 48% (50% after Media sales) of pro forma f2017 revenues (leap-frogs Printing) and 37% of pro forma Adj. EBITDA.

Leverage jumps towards 2.6x at closing but should drop quickly sub-2x.

The purchase of Coveris was initially said to be fully financed with cash on hand, credit facilities and newly-committed bank term loans. Leverage was expected to increase to 3.2x at closing in Q3/18 and then decline to 2.0x by the end of f2020. After markets on April 2, TCL accepted a bought equity financing for 9.4 mln Subscription Receipts at \$26.60 for gross proceeds of \$250 mln, which was later increased with the exercise of the over-allotment to 10.81 mln Subscription Receipts for \$287.5 mln of gross proceeds. As such, TCL updated its leverage expectations to 2.7x at closing and sub-2.0x by f2020. We calculate ~2.6x at closing.

Steadily pruning challenged media portfolio, papers in QC/ON almost entirely sold.

On April 18, 2017 Transcontinental announced a process by which it intended to divest of most of its remaining community newspaper assets. The 93 local and regional publications in Central Canada and their related website properties, including the *Métro* Montreal newspaper generated an estimated \$145 mln in revenue in f2016, with an EBITDA margin around 8%-10% (\$11-\$15 mln). The company signed agreements with buyers for the printing & distribution of the papers. So far, 92 out of the 93 publications have been sold. This follows an earlier sale of certain media assets (28 brands) in Atlantic Canada on April 13, 2017.

Secular challenges in Printing being partly mitigated with new contracts & efficiencies.

Following a low single-digit revenue decline in f2016 and f2017 and a modest extrapolated EBITDA gain, we forecast mid-single digit organic decreases at the top line over our forecast, (ex-Hearst agreement) with continuous restructuring efforts producing savings to offset some pressure and grow margins. Note that on December 21, 2017, Transcontinental announced that it will cease printing the *San Francisco Chronicle* and transfer operations to Hearst on April 1, 2018, provide transitional services in 2018 and lease its facility to Hearst until 2024 after which we expect the location to be sold.

RISK FACTORS

The key risk facing Transcontinental is evolving secular pressure in print and publishing, with material changes taking shape across the advertising landscape. As it gains critical mass in Packaging, it remains to be seen how quickly opportunities arise and at what valuations it will be able to transact.

VALUATION

Transcontinental is rated Sector Perform with a \$33.00 target

Our target is derived from the average of our f2019E/f2020E metric in our NAV, with implied EV/EBITDA of 7.5x PF2018E, 7.0x f2019E and 6.4x f2020E.

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1155 Metcalfe Street
Montreal, QC H3B 4S9
514-879-2222

Toronto **National Bank Financial**

The Exchange Tower
130 King Street West
4th Floor Podium
Suite 3200
Toronto, ON M5X 1J9
416-869-3707

Canada **(Toll-Free)**

1-800-361-8838
1-800-361-9522

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