



Mark Bunting
Publisher

COVER STORY

FAST GROWTH,
CASH-RICH, LOW-RISK
PEOPLE CORP HAS 25%
UPSIDE



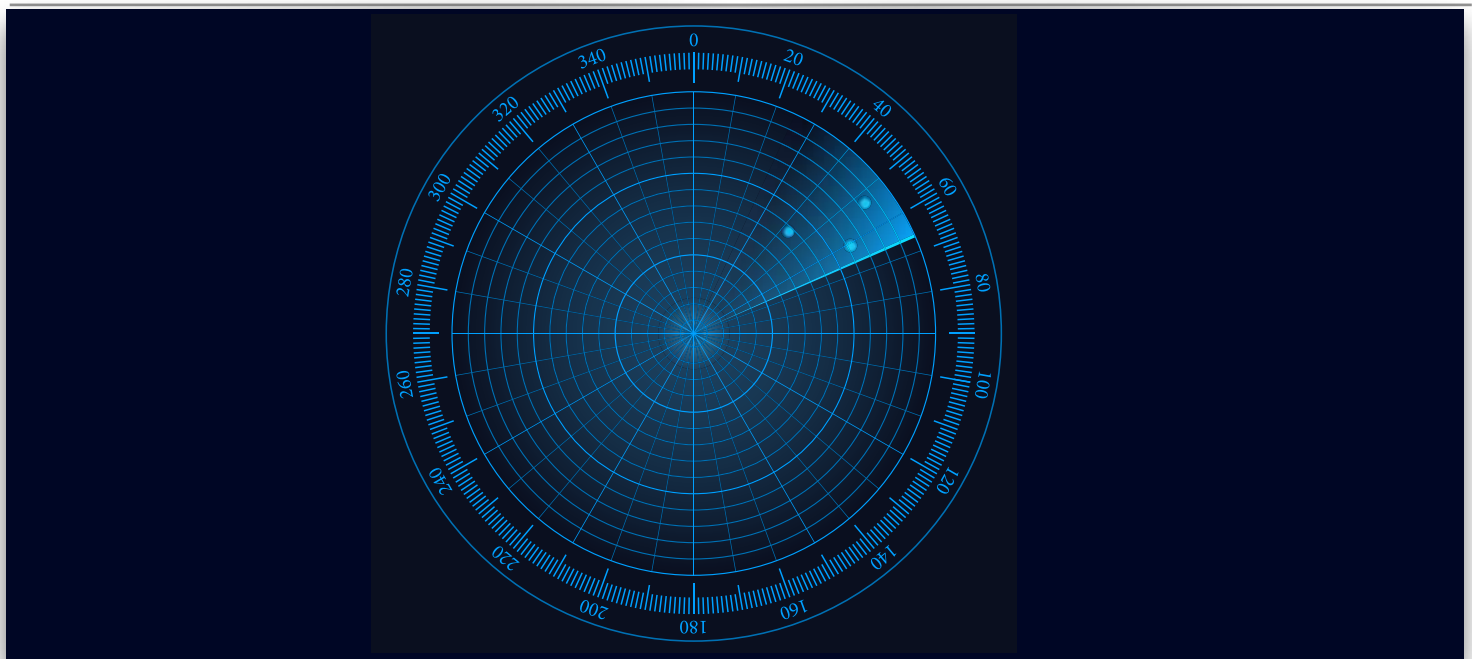
NEW COVERAGE OF
PHYSICAL COBALT
BUYER COBALT 27 SEES
A 79% GAIN



WHY TROILUS GOLD HAS
"STRONG TORQUE" TO
GOLD PRICES AND
NEARLY 130% UPSIDE



ABSOLUTE SOFTWARE
BREAKS OUT AFTER
BUILDING A BASE FOR
FOUR YEARS



UNDER-THE-RADAR, MID-CAP COMPOUNDER

Why this "compelling growth story" has 25% upside

Mark Bunting, Publisher & President, Capital Ideas Media

TALE OF THE TAPE

People Corp

- ▶ Ticker Symbol: TSXV:PEO
- ▶ Market Cap: \$484 million
- ▶ Three-Year return: 212%
- ▶ Projected Return: 25%

*"WHILE ALL CONSOLIDATION
STORIES CARRY EXECUTION
RISK, WE BELIEVE PEOPLE
CORP'S CAREFUL SELECTION
PROCESS AND INTEGRATION OF
20+ ACQUISITIONS SINCE 2006
SHOULD INSTIL CONFIDENCE IN
ITS STRATEGY."*

*CANACCORD GENUITY
CAPITAL MARKETS*

A few subscriber comments in our survey this past week suggested we focus too much on speculative small or micro-cap stocks. Generally, we agree.

We're very aware of trying to strike a balance between presenting companies that could have some big gains while carrying some risk, and larger cap, lower risk, safer ideas. We'll try to push the pendulum more in the latter direction.

Speculative stocks are fragile things. If the story goes according to plan, you get a **Village Farms** (TSX:VFF), for example, and anyone who acted on the idea is happy with a fat profit.

One wrong move or change in the story of a speculative small or micro-cap company and you get a **Ceapro** (TSXV:CZO), for example. And everyone hoping for a moonshot is not so happy.



This week, we present an idea that is of the small-to-mid-cap variety with a market value of nearly \$500 million.

People Corp (TSXV:PEO) - a group benefits, group retirement and HR services company - has a proven track record of quietly going about its acquisitive business for many years in a steady and highly successful way.

People Corp's stock is up about 353% in the last five years.

▶ People Corporation (TSXV:PEO) | 5 year chart



“PEOPLE CORP HAS DISCUSSED A VERY STRONG PIPELINE OF ACQUISITIONS (WITH 100S OF POTENTIAL TARGETS) AND AN INCREASING NUMBER OF INBOUND CALLS FROM BUSINESS OWNERS LOOKING TO SELL.”

CANACCORD GENUITY CAPITAL MARKETS

Long-time subscribers will remember that **Peter Hodson** of 5i Research brought us People Corp as an idea in August of 2016, **when the stock was trading around \$3.40 a share. Now People Corp trades around \$8.**

Canaccord Genuity Capital Markets has started research coverage of the company with a **“buy” rating and a price target of \$10.**

Analysts Rufus Hone and Scott Chan believe People Corp continues to be a low-risk, cash generative, compelling growth story.

People Corp released fiscal Q1 earnings on Monday. Year-over-year revenue grew 27.6% to \$36.34 million, thanks to acquisitions. Organic revenue was higher by 7.6%.

Adjusted EBITDA jumped 37.7% to \$7.4 million, and the company took a net loss of \$1.5 million.

Here is a summary of Canaccord Genuity’s research initiation report on People Corp.:

People Corp offers group benefits, group retirement and HR services primarily to small and medium size enterprises (SMEs) across Canada.

People Corp is a **compelling growth story** fuelled by both organic market share gains, as well as expansion via acquisitions in a highly fragmented market.

While all consolidation stories carry execution risk, we believe People Corp’s careful selection process and integration of **20+ acquisitions since 2006** should instill confidence in its strategy.

Fragmented market structure ripe for consolidation

The Canadian SME market for group benefits, retirement and HR consulting has traditionally been serviced by many small/ regional companies, providing a fairly narrow range of services.

Since 2006, People Corp has successfully completed 20+ acquisitions (financed through cash and stock) as they consolidate the market.

With acquisitions typically done at 5-7x EBITDA multiples and PEO shares trading at a mid-teens multiple, this is a highly accretive combination.

Based on data from Statistics Canada, we estimate that People Corp has a market share only in the low to mid-single digits.

People Corp has discussed a very strong pipeline of acquisitions (with 100s of potential targets) and an increasing number of **inbound calls from business owners looking to sell.**

Rapid industry growth a natural tailwind

Part of our investment thesis is underpinned by what we view as an attractive industry backdrop, primarily driven by:

- (i) Rising healthcare costs;
- (ii) Aging demographics of the workforce;
- (iii) Higher utilization rates;
- (iv) The advent of new medical services;
- (v) The increasing prevalence of chronic diseases; and
- (vi) The high cost of new drugs and treatments.

While these trends remain a challenge for many employers and the healthcare industry, the business of providing employee benefits and HR solutions should be a beneficiary.

We expect People Corp to continue to grow faster than current market expectations, with healthy organic growth rates complemented by a modest amount of acquisition activity over the next several years.

“WE EXPECT PEOPLE CORP TO CONTINUE TO GROW FASTER THAN CURRENT MARKET EXPECTATIONS, WITH HEALTHY ORGANIC GROWTH RATES COMPLEMENTED BY A MODEST AMOUNT OF ACQUISITION ACTIVITY OVER THE NEXT SEVERAL YEARS.”

CANACCORD GENUITY CAPITAL MARKETS

Our 2019E-21E EBITDA estimates are between 12-22% above consensus as we model sustained organic growth and modest acquisition activity.

For reference, **over the last five years, People Corp has grown revenues by ~300%**. This includes average organic growth of ~10% annually.

Low risk, highly cash generative business model with an attractive, increasingly sticky revenue mix.

People Corp is growing rapidly, enjoys high levels of recurring revenue and has low capital expenditure requirements. People Corp does not bear any underwriting risk (acts as a reseller) and is less susceptible to macro volatility.

Incentives appear well aligned with insiders owning ~15% of the stock.

Management owns ~15% of the shares and the leadership team has an excellent pedigree. CEO Laurie Goldberg was the previous COO of Assante and oversaw its consolidation of the investment advisory business before it was sold to CI for ~\$1B in 2003.

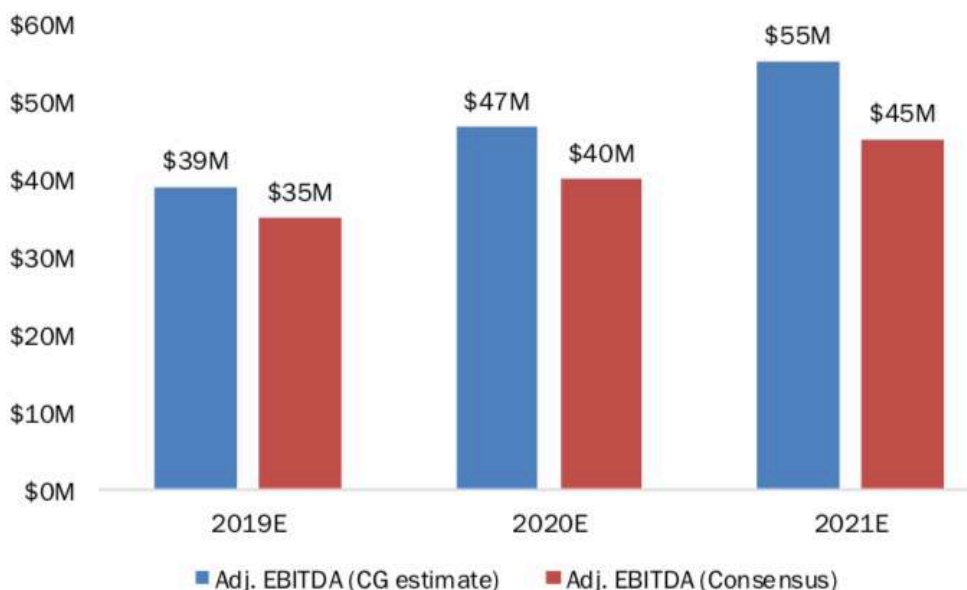
Insider ownership

Insider ownership	Shares (000s)	Value (\$000s)
Laurie Goldberg (CEO)	5,268	41,512
Scott Anderson (Director)	2,018	15,902
Bonnie Chwartacki (President)	1,326	10,449
Brevan Canning (EVP)	1,072	8,447
Total	9,684	76,310
Share price		\$7.88

Source: FactSet. Company reports

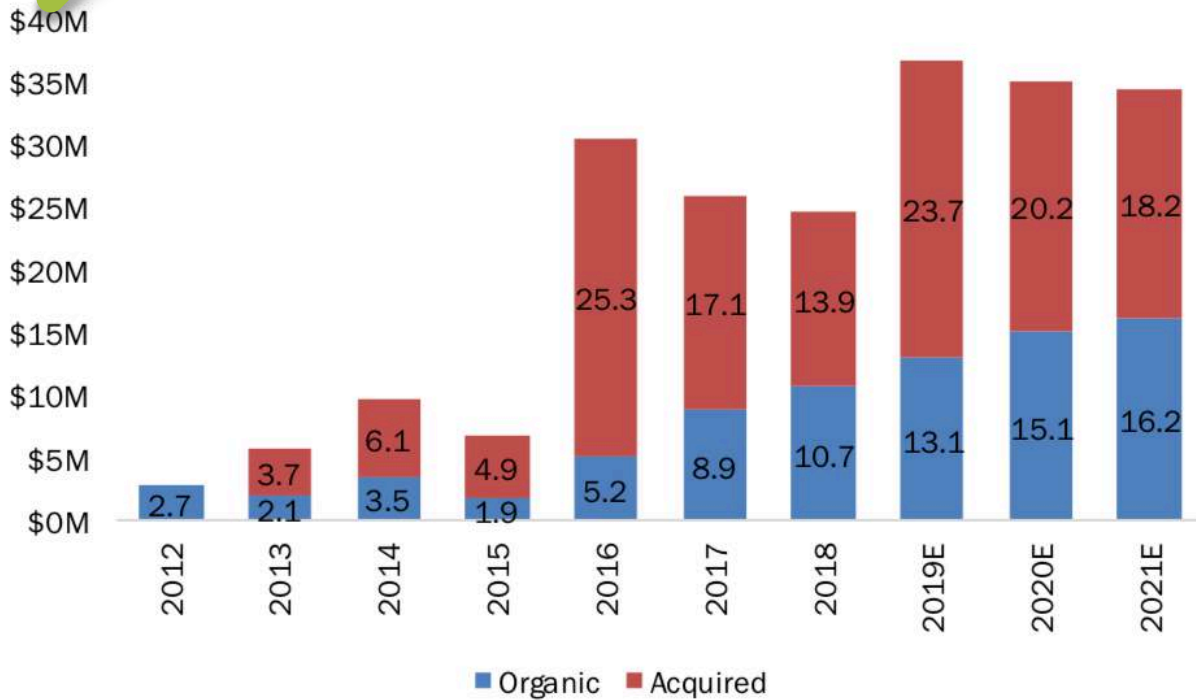
People Corp is currently in acquisition mode, completing seven deals in the last two years.

We expect the company to continue with its pattern of one-to-four acquisitions a year at 5-7x EBITDA multiples, which results in a high level of accretion from any deals.





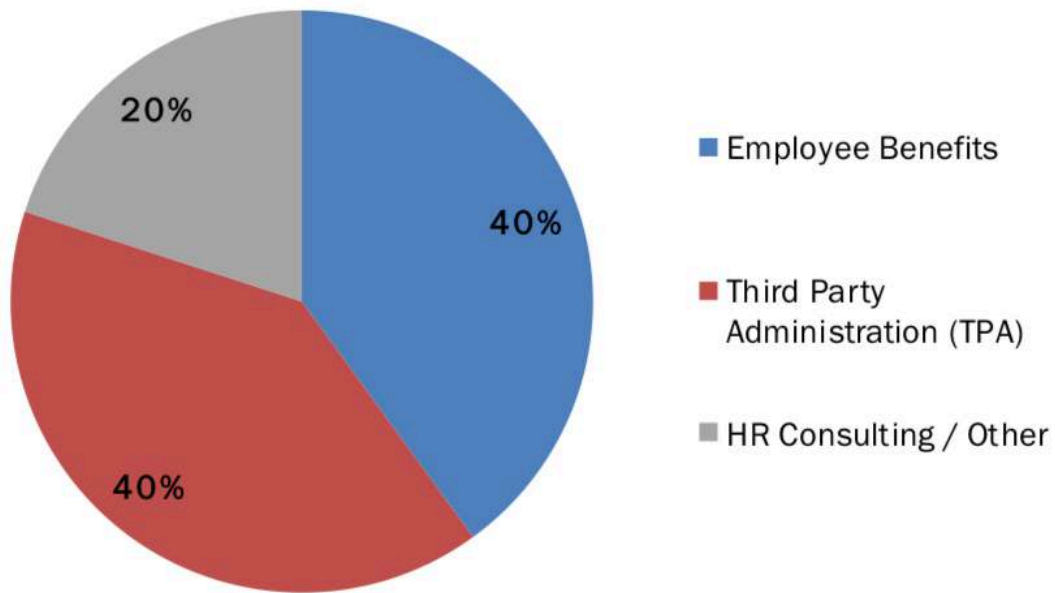
Revenue growth breakdown (organic and acquired); 2012-2021E



Source: Company reports, Canaccord Genuity estimates.



Rough breakdown of business mix



Source: Company Reports.

This has had a profound effect on the stock price, with **PEO shares up ~28x in the last ten years.**

▶ People Corporation (TSXV:PEO) | 10 year chart



Disclosure: Canaccord Genuity or one or more of its affiliated companies intend to seek or expect to receive compensation for Investment Banking services from People Corporation in the next three months.

INITIATIONS



RBC Dominion Securities analyst Andrew Wong initiated coverage of **Cobalt 27 Capital Corp.** (TSXV:KBLT) with an “outperform” rating and a target price of \$8 per share which suggests 79% upside.

“Cobalt 27 is a developing battery minerals play with an attractive valuation due to its significant exposure to long-term cobalt growth” Mr. Wong added in his initiation report.

“We view the company as an attractive investment vehicle for direct exposure to positive long-term fundamentals in battery minerals due to the rising demand for both cobalt and nickel from the increasing adoption of electric vehicles.”

“Cobalt 27’s valuation is also attractive as it is at a significant discount to NAV. We think the valuation gap should close as the Ramu acquisition closing results in cash generation, cobalt prices stabilize in 2019 and the market tightens.”

“There are several other potential catalysts that could help the valuation including generating cash-flow by mid-2019, returning cash in dividends and buybacks and additional streaming deals to provide great diversification and reduce concentration risk.”

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Canaccord Genuity analyst Tom Gallo initiated coverage on **Troilus Gold Corp.** (TSX:TLG) with a “speculative buy” rating and price target of \$1.60, giving the stock 129% upside.

“Troilus Gold’s low-grade open pit mine in Northern Quebec offers investors strong torque to gold prices” Mr. Gallo added in his note.

“It also provides a unique opportunity that many large-scale low-grade open pits do not as initial capital is assumed to be substantially lower than a greenfield (brand-new) site as past production has the site tailored for operation.”

“Upcoming catalysts for the company include ongoing drill results to continue from the 40-kilometre drill program planned and a technical study (likely a preliminary economic assessment) by mid-2019.”

“We believe reasons to own Troilus include:

- leverage to the commodity price as an upper-quartile cost operation;
- location in what we see as one of the best mining jurisdictions in the world;
- Quebec’s supportive government, low-cost power;
- exploration upside;
- predictably metallurgy and rock mechanics as a past producer; and
- some remnant infrastructure remains which will save a portion of restart capex.”

ANALYTICS
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SPEAKING by Dwight Galusha

setyourstop.com

Absolute Software (TSX:ABT) has consolidated over the last four years within a symmetrical triangle continuation pattern. Technically, as the triangle forms and the trading range contracts, volume should decline as it has on the chart. This refers to the calm before the storm.

Upon breakout volume should expand. Periods of low volatility are often followed by high volatility. This is exactly what has occurred. Price action began an upside breakout on November 5th from this pattern on increased volume.

Since, price has comeback to successfully retest the breakout. Not only has this price action been textbook, but it suggests the beginning of a new uptrend could be underway as price pushes toward a 52-week high. As the saying goes in technical analysis, "the bigger the base, the higher the space."

