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## **Morning Need to Know**

Getting you ready for your investing day

**October 16, 2019**

**Written & compiled by Mark Bunting, Publisher,**



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## CANADIAN ANALYSTS' CALLS

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### INITIATIONS

**Arc Resources (TSX:ARX), Seven Generations Energy (TSX:VII) and Tourmaline Oil (TSX:TOU).** Canaccord Genuity starts coverage with "buy" ratings, with ARC as the top pick in the group and a price target of \$10 (Canadian).

**Trilogy Metals (TSX:TMQ).** TD securities starts coverage with a "speculative buy" and a target of \$3.75.

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**Canadian National Railway (TSX:CNR;NYSE:CNI).**

Bank of America Merrill Lynch upgrades to "buy" with a \$100 (U.S.) target.

**Aritzia (TSX:ATZ).** TD Securities upgrades to "buy" with a target of \$21 (Canadian).

Here's my hard fought, slippers on the

## ground research on Aritzia:

A big Aritzia box arrived at the house Tuesday containing 13 items ordered the day before by three daughters costing \$922.06, including tax.

See below for details on Aritzia's earnings report.

**Aphria (TSX:APHA;NYSE:APHA)** CIBC remains underwhelmed by this cannabis producer maintaining an "underperformer" rating and lowering the price target to \$6.50 from \$7 after the stock surged yesterday on Aphria's second straight quarter of profitability.

CIBC says:

*"Consecutive quarters of credible performance do not address our key worries on APHA stock: that fiscal 2020 guidance will be difficult to achieve and that consensus estimates are aggressive..."*

*...in order to reach the low end, either the company maintains its 12% market share and industry retail sales need to grow ~20% month-over-month through May (vs. +8% median growth since December); or the company's existing 12% market share needs to grow to 17%.*

*Achievement of this is not impossible, but we believe it is unlikely."*

Cormark Securities cuts APHA to "market perform" with an \$8 target.

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## U.S. ANALYSTS' CALLS

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**BlackRock (NYSE:BLK)**. Evercore ISI lifts the target to \$500 (U.S.) from \$480 following the company's Q3 earnings report.

**Citigroup (NYSE:C)**. KBW moves the target to \$78 from \$73 after the company's earnings results.

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## STOCKS THAT MAY MOVE

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**Valens GroWorks (TSXV:VGW)**. The largest third-party cannabis extraction company in Canada appears to have hit its quarterly earnings out of the park while much of the cannabis sector struggles.

Here are some of the key hi-lights from Valens fiscal Q3 report:

- Revenue increased to \$16.5 million (Canadian), an 87.1% increase over Q2 and a 641.4% increase over Q1 of 2019.
- Gross profit increased to \$12.8 million, or 77.8% of revenue, for Q3 compared to \$5.1 million or 57.9% of revenue in Q2.



- Adjusted EBITDA of \$9.8 million in Q3, or 59.4% of revenue compared to \$2 million or 23% of revenue in Q2.
- Net income of \$5.9 million (or \$0.05 per share basic and diluted) in Q3, compared to a net loss of \$10.5 million (or a loss of \$0.10 per share basic and diluted) in Q2.
- Strong balance sheet with \$69.2 million in cash and cash equivalents and short-term investments and a net working capital position of \$84.1 million as at August 31, 2019.

Valens' shares spiked 17.5% on Tuesday leading into the earnings report.

**Killam Apartment REIT (TSX:KMP.UN)** is raising \$100 million in a bought-deal offering through a syndicate of underwriters which will buy about five million units for \$19.90 each. The units closed at \$20.65 on Tuesday.

**Aritzia (TSX:ATZ)** reported what it said is its 20th consecutive quarter of positive same-store sales growth, which saw Q2 sales up 8.4% from last year.

Overall revenue for the retailer rose 17.4% to

\$241.2 million, and adjusted EPS increased by 12.5% to 18 cents, both numbers beating analysts estimates.

**PetroShale (TSX:PSH)** says its president and CEO Mike Wood is leaving the company effective immediately to pursue other opportunities, and will be replaced on an interim basis by CFO David Rain.

**MGM Resorts Int'l (NYSE:MGM)** is selling its Bellagio and Circus Circus casino properties for about \$5 billion (U.S.), with the Bellagio being sold in a sale and leaseback with Blackstone REIT for \$4.25 billion.

**Bank of America (NYSE:BAC)** is higher by 1.6% premarket after beating estimates with its quarterly earnings.

**Amazon (NASDAQ:AMZN)**. This is like a fly on the e-commerce and web services giant's back but Britain's competition regulator is looking into the company's \$575 million investment in Deliveroo to see whether it lessens competition in the United Kingdom.

**Broadcom (NASDAQ:AVGO)** has been ordered by EU antitrust regulators to halt exclusivity deals with six TV and modem makers for up to three years while regulators investigate whether the agreements are aimed at thwarting rivals.

**Alexion Pharmaceuticals (NASDAQ:ALXN)** is buying biotech **Achillion Pharmaceuticals (NASDAQ:ACHN)** in a \$930 million deal. Alexion is paying a nearly 73% premium to Achillion's closing price on Tuesday.

**Lululemon (NASDAQ:LULU)** is investigating alleged worker abuse at a supplier's factory in Bangladesh.

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## MARKETS

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**S&P/TSX and U.S. equity indices** are lower as U.S. retail sales posted their first decline in seven months, the U.S. Congress passed four bills taking a hard line on China, and Brexit talk reached a standstill, according to the EU.

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## CURRENCIES

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**The Canadian dollar** is slumping to \$0.7560 (U.S.).

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## COMMODITIES

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**West Texas Intermediate** is flat at \$52.83 a barrel.

**Gold** is up 0.8% to \$1,498.80 an ounce.

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Please email questions, comments or concerns to: [customercare@capitalideasresearch.com](mailto:customercare@capitalideasresearch.com)

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Access, insight and ideas.



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