



INVEST LIKE A PRO, WITH THE PROS!





Fabrice Taylor recommended **Athabasca Minerals (TSXV:ABM)** during a live stream show on January 12 of this year when it was trading at \$0.29.

The stock recently hit an intra-day high of \$0.79.

But a combination of what Taylor calls management missteps, a catastrophe in the junior market, and Encana's departure to the U.S., have not helped matters.

ABM shares recently hit a closing low of \$0.37

before bouncing back to \$0.44.

Taylor, the largest shareholder of ABM at last report, **updates the Athabasca Minerals story below and explains why he's still bullish and why the stock can explode if certain milestones are achieved.**



Colin Fisher, Portfolio Manager & President, StableView Asset Management

We're excited about our main investment idea in

tomorrow's new **Capital Ideas Digest** courtesy *Colin Fisher*, whose StableView Asset Management owns 20% of the shares.

This technology firm is run by someone who's already helped to build two billion dollar companies.

We'll also have an accompanying podcast conversation with Fisher on this "fantastic" opportunity along with his insights on investing in the technology sector.

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Morning Need to Know

Getting you ready for your investing day

November 11, 2019

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Capital Ideas Media**



CANADIAN ANALYSTS' CALLS

INITIATIONS

Regulus Resources (TSXV:REG).

Canaccord Genuity starts coverage with a "speculative buy" and price target of \$2.75 (Canadian), saying the company's AntaKori copper-gold project in Peru is a "sizeable resource".

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IBI Group (TSX:IBG). Raymond James upgrades to "strong buy" from outperform, raises the earnings estimates for this year and next, and hikes the target by a loonie to \$8.50 (Canadian) from \$7.50.

CanWel Building Materials (TSX:CWX).

Raymond James upgrades to "outperform" and lifts the target to \$5.50 from \$5 following the company's earnings report.

K-Bro Linen (TSX:KBL). GMP Securities hikes the target to \$52 from \$50 and maintains a "buy" rating after "exceptional" earnings results.

Exchange Income Fund (TSX:EIF). RBC ups the target to \$43 from \$40.

Capstone Mining (TSX:CS). CIBC lifts the target to \$0.90 from \$0.80 and reiterates "outperformer".

Morguard Corp. (TSX:MRC). CIBC moves the

target to \$225 from \$210 and maintains "outperformer".

U.S. ANALYSTS' CALLS

INITIATIONS

Chewy (NYSDE:CHWY). Credit Suisse starts coverage with an "outperform" rating and a price target of \$29 (U.S.).

STOCKS THAT MAY MOVE

Athabasca Minerals (TSXV:ABM). Here's Fabrice Taylor's update on ABM, which he sent to his President's Club Investment Letter subscribers:

"Let's put the swoon in Athabasca Minerals' stock in context: It's never fun to watch a stock get cut in half in a matter of a few weeks (from its intraday high) but we have to remember a few things:

First, the junior market has been a catastrophe lately, thanks largely to the marijuana space.

Second, news from the oil patch has been devastating, including the announcement that Encana will abandon Canada (where it was formed almost 150 years ago) for the U.S., and a handful of other negative announcements, including bankruptcies, in the energy sector.

And of course, we have a bunch of fools running

things in Ottawa. So it's not that surprising that ABM shares got roughed up.

That said, management missteps haven't helped, notably the lack of news for a long period of time, the constant telegraphing of a financing and the flip-flopping on spinning out aggregates marketing.

The company needs someone with junior market experience on its board, that much is clear.

Still, this is a stock that can explode in a good way, as we saw with the announcement of the NI 43101 technical report on the White Rabbit frac sand deposit.

That was a very welcome and very good report. The highlight is that the authors, Stantec geologists, estimate that the company could sell sand from the mine gate for \$55-80/tonne and produce it for between \$40-50 all in (that is, including the cost of building the plant).

That suggests mid-point profit margins of about \$22/tonne. With a measured and indicated resource of 30 million tonnes, the economics are very attractive at \$660 million of undiscounted gross profit.

Of course, the company will need to strike a deal with a joint venture partner, raise money and secure off-take agreements to get there.

We know that they are in advanced discussions with an industry player, and we assume that management's sloppy haste in trying to organize a financing suggests they're close to an agreement.

The company says it's a complex negotiation with many moving parts but they remain confident.

Our bet as to the likely JV partner is Turnkey Processing Solutions Sand Laboratory (TPS), which is mentioned often in the NI 43-101 as they were one of four labs hired to examine the sand.

They're more than a lab; they also build frac sand (and other) plants and projects. They also have what they call an "aligned equity partner" unit that co-invests in projects. You can read more [here](#), it's impressive.

Cormark's note on the release of the technical report was positive, saying that the economics support it's \$1.40 one-year price target.

The main question now is can this management team and board finance this project in an intelligent way that minimizes dilution.

The company has talked about debt funding from the Business Development Bank of Canada and that, should it happen, would likely be on attractive terms.

As for the macro scene, with separatism on the rise in Alberta, Ottawa will, if anything, become more

supportive of the oil patch. The government doesn't have a choice.

The LNG projects are underway and demand for frac sand will be growing for a long time. Keep in mind that the company is working on the Montney deposit as well, and the gravel and Aggregates Marketing divisions probably have enough value to support the current valuation.

We remain very bullish on this opportunity given the upside, and, given where the stock is, limited downside.

We think an announcement on a joint venture could move the stock sharply higher, and we expect it before Christmas."

Open Text (TSX:OTEX;NASDAQ:OTEX) is buying Carbonite (Nasdaq:CARB) for \$23 a share or \$1.42 billion, including debt.

Neptune Wellness

Solutions (TSX:NEPT;NASDAQ:NEPT)

Reported fiscal Q2 revenue of \$6.5 million, down 8% from last year, and ahead of estimates of \$5.8 million. The net loss was \$20.8 million versus a loss of \$3.1 million a year ago.

The company also announced an agreement with International Flavors & Fragrances

(NYSE:IFF) to co-develop hemp-derived CBD products for the retail and health & wellness markets.

Alibaba (NYSE:BABA) said Singles Day sales have passed \$30 billion to a record level.

MARKETS

S&P/TSX and U.S. equity futures are lower to start the week partly on escalating violence in Hong Kong, and trade deal concerns, as investors brace for a wave of Canadian corporate earnings reports being released this week.

Hong Kong's Hang Seng index fell 2.6%.

China showed producer prices fell by the most in three years in October as the factory sector weakened, and Chinese auto sales fell for the 16th consecutive month.

Bond markets in Canada and the U.S. are closed for Remembrance Day and Veteran's Day.

CURRENCIES

The Canadian dollar is flat at \$0.7559 (U.S.).

COMMODITIES

West Texas Intermediate is lower by 1.4% to \$56.44 a barrel.

Gold is down slightly at \$1,461 an ounce.

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