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Morning Need to Know

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Written & curated by Sean Mason, Associate
Publisher, Capital Ideas Media



CANADIAN ANALYSTS' CALLS

H₂O Innovation Inc. (TSXV:HEO). Industrial Alliance Securities Naji Baydoun raised his rating on the integrated water treatment solutions provider to “Buy” from “Speculative Buy,” saying the Company's growth outlook appears “robust,” and thinks “the best is yet to come.”

“The long-term growth outlook for HEO remains strong, and we continue to forecast high single-digit average annual revenue and adjusted funds from operations per share growth through fiscal 2025, driven by (1) HEO's more than \$125-million order

backlog, (2) recently completed acquisitions (Genesys and GUS), and (3) an improving profitability profile,” he said.

WELL Health Technologies Corp. (TSX:WELL).

Desjardins Securities analyst David

Newman increased his target price to \$9.50 per share from \$7, while maintaining a "Buy" rating, believing the Company is set for “exponential” growth as its hybrid model gains “critical mass.”

“We believe WELL could be at an inflection point in its growth trajectory, driven by (1) over 10 potential deals (LOIs) that could lead to a step-change in run-rate revenue to \$100-million by 1Q21, two years ahead of our forecast, (2) the addition of new allied health and billing/back-office segments, and (3) the launch of its pioneering app exchange,” the analyst wrote.



U.S. ANALYSTS' CALLS

Unity Software Inc. (NYSE:U). D.A. Davidson analyst Franco Granda initiated coverage of the video games software company with a "Buy" rating and a \$100 per share price target, saying he believes “this growth story has legs,” as he expects a “meaningful revenue ramp” in the years ahead.

“We like Unity for four reasons: exposure to the entire gaming market; significant growth opportunities in applications beyond gaming; a hybrid revenue model with plenty of upside; and potential beneficiary of the Epic Games vs. Apple feud (call option),” the analyst said.

Smith & Wesson Brands, Inc. (NASDAQ:SWBI). Aegis Capital initiated coverage on the firearms maker with a "Buy" rating and a price target of \$23 per share.



STOCKS THAT MAY MOVE

CloudMD Software & Services Inc. (TSXV:DOC) said it plans to acquire mental health digital platform Snapclarity Inc. by way of a “three-cornered amalgamation” for \$3.35 million, consisting

of \$975,000 in cash and up to \$2.375 million in CloudMD stock.

Gran Colombia Gold Corp.

(TSX:GCM) announced plans to spin out its interest in the Zancudo Project to ESV Resources Ltd. ESV will issue 27 million common shares to Gran Colombia in exchange for its interest in the Zancudo Project.

BSR Real Estate Investment Trust (TSX:HOM.UN) reported that it has acquired Aura Castle Hills Apartments in Lewisville, Texas for \$51.8 million.

MARKETS

S&P/TSX and U.S. equity futures are pointing to a lower open on Friday even as reports that U.S. Democrats in the House of Representatives are working on a US\$2.2-trillion COVID-19 stimulus package that could go to a vote next week.

CURRENCIES

The Canadian dollar is down 0.07 at 0.7477 (U.S.).

COMMODITIES

West Texas Intermediate crude oil fell 0.7% at \$40.03 on COVID-19 related demand concerns.

Gold slipped 0.9% to \$1,860.20 an ounce.

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CANADIAN ANALYSTS' CALLS

H₂O Innovation Inc. (TSXV:HEO). Desjardins Securities analyst Frederic Tremblay initiated coverage on the stock with a “Buy” rating and a \$2 per share target price, as he sees “massive” spending on water and wastewater treatment systems due to challenges to clean water availability, the regulatory environment and the “poor shape” of infrastructure.

“We believe HEO’s expertise in membrane-based products and services positions the company to capture growth opportunities,” he said.

“The U.S. (where HEO generates 70 per cent of revenue) has 65,000 water and wastewater systems, most of which are small local entities with aging workforces and are seeking know-how and customized solutions that an experienced partner like HEO can offer. The company can also tap into opportunities, including desalination, outside of the U.S., thanks in part to its global network of distributors for specialty products.”

Canadian Apartment Properties Real Estate Investment Trust (TSX:CAR.UN). Raymond James analyst Brad Sturges resumed coverage on the REIT with an “Outperform” rating and \$55.50 per share target price.

“Although the Ontario Government’s expected plan to freeze rents for existing tenants in 2021, we believe that CAPREIT is positioned to capture higher AMRs [average monthly rents] realized upon suite turnover, and to execute on Canadian multifamily sector consolidation prospects due to its financial position,” the analyst wrote.

“CAPREIT’s affordable rental portfolio segment may experience resilient leasing demand fundamentals during the pandemic, supporting its future organic growth profile.”



U.S. ANALYSTS' CALLS

Amazon.com Inc. (NASDAQ:AMZN). Bernstein analyst Mark Shmulik upgraded the stock to “Outperform” from “Market Perform” with a

US\$3,400 per share target price.

“Amazon is positioned to increase their dominant share position when the return to physical stores occurs. Amazon has also quietly made substantial inroads into grocery and ‘shopping’ verticals,” Mr. Shmulik said.

“Amid COVID, Amazon has executed incredibly well, pivoting its operations and inventory to in-demand verticals – with flexibility and speed we didn’t expect.”

He added that he believes the Company can make further gains in other “revenue pools” like advertising and cloud services.

Teladoc Health Inc. (NYSE:TDOC). DA Davidson initiated coverage on shares of the virtual healthcare provider with a "Buy" rating and a \$250 per share price target.



STOCKS THAT MAY MOVE

Dye & Durham Limited (TSX:DND) reported that its Fiscal 2020 revenue rose 49% to \$65.5 million, while its Adjusted EBITDA for the year increased 39% to \$36.7 million.

Great Bear Resources Ltd. (TSXV:GBR) provided an update on metallurgical testing underway at its 100% owned Dixie Project in the Red Lake district of Ontario. CEO Chris Taylor commented that “in more than 99% of observed instances, gold occurs freely or on the edges of sulphide grains, suggesting potential for very high metallurgical recoveries, as has been observed at other free gold hosting deposits in the Red Lake district.”

Neptune Wellness Solutions, Inc. (TSX:NEPT) announced that it has agreed to an import and stocking distribution partnership with a global consumer goods company for professional beauty, personal care and hygiene product lines, which the two companies project will generate revenue of between US\$65 million and US\$137 million over the next 18 months.

MARKETS

S&P/TSX and U.S. equity futures are pointing to a mixed open Tuesday as investors look ready to start buying some beaten-down tech stocks south of the border.

CURRENCIES

The Canadian dollar is down 0.01 at 0.7514 (U.S.).

COMMODITIES

West Texas Intermediate crude oil rose 0.7% at \$39.60 as the latest storm in the Gulf of Mexico lost strength.

Gold gained 0.3% to \$1,916.40 an ounce.

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