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Morning Need to Know

Getting you ready for your investing day

October 15, 2020

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



CANADIAN ANALYSTS' CALLS

European Residential Real Estate Investment Trust (TSX:ERE.UN). Raymond James analyst Brad Sturges initiated coverage on the Company with an “Outperform” rating and a \$5 per unit target price, calling it a “unique investment opportunity in the Canadian REIT landscape.”

“ERES is the only Canadian-listed REIT to focus on the European multifamily real estate market,” he said.

“We believe ERES provides investors an opportunity to invest in a geographic region with unique investment features that differentiates itself from other publicly traded Canadian multifamily owners and operators providing investors an attractive way to diversify their Canadian REIT exposure.”

Aritzia Inc. (TSX:ATZ). Canaccord Genuity analyst Derek Dley raised his target price on shares of the women’s fashion retailer to \$26 from \$24, while keeping a “Buy” rating on the stock, touting a “stronger” near-term outlook than he expected.

“In our view, Aritzia has done a great job of navigating a changing retail landscape by offering an aspirational customer experience within its brick-and-mortar locations and an improved e-commerce platform. With over 20 consecutive quarters of same-store sales growth prior to the onset of COVID-19, a robust pipeline of new store openings, healthy balance sheet to support growth and margin enhancement initiatives, and a well aligned management team, we believe Aritzia is deserving of

a premium valuation,” the analyst wrote.



U.S. ANALYSTS' CALLS

Zoom Video Communications, Inc. (NASDAQ:ZM). RBC Dominion Securities analyst Alex Zukin upped his target price to US\$600 per share from US\$450, while maintaining an “Outperform” rating, as he has “increased conviction in the potential for durable hyper-growth” and now sees a path to 60% growth next year in his latest upside scenario.

“Coming into the analyst day, we believe the two main investor concerns about owning ZM were: 1) how to comp against this year’s dramatic growth; and 2) how will it defend against competition from Microsoft?” Mr. Zukin said.

“We believe [Wednesday’s] announcements soundly put those concerns to rest, as we see that just as Zoom helped turn video from a commodity into a utility, we believe the company is in the process of building the world’s first live interactive video

platform. As we lay out in our Zoomtopia product announcement recap, we believe OnZoom has the potential to be the single most globally impactful gig economy innovation since ride sharing.”

Netflix Inc. (NASDAQ:NFLX). KeyBanc Capital analyst Justin Patterson increased his price target on the stock to \$634 per share from \$590, citing signs that net subscriber additions for the rest of the year are set to beat expectations.

“While Netflix may resume its historic conservative guidance, we believe investors will look to content launches (e.g., 'Over the Moon') as upside drivers and audience creation abilities (e.g., 'Cobra Kai') as upside drivers,” he wrote.



STOCKS THAT MAY MOVE

Barrick Gold Corporation (TSX:ABX) said it expects a nearly 11% drop in its third-quarter gold production as the Company’s Porgera project in Papua New Guinea remained shut during Q3.

Aritzia Inc. (TSX:ATZ) reported better-than-expected Q2 financial results, as its eCommerce revenue surged 82%.

Fire & Flower Holdings Corp. (TSX:FAF) announced that it has acquired three cannabis retail stores in the Greater Toronto Area.

MARKETS

S&P/TSX and U.S. equity futures are pointing to a sharply lower open Thursday on rising global COVID-19 infections and fading U.S. stimulus hopes.

CURRENCIES

The Canadian dollar is down 0.43 at 0.7561 (U.S.).

COMMODITIES

West Texas Intermediate crude oil fell 3.4% at \$39.64 on concerns over global demand recovery.

Gold slipped 0.4% to \$1,898.90 an ounce.

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



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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