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Morning Need to Know

Getting you ready for your investing day

October 20, 2020

Written & curated by the Capital Ideas Media team



CANADIAN ANALYSTS' CALLS

Boralex Inc. (TSX:BLX). Desjardins Securities analyst Bill Cabel has a "Buy" rating on the renewable energy stock while raising his target price to \$45 per share from \$38.

“Given its positioning in France (where it is the #1 IPP) and the country’s aggressive onshore wind growth targets as well as its recent very successful

expansion into New York, we believe the growth outlook for BLX is positive. We continue to believe that BLX will be successful in the onshore wind auctions in France given its history and relationships there, and believe that it could continue to win projects from the New York auctions,” he said.

Elemental Royalties Corp. (TSXV:ELE). Canaccord Genuity analyst Carey MacRury initiated coverage of the stock with a "Buy" rating and a target price of \$2.25 per share, saying the Company is “cash-up and offering investors ground-floor leverage to growth.”

“We forecast Elemental generating 2020 pro forma royalty revenue of \$5.3 million, more than double the company’s 2019 revenue of \$2.4 million and up from just \$0.4 million in 2017. Elemental expects 2020 revenue’s commodity exposure to be composed primarily of gold (85 per cent), with the remaining from mineral sands (11 per cent) and silver (4 per cent). By 2023, we expect the company’s existing portfolio to be generating \$6 million in revenue. We attribute the growth to the Mercedes royalty, which is expected to kick in from mid June 2022 and should offset the end of royalty revenue from Kwale,” the

analyst wrote.



U.S. ANALYSTS' CALLS

Rayonier Advanced Materials Inc.

(NYSE:RYAM). RBC Dominion Securities analyst Paul Quinn upgraded the stock to “Outperform” from “Sector Perform,” while increasing his target price to US\$5.50 per share from US\$3.50, citing the “strong U.S. housing market and improved free cash flow generation.”

“With lumber prices setting record levels during Q3, we expect that the business will generate improved free cash flow which can be used to reduce leverage,” Mr. Quinn said.

“As the debt overhang clears up, we expect that more investors could become attracted to the Rayonier Advanced story. In addition, Georgia-Pacific’s specialty cellulose line at its Foley Plant in Florida remains down, which should help with contract negotiations this fall. These factors combine to bring us back to an Outperform rating.”

Fortinet Inc. (NASDAQ:FTNT). Goldman Sachs upgraded shares of the cybersecurity specialist to "Buy" with a \$150 per share target price.



STOCKS THAT MAY MOVE

Canadian Pacific Railway Limited (TSX:CP) reported a 3.2% decline in its third-quarter profit, missing analyst expectations as freight volumes fell during the COVID-19 pandemic. Revenue for the quarter slipped 6% to \$1.86 billion, but beat Bay Street forecasts.

Laurentian Bank of Canada (TSX:LB) announced the appointment of Rania Llewellyn as its President and Chief Executive Officer.

CloudMD Software & Services Inc. (TSXV:DOC) said it will raise \$25 million in a bought deal equity financing at \$2.40 per share.

MARKETS

S&P/TSX and U.S. equity futures are pointing to a higher open Tuesday on U.S. stimulus hopes.

CURRENCIES

The Canadian dollar is up 0.02 at 0.7584 (U.S.).

COMMODITIES

West Texas Intermediate crude oil fell 0.6% at \$40.60.

Gold slipped 0.2% to \$1,908.70 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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