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Morning Need to Know

Getting you ready for your investing day

October 19, 2020

Written & curated by the Capital Ideas Media team



CANADIAN ANALYSTS' CALLS

Brookfield Asset Management Inc.

(TSX:BAM.A). Citi analyst William Katz upgraded Brookfield stock to “Buy” from “Neutral,” while raising his target price to US\$40 per share from US\$38.50, believing the deal to acquire a 19.9% stake in American Equity Investment Life Holding Co. “should help break the shares out of their more recent moribund trading range.”

“We see three areas of incremental opportunity not fully captured in our revised target,” he said.

“First, BAM will fund the deal likely with cash, creating favorable valuation arbitrage, in our view. Second, we only pencil in the initial \$5-billion of reinsurance economics, with the deal scaling ultimately to \$10-billion. Third, we assume relatively static FPAUM [fee-paying assets under management] against the \$5-billion in initial AUM.”

B2Gold Corp. (TSX:BTO). Raymond James analyst Farooq Hamed initiated coverage of the gold miner with an “Outperform” rating and a target price of US\$8.50 per share, emphasizing the Company's “strong track record of developing mines on time/budget and a history of successfully operating in riskier jurisdictions with minimal interruption.”

“On valuation, our analysis suggests BTG trades at a slight premium to the P/NAV and P/CF average multiples of the senior and mid-tier gold producers in our coverage universe, however, given BTG’s higher than average operating margins, attractive project pipeline and net cash position, we believe a premium is warranted,” the analyst wrote.



U.S. ANALYSTS' CALLS

Caterpillar Inc. (NYSE:CAT). Wells Fargo analyst Andrew Casey upgraded Caterpillar stock to "Overweight" from "Equal Weight," while increasing his price target to \$220 per share from \$160.

“Historical response to acceleration in leading indicators, commodity prices, and other factors suggest CAT’s P/E should inflate to at least 30x next 12-month earnings,” Mr. Casey said.

“Combining this with absence of both COVID-19 economy shutdowns and 2020 inventory reduction initiatives, we expect CAT’s revenue growth from these end markets to begin mid- to late-H1 21.”

GoodRx Holdings Inc. (NASDAQ:GDRX). Morgan Stanley initiated coverage of the provider of digital healthcare and low-cost prescription medication with an "Overweight" rating and a \$57 per share target price.



STOCKS THAT MAY MOVE

Cogeco Inc. (TSX:CGO) shares are set to open higher Monday after Altice USA Inc. and Rogers Communications Inc. sweetened their bid to acquire Cogeco and Cogeco Communications to \$11.1 billion, which was quickly rejected by the Audet family.

Brookfield Asset Management Inc. (TSX:BAM.A) announced that it will acquire a 19.9% equity stake in insurance firm American Equity Investment Life Holding Co. for at least US\$750 million.

Lundin Mining Corporation (TSX:LUN) said it would suspend operations its Candelaria copper mine in Chile beginning Tuesday after two of its workers' unions walk off the job.

MARKETS

S&P/TSX and U.S. equity futures are pointing to a higher open Monday on U.S. stimulus hopes as well as upbeat economic data from China.

CURRENCIES

The Canadian dollar is up 0.09 at 0.7590 (U.S.).

COMMODITIES

West Texas Intermediate crude oil fell 0.4% at \$40.73.

Gold gained 0.6% to \$1,918.60 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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