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Morning Need to Know

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Written & curated by the Capital Ideas Media team



CANADIAN ANALYSTS' CALLS

Magna International Inc. (TSX:MG). Credit Suisse analyst Dan Levy raised his target price on the auto parts maker to US\$74 per share from US\$67, with an “Outperform” rating, saying the stock trades at an “attractive multiple.”

“While MGA has a strong track record as a well-run company, one of the investor criticisms has been that narrative is tough to decipher given a diverse product offering,” he said.

“Yet with MGA undergoing a transition at the CEO post, with long-time CEO Don Walker retiring and

President/CTO Swamy Kotagiri taking the post, we see three key ways that the MGA narrative can accelerate: as a ‘hidden’ play on EV, Active Safety offering / program wins, using FCF to fund growth.”

Gatos Silver, Inc. (TSX:GATO). RBC Dominion Securities analyst Mark Mihaljevic initiated coverage on the silver miner with an “Outperform” rating and an US\$8.50 per share target price, pointing to the potential stemming from its Cerro Los Gatos mine in Mexico.

“Gatos is trading at average discounts of 25 per cent on P/NAV and 43 per cent on EV/EBITDA to its silver peers at forecast prices (discounts of 32 per cent and 34 per cent at spot), despite offering stronger FCF (yield of 13.3 per cent vs. 9.6 per cent),” the analyst wrote.

“In our view, this more than compensates investors for its relative positioning and risks. This includes single asset risk, limited trading liquidity (\$4-million per day), ramp-up risk, and relationships with Electrum & Dowa, balanced against its above average asset quality, attractive silver exposure, and strong FCF. We believe Gatos also offers both clear

catalysts to a re-rating as well as the potential for further value accretion.”



U.S. ANALYSTS' CALLS

Baidu, Inc. (NASDAQ:BIDU). BofA Securities analyst Eddie Leung increased his price target on the Chinese Internet stock to \$195 per share from \$175, while maintaining a “Buy” rating, saying the Company's ad business appears to be in a gradual recovery mode, driven by a higher proportion of in-app sales.

“New initiatives are still in an investment stage. Cloud and AD (autonomous driving) are adding use cases such as bank clients and gov’t initiatives in smart transportation and robot taxis,” Mr. Leung said.

Tesla Inc. (NASDAQ:TSLA). Wedbush analyst Daniel Ives outlined a bull-case price target of \$1,000 for shares of the electric vehicle maker, with both Europe and China underpinning the Company's

growth.

“Overall EV sales can potentially double in (China) over the next few years given the pent-up demand for EV vehicles across all price points,” he wrote, adding that Europe’s increased impetus on reducing carbon footprints alongside the European Union’s “regulatory catalysts” should drive consumer focus on EVs.



STOCKS THAT MAY MOVE

TELUS Corporation (TSX:T) announced that it has launched a \$100-million fund to back enterprises aiming to sell “socially responsible” products and services.

Equinox Gold Corp. (TSX:EQX) said commercial production has been achieved at its Castle Mountain Gold Mine in California, with output of between 5,000 to 10,000 ounces of gold expected in 2020.

MARKETS

S&P/TSX and U.S. equity futures are pointing to a higher open Tuesday on reports the U.S. General Services Administration told president-elect Joe Biden that funds would be made available for his transition.

CURRENCIES

The Canadian dollar is up 0.12 at 0.7654 (U.S.).

COMMODITIES

West Texas Intermediate crude oil rose 0.9% at \$43.46.

Gold slipped 1.5% to \$1,810.90 an ounce.

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