# Top News

Research Services

NATIONAL BANK OF CANADA FINANCIAL MARKETS

Internal use only

August 8, 2024

| U.S. EQUITY FUTURES | LAST | CHANGE | %CHG |
|---|---|---|---|
| Dow Jones MINI futures | 39,076.00 | 171.00 | 0.44% |
| S&P500 MINI futures | 5,274.50 | 47.00 | 0.90% |
| NASDAQ MINI futures | 18,186.25 | 219.75 | 1.22% |
| **CANADA EQUITY MARKET** | **LAST** | **CHANGE** | **%CHG** |
| S&P/TSX 60 futures | 1,325.70 | 11.80 | 0.90% |
| **OVERSEAS MARKETS** | **LAST** | **CHANGE** | **%CHG** |
| DJ EURO STOXX 50 | 4,647.54 | -20.52 | -0.44% |
| FTSE 100 INDEX | 8,103.68 | -63.20 | -0.77% |
| DAX GERMANY | 17,588.63 | -26.52 | -0.15% |
| CAC 40 Index | 7,222.18 | -43.83 | -0.60% |
| NIKKEI 225 INDEX | 34,831.15 | -258.47 | -0.74% |
| HANG SENG INDEX | 16,891.83 | 13.97 | 0.08% |
| SHANGHAI COMPOSITE INDEX | 2,869.90 | 0.07 | 0.00% |

| COMMODITIES/ FX | | LAST | CHANGE |
|---|---|---|---|
| CRUDE OIL WTI | | $75.53 | $0.30 |
| NATURAL GAS | | $2.08 | -$0.04 |
| GOLD | | $2,408.75 | $27.22 |
| COPPER | | $3.92 | -$0.02 |
| CAD / USD | | $0.7268 | $0.0000 |
| CAD / EUR | | € 0.6672 | € 0.0018 |
| USD / EUR | | € 0.9179 | € 0.0024 |
| USD / JPY | | ¥147.27 | ¥0.58 |
| **GOVERNMENT BONDS** | **2YR** | **5YR** | **10YR** |
| CANADA (YLD%) | 3.36% | 3.06% | 3.18% |
| U.S. (YLD%) | 4.06% | 3.84% | 4.00% |

Source: LSEG

## Morning News

U.S. stock index futures turned sharply higher as a lower-than-expected reading of weekly jobless claims allayed fears of a recession in the world's biggest economy. A Labor Department report showed the number of Americans filing new applications for unemployment benefits came in at 233,000 for the week ended Aug. 3 (see chart), compared with an estimate of 240,000 as per economists polled by Reuters. Global markets are experiencing heightened volatility this week after dour economic reports coupled with unwinding of currency carry trade positions pushed the Japanese yen higher after the Bank of Japan raised interest rates on July 31. J.P.Morgan has raised the odds of a U.S. recession by the end of this year to 35% from 25%, citing easing labor market pressures. Money markets currently see a 71.5% chance of a 50-basis-points rate cut by the Federal Reserve in September, with the possibility of two more cuts by the end of 2024, according to CME's FedWatch Tool. Comments from Richmond Fed President Thomas Barkin, who will be speaking at 3 p.m. ET, will also be closely monitored for any clues on the U.S. central bank's next move.

Futures for Canada's main stock index inched higher this morning, supported by an uptick in gold prices and positive corporate earnings, while caution ahead of a U.S. jobs reading kept a check on gains. The Toronto Stock Exchange's S&P/TSX composite index ended 0.5% lower yesterday and closed at its lowest since June 28. The index opened strongly, boosted by a surge in e-commerce platform Shopify, but fizzled out on numerous challenges to the market outlook, including the winding down of yen-funded carry trades and persistently high U.S. interest rates. Oil prices steadied after two sessions of gains, as growing supply risks from the Middle East offset demand concerns. Miners will be in focus again as spot gold prices inched higher while copper prices stabilized after their downward trend. Also on the radar are domestic employment numbers, due tomorrow, and a slew of corporate updates as the earnings season picks up pace in Canada.

Europe's benchmark stock index lost over 1% this morning, led by losses in the technology sector, and was set to wipe out all gains from the previous session, mirroring the gloomy sentiment seen in Asian markets. The STOXX 600 has been volatile in a tumultuous week, as investors evaluated fears of a potential U.S. recession amid lower trading volumes and an absence of clear macroeconomic signals. German inflation data is due on Friday, where markets will get a clear picture on Europe's largest economy as it grapples with a likely recession.

China stocks rose slightly, bucking weakness in broader Asian markets, as some investors likely saw the Chinese market as a safe haven despite a faltering economic recovery. Japanese shares were under fresh pressure on Thursday as domestic chip stocks followed a slide on Wall Street overnight and as more details from the Bank of Japan (BOJ) pointed to hawkishness and further monetary tightening. Details from the Bank of Japan pointed to hawkishness and further monetary tightening as the central bank released minutes of its July meeting. Some BOJ board members called for the need to keep raising interest rates, with one saying they should eventually be increased to at least around 1%.

## U.S Economic Calendar

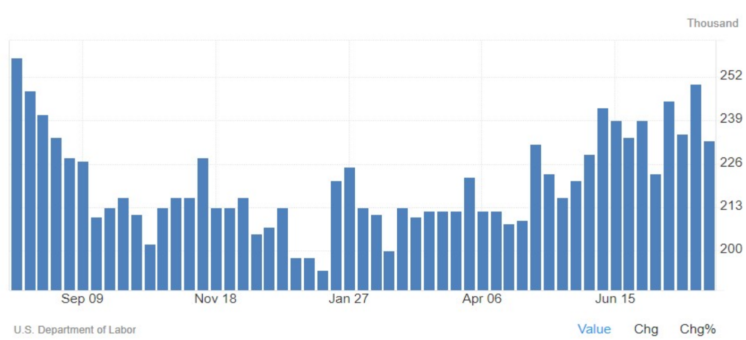
| Local Time | Indicator Name | Period | Reuters Poll | Actual | Prior | Revised |
|---|---|---|---|---|---|---|
| 08:30 | Initial Jobless Clm | 3 Aug, w/e | 240k | 233k | 249k | 250k |
| 08:30 | Jobless Clm 4Wk Avg | 3 Aug, w/e | | 240.75k | 238.00k | 238.25k |
| 08:30 | Cont Jobless Clm | 27 Jul, w/e | 1.870M | 1.875M | 1.877M | 1.869M |
| 10:00 | Wholesale Invt(y), R MM | Jun | 0.2% | | 0.2% | |
| 10:00 | Wholesale Sales MM | Jun | 0.3% | | 0.4% | |
| 10:30 | EIA-Nat Gas Chg Bcf | 2 Aug, w/e | 26B | | 18B | |

## Canadian Economic Calendar

No economic data expected

## Chart of the day

**United States Initial Jobless Claims**



# Top News
## Canadian Stocks

## Morning news

***ATS Corp:*** ATS earnings in the latest quarter fell as the factory automation systems company was squeezed by declining revenue from construction contracts and higher expenses. Net income declined for the fiscal first quarter to C$35.3 million or C$0.36 a share, from C$47.7 million, or C$0.50, a year earlier. Earnings on an adjusted basis also came in at C$0.50 a share, missing the C$0.52 mean estimate of analysts polled by FactSet. Revenue for the three months to June 30 fell 7.9% to C$694.3 million, just below the C$695.4 million analysts expected. Orders booked for the quarter totaled C$817 million, up 18% on a the same period last year, and ATS's order backlog at the end of the quarter stood at C$1.88 billion.

***Brookfield Corp:*** Brookfield's underlying earnings rose in the second quarter as the asset-management company saw growth in cash flows across its asset management, wealth solutions and operating businesses, it said on Thursday. Distributable earnings, a measure of cash that can be returned to shareholders, rose to US$1.11 billion, or 71 US cents a share, for the three months from $1.01 billion, or 64 US cents, a year earlier. That fell short of the 76 US cents a share analysts polled by FactSet were expecting. Brookfield said assets under management are now roughly $1 trillion and fee-bearing capital was $514 billion as of the end of June, an increase of 17% over the last 12 months.

***Canadian Tire Corporation Ltd:*** Canadian Tire logged a higher profit in the second quarter, offsetting softer consumer spending with improved cost control and margins. The retailer on Thursday posted a higher net income of C$223.5 million or C$3.56 a share, up from C$126.9 million, or C$1.76 a share, in the comparable quarter a year ago. Adjusted earnings were C$3.56 a share. According to FactSet, analysts were expecting C$2.42 a share. Revenue fell to C$4.13 billion from C$4.26 billion a year ago, dragged by declines in nearly all of its businesses, but beating analyst forecasts of a greater decline to C$4.08 billion in the quarter. On a consolidated comparable basis, sales were down 4.6%.

***Manulife Financial Corp:*** The company reported better than expected quarterly profit on Wednesday, powered by a 40% rise in earnings from Asia, a region the insurer is betting on for growth. The Asia business, which includes operations in 12 markets and over 100 bank partnerships, is among the biggest income generators for the insurer. Core earnings rose to C$1.74 billion, or 91 Canadian cents per share, in the three months ended June 30, from C$1.64 billion, or 83 Canadian cents per share, a year earlier. Analysts were expecting 88 Canadian cents per share.

***Maple Leaf Foods Inc:*** Maple Leaf Foods narrowed its second-quarter net loss to C$26.2 million or C$0.21 a share, from C$53.7 million, or C$0.44 a share, a year earlier. On an adjusted basis, per-share earnings rose to C$0.18, just missing the C$0.19 mean estimate of analysts polled by FactSet. The Canadian company's sales edged down 0.4% to C$1.26 billion, below the C$1.29 billion analysts expected. The company said that for the full year it now anticipates low single-digit revenue growth where it previously forecast low-to-mid single-digit growth.

***Nutrien Ltd:*** The fertilizer maker on Wednesday surpassed second-quarter profit estimates, helped by higher potash sales in offshore markets, and named insider Mark Thompson as its finance chief. Nutrien expects 2024 potash sales volumes to be between 13.2 million tonnes and 13.8 million tonnes, from its previous range of 13 million tonnes to 13.8 million tonnes. Nutrien lowered its 2024 adjusted core profit forecast for retail sales due to weakness in Brazil, where high inventory levels and tepid demand dented its margins for most of last year. Adjusted earnings of $2.34 per share in the second quarter beat estimates of $2.21.

***Quebecor Inc***: Quebecor posted net income of C$207.6 million or C$0.90 a share, up from C$174.1 million, or C$0.75 a share, in the comparable quarter a year ago. Adjusted earnings were C$0.89 a share. According to FactSet, analysts were expecting C$0.83 a share. Revenues fell slightly to C$1.39 billion from C$1.4 billion, just shy of analyst expectations which forecasted a modest rise to about C$1.41 billion. Among its segments, telecommunications, its largest, saw a decrease in revenue to C$1.19 billion from $1.20 billion, and its sports and entertainment unit also decline to C$45.4 million from C$48.8 million. Only its media segment saw a rise, increasing to C$184.4 million from C$180.3 million.

***Restaurant Brands International Inc:*** The operator of fast-food restaurants Burger King, Tim Hortons and Popeyes posted second-quarter net income of US$280 million, or US$0.88 a share, for the quarter, up from US$241 million, or US$0.77 a share, in the year-earlier period. Adjusted for one-time items, EPS came to US$0.86, below the US$1.18 FactSet consensus. Revenue rose to US$2.080 billion from US$1.775 billion a year ago and was also below the US$2.882 billion FactSet consensus. Consolidated same-restaurant sales rose 1.9%, while FactSet was expecting a 2.8% gain. The company backed its long-term guidance for growth of 3+% in same-restaurant sales from 2024 to 2028, as well as 8+% system-wide sales growth

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## Canadian Stocks

### NBF Research

## RATING AND TARGET PRICE CHANGES

**BSR REIT -** Operations steadying but uncertainty on inflection timing; Target: US$13 (Was US$12.50)
**Dexterra Group Inc. -** Q2/24 Results: Nothing waifish about those margins; Target: C$9.50 (Was C$9)
**Dream Industrial REIT -** Strong leasing spreads neutralize transitory vacancies; Target: C$16.50 (Was C$16)
**DRI Healthcare Trust -** Q2/24 Results: Building Trust; Target: C$18.50 (Was C$17.50)
**ECN Capital Corporation -** Green Shoots in Operating Units; Target: C$2.50 (Was C$2.25)
**Hecla Mining Company -** HL 2Q24 Earnings - Estimates Revisions ; Target: US$7.50 (Was US$8)
**InterRent REIT -** Sustained high single-digit rent growth on lower capex spend; Target: C$14.75 (Was C$14.50)
**Savaria Corporation -** Q2/24 Results: Increasing Confidence; Target: C$22 (Was C$21)
**Suncor Energy Inc. -** Suncor's Back, Tell A Friend; Target: C$77 (Was C$75)
**Yellow Pages -** 2Q Adj. EBITDA & Simple FCF Miss Again As Margin Pressure Persists Amid Ongoing… Target: C$10 (Was C$11)

## DAILY BULLETIN HIGHLIGHTS

**DEXTERRA GROUP INC.:** Q2/24 Results: Nothing waifish about those margins - Target to $9.50

| | |
|---|---|
| **DXT (TSX)** | **C$5.95** |
| **Target:** | **C$9.50** |
| | (Was C$9.00) |
| **Stock Rating:** | **Outperform** |
| | (Unchanged) |
| **Est. Total Return:** | **65.5%** |

**Event:** Q2/24 Results, Target Bump

**Key Takeaways:** Revenues were $253.6 million, up 18.1% y/y and ahead of our call for $239.1 million (Street: $252.6 million). Adj. EBITDA clocked in at $29.3 million on 11.5% margins, ahead of our $23.3 million forecast (9.7%) and consensus of $22.1 million (8.7%). The beat flowed down to the EPS line, coming in at $0.19, head and shoulders above our $0.12 call and the Street's $0.10 estimate.

Post-divestment of Modular, we anticipate leverage drops to 1x, a comfortable level providing optionality for deployments and returns to shareholders. With progress towards guidance for IFM margins above 6% and strong asset utilization at WAFES, operations are gaining vigour. Our target moves to $9.50 (was $9) based on a sum-of-parts methodology on 2025e EBITDA (see Figure 4), equivalent to a 7x EV/EBITDA or 9.7% FCF yield at target, and which we replicate in our long-term DCF using a 12.5% discount rate. We reiterate our Outperform rating as operations gain vigour.

**DREAM INDUSTRIAL REIT:** Strong leasing spreads neutralize transitory vacancies

| | |
|---|---|
| **DIR.UN (TSX)** | **C$13.38** |
| **Target:** | **C$16.50** |
| | (Was C$16.00) |
| **Stock Rating:** | **Outperform** |
| | (Unchanged) |
| **Est. Total Return:** | **28.5%** |

**Event:** Q2 FFO/unit came in at $0.25 vs. $0.25 in Q2/23, in line with NBF/consensus at $0.25.

**Key Takeaways:** DIR's strong leasing spreads in Q2/24 were enough to offset continued occupancy losses. Management remains confident this trend will stabilize in Q3 as subleased space is absorbed, rebounding in Q4 and driving solid 2024 and 2025 organic growth. On the capital recycling front, the REIT continues to see demand from end-users and investors providing capital to fund its development pipeline. Beyond that, we expect FCF to be deployed into the DIR-SMU JV, debt repayment or unit buybacks, depending on the return profile next year.

**SUNCOR ENERGY INC.:** Suncor's Back, Tell A Friend

| | |
|---|---|
| **SU (TSX; NYSE)** | **C$54.02; US$39.36** |
| **Target:** | **C$77.00** |
| | (Was C$75.00) |

**Event:** We updated our estimates following the release of SU's Q2/24 financial & operating results and conference call.

**Key Takeaways:** Average production of 771 mboe/d was down 8% sequentially (+4% Y/Y) driven by turnaround timing. CFPS of $2.65 (+8% Q/Q; +31% Y/Y) compares to both NBF and street estimates of $2.28. Suncor generated RFCF of ~$0.7 billion in the quarter after capex of ~$2.0 billion (excl. capitalized interest)

| | |
|---|---|
| **Stock Rating:** | **Outperform** |
| | (Unchanged) |
| **Est. Total Return:** | **46.6%** |

and dividends of ~$700 million, returning an additional ~$825 million to shareholders via buybacks (~15.5 mln shares)We reiterate our Outperform rating, but are increasing our target price to $77 (up from $75). More within.

## OTHER COMMENTS

**Industrial Products -** FTT / SJ wrap-up note post Q2/24 conference calls
**Air Canada -** Q2 results and guidance in-line with pre-release
**Computer Modelling Group Ltd. -** FQ1 Results & NBF Commentaries
**Coveo Solutions Inc. -** Building Pipeline and Conversions
**Crew Energy Inc. -** Crews Control
**Enerflex Ltd. -** Forming a Track Record
**Fiera Capital Corp. -** Outflows Continue Though Management Optimistic for Reversal
**Manulife Financial Corporation -** Low tax rate drives the beat. Strong "underlying" growth in Asia.
**Osisko Gold Royalties Ltd. -** Lowering 2024 GEOs; Maintaining Outperform
**Pason Systems Inc. -** Outpacing the Cycle
**Shopify Inc. -** Growth with Operating Leverage
**Spartan Delta Corp. -** Pave the Way for Duvernay
**Thinkific Labs, Inc. -** Continued Progress
**Weekly** Energy Infrastructure Review: Crude cools off as recessionary fears heat up...

## RESEARCH FLASHES

**Ag Growth International Inc. -** Q2/24 results first look - not a great print; EBITDA guide compression to the tune of 2%...
**Allied Gold Corp. -** Stream Taps CDI Assets to De-risk Financing, Flagship Sadiola Excluded
**Bird Construction Inc. -** Q2/24 results first look - solid performance but waiting for choppy market to present a better...
**Coeur Mining Inc. -** Adj. EPS In Line With Consensus; Higher Rochester Cost Guidance Offset by Palmarejo and Wharf...
**Innergex Renewable Energy Inc. -** Q2 first look: Below LTA production as forecasted, with construction and development...
**Lundin Gold Inc. -** Bonza Sur Footprint Expanded, Declared as New Gold Deposit
**Osisko Development Corp. -** Search Continues for High Potential Porphyry Systems at Tintic
**Royal Gold Inc. -** First Look: Q2 Results Above NBF/Consensus on Lower Costs; 2024 Guidance Unchanged
**Snowline Gold Corp. -** The Drills Keep Turning (Yukon is Pro-Mining); Valley Still Growing; Regional Assays Next
**Stantec Inc. -** Q2/24 results first look - in line; given context of others performance in the quarter, this will be viewed as a...
**Triple Flag Precious Metals Corp. -** First Look: Q2 Financials Beat; Five-Year Outlook Below NBF Estimates
**VerticalScope Holdings Inc. -** 2Q Revs Light, Record MAU Beat and Adj. EBITDA in Line
**Wheaton Precious Metals Corp. -** First Look: Q2 EBITDA Broadly in Line with NBF/Below Consensus; Guidance Unchanged

## MORNING HIGHLIGHTS

**GDI INTEGRATED FACILITY SERVICES INC. -** Q2/24 Results: TS and BSC margins improve as hoped, but WC needs taming - Target to $38.50

| | |
|---|---|
| **GDI (TSX):** | **C$35.48** |
| **Stock Rating:** | **Sector Perform** |
| | (Unchanged) |
| **Target:** | **C$38.50** |
| | (Was C$41.50) |
| **Est. Total Return:** | **8.5%** |

**Event:** Q2/24 Results, Target Cut

**Key Takeaways:** Revenues were $639 million, just below our call for $647 million and consensus of $643 million, an increase of 5% y/y (-1% organic, +6% M&A). Adj. EBITDA came in at $34 million on 5% margins, nominally below our $35 million forecast on 5% margins and the Street's $35 million (6%). EPS as reported came to $0.07, well below our $0.16 call and the Street's $0.20. Though GDI does not provide a reconciliation, we calculate an Adj. EPS of ~$0.14 by adding back $2 million in share-based comp and $1 million in IT project costs after GDI's typical tax rate. Though our headline forecasts scarcely move in 2025e, our working capital forecasts revisions resulting in a higher net debt forecast see our target decline to $38.50 (was $41.50) on 8x 2025e EV/EBITDA. Given limited near-term catalysts and a tight return to target, we maintain our SP rating. We may fine tune our modeling following the conference on August 8 at 9:00 AM ET (888-664-6392).

**IGM FINANCIAL INC. -** Softer Wealth Management Offsets Stronger Asset Management

| | |
|---|---|
| **IGM (TSX):** | **C$36.49** |
| **Stock Rating:** | **Outperform** |
| | (Unchanged) |
| **Target:** | **C$47.00** |
| | (Unchanged) |
| **Est. Total Return:** | **35.0%** |

**Event:** Adj. EPS of $0.93, up 5% y/y, in line with street (NBF $0.95)

**Key Takeaways:** An in-line quarter with negative operating leverage likely mutes any upside from IGM's more rapid growth segments that continue to deliver solid growth. Pre-tax profit of $285 mln roughly matched the street, but missed our estimate of $292 mln. Soft Wealth Management performance drove the miss to our estimates. Operating leverage turned negative as revenues increased 7% y/y while expenses jumped 8% y/y.

## MORNING COMMENTS

**GDI Integrated Facility Services Inc. -** Q2/24 Results: TS and BSC margins improve as...; Target: C$38.50 (Was C$41.50)
**IGM Financial Inc. -** Softer Wealth Management Offsets Stronger Asset Managment

## MORNING FLASHES

**ATS Corporation -** FQ1/25 results first look - actuals broadly in line; EV restructuring is a necessity + investors own the…
**Boyd Group Services Inc. -** Q2/24 First Look: Small EPS miss to consensus not as bad as feared, but Q3 SSSG outlook not…
**Cascades Inc. -** Q2/24 First Look: Slight beat as Tissue and Specialty Products strength accommodates unexpected…
**Crombie REIT -** Steady as she goes, with ops running a bit ahead of potential this quarter
**Equinox Gold Corp. -** Messy Q2 With Penny Adj. EPS Beat; Multiple Production Guidance Revisions
**Flagship Communities REIT -** Playing defense through offense, a portfolio well positioned for the current market…
**Fortuna Mining Corp. -** Q2/24 Séguéla Drives +FCF, Modest De-leveraging
**Kelt Exploration Ltd. -** Inflection Point
**Keyera Corp. -** Q2/24 beat + 4% dividend bump; 2024 Marketing guidance increase offset by higher maintenance capex
**OceanaGold Corporation -** Continued High-Grade Drilling at WKP Sets Stage for YE24 PFS
**Pan American Silver Corp. -** Q2/24 Financials Miss, Yet "+" FCF Reflects Higher Metal Prices
**Quebecor Inc. -** 2Q Adj. EBITDA Beat (Even Ex OneTimer), Big Wireless Adds, Cable Losses Less Than Expected
**Torex Gold Resources Inc. -** Q2/24 Financials Beat, Ops Delivering with Media Luna in Homestretch

# Evercore ISI Research

## CANADIAN HIGHLIGHTS

### *Manulife Financial Corporation (MFC.TO, In Line, TP: C$37.00)*

***Strong Top and Bottom Line in Asia and Canada Offset by US, GWAM Flows and ALDA***

- MFC reported 2Q core EPS of 91c, above us and consensus of 88c. Results came ahead of us in Asia and Canada, partially offset by lower US and Corporate. GWAM was in-line after adjusting for a favorable tax true-up of $21mm. Core earnings also includes an 25c addback for ALDA below plan, which was a stepback from last qtr's 14c as a lower PE return more than offset improved real estate. Organic growth trends in Asia continue to be strong with 15% yr/yr increase in APE sales for HK and nearly double in Japan. Core earnings were 30% higher yr/yr, but slightly lower sequentially with some negative impacts from adverse persistency. Canada results reflect favorable claims in group disability. GWAM total flows were breakeven this qtr, with inflows in institutional more than offset by outflows in retirement driven by a large plan departure as well as higher plan participant level redemption that we also saw from peers including GWO, PFG, and VOYA. In US, results came below us and street on a modest LTC experience loss (higher claims but better terminations) as well as continued adverse lapses and slightly adverse mortality in life insurance.
- Overall, we view this to be a balanced qtr with good organic growth trends and earnings visibility in Asia and Canada offset by weaker US experience, softer flows in GWAM, and a sequential step back in ALDA returns. The slight overall negative

experience in LTC in the US follows 8 straight quarters of overall favorable experience. While this may get some attention, we think the modest gains turning into a modest loss is likely just normal quarter to quarter volatility. The impact of the 3Q24 actuarial review will likely be centered on the SGUL US block. With that continuing to trend negative on lapse experience this quarter we suspect that there will be some strengthening during 3Q – though based on prior comments management has made we suspect it will be a manageable amount, far below some of the outsized charges that US peers PRU and LNC took for a similar issue in 2022.

### *Shopify Inc (SHOP.N, Outperform, TP: US$80.00)*

***Don't Forget To Put This One In Your Shopping Cart!***

- **Our View: We maintain our Outperform rating and raise our PT to $80 (from $75) on SHOP in the wake of clean Beat & Raise Q2 EPS results. With SHOP shares up 20%+ today we are closing the TAP Outperform call we made on SHOP as part of our Q2 LC Preview**. That said we are reiterating SHOP as one of our Top Three Large Cap Longs in the wake of our very recent Shopify Upgrade to Outperform (here) on 6/13. We view Q2 results as fully confirming the premium fundamental trajectory of SHOP – sustained 25% revenue growth and rising 16%+ FCF margins. And we don't believe this is fully reflected in SHOP shares.
- **Here are the numbers:** Q2 GMV of $67.2B came in +1%/+2% above ISI/Street, Revenue of $2.05B came in +1%/+2% above ISI/Street, while Adj. Operating Income (6pts of Y/Y expansion) came in solidly above ISI/Street. Q**2 Outperformance was driven by a) Strength in International**, with continued strength in Europe (5th consecutive quarter of 30%+ Y/Y GMV growth) – mgmt. noted the EU headwinds they called out in Q1 largely played out as planned. b) **Strong Merchant growth** from shortened paid trials (from 3mo to 1mo) and marketing initiatives (51% Q/Q merchant acquisition growth in Q2). c) **Pricing changes** that have been implemented in the past year, both standard (went into effect in April '23), and to a lesser degree, the recent Plus pricing change. d) Increased payments penetration to 61% (from 59.5% in Q1) – marking an all-time-high.
- **Guidance:** SHOP's Q3 guides came in cleanly above the Street. Q3 Revenue of low-to-mid-twenties% Y/Y growth (implying ~$2.07-$2.14B) came in slightly above, but the implied Q3 Adj. Operating Income guide (~$330-$345MM, 15%-17% margin) was markedly above the Street (after two consecutive quarters of disappointing guidance) – mgmt. noted the largest drivers of Q3 Y/Y OPEX growth include S&M (pushed out enterprise ad campaign from Q2 to Q3) and compensation expenses (LSD% Y/Y increase in G&A related to merit based pay increases).
- **Here are the fundamentals:** fundamental trends were intrinsically strong – Q2 Revenue growth of +21% Y/Y (+25% ex. Logistics) was largely consistent with Q1 growth of +23% Y/Y (ex 1x benefits in Q1) marking SHOP's 5th consecutive quarter of 25%+ Y/Y growth (ex. Logistics), while Adj. Operating margin expanded ~6pts Y/Y and up ~140bps sequentially (highest Q2 margin since Q2:21).
- **Changing Estimates & Raising PT:** Our estimates move up modestly: '24/'25 GMV up (+2%), '24/'25 Revenue up (+1%), and '24/'25 EBITDA up (+6%). We are raising our PT to $80 (from $75) based on 50X our '25 EBITDA of $2B and 50X our '25 FCF of $1.8B.

## Canadian stocks ratings and target changes across the street

Air Canada AC.TO: ATB Capital Markets cuts target price to C$27 from C$28
Air Canada AC.TO: JP Morgan cuts target price to C$36 from C$41
American Hotel Income Properties REIT LP HOTu.TO: CIBC cuts target price to $0.33 from $0.40
Bank of Montreal BMO.TO: TD Cowen cuts target price to C$130 from C$134
Bank of Nova Scotia BNS.TO: TD Cowen raises target price to C$69 from C$68
Brookfield Asset Management Ltd BAM.N: BMO raises target price to US$37 from US$36
Brookfield Asset Management Ltd BAM.N: JP Morgan cuts target price to US$41 from US$42
Brookfield Asset Management Ltd BAM.N: Scotiabank cuts target price to US$45.50 from US$46
BSR REIT HOMu.TO: National Bank of Canada raises target price to US$13 from US$12.50
Canadian Imperial Bank of Commerce CM.TO: TD Cowen raises target price to C$83 from C$76
Computer Modelling Group Ltd CMG.TO: CIBC raises target price to C$15 from C$13.50
Coveo Solutions Inc CVO.TO: BMO cuts target price to C$10 from C$10.50
Coveo Solutions Inc CVO.TO: RBC cuts target price to C$11 from C$13
Dexterra Group Inc DXT.TO: National Bank of Canada raises target price to C$9.50 from C$9
Dream Industrial REIT DIR_u.TO: National Bank of Canada raises target price to C$16.50 from C$16
DRI Healthcare Trust DHT_u.TO: CIBC cuts target price to C$17.50 from C$18.50
DRI Healthcare Trust DHT_u.TO: National Bank of Canada raises target price to C$18.50 from C$17.50

# Top News
## Canadian Stocks

ECN Capital Corp ECN.TO: CIBC raises target price to C$2.25 from C$2
ECN Capital Corp ECN.TO: National Bank of Canada raises target price to C$2.50 from C$2.25
Enerflex Ltd EFX.TO: BMO raises target price to C$11 from C$10
Enerflex Ltd EFXT.N: CIBC raises target price to US$7 from US$6.50
European Residential REIT ERE_u.TO: CIBC raises target price to C$3.50 from C$3
European Residential REIT ERE_u.TO: TD Cowen raises target price to C$3.50 from C$3.25
Fiera Capital Corp FSZ.TO: CIBC cuts target price to C$8 from C$9
Finning International Inc FTT.TO: BMO raises target price to C$50 from C$48
Finning International Inc FTT.TO: RBC raises target price to C$50 from C$49
GDI Integrated Facility Services Inc GDI.TO: National Bank of Canada cuts target price to C$38.50 from C$41.50
Great-West Lifeco Inc GWO.TO: RBC raises target price to C$47 from C$45
iA Financial Corporation Inc IAG.TO: BMO raises target price to C$111 from C$102
iA Financial Corporation Inc IAG.TO: CIBC raises target price to C$106 from C$100
iA Financial Corporation Inc IAG.TO: RBC raises target price to C$105 from C$102
iA Financial Corporation Inc IAG.TO: Scotiabank raises target price to C$110 from C$100
IGM Financial Inc IGM.TO: RBC raises target price to C$47 from C$46
Imperial Oil IMO.TO: TD Cowen raises target price to C$92 from C$91
InterRent REIT IIP_u.TO: National Bank of Canada raises target price to C$14.75 from C$14.50
Kits Eyecare Ltd KITS.TO: Haywood Securities raises target price to C$13 from C$11
Magellan Aerospace Corp MAL.TO: TD Cowen raises target price to C$17 from C$16
National Bank of Canada NA.TO: TD Cowen raises target price to C$123 from C$121
Pason Systems Inc PSI.TO: BMO cuts target price to C$21 from C$22
Pason Systems Inc PSI.TO: TD Cowen cuts target price to C$20 from C$22
PHX Energy Services Corp PHX.TO: ATB Capital Markets raises target price to C$12.25 from C$11.75
Pizza Pizza Royalty Corp PZA.TO: TD Cowen cuts target price to C$13 from C$14
Propel Holdings Inc PRL.TO: Scotiabank raises target price to C$28 from C$26.50
Royal Bank of Canada RY.TO: TD Cowen raises target price to C$171 from C$160
Savaria Corp SIS.TO: National Bank of Canada raises target price to C$22 from C$21
Savaria Corp SIS.TO: TD Cowen raises target price to C$24 from C$23
Shopify Inc SHOP.N: Citigroup raises target price to US$90 from US$97
Shopify Inc SHOP.N: Evercore ISI raises target price to US$80 from US$75
Shopify Inc SHOP.N: Truist Securities raises target price to US$65 from US$55
Shopify Inc SHOP.N: UBS raises target price to US$75 from US$71
Shopify Inc SHOP.N: Wells Fargo raises target price to US$80 from US$75
Stella-Jones Inc SJ.TO: CIBC raises target price to C$97 from C$94
Step Energy Services Ltd STEP.TO: RBC cuts target price to C$5 from C$5.50
Stingray Group Inc RAYa.TO: BMO raises target price to C$10.50 from C$9.50
Suncor Energy Inc SU.TO: National Bank of Canada raises target price to C$77 from C$75
Suncor Energy Inc SU.TO: RBC raises target price to C$67 from C$65
Yellow Pages Ltd Y.TO: National Bank of Canada cuts target price to C$10 from C$11

# Top News
## Canadian Stocks

### S&P/TSX Composite Earnings Calendar

| Company | Symbol | Time | Consensus EPS Estimate |
|---|---|---|---|
| Altus Group Ltd | AIF.TO | AMC | 0.57 |
| ATS Corp | ATS.TO | BMO | 0.52 |
| B2Gold Corp | BTO.TO | AMC | 0.14 |
| Birchcliff Energy Ltd | BIR.TO | NTS | 0.22 |
| Boyd Group Services Inc | BYD.TO | BMO | 0.66 |
| Brookfield Corp | BN.N | 07:00 | 0.78 |
| Canadian Tire Corporation Ltd | CTCa.TO | BMO | 2.42 |
| CCL Industries Inc | CCLb.TO | 17:30 | 1.03 |
| CES Energy Solutions Corp | CEU.TO | AMC | 0.15 |
| Chartwell Retirement Residences | CSH_u.TO | AMC | 0.18 |
| CI Financial Corp | CIX.TO | BMO | 0.86 |
| Denison Mines Corp | DML.TO | AMC | -0.02 |
| Exchange Income Corp | EIF.TO | AMC | 0.85 |
| goeasy Ltd | GSY.TO | AMC | 4.03 |
| IAMGOLD Corp | IMG.TO | AMC | 0.25 |
| Interfor Corp | IFP.TO | AMC | -0.68 |
| Jamieson Wellness Inc | JWEL.TO | AMC | 0.32 |
| Kelt Exploration Ltd | KEL.TO | BMO | 0.28 |
| Keyera Corp | KEY.TO | BMO | 0.79 |
| Linamar Corp | LNR.TO | AMC | 2.97 |
| Lundin Gold Inc | LUG.TO | AMC | 0.63 |
| Maple Leaf Foods Inc | MFI.TO | 06:30 | 0.19 |
| Mattr Corp | MATR.TO | AMC | 0.31 |
| MDA Space Ltd | MDA.TO | BMO | 0.10 |
| Nuvista Energy Ltd | NVA.TO | BMO | 0.71 |
| Onex Corp | ONEX.TO | BMO | |
| Pembina Pipeline Corp | PPL.TO | AMC | 1.26 |
| Power Corporation of Canada | POW.TO | AMC | 1.13 |
| Premium Brands Holdings Corp | PBH.TO | BMO | 1.30 |
| Primo Water Corp | PRMW.TO | BMO | 0.25 |
| Quebecor Inc | QBRb.TO | BMO | 0.83 |
| Restaurant Brands International Inc | QSR.N | BMO | 0.86 |
| RioCan REIT | REI_u.TO | AMC | 0.43 |
| Saputo Inc | SAP.TO | AMC | 0.37 |
| Sienna Senior Living Inc | SIA.TO | AMC | 0.31 |
| Sleep Country Canada Holdings Inc | ZZZ.TO | AMC | 0.36 |
| SmartCentres REIT | SRU_u.TO | AMC | 0.53 |

Source: LSEG

# Top News
## U.S. Stocks

NATIONAL BANK OF CANADA FINANCIAL MARKETS

## Morning news

***Bumble Inc:*** The company slashed its annual revenue growth forecast on Wednesday, stoking worries about the dating app operator's growth plans among investors, sending its shares down after the bell. Bumble trimmed its annual revenue growth forecast to between 1% and 2%, from prior expectations of an 8% to 11% range. Bumble, which operates its eponymous app, expects third-quarter revenue between $269 million and $275 million, compared with analysts' average estimate of $296.1 million. Revenue for the second quarter was $268.6 million, missing analysts' average estimate of $273 million.

***CF Industries Holdings Inc:*** The fertilizer maker beat second-quarter profit estimates on Wednesday as a rise in ammonia production and higher nitrogen prices offset lower sale volumes and pricing, sending the company's shares up 3% in aftermarket trading. Its ammonia production was 2.6 million tons in the reported quarter, compared to 2.4 million tons in the year-ago quarter. Net sales were $1.57 billion, above analysts' estimate of $1.53 billion. The company reported net earnings of $2.30 per share, higher than the estimate of $1.84 per share.

***Eli Lilly and Co:*** The drugmaker raised its annual profit forecast and sales of its popular weight-loss drug Zepbound crossed $1 billion for the first time in a quarter. The company now expects adjusted profit of $16.10 to $16.60 per share for 2024, compared with its prior forecast of $13.50 to $14. Quarterly sales of Mounjaro came in at $3.09 billion, while Zepbound sales were $1.24 billion. Analysts had on average predicted sales of $2.49 billion for Mounjaro and $930.8 million for Zepbound for the quarter. They expect the drugs to make a combined $15 billion this year.

***Equinix Inc:*** The company raised its annual adjusted core earnings forecast on Wednesday, betting on strong demand for its data center operation services amid growing adoption of generative artificial intelligence technology. Equinix expects adjusted core earnings to be between $4.07 billion and $4.13 billion for fiscal year 2024, compared with its previous forecast of $4.04 billion to $4.12 billion. Analysts on average expect $4.10 billion. It also forecast third-quarter revenue in the range of $2.19 billion to $2.21 billion, while analysts estimate $2.21 billion. The company's revenue stood at $2.16 billion during the second quarter, in line with analysts' estimate. Adjusted core earnings were $1.04 billion for the three months ended June 30, up 4% over the previous quarter.

***McKesson Corp:*** The drug distributor reported weaker-than-expected first-quarter revenue on Wednesday due to soft demand for branded and specialty drugs that dragged sales down in its U.S. pharmaceuticals segment. The company raised its fiscal 2025 adjusted per-share profit to between $31.75 and $32.55 compared to its previous forecast of $31.25 to $32.05 per share. Analysts on average estimated $31.74 per share. On an adjusted basis, McKesson posted per-share profit of $7.88 for the quarter ended June 30, versus analysts' estimate of $7.21 per share. The company's total revenue rose about 6% to $79.28 billion, short of analysts' estimate of $82.53 billion.

***Monster Beverage Corp:*** The retailer missed market expectations for second-quarter sales on Wednesday as budget-conscious consumers kept a tight lid on spending, hurting demand for its pricey energy drinks amid an uncertain economic environment. For the second quarter, the company posted net sales of $1.90 billion, compared with analysts' average estimate of $2.01 billion. Monster Beverage reported a profit of 41 cents per share for the quarter ended June 30, compared with analysts' estimate of 45 cents per share.

***Robinhood Markets Inc:*** The company beat Wall Street expectations for second-quarter earnings on Wednesday, as interest in meme stocks and cryptocurrencies soared, and said it continued to gain retail trading market share from rivals. Robinhood's quarterly net interest revenue, the bulk of which comes from margin investing, jumped 22% to $285 million. The transaction-based revenue surged 69% to $327 million in the quarter. It reported record revenue of $682 million in the second quarter ended June 30, beating estimates of $643.34 million. Profit of 21 cents per share also topped expectations of 15 cents.

***Warner Bros Discovery Inc:*** The film and entertainment studio said on Wednesday it wrote down the value of its TV assets due to the uncertainty of fees from cable and satellite distributors and sports rights renewals, sending its shares down in extended trading. Global direct-to-consumer customers at the end of the quarter was 103.3 million, up from 99.6 million subscribers in the January-March period, and beating analysts' estimates of 101.6 million. Excluding one time items such as the goodwill charge, the company's loss was 36 cents per share, wider than estimates of 22 cents per share. The media giant reported revenue of $9.71 billion in the second quarter on Wednesday, compared to analysts' estimate of $10.07 billion.

NATIONAL BANK OF CANADA FINANCIAL MARKETS

## Evercore ISI Research

### FOCUS RESEARCH

### *Costco Wholesale Corporation (COST, Outperform, TP: US$915.00)*

***July Sales: Traffic + Share, Fee Increase Upcoming***

- **Costco's July 7.2% Global Comp was 30bps stronger than last month, while its 6.3% U.S. Core Comp remains stubbornly resilient.** Value leadership is helping Costco outpace U.S. retail sales growth by a 2:1 ratio, with powerful loyalty at the forefront (93% renewal rate fig 3) enabling the company to announce a fee hike set to take hold on 9/1. Discretionary category strength (up double digits for non Food) is a powerful differentiator reflecting merchandising prowess as well as a resilient upper income consumer. We see Costco's extreme value positioning as a share gainer that is likely to persist even though the wealth effect appears to be absent for now - see our latest RSLI for more. Traffic remains a highlight rising 6.3%/5.3% global/domestic, and both enjoying a solid tick higher on a two year stack vs. trend. eCommerce is a noteworthy positive up 21% YoY. We are raising our Eps by 5 cents for F4Q, and our Base Case at $915 implies a healthy 2.3x premium vs. the S&P. While COST is not cheap, its premium is within the upper end of historic 2-2.5x norm.

### *Duolingo, Inc. (DUOL, Outperform, TP: US$270.00)*

***Aggressively Maintaining Our Streak***

- **Our View: We reiterate our Outperform rating and $270 PT on DUOL in the wake of Modest Beat & Bracket Q2 ESP results. With this note and post the 5% after-market pop, we are removing DUOL from our Tactical Outperform list, but reiterate DUOL as our #1 SMID Long.** Duolingo continues to deliver highly consistent and intrinsically robust topline growth rates (41% Y/Y Bookings growth and 42% Revenue growth ex-FX), user growth accelerations (MAUs and Paid Subs net adds hitting record highs for a Q2, with DAUs expected to sustain 50% growth thru H2), and margin expansion (over 1,000bps of Y/Y EBITDA Margin expansion to record high 27%). We continue to believe that the narrative around DUOL being Gen AI roadkill is overblown. We actually believe DUOL is effectively deploying AI to accelerate its product roadmap and to create value-added product innovations like real-time conversations in Duolingo Max. And per our recent deep-dive report Hot Owl Summer, we see a) a materially under-appreciated language learning TAM where DUOL is less than 10% penetrated; b) convincing evidence that Duolingo is the clear market leader in the Online language learning market, and is still widening its lead; and c) significant ARPU and Tiering opportunities ahead for DUOL, in a manner that should be familiar to long-term NFLX and SPOT Bulls. Yes, comps do get tougher in H2, and valuation remains relatively premium compared to the rest of our 'Net coverage, but we think fundamentals set up DUOL to quickly grow into these multiples – for context, DUOL trades at 18X EV/EBITDA and P/FCF per share on our '26 estimates, not bad for an asset growing at 50% EBITDA & FCF CAGR for the next two years.

### *Fortrea Holdings Inc. (FTRE, In Line, TP: US$27.00)*

***Weaker Macro Environment Weighs on Outlook; Downgrade to In Line***

- We are moving to the sidelines on FTRE this morning as weaker biotech funding data and pharma R&D spend along with weakening forward indicators for peers who have already reported point to a decelerating demand environment.
- In July, biotech funding was down ~60% yoy on a combined basis. IPO funding was down 64% yoy, while follow on funding decreased 57% yoy. Pharma R&D spend estimates point to ~0.7% yoy decline in 2024, down ~65 bps for 2024 vs. last month's estimates. We will continue to monitor these trends, but these data points point to relatively flat large pharma demand for '24. For private funding, VC funding in the month of July was ~$1,598 MM, down ~3% yoy. Clinical trial starts were up ~16.8% yoy in July.
- On the back of these updates, we have lowered our revenue to reflect this change in macro view. We are also broadly lowering our EBITDA estimates given the increased difficulty of driving operating leverage with slower revenue growth (see below), although given the low starting point of FTRE's EBITDA margins, we continue to expect improvement throughout 2H'24. Given this updated outlook, we are reducing our price target to $27 (10x '26 EBITDA, a two turn discount to IQV in what should be a more normalized growth/margin year).

### *Sarepta Therapeutics, Inc (SRPT, Outperform, TP: US$179.00)*

***Expectations Reset; Good Entry Point for the Elevidys Launch - Upgrading to Outperform***

- Let's start with the quarter itself:
  - 2Q Elevidys revenue light as some slipped into Q3; this doesn't really matter

  - Main focus is the guide: $2.9B - $3.1B in '25 WW revenue. Assuming ~$900M '25 PMO sales (minimal cannibalization noted on the call), that implies $2B - $2.2B '25 Elevidys sales. We saw ~$2.2B '25 consensus sales before the print but believe buyside expectations were closer to ~$2.5B. This delta likely explains the stock weakness (down 10% to $126/sh after hours)
- We are taking advantage of this stock weakness (and the weakness since their expanded label decision in June) to upgrade SRPT to Outperform with a $179/sh PT. Here's why:
  - High-touch product launches always take some time to get off the ground, but that doesn't mean they're fundamentally going poorly (we just went through this with KRYS)
  - With expectations reset and a clear understanding that the Elevidys ramp isn't coming through until into 2025 (and beyond), we believe the SRPT stock setup is now good to own for the launch with room for upside execution
  - We acknowledge we may be a month or two early here, since there likely isn't much upside with Q3 earnings – and instead anticipate the JPM PreA is what gets the stock moving. However, we think there's very good downside protection from these levels and don't want to be too late
  - We're at $2.3B in '25 ($12 non-GAAP EPS) and $3.5B in '26 for Elevidys ($20 EPS)
- There are some bear arguments to contend with, but these are more 2026 events – thus we believe SRPT should cleanly trade on a successful Elevidys launch over the next 6 – 12 months.
- Bear cases:
  - ENVISION non-ambulatory trial could fail (data not until 2027/28)
  - ESSENCE PMO Vyondys/Amondys could fail + be pulled off the market (data not until early 2026)
  - Elevidys could cannibalize the PMOs/PPMOs (shouldn't see too much over next 12M)
- The more near-term debates are (1) what if the FDA meeting for SRP-5051 doesn't go well & may not be approvable? (2) what if the dysferlin (LGMD2B) dual vector program shows poor expression before SRPT moves to MyoAAV? (3) could other DMD GTx show competitive 2H data?
- We believe those (potential) dips get bought as the Elevidys launch ramp dominates the narrative later this year.

## *Zillow Group Inc. (ZG, Outperform, TP: US$55.00)*

***Shelter From The Storm***

- **Our View: We reiterate our Outperform rating on ZG and raise our PT from $50 to $55 in the wake of Beat & Mixed Q2 EPS Results. With ZG shares up 12% in the aftermarket, we are closing our ZG TAP Underperform call** – Our TAP call was wrong, as we underestimated ZG's ability to outperform the real-estate industry despite the persistent 1st time homebuyer headwind (where ZG over indexes) & the potential NT impacts related to the NAR Lawsuit on ZG's business (which may have lead ZG to take a more cautious approach to guidance). All that said, we reiterate ZG as one of our Top SMID Cap Longs on the belief that the upcoming interest rates cuts will help unlock pent-up demand, while ZG continues to show promising potential with its new product cycles and cost discipline.
- **Here are the numbers:** Revenue of $572MM (up 13% Y/Y) came in a material 6% above ISI/Street driven largely by upside in Residential Revenue, while Q2 EBITDA of $134MM (23% margin) came in materially above ISI/Street (implying 150bps of Y/Y margin expansion) due to better-than-expected leverage in ZG's costs in the wake of their revenue upside. Guidance: ZG's Q3 outlook came in Mixed – Q3 Revenue guide of $545-560MM (+10-13% Y/Y growth) bracketed the Street and implies Q3 Residential Revenue of $375-$385MM (+4-6% Y/Y growth), Q3 Rentals Revenue of Mid-20s% Y/Y growth, and Q3 Mortgages Revenue of ~42% Y/Y Growth. While the Q3 EBITDA guide of $95-$110MM (17%-20% margin) came in modestly below the Street – mgmt. attributed the guide to a sequential step up in Q3 marketing spend related to a Rentals brand campaign. That said, Mgmt. expects EBITDA costs to decline Q/Q in Q4 as marketing spend decreases in-line with typical seasonal media spend. For FY24, management reiterated its FY24 outlook for double-digit % Revenue growth and modest EBITDA margin expansion. – mgmt. also called out they believe ZG is an outsized beneficiary of the changes coming to the industry related to the NAR lawsuits post August 17th and see opportunities to take share.

## RATING & TARGET PRICE CHANGES

## *Bumble, Inc (BMBL, In Line, TP: US$8.00)*

***Swipe Left For Now; Downgrade to In-Line***

- **Our View:** We are downgrading BMBL to In-Line with $8 PT in the wake of a Modest Miss & Materially Lower Q2 EPS result. Q2 results came in modestly below expectations, in large part driven by an ARPPU miss. That said, mgmt. meaningfully lowered H2 guide (with FY24 Revenue growth guiding to 1-2% Y/Y from 8-11% prior), driven by a strategy "reset" that aims to focus on improving the demographic balance and intent of users in its ecosystem, as well as the overall experience for both free and paid customers, tho potentially at the expense of near-term monetization disruption. The lowered FY guide implies Total Revenue growth to turn negative for both Q3 and Q4, with Bumble payers net adds also flipping to negative by Q4. Mgmt. also expects this reset to "take multiple quarters" before seeing these initiatives translate into clear top of funnel recovery. Not surprisingly, this drove the stock - 30% in the aftermarket.

- We are downgrading BMBL to In-Line following this print. This strategic reset with limited visibility into a path for topline recovery, as well as what we believe to be intensifying competitive dynamic into H2 (given MTCH's commentary around a series of product rollout into H2, and our intra-Q check & survey suggesting Bumble increasingly facing competitive pressure from Hinge) have further tempered the prospect of BMBL delivering improving fundamentals in the near term, esp. against a sustained weak macro backdrop. While we believe mgmt. is prudent in clearly resetting market expectations ahead of this strategy reset, and we gathered a big part of this guide down is driven by mgmt. re-prioritizing some product initiatives that drive LT health of the user ecosystem over NT topline-driving initiatives (as opposed to a complete change in brand strategy), a lot hinges on execution from the new mgmt. team, and we see few catalysts to the upside for the stock in the near term.

## *CVS Health Corp. (CVS, Outperform, TP: US$62.00)*

***Notes from the Top- Just Like US in 3x3 Basketball, the Recovery Is Going to Take Hard Work***

- CVS'2Q showed what an arduous journey the HCB multiyear recovery is going to be, with Medicaid acuity dislocation and unfavorable individual exchange risk adjustment piling on top of elevated utilization pressures in MA. For the year, we see mgmt. lowering HCB guide by $1.05-$1.35 Bn (on top of the $1.8 Bn guide down in 1Q) as likely conservative as it now assumes the continuation of 1H elevated utilization trends and a bit extra. Despite the HCB disappointment, we are excited as to see the resiliency of strength in HSS and PCW as we see those AOI flowthroughs as broad positives. Mgmt. raised HSS FY'24 AOI guide by $200 -$250 MM on the back of reversal of Cordavis delay (though contingency of $110 MM for OSH still baked in guide) and specialty strength, while raised HCW FY'24 AOI guide by $100 MM mostly due to a CMS delay in DIR payment (limited generic shortages impact and recent July NADAC decline fully in guide).
- Looking to FY'25, we do expect multiple tailwinds to drive DD EPS growth, including star benefit, Florida HMO contract flipping back to 4 stars (though not all flows to bottom line), repricing and benefit redesign in FY'25 bids (especially for supplementals and PDP), Medicaid new cycle repricing, new commercial Rx reimbursement, the roll off of the CNC contract loss, Cordavis growth, and the incremental $500 MM cost savings. Our new '24 EPS estimate moves to $6.41 (from $7.00) with '25 EPS now at $7.19 (vs. $7.83). Given this outlook, we are updating our PT to $62 (7x '25 EBITDA).
- **Key Takes:**
  - $200-$250 MM HSS guide raise was mostly the reversal of Cordavis contingency (~$150 MM) in 1Q; HCD outlook unchanged; OSH performance was good but there still is contingency incorporated in 2H guide
  - $100 MM PCW guide raise is mostly in reference to a CMS delay in DIR payment
  - MA margin this year should be in the range of (3%)-(4%) (vs. prior expectation of minus 3%)
  - Medicaid margins will be close to zero or maybe even a bit negative • Expect 5-10% MA membership loss in FY'25 but not necessarily a bad thing if they end up with flattish membership growth given redesigned products and better margin profile
  - $500 MM+ incremental cost savings in FY'25; de minimis in FY'24 if anything

## *The Walt Disney Company (DIS, Outperform, TP: US$105.00)*

***3Q-FY24 Recap: Cruel Summer; Trimming FY25 Estimates***

- A diversified asset portfolio like Disney's helps balance different businesses that are seeing varying levels of secular and cyclical pressures while investing behind future growth opportunities. On the other hand, it can be difficult for each business to fire on all cylinders at the same time. After an impressive multiyear run, the Theme Parks are seeing pressure from moderation of consumer demand, and management expects this headwind could persist for the next few quarters. At DTC, Disney's combined streaming businesses posted positive profitability for the first time, and we continue to see an attractive runway ahead to drive revenue growth (including benefits from price increases) and margin expansion. However, we take a more conservative approach to FY25 OI given our expectation for incremental investments in technology and platform improvements. One partial offset to these pressures is the Studio – after somewhat of a lull over the past few years, Disney's creative seems to be in the early innings of another hot streak with an attractive slate ahead.
- Overall, we find valuation compelling after the recent sell-off, though acknowledge that shares could trade sideways until there's greater comfort in a recovery at the Parks or appreciation for the OI growth curve at DTC. Our FY24/25 adj. EPS estimates move from $4.75/$5.55 to $4.89/$5.12. We lower our price target from $128 to $105 (21x FY25 adj. EPS).

# Top News
## U.S. Stocks

### OTHER COMMENTS

**AmBev (ABEV): Roundtable:** Brazil Beer category very healthy with strong cultural relevance
**Aris Water Solutions, Inc (ARIS):** Capex First Half Weighted; FCF Coming in Second Half
**Ashland Inc. (ASH):** Transformation Overshadows
**Brighthouse Financial, Inc. (BHF):** Lowering PT After Another Rough Capital Quarter
**Charles River (CRL):** Notes from the Top: False Start to the Preclinical Upswing, Like in Yesterday's 400M Hurdles
**Coca-Cola HBC AG (CCH-GB):** Solid 2Q and raise emblematic of broad portfolio momentum and execution
**Copa Holdings, S.A. (CPA):** 2Q Slightly Ahead, Moderating Estimates on Softer 2H Revenue
**Dell Technologies Inc (DELL):** Thinking Through ISG Margins - Where Do We Go From Here? Up or Down?
**Editas Medicine, Inc (EDIT):** Important updates @ YE
**Eos Energy Enterprises, Inc (EOSE):** The Stage is Set As Commissioning Commences
**Envista Holdings Corp (NVST):** Notes From The Top - Sports Climbers and EBITDA Both Benefit from Super Glue
**Envista Holdings Corp (NVST):** \$63 MM in 2Q EBITDA \$82 MM ex-1x items; Guidance Re-Initiated
**Equinix, Inc (EQIX):** Q2 First Look - Solid Jun-qtr Results; Look Beyond Muted Cabs Billed Trends
**Equity Residential (EQR):** EQR Acquires \$1Bn Portfolio from BX - A Look At The Key Metrics Of The Deal
**Essential Utilities Inc. (WTRG):** PA Rate Cases In Focus
**Fluence Energy, Inc. (FLNC):** A First Look At F3Q24 Earnings
**Gulfport Energy Corporation (GPOR):** Uniquely Positioned
**Health Catalyst, Inc (HCAT):** Notes from the Top: With Solid Fundamentals, All They Need Is a Hype Man Like Snoop Dogg
**Hilton Worldwide Holdings Inc. (HLT):** Partnerships Aid NUG, Slight Moderation to FY Guide; 2Q Review
**HubSpot, Inc (HUBS):** A Pragmatic Beat & Bracket As Strong Execution Offsets Macro; PT to \$550
**HubSpot, Inc (HUBS):** First Look: Solid Beat & Bracket In A Tough Macro
**Jackson Financial Inc (JXN):** Good Quarter – GAAP Beat, In Line FCF, Stable Hedging
**LiveRamp Holdings, Inc (RAMP):** Solid F1Q Results & Prudent FY Guide As Macro Remains An Overhang; PT to \$40
**Lyft, Inc (LYFT):** Not Ready To Hitch A Ride
**Madrigal Pharmaceuticals, Inc. (MDGL):** Rezdiffra strong outta the gates but expect some bumpiness for 2024 & higher …
**Magnite, Inc. (MGNI):** Programmatically Executing
**Manulife Financial Corporation (MFC):** Strong Top and Bottom Line in Asia and Canada Offset by US, GWAM Flows and ALDA
**McKesson (MCK):** MCK Paddles through the Rougher Water of Olympic Canoe Slalom
**McKesson (MCK):** 1Q OM/EPS Beat; FY'25 Guide Raised
**Mirum Pharmaceuticals, Inc (MIRM):** 2Q - Adding EXPAND to our Model; Continued Base Biz Execution
**Monster Beverage Corporation (MNST):** Weak 2Q as consumer pressure drives slowing category demand; July tough
**NiSource Inc (NI):** Through the Uprights
**Occidental Petroleum Corp (OXY):** Leveraging into the Cycling
**OGE Energy Corp (OGE):** Beat and Raise
**Palomar Holdings, Inc (PLMR):** Updating EPS Est's Following 2Q24 Call
**Privia Health Group, Inc. (PRVA):** 2Q24 Topline and EBITDA Beat; FY24 Guide Raised to Mid/High End of Range
**Ralph Lauren Corp. (RL):** A Very RL Quarter, with Bear Case Concerns Overblown
**Reynolds Consumer Products Inc. (REYN):** Defensive business, outlook and stock
**Shopify Inc (SHOP):** Don't Forget To Put This One In Your Shopping Cart!
**Tidewater Inc. (TDW):** Long-Term Outlook Remains Robust
**Warner Bros. Discovery, Inc. (WBD):** 2Q24 Recap: A Song of Ice and Fire
**Warner Music Group Corp (WMG):** 3Q-FY24 Recap: Taking My Time to Perfect the Beat, but I Still Got Love From the Street
**Waystar Holding Corp (WAY):** Perfect Execution Without a Splash, Just Like 10-meter Diver Quan Hongchan
**Waystar Holding Corp (WAY):** 2Q24 Revs/EBITDA Beat Street; FY24 Guide Initiated Above
**Zimmer Biomet Holdings, Inc. (ZBH):** Inlinish print & Guide reit vs 2H OMx / US Recon assumptions is the debate
**ZipRecruiter, Inc. (ZIP):** The Big Stay Remains
**Brokers, Banks & Asset Managers:** F.R.E.A.M.: An Early Look at July '24 & 3Q24 Asset Mgmt Flows
**Health Care:** Novo: is there a price issue on GLP-1s?
**Lodging:** EVRISI RevPAR Tracker: US +1% y/y for the week ended August 3rd
**Software:** Quick Takes From Black Hat Cybersecurity Conf: No Surprise, CRWD Was The Talk Of The Town
**Surface Transportation:** Keeping Up with Capacity: Exits Buil
**Air Cargo Cos. Survey:** Air Cargo Cos. Survey Moves Down Following Three Better Weeks
**Apartment Cos. Survey:** Apartment Cos. Survey Of Rents Steady

# Top News
## U.S. Stocks

**Apartment Cos. Survey:** Apartment Cos. Survey Of Rents Ticks Up As Traffic Improves
**Hedge Fund Managers Survey:** Evercore ISI Hedge Fund Survey With July Sector Allocation Survey Results
**Institutional Bond & Equity Managers Surveys:** Evercore ISI Bond & Equity Mgrs. Surveys With July Sector Allocation Survey…
**Limousine Cos. Survey:** Limousine Cos. Survey Ticks Down

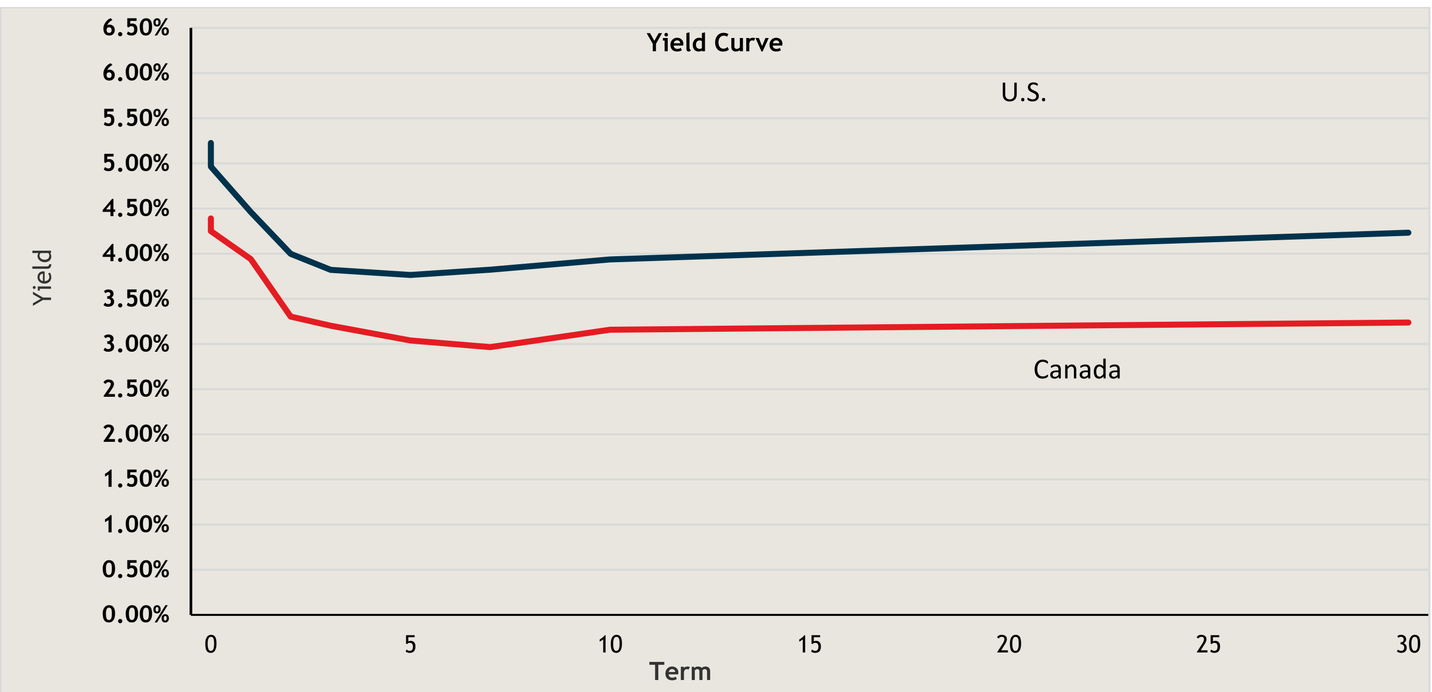
## S&P500 Earnings Calendar

| Company | Symbol | Time | Consensus EPS Estimate |
|---|---|---|---|
| Akamai Technologies Inc | AKAM.OQ | AMC | 1.53 |
| Eli Lilly and Co | LLY.N | BMO | 2.60 |
| Epam Systems Inc | EPAM.N | BMO | 2.26 |
| Expedia Group Inc | EXPE.OQ | AMC | 3.06 |
| Gilead Sciences Inc | GILD.OQ | AMC | 1.60 |
| Insulet Corp | PODD.OQ | AMC | 0.56 |
| Martin Marietta Materials Inc | MLM.N | BMO | 5.36 |
| News Corp | NWSA.OQ | AMC | 0.16 |
| NRG Energy Inc | NRG.N | BMO | 1.55 |
| Paramount Global | PARA.OQ | AMC | 0.12 |
| Parker-Hannifin Corp | PH.N | BMO | 6.22 |
| Solventum Corp | SOLV.N | AMC | 1.51 |
| Take-Two Interactive Software Inc | TTWO.OQ | AMC | -0.02 |
| Viatris Inc | VTRS.OQ | BMO | 0.68 |
| Vistra Corp | VST.N | BMO | 1.38 |

Source: LSEG

# Top News
## Fixed Income

| Canadian Key Rate | Last | Change bps | | Last | Change bps |
|---|---|---|---|---|---|
| CDA o/n | 4.50% | 0.00 | CDA 5 year | 3.04% | 4.0 |
| CDA Prime | 6.70% | 0.00 | CDA 10 year | 3.16% | 4.1 |
| CDA 3 month T-Bill | 4.31% | 0.0 | CDA 20 year | 3.27% | 4.2 |
| CDA 6 month T-Bill | 4.25% | 1.0 | CDA 30 year | 3.24% | 4.2 |
| CDA 1 Year | 3.94% | 4.0 | 5YR Sovereign CDS | | |
| CDA 2 year | 3.30% | 3.1 | 10YR Sovereign CDS | | |
| **US Key Rate** | **Last** | **Change bps** | | **Last** | **Change bps** |
| US FED Funds | 5.25-5.50% | 0.00 | US 5 year | 3.76% | 3.5 |
| US Prime | 8.50% | 0.00 | US 10 year | 3.94% | 4.7 |
| US 3 month T-Bill | 5.09% | 0.2 | US 30 year | 4.23% | 5.5 |
| US 6 month T-Bill | 4.96% | 1.1 | 5YR Sovereign CDS | 36.01 | |
| US 1 Year | 4.46% | 1.3 | 10YR Sovereign CDS | 42.5 | |
| US 2 year | 4.00% | 1.2 | | | |
| **Preferred Shares Indicators** | | | **Last** | **Daily %** | **YTD** |
| S&P Preferred Share Index | | | 604.21 | -0.63% | 10.99% |
| BMO Laddered Preferred Shares (ETF) | | | 10.19 | -0.78% | 12.72% |




Source: LSEG

## Snapshot - Bank of Canada Summary of Deliberations (July 2024 decision)

This afternoon, the Bank of Canada published the Summary of Deliberations for its interest rate decision on July 24th, when it cut the target for the overnight rate for a second straight meeting. While also flagging inflation risks, Governor Macklem added in the press conference it is "reasonable to expect further cuts" if inflation continues to ease as expected. At this point, markets see a September cut as a forgone conclusion (thanks in part to a US-led repricing of Fed expectations) which may be a bit too aggressive. Here are the key takeaways from today's release:

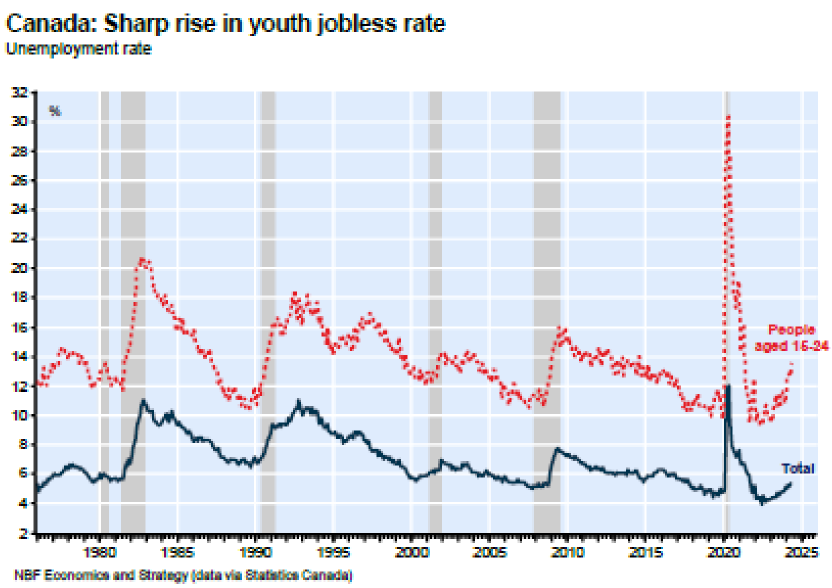
- **Expect further cuts (if inflation eases)…**: "there was clear consensus that it would be appropriate to lower the policy rate further if inflation continued to ease in line with the projection"
- **…but there's no set path for rates:** "There could be setbacks in progress toward the [inflation] target… Given these uncertainties, they agreed there was no predetermined path for the policy rate. They would take decisions one meeting at a time."
- **Going forward, downside risks just as important as upside risks**: "Members agreed they now needed to be as focused on the downside risks as the upside risks.
- **Price stability is near:** "While inflationary pressures in shelter and other services could hold CPI inflation above the target for longer, they felt increasingly confident that the ingredients for price stability were in place".
- **Q: Are they worried about inflation *under*shooting?...**:
  - "They also expressed that a pickup in economic growth was needed to sustainably achieve the inflation target over the projection horizon"
  - "They agreed that they needed to put more emphasis on the symmetric nature of the inflation target.".
  - "With more excess supply in the economy and slack emerging in the labour market, downside risks to the outlook for inflation had also increased."
- **A: …Labour market weakness means they are:** "With the emergence of slack in the labour market, some members expressed concern that further weakness could delay the rebound in consumption, putting downward pressure on growth and inflation."
- **Keep an eye on the core for future decisions:** "They agreed that the indicators of underlying inflation (link) they had been following since June 2023 had been a useful dashboard for their decisions".
- **Wages remain a concern (to some):** "Some members shared concerns that wage growth at current levels—well above the pace of productivity growth—could lead to persistent price pressures for many services." Although, "with slack in the labour market, they expected wage growth to moderate."
- **House price inflation less of a worry (famous last words?)**: "Concerns had decreased that pent-up demand would lead to a sudden rise in house prices with cuts in the policy interest rate. Housing affordability challenges could have played a greater-than-expected role in dampening demand."

**Bottom Line:**
This Summary of Deliberations reads quite dovishly, relative to what we'd expected. It's not surprising to hear Governing Council place more emphasis on a weaker labour market but there seems to be a lot more confidence in achieving inflation victory and a more laissez-faire attitude when it comes to inflation risks (e.g., wages, housing prices). Moreover, we were surprised to see a number of references to downside inflation risks and worries about inflation *under*shooting over the projection horizon. Given the shakier global economic/financial market backdrop, in addition to the weakness already evident in the Canadian economy, another cut in September feels increasingly likely and this release reinforces that point. However, markets are currently priced for perfection, fully discounting another ease next month. We worry that's somewhat aggressive and doesn't offer investors/traders a very attractive risk-reward profile. While a 50 basis point cut is theoretically possible, we see it as a very low probability outcome at this juncture. To us then, it's really just the July CPI report that has the potential to derail another cut as there's already sufficient weakness in the labour market to support such a move. If core CPI comes out hot again, the BoC could have a difficult decision to make… or at least a tricky exercise in communications.

The Bank's next decision will take place on September 4th.

## Special Report - The deterioration of the youth job market in Canada is a bad omen

- Young people aged 15 to 24 tend to suffer more than other cohorts when the job market is weak, and the current episode is no different. However, the extent of the deterioration in the current episode is disproportionate to that in the past.
- The deterioration in the youth job market is widespread across the country. But among the 4 major provinces, young people in Ontario are experiencing by far the greatest difficulties, a phenomenon exacerbated by the province's particularly high population growth.
- Unfortunately, we are not confident that hiring prospects will improve any time soon. The vast majority of sectors are overstaffed. What's more, according to our analysis, the vacancy rate in sectors that tend to hire more young people is now at its lowest level since 2017.
- Although 15-24-year-olds have less purchasing power due to lower wages and fewer hours worked, we feel it would be risky to ignore them in our analysis. There is a risk that the deterioration already observed is the "canary in the coal mine", and that after a period of hiring freezes, a wave of layoffs will follow, accelerating wage disinflation.
- What's more, the unemployment rate among young men ranks first among the 32 labour market indicators identified by the BoC as being significant in explaining movements in underlying inflation.
- Against this backdrop, the risks of inflationary pressures ceasing to abate appear to us to be overstated, and confirm our view that interest rates will be lowered significantly over the coming months.




[Click here for full comments](#)

## Evercore ISI - Equity & Derivatives Strategy: Politics, Money and Earnings. After All, Earnings.: Earnings EDGE Daily - August 8, 2024

**Key Point:** 50 years ago today, 8/8/1974, Richard Nixon announced his resignation as U.S. President in the midst of one of the most brutal Bear Markets of all time. So while the financial seismologists in 2024 parse through the questionable timing by the Bank of Japan in hiking (the price of money) and the last 24 hours' dialogue to "smooth the waters" (Fig 1) and the pundits begin the nonstop process of comparing the financial benefits of Harris/Walz vs. Trump/Vance, we are reminded that the challenge to markets today pales in comparison to the political, social and economic disarray half a century ago. And with the VIX cresting at 65, reinforcing our view that the selloff is a buyable correction in a Bull Market not the end of the Bull Market, we are reminded that Earnings drive stocks in the long term (Fig 2). As 2Q Earnings season wraps up, growth of 11+%, with estimates holding steady for 2024 and 2025 (p. 9) despite some signs of strain in the economy, bodes well heading into a historically contentious Election.

# Top News
## Economy & Strategy

**In the Spotlight:** ABNB (In Line, $125 PT, Mahaney) fell 13%, after issuing an outlook indicating weakening US travel demand. This print aligns with BKNG's (O/p, $4200 PT, Mahaney) report, which cited a slowdown in European travel. SMCI (Not Rated) plunged 16%, extending its nearly 60% decline since March. Weak gross margins amid rising competition for AI server installation services overshadowed a strong revenue forecast.

**On Deck:** 16 S&P 500 companies report today, among them LLY (In Line, Raffat). The intense deviation between Weight-Loss winners and everyone else within Healthcare, which had propelled GLP-1 providers higher over the last 18 months, has reversed since the 7/11 CPI report.

**Season Stats:** 441 S&P 500 companies have reported. Reported Sales growth has been +5.1% and Earnings +11.8% – surprising by +0.6% and +4.2% – putting overall Sales growth on pace for +5.2% and Earnings for +12.1%. Extrapolating EVR ISI expected +3.6% surprises to the balance of companies reporting suggests Earnings +12.6%. The average price rose +0.2%. Companies beating on both the top and bottom line are higher by +1.8% on average vs. +0.9% 5 year average, and "Double Misses" are lower -2.5% vs. -3.1% average.

**Figure 1: The BoJ Calms Nerves, Exactly When It Needs To**


Source: Bloomberg, Evercore ISI Research

**Figure 2: Earnings Drives Stocks and in 2024, the "Earnings Growth Drought" has Ended**

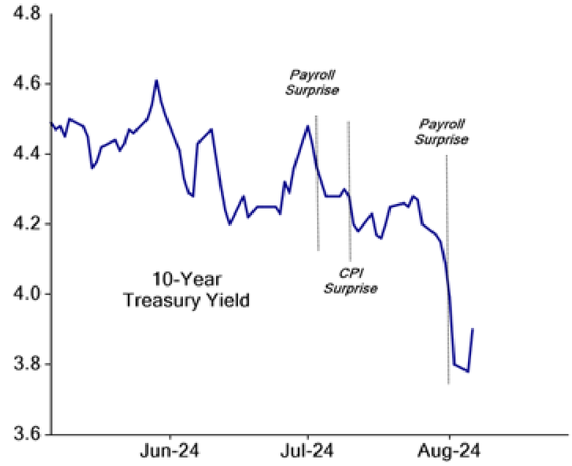

Source: Factset, Evercore ISI Research

## Evercore ISI – Fixed Income Strategy: Macro Surprises Upon 10-Year Yield

The last three market moving economic releases, June's and July's payroll reports and June's CPI report are examples of the influence of macro surprises upon Treasury yields. We use more sophisticated tools and all monthly readings to calculate the influence of surprise in a macro indicator than just recent observations. But the recent moves in the 10-year Treasury yield highlights macro surprises importance. **It now appears that surprises for the CPI are almost as influential than surprises in job growth.** The last time CPI surprises were consistently more influential than payroll surprises was in the 1980s.

On July 5, June's payroll employment growth was weaker than consensus expectations and whisper fears. Not surprisingly, the 10-year yield sank -10 bps from Wednesday's close (The market was closed on July 4). On July 11, the 10-year yield dropped -9bps on a minimal gain in the core CPI. On Aug 2, the 10-year Treasury yield plunged -19bps as July's payroll report was shockingly weak, even adjusted for several one-time issues. Using more sophisticated mathematical tools, the 10-year yield should have fallen -9bps from June's payroll release and -12bps from the July's release. July's CPI surprise should have been around -10bps. **Our research indicates that downside surprises to payroll and CPI are quite similar in magnitude as upside surprises.** There are some five other economic indicators that move Treasury yields significantly. **That said, next week's CPI release and September 6 employment report are the next key market moving releases.**

**Surprises for inflation are only minimally less than surprises in job growth. The last time CPI surprises were consistently more influential than payroll surprises was in the 1980s.**

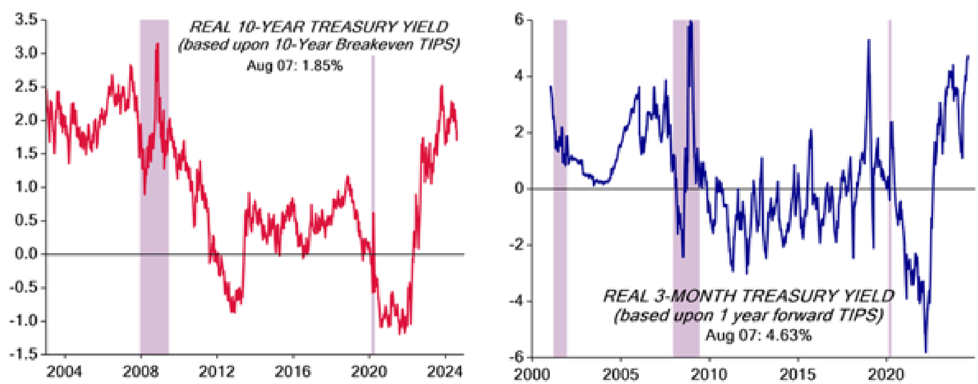



## Evercore ISI – Fixed Income Strategy: How High Are Real Treasury Yields?

Real interest rates are a focus in capital markets as there is an increasing debate on how restrictive interest rates are on the economy. Historically, real rates are almost always quite high prior to a recession. Almost all metrics of short-term and long-term real rates are much higher than their 2021 / 2022 lows. But are they high? Probably not for long-term rates, but short-term yields are high. Real rates from 2010 to 2020 were weighed down by the debt recession of 2007 to 2009. Comparison of current short-term and long-term real rates to that period is flawed. The period from 2002 to 2007 is more appropriate. Real long-term yields were between 1.5% to 2.5% and real short-term yields were around 1.7% on average during that period. Historically, inflation expectations, Fed policy outlook, and the budget gap explain around 67% of the variation in the 10-year Treasury yield. We expect the real 10-year rate will settle around 200bps, which implies a long-term nominal yield around 4.35%. There are many investment consequences of 'normal' real and nominal rates.

- The perception of the economy has been on a 'roller coaster'. It went from certainty of a near-term recession in Dec 2023 towards a "no" landing or soft landing for the economy in April 2024 to a recession or hard landing today. Nominal yields move significantly with shifting outlooks.
- Treasury debt issuance remains high. This is one reason recent Treasury auctions have been subpar. Federal interest cost is soaring. Corporate bond issuance, which had stalled, jumped recently.

***Real Long-term Treasury Yields Are Back To Pre-Great Recession Readings. This Is A Sign That Capital Markets Are Back To Some Sense of Normality. Real Short-Term Are Quite High.***



# Top News
## Conference Calls

### First Edition Call

**This Week on TEAMS:**

**MONDAY:** Research Services – **8:30 am English call** / **9h00 appel français**

**TUESDAY:** Kyle Dahms, NBC Economist – **8:30 am English call** / **9h00 appel français**

**WEDNESDAY:** Dennis Mark, NBCFM Technical Analyst - **8:30 am English call** / **9h00 appel français**

**THURSDAY:** Research Services – **8:30 am English call** / **9h00 appel français**

**FRIDAY:** TBA - **8:30 am English call** / **9h00 appel français**

**A replay is available in the Event Calendar of** Research Services SharePoint

### Research Services Publications (Links)

#### Research Services Reports

- Inexpensive Quality Canadian Stocks – Q2 2024 update
- Inexpensive Quality U.S. Stocks - Q2 2024 update
- F_SCORE - Update
- NBF Selection List - July / August 2024
- Better than Bonds U.S. - July 2024
- Better than Bonds Canada - July 2024

#### Preferred Shares

- Preferred Shares - July 2024
- Preferred Shares Printable Tables

#### Convertible Debentures

- Convertible Debentures - July 2024
- Convertible Debentures Printable Table

This report along with all the research from NBCFM Research Services can also be accessed on our ***SharePoint***

## Research Services

**Philippe Heymans**
514-879-3637

**Samantha Barrett, CFA, MBA**
416-507-8829

**Eric Beaudette**
514-879-5556

**Alex Kastanis, CFA**
514-390-73

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