

June 2025

VISI **Monthly Economic & Financial Monitor** N



**NATIONAL BANK
OF CANADA**

FINANCIAL MARKETS

Research Analysts

Economics & Strategy

Montreal Office

Stéfane Marion 514-879-3781
Chief Economist
and Strategist

Matthieu Arseneau 514-879-2252
Deputy Chief Economist

Kyle Dahms 514-879-3195
Economist

Alexandra Ducharme 514-412-1865
Economist

Angelo Katsoras 514-879-6458
Geopolitical Analyst

Daren King 514-412-2967
Economist

Jocelyn Paquet 514-412-3693
Economist

Toronto Office

Warren Lovely 416-869-8598
Chief Rates and
Public Sector Strategist

Taylor Schleich 416-869-6480
Rates Strategist

Ethan Currie 416-432-4056
Senior Associate Analyst

Banking & Insurance

Gabriel Dechaine 416-869-7442
Associates:
Jacob Gardiner 437-518-2299
Pranoy Kurian 416-507-9568

Diversified Financials

Jaeme Gloyn 416-869-8042
Associate: Jack Cohen 416-869-7505

Diversified Industrials

Michael Doumet 514-879-3639

ETFs & Financial Products

Daniel Straus 416-869-8020
Linda Ma 416-507-8801
Tiffany Zhang 416-869-8022
Associates:
Christie Sikubwabo 416-507-9596
Shubo Yan 416-869-7942

Industrial Products

Maxim Sytchev 416-869-6517
Associates:
Kazim Naqvi 416-869-6754
Roman Pshenychnyi 416-869-7937

Merchandising & Consumer Products

Vishal Shreedhar 416-869-7930
Associates:
Anshul Agarwala 416-869-6767
Gabriel Chiu 416-507-9009

Metals & Mining

Don DeMarco 416-869-7572
Associates:
Rishika Bhatia 416-507-8185
Amman Patel 416-525-2168

Shane Nagle 416-869-7936
Associates:
Sameer Keswani 416-869-8029
Adam Smiarowski 416-869-7535
Andrew Dusome 416-507-8177

Rabi Nizami 416-869-7925
Associate: Roberto Rossi 416-869-6537

Mohamed Sidibé 416-869-6436
Associate: Kristian Koschany 416-507-8123

Alex Terentiew 416-433-8053
Associate: Marc Ferrari 416-869-8045

Oil & Gas

› Intermediate Oil & Gas and Oilfield Services

Dan Payne 403-290-5441
Associates:
Amy Chen 403-290-5624
Nick Stevenson 403-441-0928

› Large Cap Oil & Gas

Travis Wood 403-290-5102
Associates:
Jacob Swan 403-290-5445
José Bitencourt Zimmermann 403-441-0933

Pipelines, Utilities & Energy Infrastructure

Patrick Kenny 403-290-5451
Associates:
Derick Or 403-290-5447
Johnathan Pescod 403-355-6643

Real Estate

Matt Kornack 416-507-8104
Associates:
Nicholas Telega 416-869-8086
Giuliano Thornhill 416-507-8108

Special Situations

Zachary Evershed 514-412-0021
Associates:
Prashant Kamath 416-869-8504
Nathan Po 416-660-1740

Sustainability & Clean Tech

Rupert Merer 416-869-8008
Associate: Melissa Deane 416-864-7001

Sustainability & Transition

Baltej Sidhu 403-290-5627
Associate: Anh Le 403-290-5625

Technology

Richard Tse 416-869-6690
Associates:
Amy Li 416-507-8828
Mike Stevens 416-869-7490
John Shao 416-869-7938

Technical Analysis

Dennis Mark 416-869-7427

Telecom & Media

Adam Shine 514-879-2302
Associates:
Ahmed Abdullah 514-879-2564
Bilal Khan 416-869-8047

Transportation & Industrial Products

Cameron Doerksen 514-879-2579
Associate: Andrew Pikul 416-869-6579

Administration

Greg Colman 416-869-6775
Managing Director
Head of Research

Tanya Bouchard 416-869-7934
Managing Director
Supervisory Analyst

Research Publications

Vanda Bright 416-869-7141
Manager
Publishing Services

Wayne Chau 416-869-7140
Publishing Associate

Information

Giuseppe Saltarelli 514-879-5357
giuseppe.saltarelli@nbc.ca

Table of Contents



| | |
|--|----|
| Highlights | 4 |
| The Economy | 6 |
| Interest Rates and Bond Markets | 18 |
| Stock Market and Portfolio Strategy..... | 24 |
| Technical Analysis..... | 32 |
| Sector Analysis | 39 |
| › NBF Selection List | 40 |
| › Analysts' Tables Glossary..... | 41 |
| › Analyst Recommendations | 42 |

Highlights

Economy

WORLD (June 17, 2025)

- › The last few weeks have been a little less eventful on the international trade front, but that hasn't stopped protectionist policies from having a significant impact on the global economy. Fearing that they will have to pay more for their inputs in the future, many U.S. companies indeed have chosen to bring forward their orders from abroad. This has not only helped to boost global manufacturing output, but has also led to the strongest annual increase in trade volumes since 2011, excluding the post-pandemic rebound.
- › In the U.S., the sharp rise in imports led to a slight contraction in the economy in the first quarter. The situation was reversed almost everywhere else in the world, where growth benefited from the surge in exports. With tariff threats now a reality in many sectors, this trend is set to reverse in the second quarter.
- › Given the lull in the trade war, we have revised our global GDP growth forecasts slightly upward for this year (from 2.8% to 2.9%) and for next year (from 2.9% to 3.0%), reflecting a slightly more buoyant growth trajectory in the U.S. and the eurozone. However, we would emphasize that the risks to this scenario remain tilted to the downside. Among these, two seem particularly important to us. The first relates to a possible resurgence of trade tensions. The second concerns a potential escalation of tensions in the Middle East, which would lead to a significant rise in oil prices.

UNITED STATES (May 12, 2025)

- › In the last issue of this Monthly Monitor, we argued that the tariffs, as they stood, were unsustainable for Washington because of their prohibitive impact on economic growth and their potential to boost inflation. We therefore expected a gradual reduction in the average import tax rate to around 10-15% following negotiations.
- › In this sense, the announced truce between China and the U.S. does not change our view. And although protectionist measures have been scaled back significantly in recent days, they are still likely to keep inflation above the central bank's target for some time to come. Perhaps not enough to prevent rate cuts this year, but enough to make the central bank more cautious in its approach.

- › Higher policy rates than would otherwise have been the case could, in turn, lead to a slowdown in growth in the second half of the year. In the shorter term, economic growth should remain fairly robust in the second quarter, supported by a sharp decline in imports (see above). All this should lead to growth of 1.5% this year and 1.1% in 2026.

CANADA (May 16, 2025)

- › Although the effective tariff rate imposed by Canada remains relatively low for the time being, the risk of escalation remains very real given the erratic nature of the US administration. It is therefore not surprising that businesses are being paralyzed by the lack of visibility.
- › While investment intentions pointed to a recovery in 2025 a few months ago, the situation has changed dramatically, with many projects now on hold. Uncertainty is also beginning to be reflected in the labor market, which is showing signs of weakening again.
- › Although the Bank of Canada has cut its policy interest rate by 150 basis points since September, the 5-year rate has remained unchanged amid rising global interest rates. This suggests that the Bank of Canada will need to do more to stabilize the struggling housing market and offset the impact of the payment shock for many borrowers.
- › With the dollar resilient, inflation generally under control, and retaliatory tariff measures relatively limited, the Bank of Canada should be able to lower its policy rate to 2.0% by the end of the year. This should be sufficient for now, as the federal government also intends to step in to limit the economic damage.
- › We forecast GDP growth of only 1.1% in 2025, with a slight contraction in the economy in the second and third quarters and unemployment peaking at 7.4% in the fourth quarter.

Interest rates and currency (June 6, 2025)

- › It was a frenetic start to the year on tariff action, but the past month has been comparatively tranquil after the 90-day de-escalation with China was announced in early May. Still, this "steady state" is far from optimal as the U.S. effective tariff rate remains at multi-decade highs and uncertainty lingers. Volatility could rear its head again soon. The end of the 90-day tariff reprieve

on reciprocal tariffs draws near (July 9th) and Trump has promised trading partners will be assigned unilateral tariff rates in coming weeks. Déjà vu, anyone?

- › Thus far, tariff impacts on U.S. economic data haven't been as large as anticipated. Of course, trade flows have swung wildly but hiring has barely budged from the pre-tariff run rate and inflation has been surprisingly tame. That's led to some modest yield declines and Fed rate cuts being pulled forward. However, we don't interpret a muted initial impact as a sign that the U.S. economy is resistant to tariffs. Indeed, beneath the surface there are signs of rising costs which will either result in higher inflation or reduced profitability (which would have implications for investment, hiring, growth, etc.). The problem is it's still too early to tell just how things will play out, something Fed speakers have readily admitted. While we concede that recent inflation data has made the path to a September cut clearer, we still expect policymakers to take a more patient approach and wait until Q4.
- › Canada took the brunt of Trump's tariff ire early in the year but subsequent carve outs for USMCA compliance has limited the damage to some extent. There may be scope for some further tariff relief as Canadian and American negotiators, ahead of the G7 summit, are reportedly making progress towards an agreement. Any de-escalation is welcomed de-escalation, but earlier trade 'deals' (i.e., between the U.S. and the U.K.) were limited in scope and still left many levies in effect. That leaves us pessimistic that a near-term agreement will return us to a 'normal' trade relationship.
- › The Bank of Canada remained on hold in June, despite languishing labour and housing markets and a tepid growth outlook. That's due to an unexpected pick up in core inflation and a lack of clarity on some of the items the BoC is monitoring (export demand, inflation expectations). Important updates to these variables will become available ahead of July 30th, which opens the door to a resumption of the easing cycle. Governor Macklem readily admitted as much while conditioning further rate relief on inflation progress. It means that data dependence will remain the name of the game, but our base case outlook remains consistent with further easing (75 basis points of cuts in H2:2025). Admittedly, markets have moved in the opposite direction which leaves Canadian bonds increasingly attractive.
- › For Canada, the U.S. and most advanced economies, fiscal policy will be a key driver of economic

Highlights

performance and is increasingly relevant for the bond market. The 'One, Big, Beautiful Bill Act', which passed through the House in May, is poised to add more than \$2 trillion to the U.S. national deficit over the coming decade. While tariff revenues may help fund some of that, borrowing will be pointed higher (and of course, the more trade 'deals' that are struck, the lower the potential revenue becomes). That's likely to keep a high floor on long-term treasury bonds. Even as the Fed is able to get back to neutral in 2026, we expect just token declines in 10- and 30-year yields. While Canadian fiscal policy is in a much more sustainable place, the federal deficit is set to grow this year and bond supply is ramping up as a result. We don't expect long Canadas to breach 3% despite a policy rate that will settle 100 basis points lower. Gone are the days when bond investors paid little attention to government spending.

› The Canadian dollar rose 3.5% against the greenback in Q2, buoyed by oil prices and U.S. dollar aversion. Yet, weak domestic demand, rising unemployment, and new U.S. tariffs cloud the outlook. We expect the Bank of Canada to go against current expectations and cut rates in July, likely weakening the loonie. Still, Ottawa's latest Throne Speech signals a decisive break from the Trudeau-era approach, positioning Canada to attract private capital. USD/CAD is projected to peak at 1.38 before trending toward 1.34.

Recommended asset mix and stock market (June 18, 2025)

› As if the geopolitical backdrop weren't complicated enough, the prospect of a protracted armed conflict between Israel and Iran is reviving fears of a global oil supply shock. At the same time, protectionism continues to cloud the outlook for profits. The 90-day tariff reprieve expires on July 9th, and unless a new agreement is reached, the U.S. administration is expected to impose unilateral tariff rates on key trading partners. Stagflationary pressures still pose a risk to most global equity markets.

› The S&P 500 has rebounded in recent weeks but remains below its February 2025 record high. Although the effective tariff rate has eased from its April 5 "Liberation Day" peak of over 30%, it still exceeds 14%—a level that continues to squeeze profit margins and adds to inflationary pressures. At the same time, long-term government bond yields remain elevated amid

persistent fiscal concerns, creating a headwind for equity valuations—especially with the equity risk premium now virtually nonexistent.

› Despite a lackluster economic backdrop, the Canadian equity market has shown notable resilience, with the S&P/TSX up 6.4% so far in Q2 and reaching a new record high in June. The index is gaining momentum as Ottawa's latest Throne Speech marks a clear departure from the Trudeau-era approach—positioning Canada to better attract private capital. In our opinion, MCI argues for a reduction in the S&P/TSX's valuation discount relative to the S&P 500.

› This month, we are modestly reducing our equity underweight by trimming fixed income and moving Canadian equities to an overweight position. This adjustment reflects growing anticipation of more favourable Canada-U.S. trade developments, as signaled by President Trump during the G7 meeting in Alberta. That said, our overall investment posture remains defensive as we

await greater clarity on both trade tensions and geopolitical conflict.

NBF Sector Rotation

| S&P/TSX Sectors | Weight* | Recommendation | Change |
|----------------------------|--------------|----------------|--------|
| Energy | 16.5 | Overweight | |
| Materials | 14.0 | Market Weight | |
| Industrials | 12.2 | Overweight | |
| Consumer Discretionary | 3.4 | Underweight | |
| Consumer Staples | 3.8 | Underweight | |
| Healthcare | 0.2 | Market Weight | |
| Financials | 32.5 | Market Weight | |
| Information Technology | 9.5 | Market Weight | |
| Telecommunication Services | 2.2 | Market Weight | |
| Utilities | 3.8 | Market Weight | |
| Real Estate | 1.8 | Underweight | |
| Total | 100.0 | | |

* As of June 16, 2025

The Economy



The Economy



Matthieu Arseneau
Deputy Chief Economist
514-879-2252



Jocelyn Paquet
Economist
514-412-3693



Daren King, CFA
Economist
514-412-2967



Alexandra Ducharme
Economist
514-412-1865

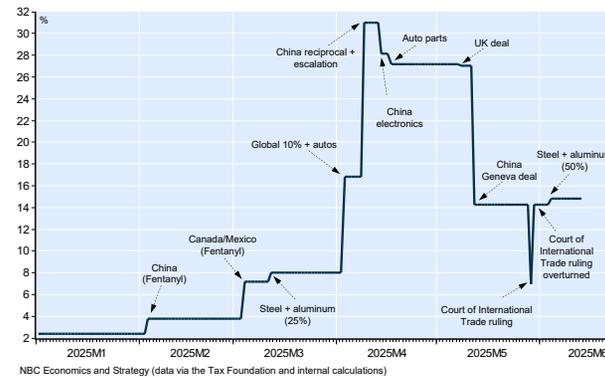
World: Slight improvement in outlook amid lull in trade war

(June 17, 2025)

The last few weeks have been a little less eventful on the international trade front. At the end of May, the United States' Court of International Trade ruled that certain tariffs imposed by Washington were illegal and should be suspended, but this decision was quickly overturned on appeal, restoring the status quo on tariffs. A few days later, President Trump announced that his administration would double tariffs on steel and aluminum imports to 50%, but this news had little impact on the markets as it was more or less overshadowed by the improvement in relations between Washington and Beijing. Following negotiations in London, the two sides indeed agreed on a framework that essentially reflected the agreement reached in Geneva a month earlier. Ultimately, the average tariff rate on goods entering the U.S. has not changed significantly since the last edition of this economic monthly.

World: There and back again, a tariff's tale

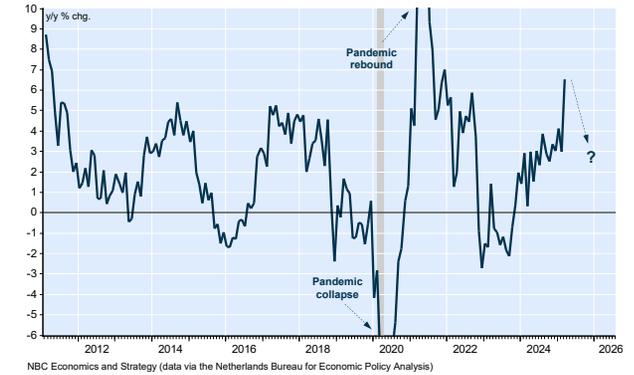
Average tariff rate on all imports to the United States since the start of the Trump presidency



This has not prevented protectionist policies from having a significant impact on the global economy. Fearing that they would have to pay more for their inputs in the future, many U.S. companies chose to bring forward their orders from abroad. This not only helped to boost global manufacturing output, but also led to the strongest annual increase in trade volumes since 2011, excluding the post-pandemic rebound.

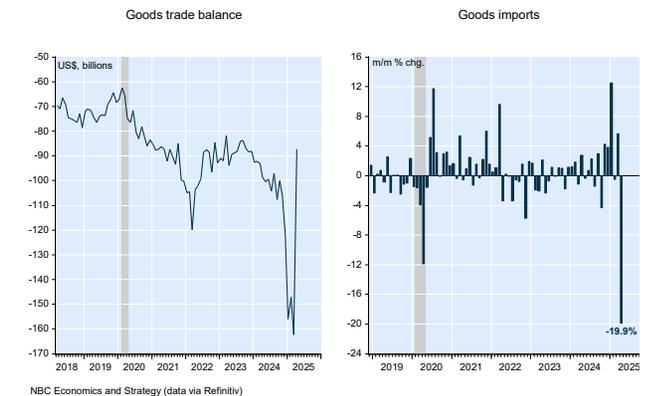
World: Tariff-related frontloading boosted trade in Q1

Global trade volumes. Last observation: March 2025



In the U.S., the sharp rise in imports led to a slight contraction in the economy in the first quarter. The situation was reversed almost everywhere else in the world, where growth benefited from the surge in exports. But with tariff threats now a reality in many sectors, this trend is set to reverse in the second quarter. The latest trade balance data released in the U.S. seems to confirm this assumption, with imports of goods recording their sharpest monthly decline since records began in 1992.

U.S.: Frontloading ended in April... spectacularly

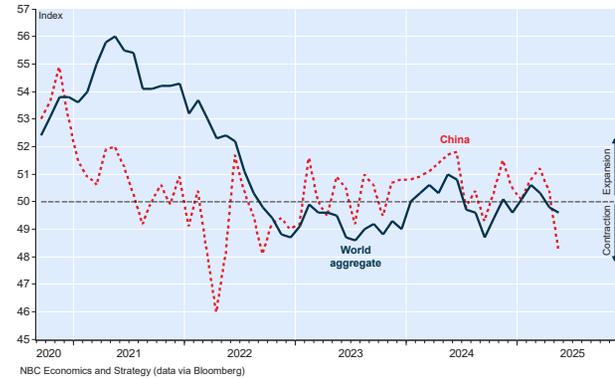


While this development points to a rebound in growth in the world's largest economy in the second quarter, it does not bode well for most other regions of the world, where weaker U.S. demand is already translating into a slow-

The Economy

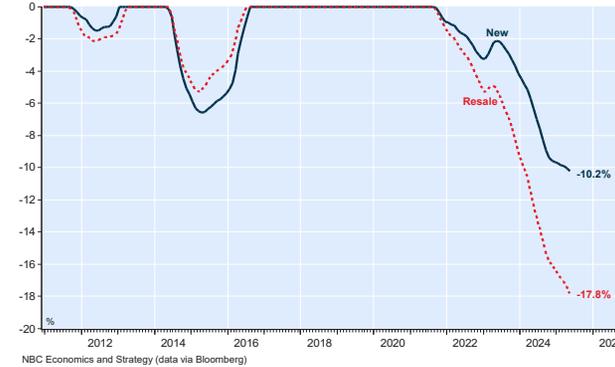
down in manufacturing activity. China appears to be particularly affected, as evidenced by the PMI index published by Caixin, which revealed the sharpest deterioration in factory operating conditions in 32 months in April.

World: Factory activity suffers from end of pre-tariff frontloading
JPMorgan World Manufacturing PMI vs. Caixin China manufacturing PMI. Last observation: May 2025



China: Home prices continue to decline...

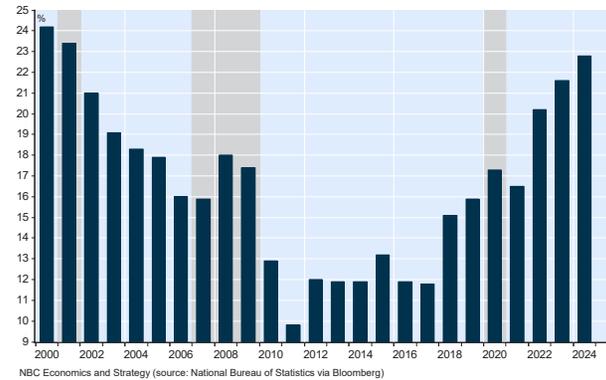
70-city residential building price index, drawdown since previous peak



...and an erosion of business margins caused largely by oversupply, which is leading to a price war.

... and businesses' margins are shrinking

Share of industrial firms that are loss-making



And if these headwinds are likely to continue to slow Chinese growth in the future, they could have positive spillover effects elsewhere. Faced with falling U.S. demand, Chinese exporters appear to have responded by redirecting their shipments to other parts of the world, particularly Southeast Asia and the eurozone. This shift could help reduce inflationary pressures in these countries given the prolonged deflation in producer prices currently underway in China.

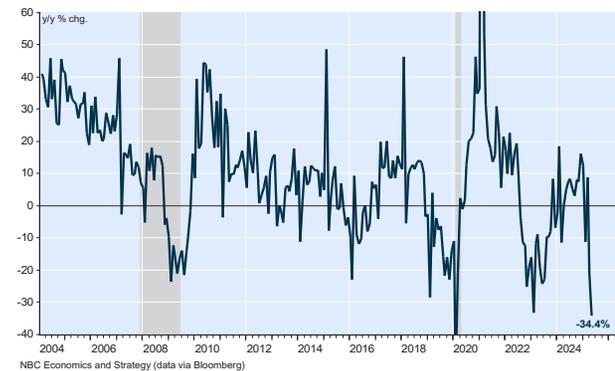
World: China is exporting deflation to the eurozone



In the eurozone, this risks reinforcing a trend that saw core inflation fall to its lowest level in 40 months in May. This will undoubtedly please the European Central Bank, which should have the opportunity to continue easing its monetary policy, provided, of course, that the tariff situation with the U.S. remains favorable.

This is perhaps not surprising given that Chinese exports to the United States fell by no less than 34.4% in May compared with the previous year.

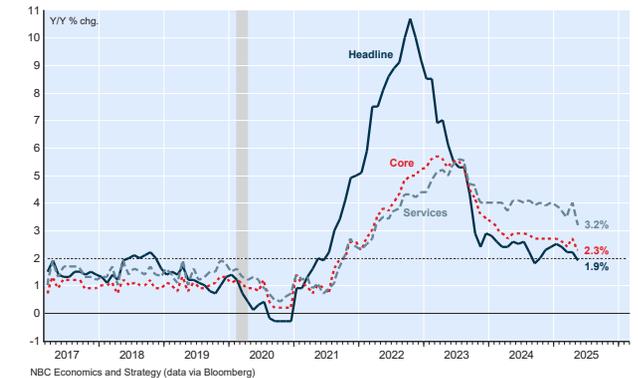
China: Shipments bound for the U.S. have collapsed
Exports to the United States



But China's economic difficulties are not all linked to decisions taken in the White House, as the country is also facing a continued decline in home prices...

Eurozone: Price pressures continue to ease

Harmonized index of consumer prices



The strength of the euro is another factor that opens the door to further rate cuts.

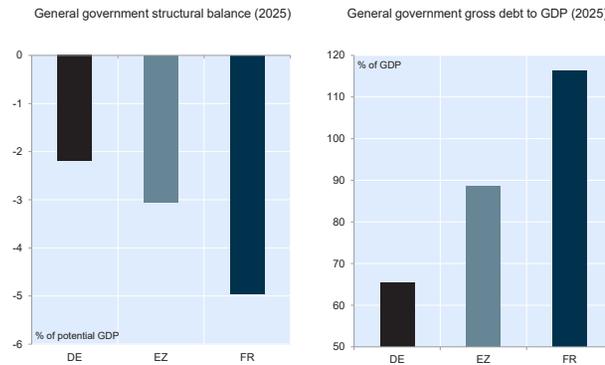
The Economy

Eurozone: Strong currency opening the door to more ECB rate cuts
Deutsche Bank Trade-Weighted Euro Spot Index



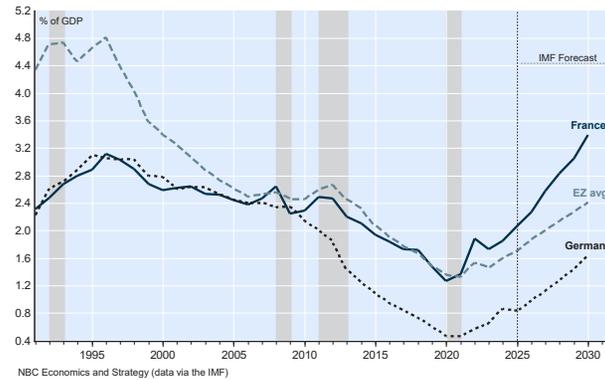
And even if long-term rates continue to weigh on the economy in the future, we believe that monetary easing will be supportive of growth in the eurozone, particularly in the second half of the year. Fiscal policy could also provide a boost, although the extent of this stimulus could vary considerably from one country to another. Like many other analysts, we believe that the German government will open the spending taps in the coming months and years. But we fear that this windfall will be partially offset by forced fiscal consolidation in other countries. France, in particular, may be forced to take this path, as it faces high levels of deficit and debt...

Eurozone: Fiscal situation varies greatly from country to country (1)



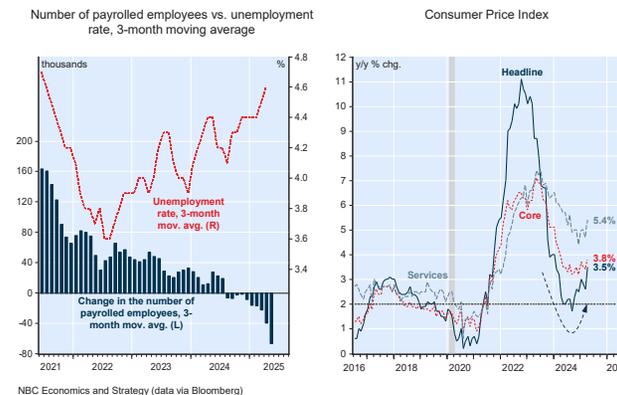
NBC Economics and Strategy (data via the IMF)

Eurozone: Fiscal situation varies greatly from country to country (2)
General government interest expenses



Against this backdrop, we would describe our view on the eurozone outlook as cautiously optimistic. Unfortunately, our confidence does not extend across the Channel, where the economic situation appears much less encouraging. Despite a sharp deterioration in the labour market in recent months, inflation has risen sharply in the UK, putting the central bank in a difficult position and forcing it to wait for disinflationary pressures to emerge before providing support to the economy. And given the current fiscal situation, it seems unlikely that the government will fill that void.

United Kingdom: What central banks' nightmares are made of



NBC Economics and Strategy (data via Bloomberg)

All things considered, we have revised our global GDP growth forecasts slightly upward for this year (from 2.8% to 2.9%) and for next year (from 2.9% to 3.0%), reflecting a slightly more buoyant growth trajectory in the U.S. and the eurozone. However, we would emphasize that the risks to this scenario remain tilted to the downside. Among these, two seem particularly important to us. The first relates to a possible resurgence of trade tensions. In this regard, the end of the tariff truce between the U.S. and the rest of the world scheduled for early July could have significant consequences. While our base scenario assumes that the truce will be extended, there are still many uncertainties on this front.

The second risk is that tensions in the Middle East could escalate, leading to a sharp rise in oil prices. So far, Israel and Iran have chosen not to directly target energy infrastructure (at least that intended for export), but this could always change in the coming days. Unfortunately, the Iranian regime closing the Strait of Hormuz, through which around 20% of global oil supplies pass, cannot be ruled out at this stage. Such a move would obviously have consequences for global growth, inflation, and monetary policy.

| World Economic Outlook | | | |
|---------------------------|------------|------------|------------|
| | 2024 | 2025 | 2026 |
| Advanced Economies | 1.8 | 1.3 | 1.3 |
| United States | 2.8 | 1.6 | 1.2 |
| Eurozone | 0.8 | 1.0 | 1.2 |
| Japan | 0.2 | 0.9 | 0.7 |
| UK | 1.1 | 0.7 | 1.1 |
| Canada | 1.6 | 1.3 | 1.1 |
| Australia | 1.1 | 1.9 | 2.1 |
| Korea | 2.2 | 1.1 | 1.6 |
| Emerging Economies | 4.3 | 3.9 | 4.1 |
| China | 5.0 | 4.4 | 4.2 |
| India | 6.5 | 6.2 | 6.4 |
| Mexico | 1.5 | -0.2 | 1.1 |
| Brazil | 3.4 | 2.3 | 2.2 |
| Russia | 4.3 | 1.3 | 1.0 |
| World | 3.3 | 2.9 | 3.0 |

NBC Economics and Strategy (data via NBC and Consensus Economics)

... as well as interest payments well above the European average.

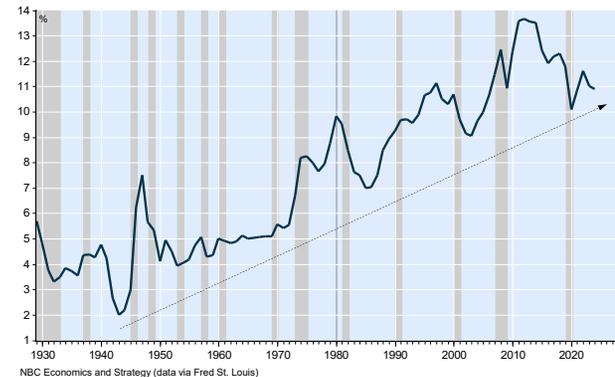
The Economy

United States: Tariffs made Q1 economic data more difficult to interpret (May 12, 2025)

Spare a thought for the economists who have attempted to estimate with any degree of accuracy the potential economic impact of the tariffs imposed by Washington on several of its trading partners since February 1, because, in the words of Churchill, they have been trying to solve a riddle wrapped in a mystery inside an enigma. Constant policy changes have certainly contributed to the confusion here, as has the lack of historical precedents, which makes calibrating models much more difficult. The fact is that virtually no economic data goes back far enough to allow for the study of other episodes where tariffs have risen as much as they could today, which reduces experts' understanding of the impact of protectionist policies on the economy. And even if more information about past episodes were available, it might not apply to the current context, as international trade now accounts for a much larger share of GDP than in the distant past.

U.S.: Growing importance of trade makes historical precedents less relevant

Exports (goods + services) as a percentage of GDP

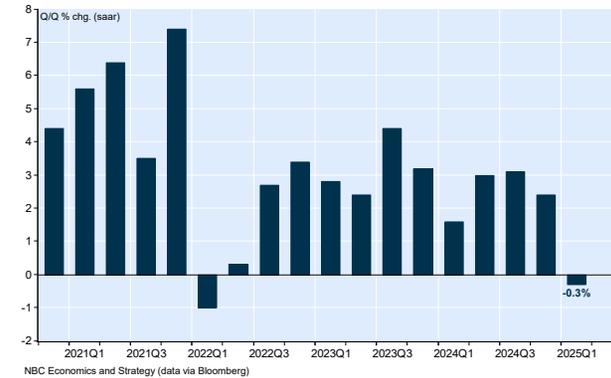


Given the uncertainty, most forecasters have limited themselves in recent weeks to stating the obvious, namely that tariffs are likely to slow growth in the United States and keep inflation higher than it would otherwise be. Any further clarification would have to wait until quantitative economic data is published, rather than just qualitative data. This data is finally starting to come in, revealing the initial effects of tariffs and providing some indications of

how the economy will evolve in the future. Among these, the first-quarter GDP report, which revealed the first contraction in nearly three years, stands out.

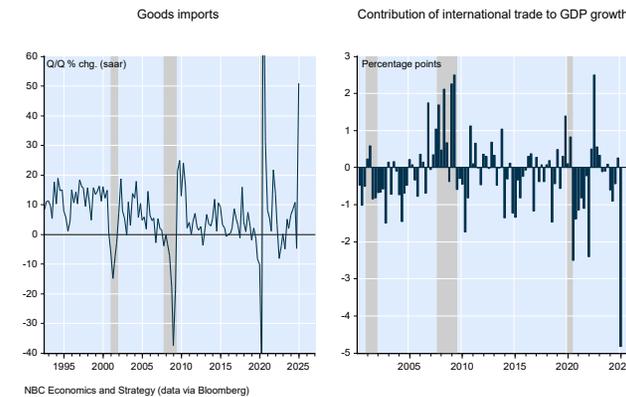
U.S.: The economy contracts for the first time in three years in Q1

Real GDP



The desire of many U.S. businesses to bring forward their international orders in order to avoid tariffs certainly made growth appear much weaker than it actually was during the quarter, with imports of goods rising by no less than 50.9% on an annualized basis, their strongest increase since the start of the pandemic. This resulted not only in a record trade deficit in goods, but also in a negative contribution of 4.84 percentage points to GDP growth from international trade, the largest ever recorded.

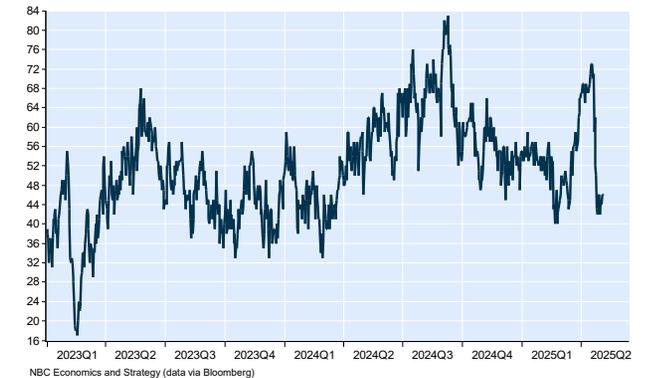
U.S.: Imports weighed heavily on growth



With imports now at risk of suffering from high tariffs (even after the agreements with China and the UK), we expect this contribution to be almost completely reversed in the second quarter. Indicators of maritime traffic, which show a sharp decline in shipments from China to the U.S., certainly point in this direction.

World: Maritime traffic indicators hint at reversal in imports growth

Number of container ships departing China and headed to the United States

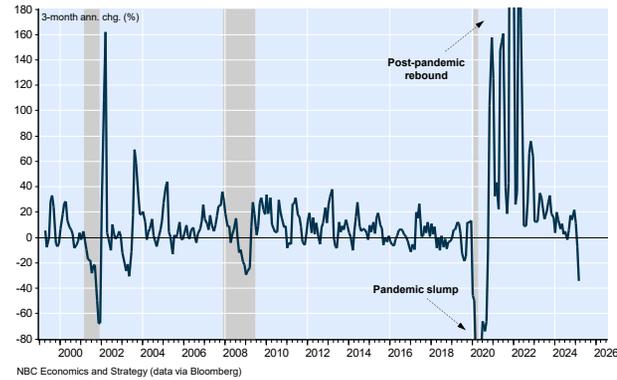


In addition to the sharp increase in imports of goods, the record negative contribution of trade to GDP growth in the first quarter was also due to a decline in exports of services, particularly travel services, which include accommodation, meals, travel agency fees, and education expenses paid by foreign visitors to the United States. These fell by no less than 34.5% on an annualized basis in the three months to March, the worst performance since 2001 excluding the pandemic period. These figures confirm what airline ticket sales data had already been suggesting in recent weeks, namely that some travelers are now shunning the U.S. in protest against certain measures implemented by Washington. And unlike the goods sector, a rapid return to normal does not appear to be on the cards here, with travel-related exports likely to remain depressed and weigh on tourism-dependent sectors until relations between the countries of origin of potential travelers and the White House improve.

The Economy

U.S.: Services exports also fell on a tourism slump

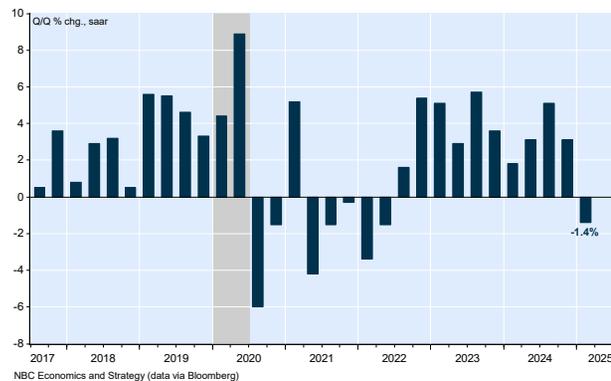
Exports of travel services including education from the United States



The decline in government spending (-1.4% on an annualized quarterly basis), the first in nearly three years, was another notable feature of the first-quarter GDP report, as it was perhaps one of the first tangible signs of the budget cuts orchestrated in Washington by the Department of Government Efficiency (DOGE). And judging by media reports of intensified efforts in the second quarter, it would not be surprising if this decline were the first of many. This is yet another sector of the economy that is likely to weigh on growth in the coming quarters.

U.S.: Unexpected drop in public spending... More to come?

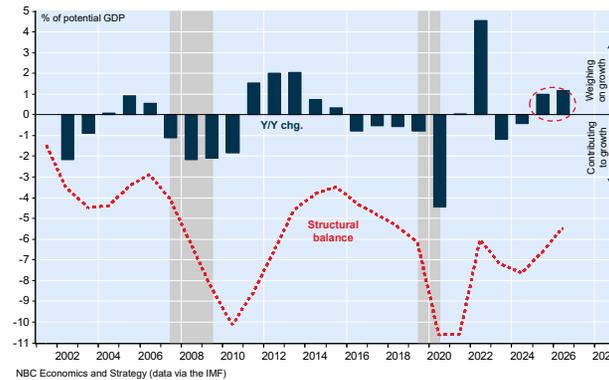
Government spending



This view is shared by the IMF, whose latest forecasts point to public spending holding back growth in the U.S. over the next two years.

U.S.: IMF sees public spending weighing on growth in 2025 and 2026

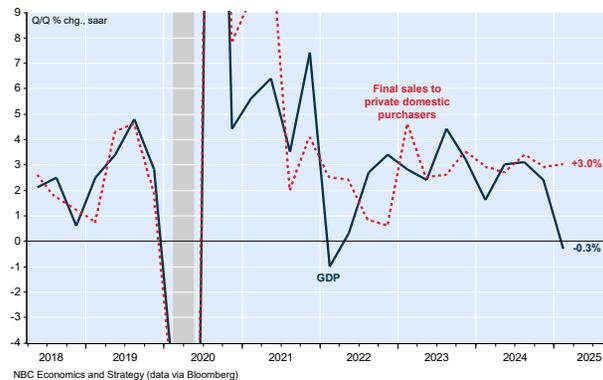
General government structural balance as a share of potential GDP



With net exports and, to a lesser extent, government spending largely responsible for the decline in real GDP in the first quarter, it would have been tempting to focus on the 3.0% annualized increase in final sales to private domestic purchasers (a measure that combines household consumption and business investment) and conclude that underlying growth in the U.S. remained solid at the start of the year. But this does not take into account the fact that the trade war may well have distorted the data in this segment as well.

U.S.: Private demand much stronger than headline growth in Q1

Real GDP vs. final sales to private domestic purchasers (household consumption + gross private investment)

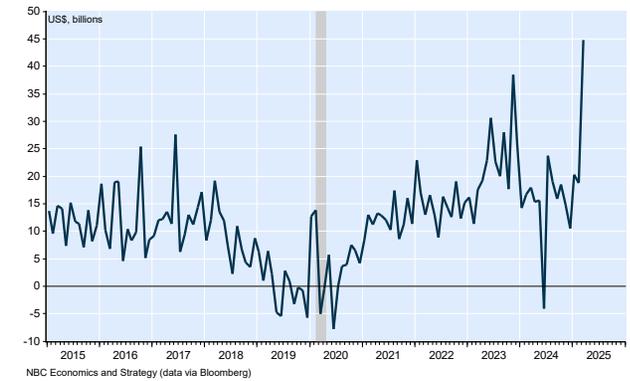


Fearing price increases due to the imposition of tariffs, economic agents are indeed likely to have brought forward some of their spending in the first quarter, thereby

artificially boosting growth. The sharp increase in aircraft orders, which contributed to a 13.2% annualized rise in investment in the volatile transportation sector, seemed to confirm this hypothesis with regard to business investment.

U.S.: Frontloading visible in investment data...

Durable goods orders, civilian aircraft

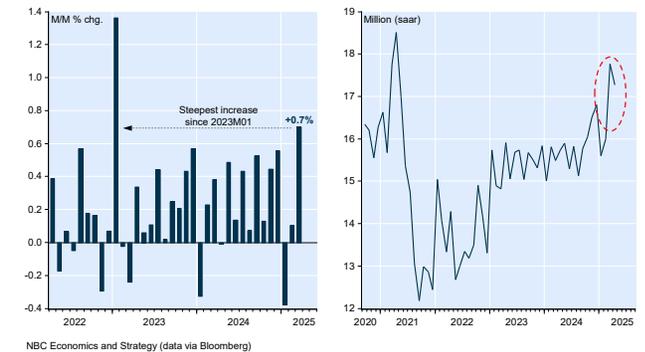


The situation was similar on the consumption side, with households apparently rushing to buy cars before they were subject to import taxes.

... as well as in consumption patterns

Real consumption expenditures

Sales of motor vehicles



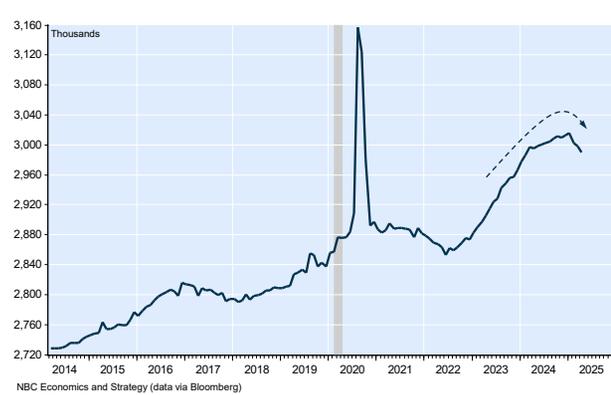
This behavior on the part of businesses and consumers raises a question: Was the strength of the first quarter achieved at the expense of future growth? In other words, will the additional spending at the beginning of the year

The Economy

be offset later on? The answer to this question is probably yes, but the severity of the backlash will depend on two factors: the strength of the labour market and the Federal Reserve's ability to ease monetary policy. On the first point, the latest employment report remained fairly encouraging, with non-farm payrolls growing at a faster-than-expected pace in April (+177K) and the unemployment rate remaining stable at a low level.

Without wishing to be a killjoy, it is important to note that job creation was certainly overestimated in the report. Despite a third consecutive monthly decline in April, the public sector benefited from a methodological anomaly: employees who received severance pay were counted as still employed, which masked the effects of layoffs carried out by the Department of Government Efficiency (DOGE).

U.S.: Public employment likely overstated in April jobs report



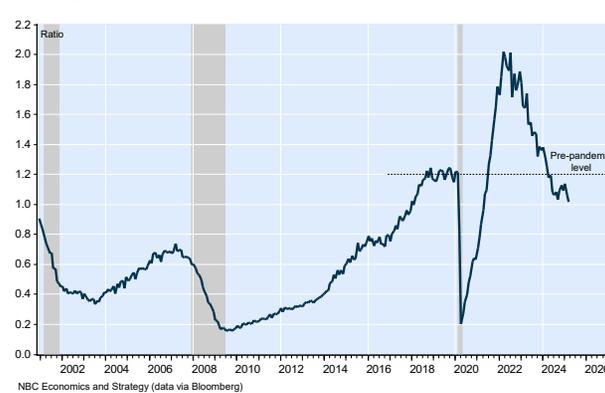
Although this anomaly was not sufficient to not alter the report's conclusions, other signs of a slowdown in labour demand were still visible in the household survey. The number of people unemployed for more than 27 weeks, for example, continued to rise, as did the median duration of unemployment spells. These two indicators go hand in hand with the increase in the number of continuing jobless claims and suggest that it is becoming increasingly difficult to find work after losing a job.

U.S.: It's getting harder to find a new job after losing one



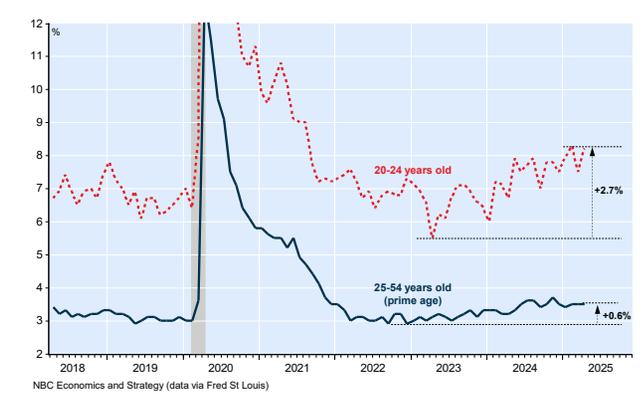
The JOLTS report paints a similar picture, showing that the number of job openings per unemployed person began to decline again after a limited rebound at the end of last year.

U.S.: Labour demand is fading



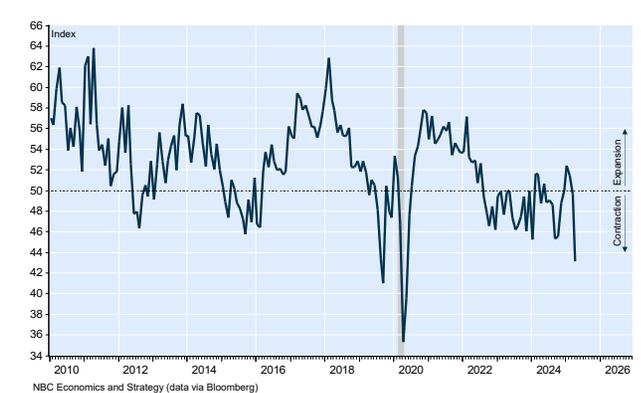
For the time being, the decline in labour demand appears to be affecting young people more, judging by the fact that the unemployment rate for 20-24 year olds has risen much more than that of prime-age workers in recent months.

U.S.: Younger cohort disproportionately affected by weaker labour demand



But the weakness could spread to other groups of workers as the effects of tariffs become more pronounced in the most exposed sectors. These include leisure and hospitality (see comments on tourism above) and manufacturing, where foreign demand appears to be falling sharply at present.

U.S.: Foreign demand is tanking in the manufacturing sector

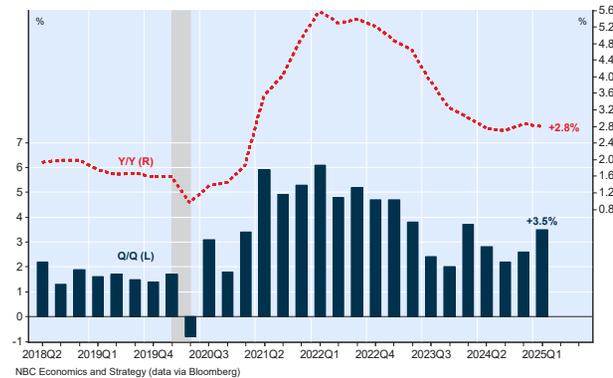


Any slowdown in the labour market could certainly prompt a monetary response from the Fed, provided that the central bank has the leeway to cut rates substantially. And we doubt this will be the case. Despite the easing of trade tensions between the U.S. and China, tariffs are likely to keep inflation too high to allow for accommodative monetary policy in the short to medium term. This is particularly true

The Economy

given that price pressures remain too strong, even before the initial effects of the tariffs have been felt, with the core personal consumption expenditures deflator recording its biggest quarterly rise in a year in Q1.

U.S.: Core inflation increased the most in a year in Q1
Core personal consumption expenditures deflator (excluding food and energy)



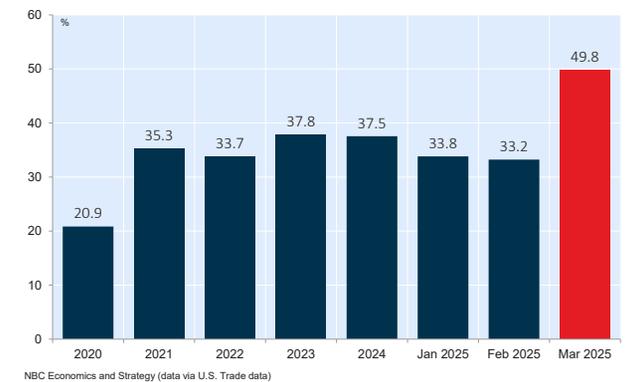
In the last issue of this Monthly Monitor, we argued that the tariffs, as they stood, were unsustainable for Washington because of their prohibitive impact on economic growth and their potential to boost inflation. We therefore expected a gradual reduction in the average import tax rate to around 10-15% following negotiations. In this sense, the announced truce between China and the U.S. does not change our view. And although protectionist measures have been scaled back significantly in recent days, they are still likely to keep inflation above the central bank's target for some time to come. Perhaps not enough to prevent rate cuts this year, but enough to make the central bank more cautious in its approach. Higher policy rates than would otherwise have been the case could, in turn, lead to a slowdown in growth in the second half of the year. In the shorter term, economic growth should remain fairly robust in the second quarter, supported by a sharp decline in imports (see above). All this should lead to growth of 1.5% this year and 1.1% in 2026.

Canada: Tariff uncertainty begins to drag down the Canadian economy (May 16, 2025)

Since his election in November, the new US president has been far from sparing his second largest trading partner,

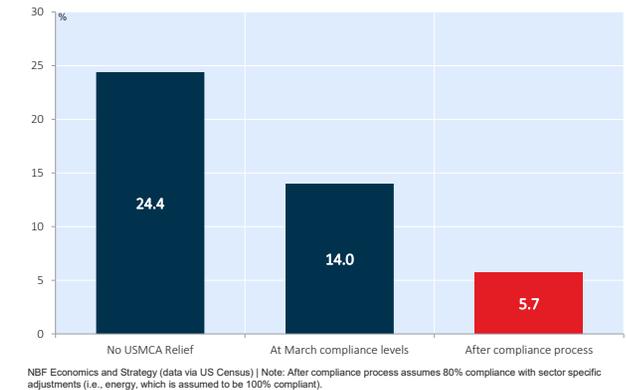
announcing several protectionist measures against Canada. It is difficult to keep track of the tariffs imposed by the United States, given the multiple announcements and reversals. Let's try to clarify the situation. First, there was the announcement of 10% tariffs on energy and potash, and 25% on all other goods, due to alleged border security issues. Added to this were 25% tariffs on steel and aluminum imposed on all trading partners. Canada also has to deal with the 25% duty on vehicles and auto parts. Applying these percentages to the weight of Canadian exports, we arrive at an astronomical effective average rate of 24% imposed on Canada. However, the duties imposed for security and automotive issues now apply only to products that do not comply with the USMCA. The product compliance process is ongoing. From February to March, the proportion of compliant products rose from 33% to 50% and could easily reach 80% to 90% over time, reducing the average effective rate to only 6.0%.

Canada: USMCA Compliance process in full swing
Share of exports to the U.S. being USMCA compliant

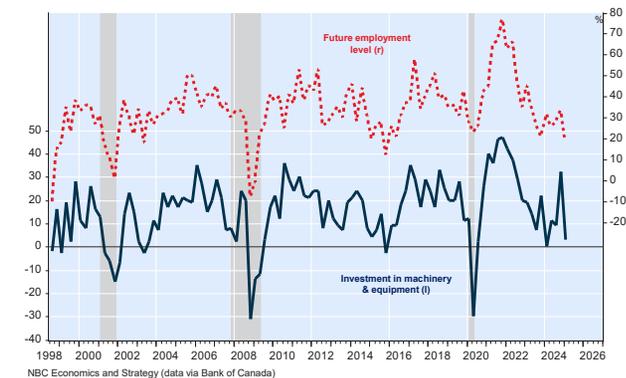


But even though the effective tariff rate imposed on Canada remains relatively low for now, the risk of escalation remains very real given the erratic nature of the US administration. It is therefore not surprising that businesses are paralyzed by the lack of visibility. The latest business outlook survey published in April was telling. While investment intentions in the previous quarter pointed to a recovery in 2025, the indicator fell by a magnitude unmatched except during the pandemic or the 2008-2009 financial crisis. Furthermore, hiring intentions in Q1 were at their lowest level since 2016.

Canada: USMCA compliance essential for calculating the tariff rate
Effective tariff rate placed on Canada by the U.S.



Canada: Investment and hiring intentions collapsed in Q1
Future employment level in 12 months and investment in machinery and equipments in 12 months



It didn't take long to see the impact of this uncertainty on labor market data. The unemployment rate has risen by three-fourths of a percentage point over the past two months, while private sector employment has fallen by no less than 75,000 jobs. A decline of this magnitude has only been seen during the pandemic lockdowns or at the height of the 2008-2009 financial crisis. For now, Ontario is the province hardest hit by the current situation, with 62,000 jobs lost since February, including 30,000 in the manufacturing sector alone.

Canada: Ontario heavily impacted over the last two months

Two-month change in private employment (from February to April 2025)

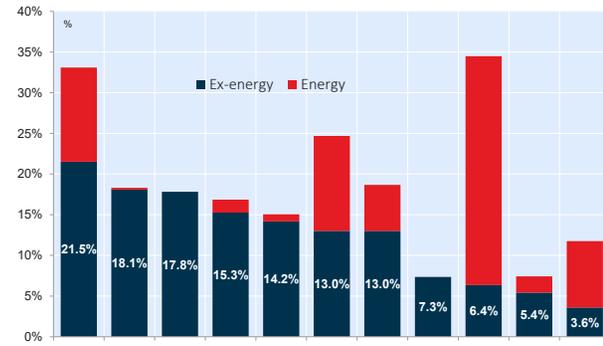


NBC Economics and Strategy (data via Statistics Canada)

Such gloom in the country's largest province is not surprising, given that non-energy exports to the United States account for 18% of its GDP, making it the second largest exporter of non-energy goods among Canadian provinces.

Canada: A regional perspective on trade war vulnerability

Exports to the United States as a proportion of nominal GDP, by province, 2023

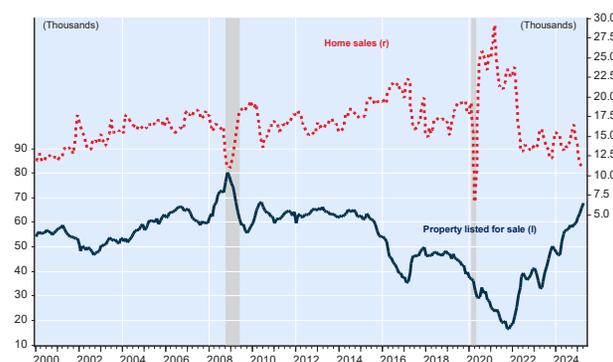


NBC Economics and Strategy (data via Statistics Canada)

The weakening of the private sector does not bode well for the real estate market, which has deteriorated recently in Ontario. There is no doubt that homebuyers are being held back by economic uncertainty. Residential property sales are down 31% since last November, reaching levels last seen during the pandemic or the 2008-2009 recession. Against this backdrop, the number of houses and apartments listed for sale continues to rise, already reaching its highest level since 2010.

Ontario: Real estate market in a precarious situation

Housing sales and properties listed for sale (next 12 months)

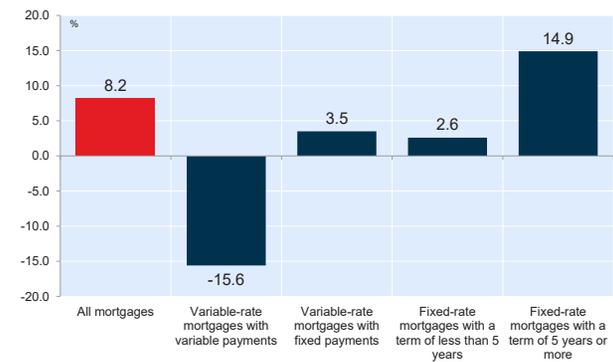


NBC Economics and Strategy (data via CREA)

One might wonder whether part of this increase is due to the fact that some mortgage holders who need to renew their loans are struggling to cope with higher interest rates. According to the central bank's calculations, people who took out a loan for five years or more are seeing a 15% increase in their payments.

Canada: Payment shock for a majority of renewals

Average change in mortgage payment at renewal in 2025 compared with December 2023 payments

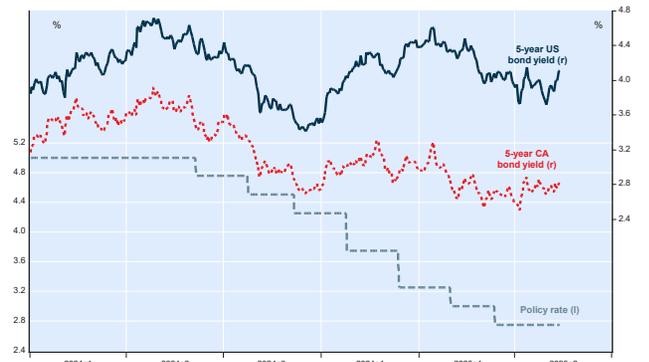


NBC Economics and Strategy (data via Bank of Canada)

Between September 2024 and March 2025, the Bank of Canada lowered its policy rate by 150 basis points. However, the 5-year government bond yield did not decline as global interest rates rose. This suggests that the Bank of Canada will likely need to take further action to stabilize the housing market and offset the impact of the payment shock for many borrowers.

Canada: Lower policy rate but no change on the 5-year yield since Sept

BoC policy rate and 5-year federal government bond yield

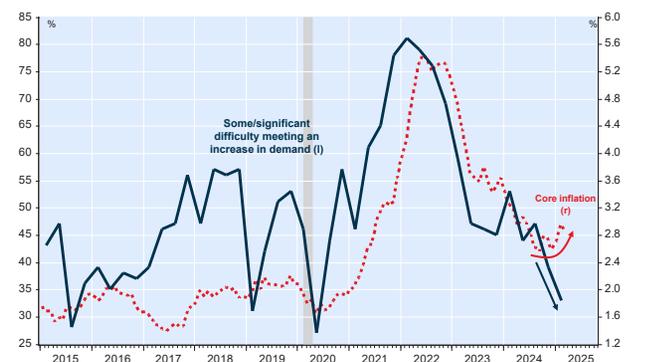


NBC Economics and Strategy (data via Refinitiv)

Given the deterioration in economic conditions, we believe that the pause in the BoC's monetary policy easing will be short-lived and that interest rate cuts will resume in June. The resurgence of inflation since the beginning of the year may have convinced the central bank that a pause was appropriate in April. Given that many indicators point to economic overcapacity, this revival in inflation is likely to have been a temporary anomaly. Indeed, the proportion of companies that said in Q1 that they would not be able to meet additional demand is so low that it does not point to any risks of domestic inflation.

Canada: Surprising rise in inflation in an economy with excess capacity

% of firms stating they would have difficulty meeting an unexpected increase in demand and core inflation

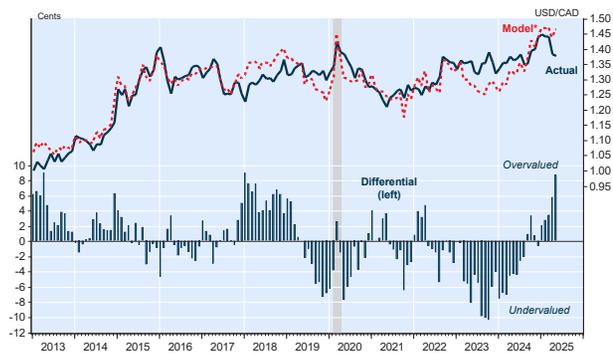


NBC Economics and Strategy (data via Statistics Canada and Bank of Canada)

As the Bank of Canada's policy rate diverged significantly from that of the Federal Reserve, some were concerned that a sharp depreciation of the Canadian dollar could lead to imported inflation. However, the Canadian dollar has proven extremely resilient relative to our model's estimated value. In our view, the broad weakness of the US dollar allows the Bank of Canada to provide additional support to the economy without worrying too much about the impact on the currency.

CAD: Trading at its richest valuation in 7 years

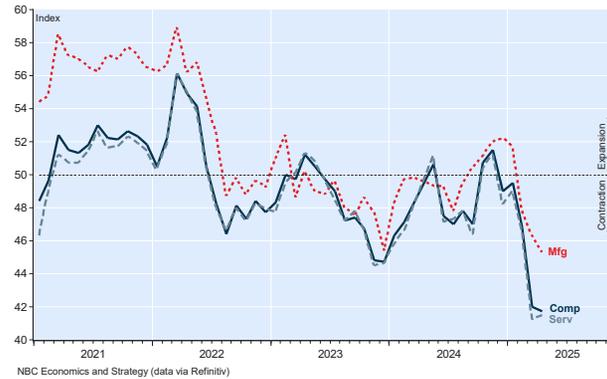
Actual exchange rate against USD, NBC fair-value estimate* against USD, and differential



* Model estimated from 2013 to 2025:
 $\log(\text{USDCAD}) = c + \beta_1(\text{US2Y yield} - \text{CA2Y yield}) + \beta_2(\text{US30Y yield} - \text{CA30Y yield}) + \beta_3 \log(\text{WCS oil price}) + \beta_4 \text{Vix}$
 NBC Economics & Strategy (data via Refinitiv & Bloomberg)

Canada: Private sector is contracting fast

S&P Global Composite PMI. Last observation: April 2025



NBC Economics and Strategy (data via Refinitiv)

We are no longer at the point of fearing that the Canadian economy will weaken; recent economic data shows that it is already being weighed down by uncertainty over tariffs. There is no doubt that the manufacturing sector is among the most vulnerable, and signs of weakness are already evident in employment data. However, we cannot rule out the possibility that the damage will extend beyond this sector, especially given that S&P Global's survey of purchasing managers across the country points to potential widespread weakness in the economy. Given that the economy is already in a state of excess supply, inflation is generally under control, and retaliatory tariff measures are relatively limited, the Bank of Canada should favor additional support. For now, our interest rate strategists anticipate a cut in the key rate to 2.0% by the end of the year, which would be sufficient given that the federal government also intends to step in to limit the economic damage. We expect GDP growth of only 1.1% in 2025, with a slight contraction in the economy in the second and third quarters and unemployment peaking at 7.4% in the fourth quarter.

The Economy

United States - Economic Forecast (May 12, 2025)

| (Annual % change)* | 2022 | 2023 | 2024 | 2025 | 2026 | Q4/Q4 | | |
|----------------------------------|-----------|---------|-----------|-----------|-----------|-------|--------|-------|
| | | | | | | 2024 | 2025 | 2026 |
| Gross domestic product (2012 \$) | 2.5 | 2.9 | 2.8 | 1.5 | 1.1 | 2.5 | 0.8 | 1.6 |
| Consumption | 3.0 | 2.5 | 2.8 | 2.4 | 1.3 | 3.1 | 1.5 | 1.5 |
| Residential construction | (8.6) | (8.3) | 4.2 | 0.6 | 0.7 | 2.8 | 0.3 | 1.5 |
| Business investment | 7.0 | 6.0 | 3.6 | 1.9 | 0.2 | 2.3 | 1.5 | 1.1 |
| Government expenditures | (1.1) | 3.9 | 3.4 | 1.1 | (0.2) | 3.2 | (0.4) | 0.1 |
| Exports | 7.5 | 2.8 | 3.3 | 1.6 | (0.3) | 3.0 | 0.2 | 0.4 |
| Imports | 8.6 | (1.2) | 5.3 | 5.5 | (3.0) | 5.5 | 1.8 | (1.1) |
| Change in inventories (bil. \$) | 119.1 | 33.1 | 39.0 | 45.0 | 6.3 | 8.9 | (10.0) | 15.0 |
| Domestic demand | 2.3 | 2.7 | 3.0 | 2.1 | 0.8 | 3.0 | 1.1 | 1.2 |
| Real disposable income | (5.6) | 5.1 | 2.7 | 1.4 | 0.9 | 2.2 | 1.2 | 1.4 |
| Payroll employment | 4.3 | 2.2 | 1.3 | 1.1 | 0.6 | 1.2 | 0.8 | 1.0 |
| Unemployment rate | 3.6 | 3.6 | 4.0 | 4.3 | 4.8 | 4.1 | 4.5 | 4.6 |
| Inflation | 8.0 | 4.1 | 3.0 | 2.6 | 2.7 | 2.7 | 2.7 | 2.7 |
| Before-tax profits | 7.8 | 6.9 | 7.9 | 0.4 | 2.0 | 6.9 | (5.8) | 6.2 |
| Current account (bil. \$) | (1,012.1) | (905.4) | (1,133.6) | (1,337.5) | (1,075.0) | ... | ... | ... |

* or as noted

National Bank of Canada

Financial Forecast**

| | Current | | | | | | | |
|------------------------|---------|---------|---------|---------|---------|------|------|------|
| | 4/18/25 | Q2 2025 | Q3 2025 | Q4 2025 | Q1 2026 | 2024 | 2025 | 2026 |
| Fed Fund Target Rate | 4.50 | 4.25 | 4.00 | 3.75 | 3.50 | 4.50 | 3.75 | 3.00 |
| 3 month Treasury bills | 4.23 | 3.90 | 3.65 | 3.55 | 3.30 | 4.23 | 3.55 | 2.85 |
| Treasury yield curve | | | | | | | | |
| 2-Year | 3.81 | 3.60 | 3.45 | 3.35 | 3.25 | 4.25 | 3.35 | 3.40 |
| 5-Year | 3.95 | 3.80 | 3.70 | 3.55 | 3.50 | 4.38 | 3.55 | 3.40 |
| 10-Year | 4.34 | 4.25 | 4.15 | 4.10 | 4.05 | 4.58 | 4.10 | 3.85 |
| 30-Year | 4.80 | 4.70 | 4.60 | 4.55 | 4.50 | 4.78 | 4.55 | 4.30 |
| Exchange rates | | | | | | | | |
| U.S.\$/Euro | 1.14 | 1.09 | 1.11 | 1.14 | 1.15 | 1.04 | 1.14 | 1.17 |
| YEN/U.S.\$ | 142 | 146 | 143 | 142 | 140 | 157 | 142 | 135 |

** end of period

Quarterly pattern

| | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 | Q1 2025 | Q2 2025 | Q3 2025 | Q4 2025 |
|--------------------------------------|---------|---------|---------|---------|---------|----------|----------|----------|
| | actual | actual | actual | actual | actual | forecast | forecast | forecast |
| Real GDP growth (q/q % chg. saar) | 1.6 | 3.0 | 3.1 | 2.5 | (0.3) | 2.6 | 0.5 | 0.2 |
| CPI (y/y % chg.) | 3.2 | 3.2 | 2.7 | 2.7 | 2.7 | 2.3 | 2.7 | 2.7 |
| CPI ex. food and energy (y/y % chg.) | 3.8 | 3.4 | 3.3 | 3.3 | 3.1 | 3.0 | 3.3 | 3.3 |
| Unemployment rate (%) | 3.8 | 4.0 | 4.2 | 4.1 | 4.1 | 4.2 | 4.3 | 4.5 |

National Bank Financial

Canada - Economic Forecast (May 16, 2025)

| (Annual % change)* | 2022 | 2023 | 2024 | 2025 | 2026 | Q4/Q4 | | |
|-------------------------------------|--------|--------|--------|---------|---------|-------|-------|------|
| | | | | | | 2024 | 2025 | 2026 |
| Gross domestic product (2012 \$) | 4.2 | 1.5 | 1.5 | 1.1 | 0.9 | 2.4 | 0.0 | 1.7 |
| Consumption | 5.5 | 1.8 | 2.4 | 1.9 | 0.9 | 3.6 | 0.2 | 1.5 |
| Residential construction | (10.6) | (8.5) | (1.1) | 2.1 | (0.7) | 1.3 | (2.0) | 1.9 |
| Business investment | 6.4 | 1.0 | (1.9) | (0.2) | 0.0 | 2.6 | (1.8) | 1.2 |
| Government expenditures | 2.6 | 2.6 | 3.8 | 2.4 | 1.9 | 4.6 | 1.6 | 2.1 |
| Exports | 4.2 | 5.0 | 0.6 | 2.3 | 0.5 | 0.1 | 1.0 | 1.7 |
| Imports | 7.5 | 0.3 | 0.6 | 2.3 | 1.1 | 0.3 | 1.6 | 1.9 |
| Change in inventories (millions \$) | 51,121 | 25,497 | 14,428 | (5,078) | (3,153) | | | |
| Domestic demand | 3.3 | 1.1 | 2.0 | 1.8 | 1.0 | 3.5 | 0.3 | 1.7 |
| Real disposable income | (0.3) | 1.6 | 4.7 | 2.5 | 1.2 | 5.3 | 1.0 | 1.3 |
| Employment | 4.1 | 3.0 | 1.9 | 1.1 | 0.3 | 1.6 | 0.4 | 0.7 |
| Unemployment rate | 5.3 | 5.4 | 6.4 | 7.1 | 7.1 | 6.7 | 7.4 | 7.0 |
| Inflation | 6.8 | 3.9 | 2.4 | 1.9 | 2.0 | 1.9 | 1.9 | 2.2 |
| Before-tax profits | 17.9 | (14.8) | (4.2) | 0.9 | 1.9 | (3.2) | (4.6) | 4.0 |
| Current account (bil. \$) | (8.7) | (18.4) | (13.0) | (20.0) | (17.0) | | | |

* or as noted

Financial Forecast**

| | Current | | | | | | | |
|-------------------------|---------|---------|---------|---------|---------|------|------|------|
| | 5/13/25 | Q2 2025 | Q3 2025 | Q4 2025 | Q1 2026 | 2024 | 2025 | 2026 |
| Overnight rate | 2.75 | 2.50 | 2.25 | 2.00 | 2.00 | 3.25 | 2.00 | 2.00 |
| Prime rate | 4.75 | 4.50 | 4.25 | 4.00 | 4.00 | 5.25 | 4.00 | 4.00 |
| 3 month T-Bills | 2.62 | 2.45 | 2.15 | 1.95 | 1.95 | 3.15 | 1.95 | 2.00 |
| Treasury yield curve | | | | | | | | |
| 2-Year | 2.59 | 2.50 | 2.30 | 2.15 | 2.05 | 2.94 | 2.15 | 2.35 |
| 5-Year | 2.82 | 2.75 | 2.60 | 2.50 | 2.45 | 2.97 | 2.50 | 2.65 |
| 10-Year | 3.21 | 3.20 | 3.10 | 3.00 | 2.95 | 3.24 | 3.00 | 3.10 |
| 30-Year | 3.52 | 3.50 | 3.40 | 3.35 | 3.30 | 3.34 | 3.35 | 3.40 |
| CAD per USD | 1.40 | 1.42 | 1.39 | 1.37 | 1.35 | 1.44 | 1.37 | 1.33 |
| Oil price (WTI), U.S.\$ | 65 | 64 | 61 | 60 | 62 | 72 | 60 | 66 |

** end of period

Quarterly pattern Canada

| | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 | Q1 2025 | Q2 2025 | Q3 2025 | Q4 2025 |
|--------------------------------------|---------|---------|---------|---------|---------|----------|----------|----------|
| | actual | actual | actual | actual | actual | forecast | forecast | forecast |
| Real GDP growth (q/q % chg. saar) | 1.8 | 2.8 | 2.2 | 2.6 | 1.7 | (1.1) | (1.0) | 0.6 |
| CPI (y/y % chg.) | 2.8 | 2.7 | 2.0 | 1.9 | 2.3 | 1.8 | 1.8 | 1.9 |
| CPI ex. food and energy (y/y % chg.) | 2.9 | 2.8 | 2.5 | 2.1 | 2.5 | 2.3 | 2.3 | 2.4 |
| Unemployment rate (%) | 5.9 | 6.3 | 6.6 | 6.7 | 6.6 | 7.0 | 7.3 | 7.4 |

National Bank of Canada

Provincial Economic Forecast (May 16, 2025)

| | 2020 | 2021 | 2022 | 2023 | 2024e | 2025f | 2026f | | 2022 | 2023 | 2024e | 2025f | 2026f |
|-------------------------|------------------------------|-------|-------|-------|-------|-------|-------|--|------|------|-------|-------|-------|
| | Real GDP (% growth) | | | | | | | Nominal GDP (% growth) | | | | | |
| Newfoundland & Labrador | -4.8 | 1.0 | -1.9 | -2.6 | 2.3 | 1.3 | 0.9 | 6.5 | -5.5 | 3.1 | 0.5 | 2.1 | |
| Prince Edward Island | -3.0 | 7.8 | 4.4 | 2.2 | 2.8 | 1.7 | 0.9 | 10.4 | 4.9 | 5.0 | 4.0 | 3.2 | |
| Nova Scotia | -4.5 | 6.4 | 3.5 | 2.0 | 1.6 | 1.2 | 0.8 | 7.4 | 8.0 | 3.9 | 3.3 | 2.6 | |
| New Brunswick | -3.6 | 5.3 | 2.0 | 1.6 | 1.3 | 0.9 | 0.6 | 10.4 | 3.2 | 3.9 | 3.3 | 2.7 | |
| Quebec | -4.7 | 7.3 | 3.4 | 0.6 | 1.4 | 0.9 | 0.7 | 8.7 | 5.0 | 5.6 | 3.6 | 2.9 | |
| Ontario | -4.5 | 6.1 | 4.1 | 1.7 | 1.5 | 0.8 | 0.7 | 9.4 | 5.4 | 5.2 | 3.1 | 2.4 | |
| Manitoba | -4.1 | 1.4 | 4.2 | 1.7 | 1.0 | 1.1 | 0.9 | 10.8 | 4.5 | 3.2 | 3.3 | 2.4 | |
| Saskatchewan | -4.3 | -2.6 | 7.2 | 2.3 | 1.4 | 1.7 | 1.6 | 30.4 | -4.8 | 3.3 | 2.0 | 2.4 | |
| Alberta | -7.8 | 5.2 | 6.0 | 2.3 | 2.6 | 1.7 | 1.6 | 24.4 | -4.3 | 5.0 | 2.3 | 2.5 | |
| British Columbia | -3.1 | 7.7 | 4.0 | 2.4 | 0.9 | 1.1 | 1.0 | 10.8 | 3.6 | 3.7 | 3.4 | 2.6 | |
| Canada | -5.0 | 6.0 | 4.2 | 1.5 | 1.5 | 1.1 | 0.9 | 12.4 | 2.9 | 4.6 | 3.1 | 2.6 | |
| | Employment (% growth) | | | | | | | Unemployment rate (%) | | | | | |
| Newfoundland & Labrador | -6.1 | 3.9 | 4.0 | 1.7 | 2.7 | -0.8 | 0.2 | 11.1 | 9.8 | 10.0 | 10.6 | 10.3 | |
| Prince Edward Island | -2.4 | 5.0 | 5.0 | 6.2 | 3.6 | 1.8 | 1.2 | 7.7 | 7.3 | 7.8 | 7.8 | 6.9 | |
| Nova Scotia | -3.6 | 6.4 | 3.5 | 2.7 | 3.1 | 0.0 | 0.7 | 6.6 | 6.4 | 6.5 | 7.1 | 6.6 | |
| New Brunswick | -2.7 | 3.8 | 2.9 | 3.4 | 2.8 | 0.9 | 0.6 | 7.2 | 6.6 | 7.1 | 7.0 | 6.5 | |
| Quebec | -4.9 | 4.3 | 3.1 | 2.9 | 0.9 | 1.2 | 0.3 | 4.3 | 4.4 | 5.4 | 6.0 | 5.8 | |
| Ontario | -4.9 | 5.1 | 4.8 | 3.1 | 1.7 | 1.1 | 0.2 | 5.6 | 5.6 | 7.0 | 7.9 | 7.9 | |
| Manitoba | -3.9 | 4.4 | 3.6 | 2.7 | 2.6 | 1.3 | 0.4 | 4.5 | 4.9 | 5.5 | 6.9 | 6.8 | |
| Saskatchewan | -5.0 | 2.4 | 3.5 | 1.6 | 2.6 | 1.6 | 0.6 | 4.6 | 4.7 | 5.5 | 4.9 | 5.5 | |
| Alberta | -7.2 | 5.1 | 4.9 | 3.7 | 2.9 | 1.6 | 0.7 | 5.8 | 5.9 | 7.1 | 7.6 | 7.7 | |
| British Columbia | -5.7 | 6.2 | 3.4 | 2.6 | 2.4 | 0.7 | 0.3 | 4.6 | 5.2 | 5.6 | 6.5 | 6.5 | |
| Canada | -5.2 | 5.0 | 4.1 | 3.0 | 1.9 | 1.1 | 0.3 | 5.3 | 5.4 | 6.4 | 7.1 | 7.1 | |
| | Housing starts (000) | | | | | | | Consumer Price Index (% growth) | | | | | |
| Newfoundland & Labrador | 0.8 | 1.1 | 1.5 | 1.0 | 1.7 | 1.3 | 1.3 | 6.4 | 3.3 | 1.8 | 1.7 | 1.9 | |
| Prince Edward Island | 1.1 | 1.2 | 1.0 | 0.9 | 1.2 | 1.4 | 1.2 | 8.9 | 2.9 | 1.9 | 1.6 | 1.9 | |
| Nova Scotia | 4.9 | 6.0 | 5.6 | 7.1 | 7.4 | 7.0 | 7.0 | 7.5 | 4.0 | 2.3 | 1.9 | 2.0 | |
| New Brunswick | 3.6 | 3.9 | 4.6 | 4.7 | 6.2 | 5.8 | 6.0 | 7.3 | 3.5 | 2.2 | 1.9 | 2.0 | |
| Quebec | 53.8 | 69.4 | 58.5 | 39.9 | 48.8 | 53.0 | 54.0 | 6.7 | 4.5 | 2.3 | 2.0 | 2.0 | |
| Ontario | 81.2 | 100.4 | 96.0 | 90.0 | 74.5 | 59.0 | 62.0 | 6.8 | 3.8 | 2.4 | 1.8 | 2.0 | |
| Manitoba | 7.3 | 8.0 | 8.1 | 7.1 | 7.2 | 7.5 | 7.2 | 7.9 | 3.6 | 1.0 | 1.7 | 2.0 | |
| Saskatchewan | 3.1 | 4.3 | 4.2 | 4.6 | 4.3 | 4.5 | 4.2 | 6.6 | 3.9 | 1.4 | 1.8 | 2.0 | |
| Alberta | 24.2 | 31.9 | 36.4 | 35.9 | 47.8 | 53.0 | 50.0 | 6.5 | 3.3 | 2.9 | 1.9 | 2.0 | |
| British Columbia | 38.0 | 47.6 | 46.7 | 50.6 | 45.8 | 40.0 | 42.0 | 6.9 | 4.0 | 2.6 | 2.2 | 2.0 | |
| Canada | 218.0 | 273.8 | 262.7 | 241.8 | 245.1 | 232.5 | 234.9 | 6.8 | 3.9 | 2.4 | 1.9 | 2.0 | |

e: estimate

f: forecast

Historical data from Statistics Canada and CMHC, National Bank of Canada's forecast.

Interest Rates and Bond Markets



Interest Rates and Bond Markets



Warren Lovely
Chief Rates and
Public Sector Strategist
416-869-8598



Taylor Schleich
Rates Strategist
416-869-8025

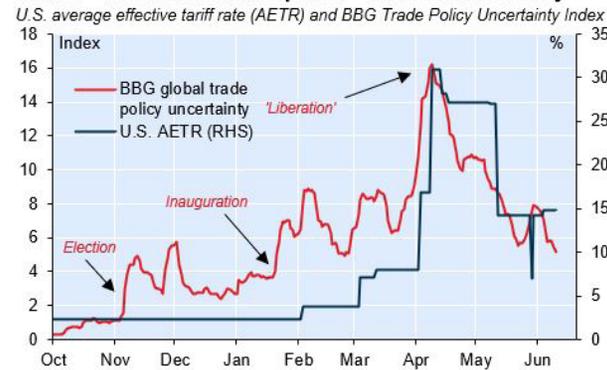


Ethan Currie
Senior Associate Analyst
416-432-4056

FOMC: Mr. Too Late Right on Time (June 6, 2025)

It was a frenetic start to the year on tariff action, but the past month has been comparatively tranquil after the 90-day de-escalation with China was announced in early May. Briefly, tariffs issued under the IEEPA banner (fentanyl and border security related and "reciprocal" tariffs) were deemed unlawful, but the White House had that ruling overturned on appeal. There also increased steel tariffs (from 25% to 50%) implemented in early June, but it's been "calm" other than that. To be sure, this "steady state" is far from optimal as the U.S. effective tariff rate remains at multi-decade highs. Similarly, uncertainty has not been resolved as the end of the 90-day reprieve on global reciprocal levies draws near (July 9th). Recently, Trump promised that unilateral tariff rates will be sent to trading partners in coming weeks. Déjà vu, anyone?

Tariffs – threatened and imposed – have driven anxiety



If you're looking for evidence of earlier trade carnage impacting the real economy, you may be left disappointed. Certainly, trade flows have been disrupted as U.S. companies front-loaded purchases ahead of Liberation Day. Subsequently, April data revealed a sharp reversal in the Q1 import surge, which has had and will have implications for GDP growth. The flat print in Q1 will give way to a very strong Q2.

April trade data - front-loading rebound, or regime shift?



However, the labour market hasn't been materially affected. Job growth has continued at a decent pace and the unemployment rate remains low. Sure, hiring has slowed from past years, but this trend was already in the works.

Low-churn labour market, with NFP growth steady

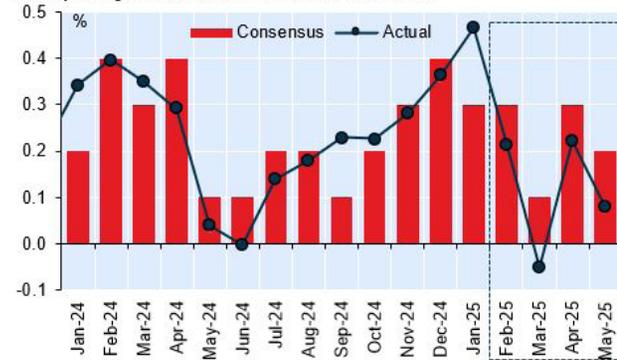


Similarly, a cursory glance at recent inflation data doesn't reflect the massive shift in the U.S. effective tariff rate. Headline inflation has actually surprised to the downside in each month of the Trump administration.

Interest Rates and Bond Markets

White House looks upon inflation data with glee, so far

Monthly change in the U.S. CPI vs. consensus forecast

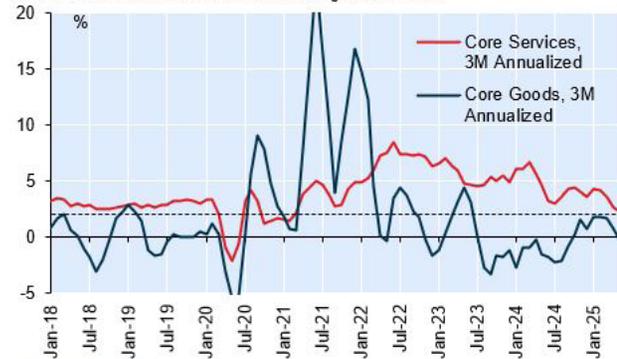


Source: NBC, BBG

Counterintuitively, goods prices have been little changed while cooling prices for services has allowed overall inflation to steadily fall this year, now only barely above the Fed's 2% price stability target.

Cooling in services, and no tariff pass-through in goods

3-month annualized core services & core goods inflation

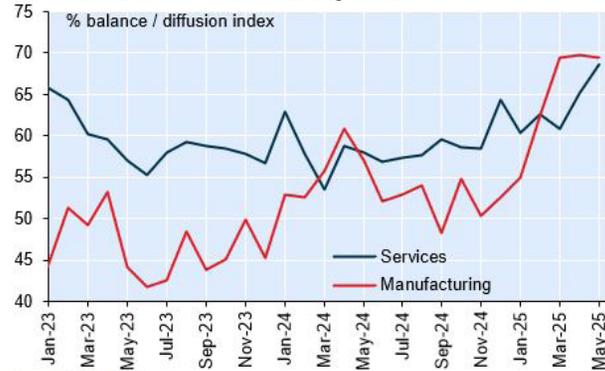


Source: NBC, BBG

While the data most important to the Fed aren't being disrupted, that's not to say tariffs aren't having an effect. Cost pressures are clearly evident in PMI data, with the prices paid sub-index in the ISM services and manufacturing spiking sharply. That's consistent with anecdotal data from U.S. business who have flagged material price increases, including an "[un]cooperative" vehicle market, where manufacturers are rolling tariff-led price increases over to salvage their bottom line.

Cost pressures are in the pipeline, per businesses

ISM Price Index – Services & manufacturing sectors



Source: NBC, BBG

There are a few potential explanations for why rising costs pressures are not being reflected in consumer price data. It could be that businesses are eating the costs in their profit margins due to concerns about demand. It could be that competitive pressures have businesses holding off from price increases to defend market share. It could also be that earlier front-loading has businesses well stocked and not yet having to restock at tariffed prices. In any event, [tariffs are being collected](#) as U.S. customs data shows. These reflect a real cost that will show up somewhere whether it's higher inflation or reduced profitability (which would have negative implications for hiring, investment, etc.).

Import tax revenue is real... how will it reveal itself?

Daily tariff revenue, since 2005

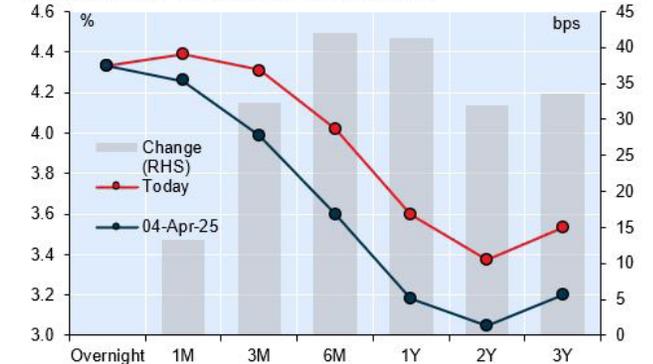


Source: NBC, BBG

The problem is it's unfortunately too early to tell what the effects will ultimately be. As such, the Fed will remain comfortably on the sidelines, for at least the next few months, until there's a better grasp of how things play out. The FOMC's voting members have consistently said as much, effectively taking the June and July meetings off the table. Market pricing reflects this patient stance, investors now deeming the September meeting as the one where easing will resume. That's in contrast to pricing earlier this year when tariffs were set higher, expected economic impacts were larger, and a dovish Fed reaction function was assumed.

OIS pricing has backed up from the 'worst case scenario'

SOFR curve, post- 'Liberation Day' vs. current pricing



Source: NBC, BBG

We'll concede there's a path to a September rate cut but risks are skewed to later, particularly if inflation starts to pick up (which we think it will). Recall, the March dot plot had begun to show a shift towards less easing relative to December. Overall uncertainty has only risen since then, which may lead to further dot drift. Stay tuned.

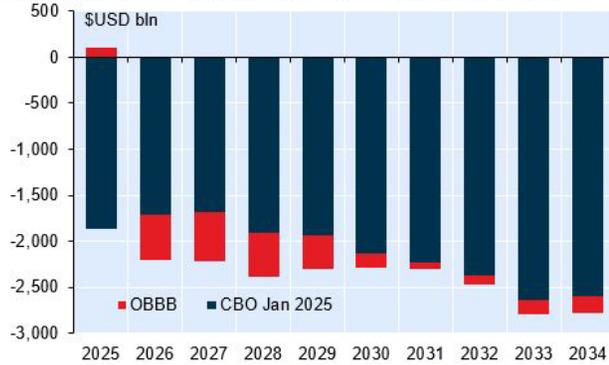
While there's been tremendous volatility in the Trump 2.0 era, investors on balance have bet on lower policy rates over the medium term. That's evidenced by a roughly 21 bp decline in the 2-year treasury yield since Trump secured election victory back in November. Rate relief has not extended further out the curve however, as the 30-year yield is up 47 bps over that period. While rates may edge slightly lower in the quarters ahead, we're not counting on a significant move away from 5%. That's in part due to loose fiscal policy, made looser by the "big beautiful" tax bill making its way through Congress. If implemented, it could add ~\$2.4 trillion to the deficit over

Interest Rates and Bond Markets

the next ten years, something investors are unlikely to look favourably on. The lion's share of this marginal red ink (~\$1.8 trillion) would accumulate within five years.

The One, Big, Beautiful... deficit!

U.S. deficit projection – CBO baseline and estimated impact of the 'OBBB'



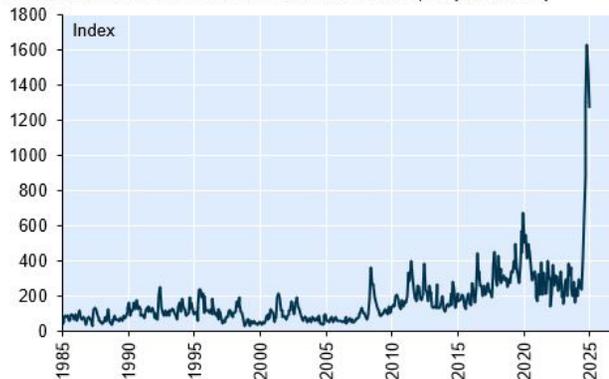
Source: NBC, CBO | Note: 'OBBB' refers to the 'One, Big, Beautiful Bill' / H.R. 1 Act

BoC: Stepping off the sidelines this summer?

U.S. data has remained relatively resilient to tariff impacts but the same can't be said for Canadian data. Of course, business and consumer sentiment collapsed earlier in the year on a sharp rise in uncertainty. That's partially improved but remains extremely elevated, posing problems for the outlook still.

Uncertainty has improved (but only relative to the record)

Baker, Bloom and Davis index of Canadian economic policy uncertainty

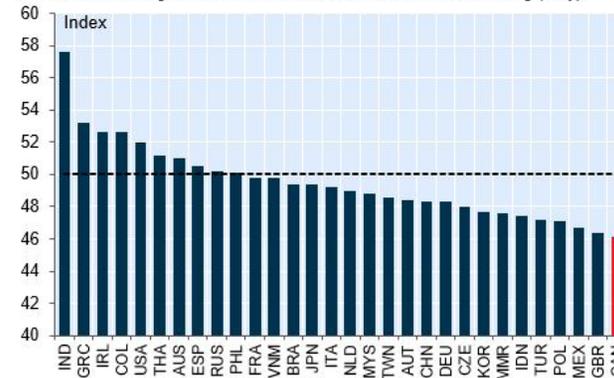


Source: NBC, BBG

Subdued sentiment is particularly acute in the areas one would expect, like manufacturing, which has an outsized exposure to the White House trade policy agenda. Consider S&P Global's [manufacturing PMI](#), which remained firmly in contraction (below 50) in May, even with an improvement from an ultra-downbeat April. Canada's manufacturing sector is weak in isolation, but the picture is even uglier when compared to international peers. Of the 30 countries covered by S&P Global, no country fared worse in May than Canada.

Canada's manufacturing sector the worst amongst OECD

S&P Manufacturing PMI Index – all OECD countries, latest reading (May)

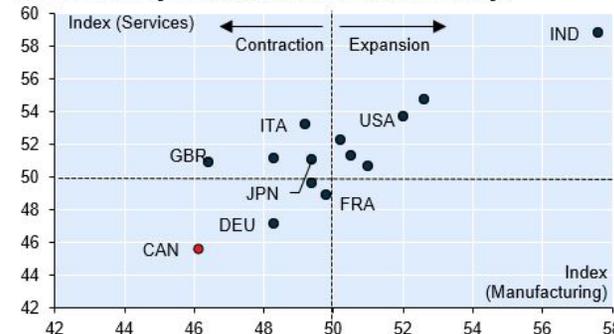


Source: NBC, BBG, S&P Global

Yes, the manufacturing sector only makes up ~10% of the Canadian economy so this doesn't make or break the outlook. The problem is that the services sector (roughly three quarters of the economy) is similarly troubled. Indeed, S&P Global's services PMI also remained in contraction in May (as it has since December) and here too [Canada ranks last](#) among countries whose services sector is covered by S&P Global.

Canada's economy is buckling, broadly

S&P Manufacturing PMI Index vs. Services PMI, latest readings



Source: NBC, BBG, S&P Global

In addition, housing markets remain paralyzed, an issue that we see as underappreciated. The drop in resale activity ceased in April, but at a very low level. Attributing this to tariffs is overly simplistic. A weaker labour market and mortgage refinancing (from the low rate era of 2020-21) are also key drivers. With supply continuing to mount, confidence will remain problematic, and prices may still be pointed lower.

Housing resale activity steadies at very low level

Canadian existing home sales: Monthly pattern by year, Jan-25 to Apr-25

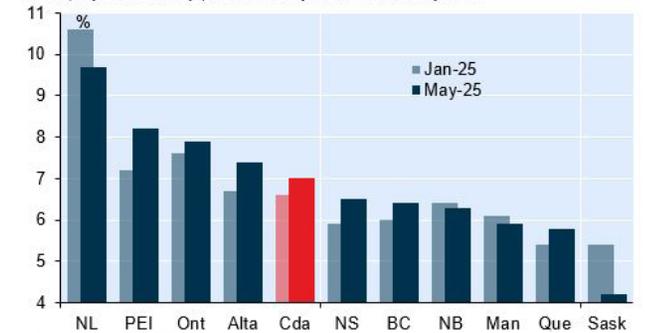


Source: NBC, CREA

Data more closely watched by the BoC is also flashing red. Hiring has stagnated, and the [jobless rate](#) has moved up four ticks since January. All four of Canada's largest provinces have seen rising unemployment rates this year, including tariff-exposed Ontario closing in on 8%.

Hiring is flat, as UE rates tick up (in all the wrong places)

Unemployment rate by province, May 2025 vs January 2025



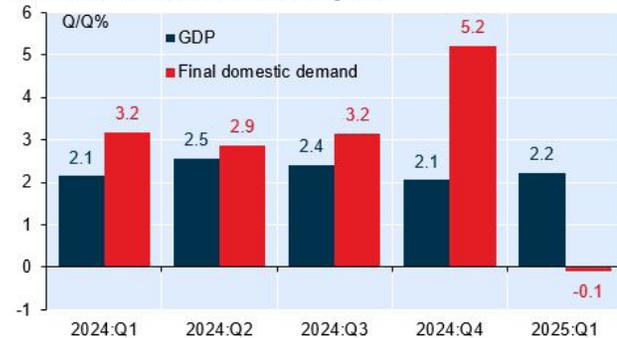
Source: NBC, StatCan

Interest Rates and Bond Markets

On the surface, Q1 GDP looked solid but that was due to exports and inventories. Domestic demand stagnated. And while that comes after a very strong Q4, it doesn't create much momentum going forward.

Q1 GDP looked good but domestic demand was weak

Canada GDP and final domestic demand growth

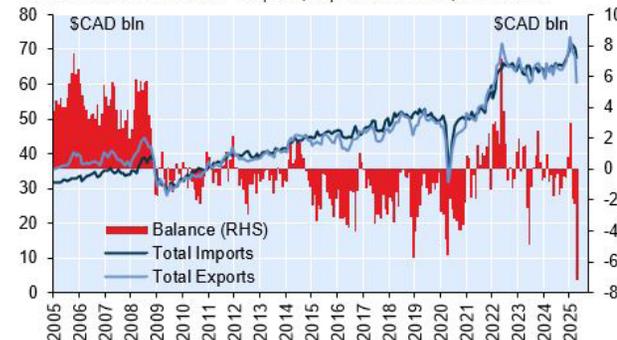


Source: NBC, StatCan

Domestic demand should remain weak in Q2 and headline growth will be soft as earlier U.S. front-loading cuts the other way.

Canada's trade deficit was the largest on record in April

Canada merchandise trade – imports, exports & balance, since 2005



Source: NBC, BBG

With weak labour and housing markets and a challenged GDP outlook, the BoC left rates unchanged for a second straight decision in June. Why? Inflation and inflation risks. Core CPI in April was unexpectedly hot despite well-contained headline inflation (pulled down by tax relief).

Core inflation is proving stickier than anticipated

YoY % change in select Canadian inflation measures, last two years



Source: NBC, BBG

Moreover, if you consider what the BoC was focused on, the decision becomes less surprising. See their 'guidance' from April:

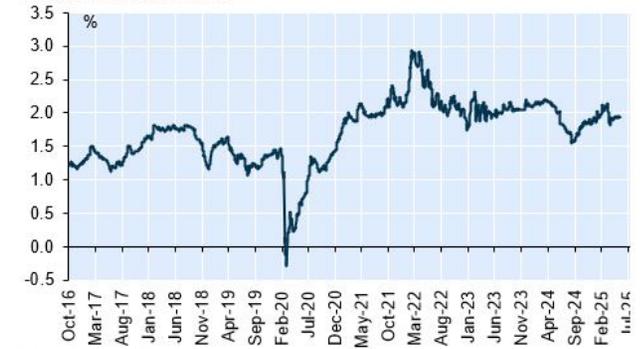
"Governing Council is proceeding carefully, with particular attention to the risks and uncertainties facing the Canadian economy. These include:

- › The extent to which higher US tariffs reduce demand for Canadian exports;
- › how this [affects] business investment, employment, household spending;
- › how much & how quickly cost increases are passed onto consumer prices;
- › and how inflation expectations evolve."

Ahead of June, it was too early to tell on many of these items (trade inflation expectations) while inflation and economic impacts were giving opposing signals. Cue the hold. But the eight weeks that follow have brought and will bring greater clarity. As noted, Canadian exports collapsed in April while hiring has remained muted. Meantime, a Business Outlook Survey due in July will deliver an important update on inflation expectations (we're not too concerned about this). But the most important variable in guiding the July decision will likely be the two inflation reports incoming. If these are to co-operate, the easing cycle is likely to continue as the Governor explained: *"[There] could be a need for a reduction in the policy rate if the economy weakens [...] and cost pressures on inflation are contained".*

Market-based inflation expectations remain well-anchored

Canada 5Y breakeven yield



Source: NBC, BBG

On balance, the items on the BoC's watch list are [tilting towards cutting in our view](#), but market pricing has moved the other way. There is now barely over 1 cut discounted this year, which is a stark contrast to what was priced following the Bank's March rate cut.

OIS markets have stripped out plenty of '25 BoC rate relief

OIS-implied BoC policy rate for December meeting vs. current & NBC forecast



Source: NBC, BBG

The July decision will be data dependent, but we see a cut as more likely than not. The fact that markets are leaning hold right now doesn't deter us. Recent months have reminded us that [BoC expectations can change quickly](#), and Governing Council has no problem with markets lingering in uncertainty.

Interest Rates and Bond Markets

Investors can be certain of BoC inter-meeting uncertainty

OIS-implied rate change in lead-up to next BoC policy decision

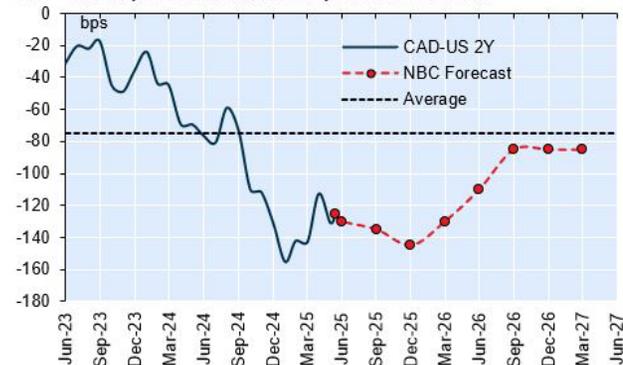


Source: NBC, BBG

Further out, we have retained our call for a total of 75 basis points of easing this year as we continue to see limited inflation and accumulating economic slack. With the rally in U.S. treasuries of late, that would leave Canada bonds well-positioned to outperform in the months ahead.

UST rally + underpriced BoC = GoC outperformance

GoC – UST 2Y yield differential, last two years & NBC forecast



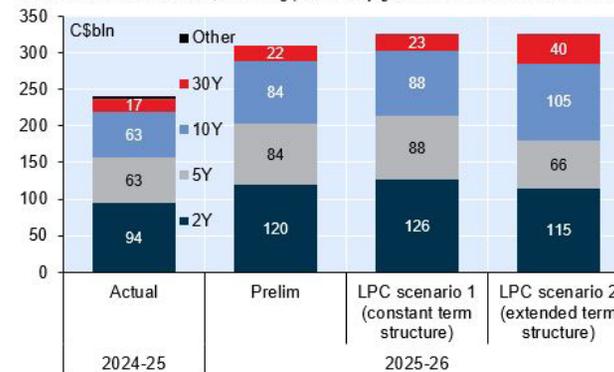
Source: NBC, BBG | Note: Dotted line represents 2Y yield differential, two-year average

Like in the U.S., fiscal policy will be key to watch in Canada (for the economic outlook and for bond markets). We earlier downplayed the size of new defense spending as part of the government's plan to meet NATO's 2% spending target ([link](#)), but bond supply is still due to rise. Tack on provincial supply, and investors will not be starved of

duration, which should limit the rally out the curve (especially if the government's longer-term investment plans result in a marginal GoC term-out). Importantly, Canada won't be alone. Expansionary fiscal policy is a global story which should mean similar trend playing out in other advanced economy bond markets.

Borrowing set to pick up per LPC costing platform

Gross GoC bond issuance, including preliminary guidance & illustrative scenarios



Source: NBC, BoC, LPC | Note: Extended term structure scenario adopts 2021-22 weighted average term. Projected borrowing on LPC election costing platform

Stock Market and Portfolio Strategy



Stock Market and Portfolio Strategy



Stéphane Marion
 Chief Economist and Strategist
 514-879-3781



Matthieu Arseneau
 Deputy Chief Economist
 514-879-2252



Alexandra Ducharme
 Economist
 514-412-1865

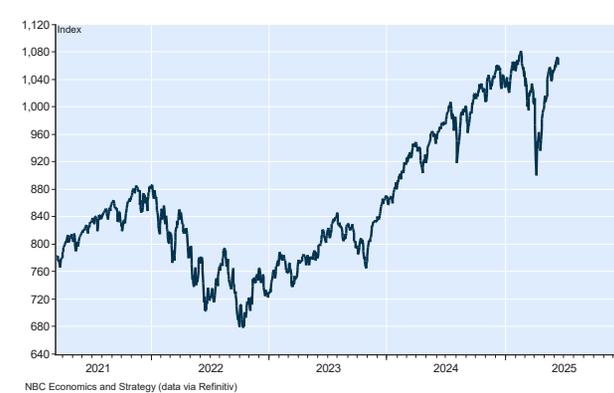
Ottawa Pledges to Make Canada Investable Again (MCIA)

(June 18, 2025)

World: Rallying through risk

Global equities have largely shrugged off the wave of pessimism sparked in April by the White House's announcement of sweeping tariffs on nearly all major trading partners. As of this writing, the MSCI ACWI has nearly recovered all losses incurred since February (see chart).

World: Global equities are rebounding



So far in Q2, the global equity benchmark is up 5.8% with all of the main regions showing positive growth (table).

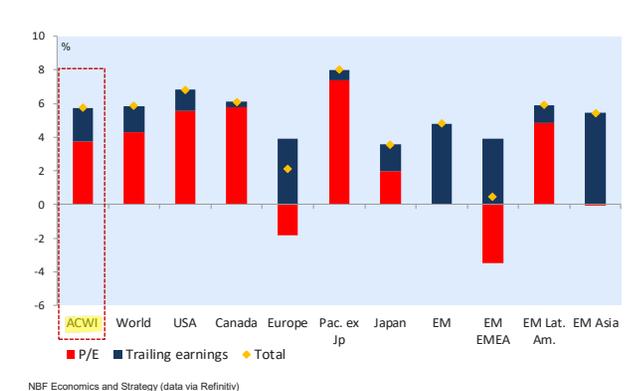
World: All regions posting gains so far in Q2

| | Month to date | Quarter to date | Year to date |
|-----------------------|---------------|-----------------|--------------|
| MSCI ACWI | 0.9 | 5.8 | 3.1 |
| MSCI World | 0.7 | 5.9 | 2.7 |
| MSCI USA | 1.1 | 6.8 | 1.7 |
| MSCI Canada | 0.9 | 6.1 | 6.8 |
| MSCI Europe | -0.3 | 2.1 | 7.8 |
| MSCI Pacific ex Jp | 1.5 | 8.0 | 6.8 |
| MSCI Japan | -1.9 | 3.6 | -2.0 |
| MSCI EM | 2.4 | 4.8 | 7.0 |
| MSCI EM EMEA | -0.1 | 0.4 | 6.4 |
| MSCI EM Latin America | 0.2 | 5.9 | 12.4 |
| MSCI EM Asia | 3.0 | 5.4 | 6.7 |

6/13/2025
 NBC Economics and Strategy (data via Refinitiv)

Roughly two-thirds of the MSCI ACWI's gains so far in Q2 have been driven by multiple expansion rather than earnings growth. In fact, only Europe and select emerging markets—namely EM Asia and EM EMEA—have posted equity gains that were not primarily fueled by rising valuations (chart).

MSCI ACWI: PE expansion at the core of Q2 rally



On the earnings front, corporate EPS growth expectations remain positive, with the MSCI ACWI still expected to expand 10% over the next 12 months. However, guidance continues to be revised downward, and the current pace of downgrades is the steepest since 2023 (see chart).

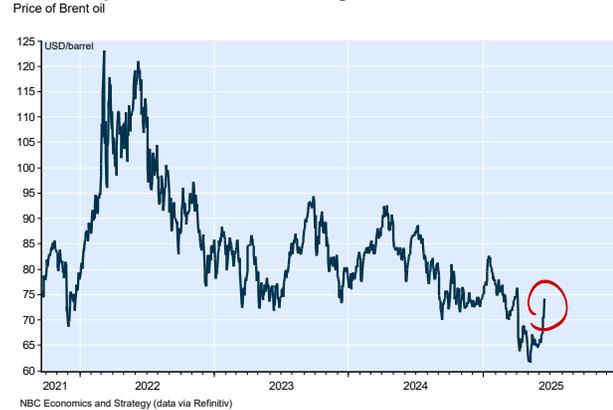
World: Downward revisions to earnings guidance persist



Stock Market and Portfolio Strategy

The on-again, off-again nature of tariff threats from Washington is likely to fuel earnings volatility in the months ahead, as companies adjust inventories and navigate an increasingly uncertain business environment. The 90-day tariff reprieve expires on July 9th, and absent a new agreement, the U.S. administration is expected to impose unilateral tariffs on key trading partners. This could prompt retaliatory measures—such as further Chinese restrictions on critical exports like industrial magnets—adding pressure to global supply chains. Meanwhile, the escalating risk of a prolonged conflict between Israel and Iran is reviving fears of a global oil supply shock. Against this backdrop, stagflationary pressures remain a significant risk to most global equity markets.

World: Oil prices climb amid escalating Middle East tensions



S&P 500: How high is too high for PE?

The S&P 500 has outpaced the global equity benchmark with a 6.8% gain so far in Q2. However, market breadth remains unimpressive: five of the index's ten major sectors have posted either declines (Energy, Health Care, Real Estate) or flat performance (Financials and Consumer Staples)—see table.

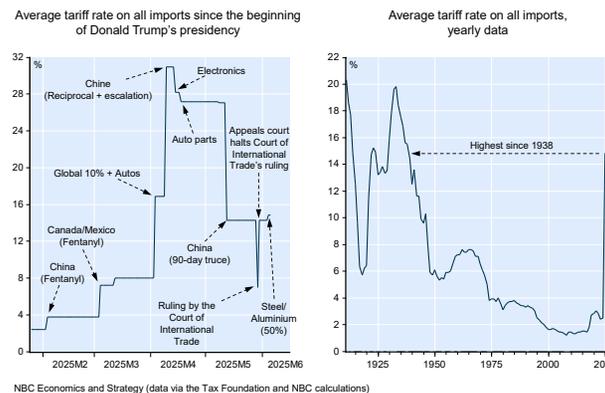
S&P 500: Narrow leadership behind Q2 rally

| | Month to date | Quarter to date | Year to date |
|--------------------|---------------|-----------------|--------------|
| S&P 500 | 1.1 | 6.5 | 1.6 |
| ENERGY | 8.0 | -6.5 | 2.2 |
| IT | 2.9 | 15.8 | 1.0 |
| HEALTH CARE | 2.5 | -7.0 | -1.4 |
| TELECOM | 2.3 | 12.9 | 5.6 |
| MATERIALS | 0.9 | 1.4 | 3.8 |
| INDUSTRIALS | -0.2 | 8.5 | 8.0 |
| REAL ESTATE | -0.5 | -0.7 | 1.9 |
| CONS. DISC. | -0.6 | 8.4 | -6.7 |
| UTILITIES | -0.8 | 2.5 | 6.8 |
| FINANCIALS | -2.0 | 0.0 | 3.1 |
| CONS. STAP. | -2.7 | 0.0 | 4.6 |

6/13/2025
NBC Economics and Strategy (data via Refinitiv)

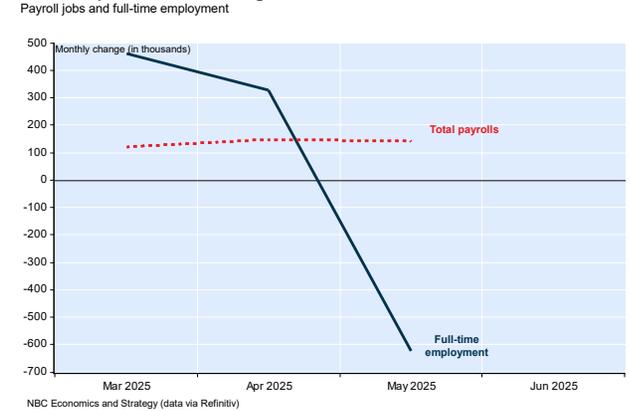
Tariff uncertainty remains a key drag for sentiment, undermining business confidence. Despite recent signs of de-escalation, the average duty on American imports is still expected to rise sharply in 2025—raising input costs for manufacturers and threatening corporate margins (see chart).

U.S. : Tariff remains elevated even after de-escalation



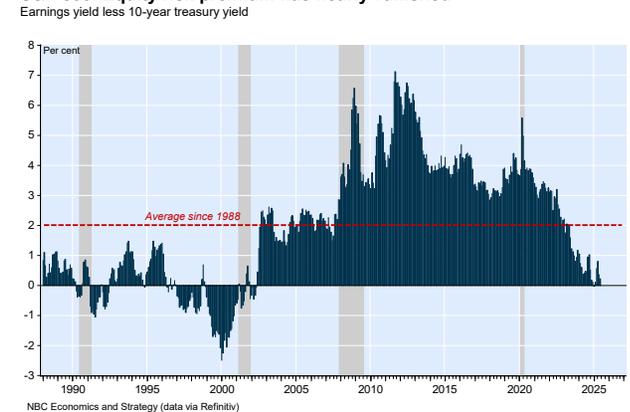
Amid heightened uncertainty, firms are reluctant to commit to full-time hiring—favoring flexible or temporary arrangements instead. A further decline in full-time employment would weigh on consumer spending and the broader economy (chart).

U.S.: Corporations are hiring, but not full-time



As the growth outlook softens, the stage is being set for wider fiscal deficits and limited relief from long-term interest rates, as investors demand higher term premia to lend to Uncle Sam. Despite a 21 bp decline in the 2-year Treasury yield since President Trump's election victory in November, the 30-year yield has climbed 47 bps—underscoring persistent concerns over fiscal sustainability. At the same time, multiple expansion alongside a resilient 10-year yield has effectively erased the equity risk premium on U.S. equities (see chart).

S&P 500: Equity risk premium has nearly vanished

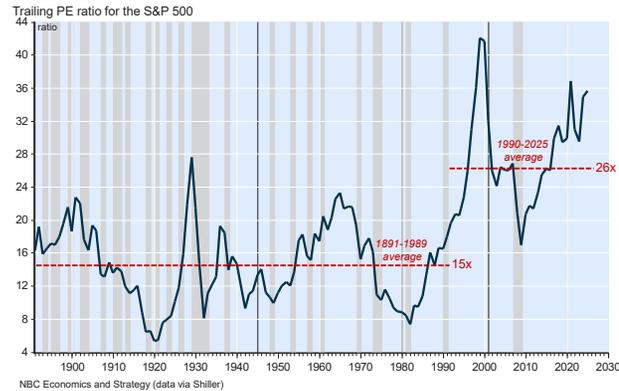


With Washington clearly intent on reshoring manufacturing to U.S. soil—potentially at the expense of foreign capital inflows—the question that naturally arises is:

Stock Market and Portfolio Strategy

what is the fair PE for America's stock market? As a reminder, the S&P 500 traded at an average PE ratio of 15x earnings between 1891 and 1989. Following the fall of the Berlin Wall in 1989, as the U.S. emerged as the world's dominant military power and embraced globalization, foreign capital flowed into U.S. markets, helping lift the average PE ratio to 26x (see chart).

U.S.: Foreign investment fueled American exceptionalism after fall of Berlin wall

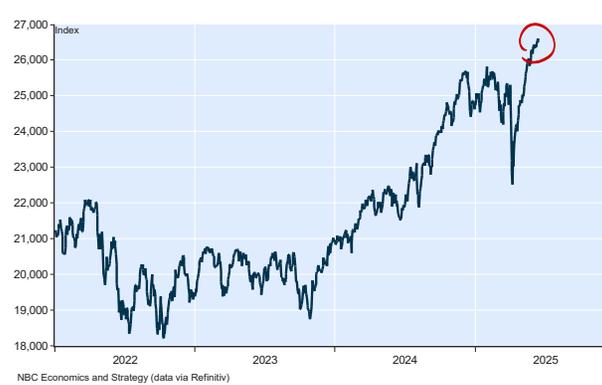


This surge in global investor demand contributed to U.S. equities reaching an outsized share of the MSCI ACWI, with the U.S. eventually accounting for a staggering 63% of the global equity benchmark. Looking ahead, the shift toward repatriating industrial activity via protectionism could mean less productivity and profitability down the road (direct impact of tariffs and retaliation/boycott fro trade partners). This suggests that the fair value PE for the S&P 500 will likely be lower than the 1990–2025 average in a new world order. By how much, however, remains an open question.

S&P/TSX: MCIA propels index to record

Despite sluggish domestic demand, a soft labour market, and record-high uncertainty surrounding trade policy, the S&P/TSX surged to a new record high in June (see chart).

Canada: S&P/TSX hits new record in June



The Canadian benchmark is already up 6.4% in Q2. Impressively—and in contrast to the S&P 500—the gains have been broad-based, with all major sectors except Health Care posting positive returns (see table).

S&P/TSX: Gains are widespread in Q2

Price returns (in %)

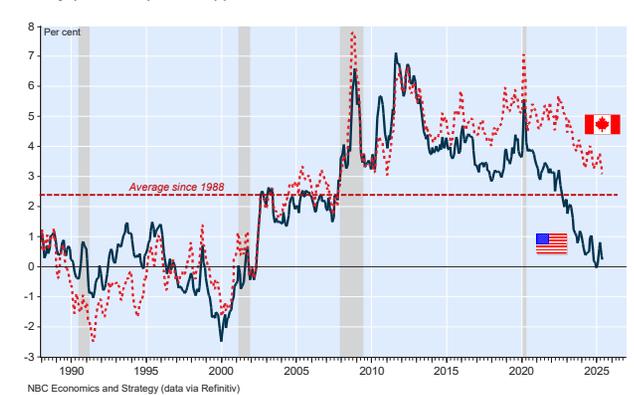
| | Month to date | Quarter to date | Year to date |
|-------------|---------------|-----------------|--------------|
| S&P TSX | 1.3 | 6.4 | 7.2 |
| ENERGY | 5.7 | 3.1 | 4.6 |
| MATERIALS | 5.7 | 10.0 | 31.9 |
| HEALTH CARE | 4.2 | -2.2 | -11.5 |
| CONS. DISC. | 2.4 | 12.3 | 11.5 |
| TELECOM | 0.8 | 0.4 | 0.5 |
| REAL ESTATE | 0.7 | 3.5 | 0.9 |
| UTILITIES | 0.2 | 4.0 | 7.9 |
| BANKS | 0.0 | 9.2 | 5.3 |
| FINANCIALS | -0.4 | 7.1 | 4.7 |
| CONS. STAP. | -0.8 | 5.8 | 4.9 |
| INDUSTRIALS | -1.4 | 6.2 | 3.8 |
| IT | -2.2 | 6.5 | -1.5 |

6/13/2025

NBF Economics and Strategy (data via Refinitiv)

Despite this gain, the S&P/TSX is still offering an equity risk premium above its historical average (see chart).

S&P/TSX: Equity risk premium still above historical average



Canada's elevated equity risk premium is partly supported by a 10-year government bond yield that remains more than 100 basis points below its U.S. counterpart (see chart).

Canada: Interest rate are well below that in the U.S.

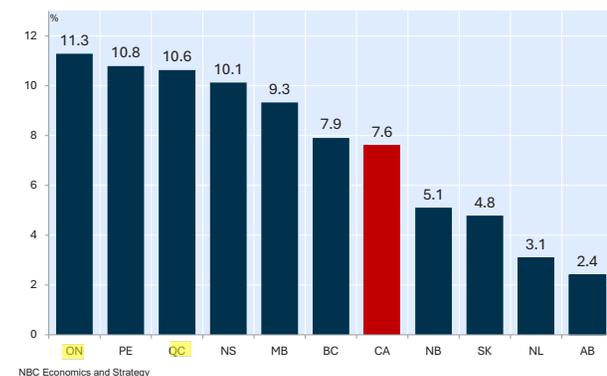


This spread reflects a weaker domestic growth outlook, softer inflation pressures, and expectations for a more accommodative monetary policy stance from the Bank of Canada relative to the Federal Reserve. The weaker growth prospects stem from the Washington's recent decision to raise import duties on Canadian aluminum and steel exports has pushed the effective tariff rate on Ontario and Quebec above 10% (see chart).

Stock Market and Portfolio Strategy

Canada: Tariff exposures vary by province

U.S. effective tariff rate on Canada and the provinces



So, while soft growth remains likely in the second half of 2025, the outlook for the economy—and the S&P/TSX—is not entirely bleak. For one, the renewed armed conflict between Israel and Iran has already triggered a rebound in oil prices, providing support for Canadian equities. For another, President Trump signaled at the G7 summit in Alberta that he is open to resolving trade tensions with Canada within the next 30 days. Most importantly, we believe the S&P/TSX stands to benefit structurally from Ottawa’s latest Throne Speech, which marks a transformative pivot toward reindustrialization. The government’s commitment to leveraging the resource sector, streamlining regulation, and overhauling military procurement represents a decisive break from the Trudeau-era policy framework (see table).

Canada: Throne speech ends Trudeau era playbook

Trudeau 2021 vs. Carney 2025: A side-by-side comparison of throne speech policy orientations

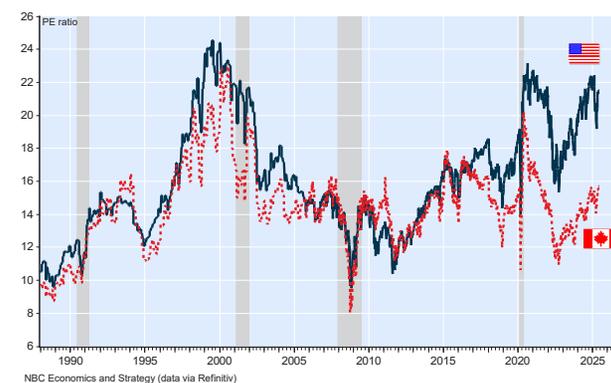
| Policy Orientation | Trudeau 2021 Throne Speech | Carney 2025 Throne Speech |
|---|--|---|
| Economic Vision | Inclusive, post-pandemic recovery focused on clean growth and social supports. | Transformative G7-leading economy with unified national market and energy dominance. |
| Regulatory Reform | No major change; emphasis on climate and equity lenses in regulation. | New Major Federal Project Office to cut approval times to 2 years; 'one project, one review'. |
| Energy Strategy | Cap oil & gas emissions; invest in clean tech and net-zero electricity. | Expand conventional & clean energy; aim to be global energy superpower. |
| Housing & Affordability | Childcare and rental support emphasized; Housing Accelerator Fund launched. | Double housing construction; GST cuts; Build Canada Homes agency. |
| Indigenous Participation | Focus on reconciliation; no major economic ownership initiatives. | Double Indigenous Loan Guarantee to \$10B; enable ownership in major projects. |
| Trade Policy | Global trade openness and immigration-led growth emphasized. | Reduce U.S. dependence; build coalitions with like-minded democracies. |
| Fiscal Policy | Targeted support during pandemic; gradual spending restraint. | Cap spending growth under 2%; balance operating budget in 3 years. |
| Internal Market | No direct mention of internal trade or mobility barriers. | Remove federal internal trade barriers by Canada Day; \$200B productivity gain targeted. |
| Innovation & Industry Policy | Climate innovation, clean tech manufacturing and zero-emission vehicles. | Massive industrial strategy to drive trades, science, and global innovation leadership. |
| Immigration Policy | Increase immigration; support family reunification; refugee resettlement leadership. | Cap temporary foreign workers and international students to <5% of population by 2027; restore trust and balance. |

NBC Economics and Strategy

We interpret the Throne Speech as Ottawa’s pledge to Make Canada Investable Again (MCIA). After years of trading at a discount to the U.S.—both at the index level and across most industries—the MCIA initiative aims to reposition Canada as a more attractive destination for both domestic and foreign private capital. In our view, this supports a narrowing of the S&P/TSX’s valuation gap relative to the S&P 500 (see chart).

S&P/TSX: MCIA set to shrink the valuation gap

12-month forward PE: S&P 500 vs S&P/TSX



Asset allocation

This month, we are modestly reducing our equity underweight by trimming fixed income and moving Canadian equities to an overweight position. This adjustment reflects growing anticipation of more favourable Canada–U.S. trade developments, as signaled by President Trump during the G7 meeting in Alberta. That said, our overall investment posture remains defensive as we await greater clarity on both trade tensions and geopolitical conflict.

| NBC Asset Allocation | | | |
|-------------------------|---------------|------------------------|-------------|
| | Benchmark (%) | NBF Recommendation (%) | Change (pp) |
| Equities | | | |
| Canadian Equities | 20 | 21 | +3 |
| U.S. Equities | 20 | 15 | |
| Foreign Equities (EAFE) | 5 | 3 | |
| Emerging markets | 5 | 3 | |
| Fixed Income | 45 | 50 | -3 |
| Cash | 5 | 8 | |
| Total | 100 | 100 | |

NBC Economics and Strategy

Sector rotation

We have adjusted our sector positioning this month in response to a rapidly evolving environment. Given the persistence of stagflationary pressures, we expect limited interest rate relief at the long end of the curve. As a result, we are reducing our exposure to Utilities and Communication Services from overweight to market weight. In the case of Communication Services, a weak demographic outlook also contributed to the downgrade, which prompted us to lower Consumer Staples from overweight to underweight as well. Conversely, we are upgrading both Energy and Industrials to overweight—reflecting Ottawa’s renewed commitment to resource development and reindustrialization. Energy was previously at market weight, while Industrials were underweight.

Stock Market and Portfolio Strategy

Fundamental Sector Rotation - June 2025

| Name (Sector/Industry) | Recommendation | S&P/TSX weight |
|--|----------------------|----------------|
| Energy | Overweight | 16.5% |
| Energy Equipment & Services | Overweight | 0.2% |
| Oil, Gas & Consumable Fuels | Overweight | 16.3% |
| Materials | Market Weight | 14.0% |
| Chemicals | Underweight | 1.2% |
| Containers & Packaging | Market Weight | 0.4% |
| Metals & Mining * | Market Weight | 12.1% |
| Gold | Overweight | 9.5% |
| Paper & Forest Products | Market Weight | 0.3% |
| Industrials | Overweight | 12.2% |
| Capital Goods | Overweight | 3.3% |
| Commercial & Professional Services | Market Weight | 3.6% |
| Transportation | Overweight | 5.4% |
| Consumer Discretionary | Underweight | 3.4% |
| Automobiles & Components | Market Weight | 0.4% |
| Consumer Durables & Apparel | Underweight | 0.3% |
| Consumer Services | Underweight | 0.8% |
| Retailing | Underweight | 1.9% |
| Consumer Staples | Underweight | 3.8% |
| Food & Staples Retailing | Underweight | 3.5% |
| Food, Beverage & Tobacco | Underweight | 0.3% |
| Health Care | Market Weight | 0.2% |
| Health Care Equipment & Services | Market Weight | 0.2% |
| Pharmaceuticals, Biotechnology & Life Sciences | Market Weight | 0.1% |
| Financials | Market Weight | 32.5% |
| Banks | Market Weight | 20.1% |
| Diversified Financials | Market Weight | 4.6% |
| Insurance | Market Weight | 7.8% |
| Information Technology | Market Weight | 9.5% |
| Telecommunication Services | Market Weight | 2.2% |
| Utilities | Market Weight | 3.8% |
| Real Estate | Underweight | 1.8% |

* Metals & Mining excluding the Gold Sub-Industry for the recommendation.

Stock Market and Portfolio Strategy

| NBC Market Forecast Canada | | | |
|-------------------------------|-----------------------|------|---------|
| | Actual | | Q4 2025 |
| Index Level | Jun-16-25 | | Target |
| S&P/TSX | 26,569 | | 25,800 |
| Assumptions | | | Q4 2025 |
| Level: | Earnings * | 1517 | 1550 |
| | Dividend | 732 | 748 |
| | PE Trailing (implied) | 17.5 | 16.6 |

* Before extraordinary items, source Thomson

NBC Economics and Strategy (data via Refinitiv)

| NBC Market Forecast United States | | | |
|--------------------------------------|-----------------------|------|---------|
| | Actual | | Q4 2025 |
| Index Level | Jun-16-25 | | Target |
| S&P 500 | 6,033 | | 5,700 |
| Assumptions | | | Q4 2025 |
| Level: | Earnings * | 250 | 249 |
| | Dividend | 76 | 76 |
| | PE Trailing (implied) | 24.2 | 22.9 |

* S&P operating earnings, bottom up.

| Global Stock Market Performance Summary | | | | | | | | |
|---|--|-------------|-------------|-------------|-----------------------------|-------------|-------------|------------------------------|
| | Local currency returns (%) (MSCI indices are in US\$) | | | | Canadian Dollar Returns (%) | | | Correlation with S&P 500* |
| | MTD | YTD | 1-Yr | 3-Yr | YTD | 1-Yr | 3-Yr | |
| North America - MSCI Index | 2.1 | 3.1 | 12.2 | 64.1 | -2.8 | 10.6 | 71.8 | 1.00 |
| United States - S&P 500 | 2.1 | 2.6 | 11.1 | 64.5 | -3.3 | 9.5 | 72.2 | 1.00 |
| Canada - S&P TSX | 1.5 | 7.4 | 22.8 | 39.8 | 7.4 | 22.8 | 39.8 | 0.95 |
| Europe - MSCI Index | 1.8 | 20.5 | 15.6 | 49.5 | 13.6 | 13.9 | 56.5 | 0.87 |
| United Kingdom - FTSE 100 | 1.2 | 8.6 | 8.9 | 26.0 | 11.2 | 15.3 | 46.1 | 0.87 |
| Germany - DAX 30 | -1.2 | 19.0 | 31.7 | 81.8 | 25.6 | 40.7 | 110.1 | 0.91 |
| France - CAC 40 | -0.1 | 4.9 | 3.2 | 31.5 | 10.7 | 10.3 | 52.1 | 0.70 |
| Switzerland - SMI | -1.1 | 4.2 | 0.4 | 15.4 | 9.9 | 8.7 | 44.5 | 0.85 |
| Italy - Milan Comit 30 | -0.4 | 12.8 | 11.8 | 41.8 | 19.0 | 19.6 | 64.0 | 0.86 |
| Netherlands - Amsterdam Exchanges | 0.2 | 5.3 | 0.7 | 44.9 | 11.1 | 7.6 | 67.5 | 0.95 |
| Pacific - MSCI Index | 0.3 | 9.1 | 10.9 | 29.8 | 2.8 | 9.3 | 35.8 | 0.94 |
| Japan - Nikkei 225 | 0.9 | -4.0 | -1.3 | 45.0 | -1.2 | 6.3 | 39.6 | 0.92 |
| Australia - All ordinaries | 1.3 | 4.2 | 10.0 | 29.4 | 3.8 | 7.3 | 27.2 | 0.95 |
| Hong Kong - Hang Seng | 3.3 | 20.0 | 34.1 | 15.4 | 11.9 | 31.6 | 20.8 | 0.26 |
| World - MSCI Index | 1.9 | 6.2 | 12.7 | 58.0 | 0.1 | 11.1 | 65.4 | 1.00 |
| World Ex. U.S.A. - MSCI Index | 1.5 | 16.2 | 15.4 | 41.9 | 9.5 | 13.8 | 48.6 | 0.91 |
| EAFE - MSCI Index | 1.3 | 16.5 | 14.2 | 42.6 | 9.8 | 12.6 | 49.3 | 0.90 |
| Emerging markets (free) - MSCI Index | 3.5 | 11.4 | 11.3 | 18.9 | 5.0 | 9.7 | 24.4 | 0.90 |

* Correlation of monthly returns (3 years)

Stock Market and Portfolio Strategy

S&P 500 Sectoral Earnings - Consensus* 6/16/2025

| | Weight S&P500 (%) | Index level | Variation (%) | | EPS Growth | | | P/E | | | 5 year growth forecast | PEG ratio | Revision Index** |
|-------------------------------|-------------------------|----------------|---------------|------|------------|------|-----------------|------|------|-----------------|------------------------------|-----------|---------------------|
| | | | 3-m | 12-m | 2025 | 2026 | 12-m forward | 2025 | 2026 | 12-m forward | | | |
| S&P 500 | 100 | 6033.1 | 7.0 | 11.1 | 9.0 | 13.8 | 11.3 | 23.1 | 20.3 | 21.5 | 14.9 | 1.90 | -2.77 |
| Energy | 3.17 | 667.0 | -2.1 | -0.1 | -14.2 | 19.8 | 1.5 | 15.9 | 13.2 | 14.4 | 9.6 | 9.68 | -14.69 |
| Materials | 1.94 | 554.0 | 2.7 | -0.8 | 2.6 | 16.4 | 9.9 | 21.7 | 18.7 | 20.0 | 12.4 | 2.03 | -3.18 |
| Industrials | 8.59 | 1213.0 | 9.5 | 18.6 | 11.9 | 16.3 | 14.6 | 25.4 | 21.9 | 23.4 | 10.1 | 1.60 | -3.64 |
| Consumer Discretionary | 10.50 | 1728.3 | 9.5 | 19.3 | 1.2 | 14.7 | 8.1 | 29.6 | 25.8 | 27.6 | 12.8 | 3.40 | -6.13 |
| Consumer Staples | 5.63 | 892.8 | 3.1 | 9.1 | 0.3 | 7.4 | 4.0 | 23.3 | 21.7 | 22.4 | 6.3 | 5.66 | -2.30 |
| Healthcare | 9.61 | 1575.9 | -6.5 | -7.1 | 14.9 | 10.7 | 12.5 | 16.8 | 15.2 | 15.9 | 22.8 | 1.27 | -2.68 |
| Financials | 13.90 | 838.5 | 4.1 | 24.4 | 4.1 | 13.6 | 8.9 | 17.6 | 15.5 | 16.5 | 11.6 | 1.84 | -1.63 |
| Information Technology | 32.36 | 4727.6 | 13.3 | 7.7 | 18.9 | 17.4 | 17.1 | 30.1 | 25.7 | 27.3 | 18.6 | 1.60 | -1.63 |
| Telecom Services | 9.79 | 366.4 | 11.1 | 20.5 | 15.9 | 9.3 | 12.1 | 19.9 | 18.2 | 19.0 | 14.4 | 1.56 | 0.72 |
| Utilities | 2.41 | 408.9 | 2.7 | 15.9 | 5.0 | 8.2 | 6.6 | 18.5 | 17.1 | 17.7 | 7.8 | 2.68 | -0.08 |
| Real Estate | 1.95 | 258.9 | 0.4 | 7.5 | -4.8 | 14.1 | 4.4 | 40.7 | 35.6 | 38.0 | 12.7 | 8.61 | -3.54 |

* Source I/B/E/S

** Three-month change in the 12-month forward earnings

Technical Analysis



Dennis Mark, CFA
Analyst
416-869-7427

Chart Highlights

In the June Vision we highlight technically negative stock charts that indicate downside risk and should be sold. We also highlight charts that are carving out potential bottoms that have upside potential on a breakout above key resistance levels.

Technical Analysis

Cameco Corporation (CCO)

A weekly chart on CCO indicates a reversal in the rebound rally suggesting that investors take profits. The chart rallied off support near \$50.00 to test resistance around \$86.00 where it was turned back. This action constitutes a weekly reversal as volume soared to its highest level since the rally began. While CCO had a strong recovery, uranium prices and second-tier uranium stocks did not, calling into question the sustainability of the rally. Risk/reward now favours the bears as resistance limits the upside and the reversal in trend indicates the path of least resistance is to the downside. The next \$10 to \$12 dollars is to the downside where initial support comes into play at \$68.00 to \$70.00.



Technical Analysis

Cameco vs. Sprott Physical Uranium Trust (CCO vs. U.u)

The comparison chart between CCO and U.u highlights the negative divergence between CCO and U.u. The positive correlation extending back nearly 20 years is showing a negative divergence as CCO recovers back to the highs while U.u representing uranium prices badly lags. This suggests that CCO at some point has to get back into gear with uranium prices and turn down. Meanwhile, the rebound in U.u stalled at its declining trend line and is turning down again after previously breaking down from a top. The technical action points to the mid-teens as a target for U.u suggesting that CCO has risk to at least \$68.00 to \$70.00.



Technical Analysis

Canadian Imperial Bank of Commerce (CM)

The rally on CM is stalling suggesting short- to intermediate-term investors should take profits. A weekly reversal indicates that CM made a new all-time high and ended the week with a loss as the trend reversed to the downside. Weekly volume was also the highest in a number of weeks but could not stem the tide of selling. Risk/reward is unfavourable with initial support in the mid-\$80s.



Technical Analysis

Pembina Pipeline Corporation (PPL)

A weak recovery from a downturn in April heightens the risk profile on PPL. Strong downside momentum created when the stock gapped down in April at \$56.00 dominates the technical action. The stock has broken below both moving averages and can't rally back. Buying support at \$51.00 is being challenged with a break completing a one-year top. Weak relative strength points to risk down to the low \$40s.



Technical Analysis

Paramount Resources Ltd. (POU)

The POU chart has broken out of a three-year base at \$19.00 paving the way for higher prices. However, volume and momentum on the breakout are weak with low volume and muted price action. Both volume and momentum need to improve to confirm the breakout. We will give the benefit of doubt to the bulls here. Target is \$25.00.



Technical Analysis

Saputo Inc. (SAP)

Improving technical action on the SAP chart points to potential for upside. Basing action over the past seven months carved out an ascending triangle bottom formation. The stock has rallied above both moving averages as it tests key resistance at \$27.00. Breaking \$27.00 completes a bottom that projects a target of \$32.00.



Sector Analysis



In this section, commentaries and stock closing prices are based on the information available up to **June 2, 2025**

Information in this section is based on NBF analysis and estimates and LSEG.

| | Company | Ticker | Price | Target Price | Div. Yield | Est. TR | Industry |
|-------------------------------|--------------------------------------|--------|------------|--------------|------------|---------|--|
| Energy | Suncor Energy Inc. | SU | \$50.21 | \$63.00 | 4.54% | 30.01% | Oil, Gas & Consumable Fuels |
| | Tourmaline Oil Corp. | TOU | \$63.11 | \$75.00 | 3.17% | 22.01% | Oil, Gas & Consumable Fuels |
| Materials | Artemis Gold Inc. | ARTG | \$25.00 | \$26.00 | 0.00% | 4.00% | Gold |
| | Aya Gold & Silver Inc. | AYA | \$12.63 | \$18.75 | 0.00% | 48.46% | Gold |
| | Endeavour Mining plc | EDV | \$44.65 | \$51.00 | 3.56% | 17.78% | Gold |
| | G Mining Ventures Corp. | GMIN | \$21.61 | \$24.00 | 0.00% | 11.06% | Gold |
| | IAMGOLD Corp. | IMG | \$10.24 | \$15.00 | 0.00% | 46.48% | Gold |
| | Lundin Mining Corp. | LUN | \$13.33 | \$15.50 | 0.83% | 17.10% | Metals & Mining |
| | NGEx Minerals Ltd. | NGEX | \$15.13 | \$17.00 | 0.00% | 12.36% | Metals & Mining |
| | Solaris Resources Inc. | SLS | \$5.93 | \$12.50 | 0.00% | 110.79% | Metals & Mining |
| | Taseko Mines Ltd. | TKO | \$3.29 | \$4.50 | 0.00% | 36.78% | Metals & Mining |
| Industrials | ATS Corporation | ATS | \$39.31 | \$54.00 | 0.00% | 37.37% | Capital Goods |
| | Cargojet Inc. | CJT | \$91.15 | \$121.00 | 1.54% | 34.28% | Transportation |
| | Dexterra Group Inc. | DXT | \$8.75 | \$12.50 | 4.00% | 46.86% | Commercial & Professional Services |
| | Element Fleet Management Corp. | EFN | \$32.47 | \$40.00 | 1.60% | 24.79% | Commercial & Professional Services |
| | Exchange Income Corp. | EIF | \$57.34 | \$73.00 | 4.60% | 31.91% | Transportation |
| | Hammond Power Solutions Inc. | HPS.a | \$100.02 | \$140.00 | 1.10% | 41.07% | Capital Goods |
| | Mullen Group Ltd. | MTL | \$14.16 | \$17.50 | 5.93% | 29.52% | Transportation |
| | Russel Metals Inc. | RUS | \$42.00 | \$55.00 | 4.10% | 35.05% | Capital Goods |
| | Stantec Inc. | STN | \$143.34 | \$147.00 | 0.63% | 3.18% | Capital Goods |
| Consumer Discretionary | Dollarama Inc. | DOL | \$178.67 | \$182.00 | 0.24% | 2.10% | Consumer Discretionary Distribution & Retail |
| | Spin Master Corp. | TOY | \$23.62 | \$29.00 | 2.03% | 24.81% | Consumer Durables & Apparel |
| Consumer Staples | | | | | | | |
| Health Care | Chartwell Retirement Residences | CSH.un | \$18.20 | \$21.50 | 3.36% | 21.49% | Health Care Providers & Services |
| | Dentalcorp Holdings Ltd. | DNTL | \$8.84 | \$15.00 | 1.13% | 70.81% | Health Care Providers & Services |
| | DRI Healthcare Trust | DHT.un | \$12.92 | \$18.50 | 4.33% | 47.52% | Pharmaceuticals |
| Financials | Bank of Montreal | BMO | \$147.83 | \$160.00 | 4.41% | 12.64% | Banks |
| | ECN Capital Corp. | ECN | \$2.71 | \$5.00 | 1.48% | 85.98% | Financial Services |
| | Fairfax Financial Holdings Ltd. | FFH | \$2291.87 | \$2700.00 | 0.94% | 18.75% | Insurance |
| | Manulife Financial Corp. | MFC | \$43.79 | \$49.00 | 4.02% | 15.92% | Insurance |
| | Sun Life Financial Inc. | SLF | \$89.26 | \$94.00 | 3.94% | 9.25% | Insurance |
| Information Technology | Constellation Software Inc. | CSU | \$4960.00 | \$5500.00 | 0.11% | 11.00% | Software & Services |
| | Descartes Systems Group Inc. | DSG | US\$114.28 | US\$135.00 | 0.00% | 18.13% | Software & Services |
| | Kinaxix Inc. | KXS | \$197.12 | \$225.00 | 0.00% | 14.14% | Software & Services |
| | Kraken Robotics Inc. | PNG | \$2.38 | \$3.00 | 0.00% | 26.05% | Software & Services |
| Communication Services | BCE Inc. | BCE | \$30.52 | \$35.00 | 5.73% | 20.41% | Telecommunication Services |
| | Cineplex Inc. | CGX | \$11.72 | \$13.50 | 0.00% | 15.19% | Media & Entertainment |
| Utilities | AltaGas Ltd. | ALA | \$38.52 | \$44.00 | 3.27% | 17.50% | Utilities |
| | Boralex Inc. | BLX | \$31.58 | \$42.00 | 2.09% | 35.09% | Utilities |
| | Capital Power Corp. | CPX | \$54.98 | \$62.00 | 4.74% | 17.51% | Utilities |
| | Northland Power Inc. | NPI | \$20.22 | \$30.00 | 5.93% | 54.30% | Utilities |
| | TransAlta Corp. | TA | \$13.54 | \$16.00 | 1.92% | 20.09% | Utilities |
| Real Estate | First Capital REIT | FCR.un | \$17.71 | \$19.25 | 5.03% | 13.72% | Real Estate |
| | Northwest Healthcare Properties REIT | NWH.un | \$4.77 | \$5.65 | 7.55% | 26.00% | Real Estate |

The NBF Selection List highlights our Analyst's best investment ideas each Month.

A maximum of three names per Analysts are selected based on best Total Estimated Return.

Prices as of June 2, 2025

Source: NBF Research, LSEG

GENERAL TERMS**Stock Sym.** = Stock ticker**Stock Rating** = Analyst's recommendation

OP = Outperform

SP = Sector Perform

UP = Underperform

TENDER = Recommendation to accept acquisition offer

UR = Recommendation under review

R = Restricted stock

 Δ = Price target from the previous month. \uparrow or \downarrow = Price target upgrade or downgrade.**Price target** = 12-month price target Δ = Recommendation change from the previous month. \uparrow or \downarrow = Recommendation upgrade or downgrade.**Shares/Units O/S** = Number of shares/units outstanding in millions.**FDEPS** = Listed are the fully diluted earnings per share for the last fiscal year reported and our estimates for fiscal year 1 (FY1) and 2 (FY2).**EBITDA per share** = Listed are the latest actual earnings before interest, taxes, depreciation and amortization for the fiscal year 1 (FY1) and 2 (FY2).**P/E** = Price/earnings valuation multiple. P/E calculations for earnings of zero or negative are deemed not applicable (N/A). P/E greater than 100 are deemed not meaningful (nm).**FDCFPS** = Listed are the fully diluted cash flow per share for the last fiscal year reported and our estimates for fiscal year 1 (FY1) and 2 (FY2).**EV/EBITDA** = This ratio represents the current enterprise value, which is defined as the sum of market capitalization for common equity plus total debt, minority interest and preferred stock minus total cash and equivalents, divided by earnings before interest, taxes, depreciation and amortization.**NAV** = Net Asset Value. This concept represents the market value of the assets minus the market value of liabilities divided by the shares outstanding.**DEBT/CAPITAL** = Evaluates the relationship between the debt load (long-term debt) and the capital invested (long-term debt and equity) in the business (based on the latest release).**SECTOR-SPECIFIC TERMS**› **OIL AND GAS****EV/DACF** = Enterprise value divided by debt-adjusted cash flow. Used as a valuation multiple. DACF is calculated by taking the cash flow from operations and adding back financing costs and changes in working capital.**CFPS/FD** = Cash flow per share on a fully diluted basis.**DAPPS** = Debt-adjusted production per share. Used for growth comparisons over a normalized capital structure.**D/CF** = Net debt (long-term debt plus working capital) divided by cash flow.› **PIPELINES, UTILITIES AND ENERGY INFRASTRUCTURE****Distributions per Share** = Gross value distributed per share for the last year and expected for fiscal year 1 & 2 (FY1 & FY2).**Cash Yield** = Distributions per share for fiscal year 1 & 2 (FY1 & FY2) in percentage of actual price.**Distr. CF per Share-FD** = Funds from operations less maintenance capital expenditures on a fully diluted per share basis.**Free-EBITDA** = EBITDA less maintenance capital expenditures.**P/Distr. CF** = Price per distributable cash flow.**Debt/DCF** = This ratio represents the actual net debt of the company (long-term debt plus working capital based on the latest annual release) on the distributable cash flow.› **FINANCIALS (DIVERSIFIED) & FINANCIAL SERVICES****Book value** = Net worth of a company on a per share basis. It is calculated by taking the total equity of a company from which we subtract the preferred share capital divided by the number of shares outstanding (based on the latest release).**P/BV** = Price per book value.› **REAL ESTATE****Distributions per Unit** = Gross value distributed per unit for the last year and expected for fiscal year 1 & 2 (FY1 & FY2).**Cash Yield** = Distributions per share for fiscal year 1 & 2 (FY1 & FY2) in percentage of actual price.**FFO** = Funds from Operations is a measure of the cash generated in a given period. It is calculated by taking net income and adjusting for changes in fair value of investment properties, amortization of investment property, gains and losses from property dispositions, and property acquisition costs on business combinations.**FD FFO** = Fully diluted Funds from Operations.**P/FFO** = Price per Funds from Operations.› **METALS AND MINING: PRECIOUS METALS / BASE METALS****P/CF** = Price/cash flow valuation multiple. P/CFPS calculations for cash flow of zero or negative are deemed not applicable (N/A). P/CFPS greater than 100 are deemed not meaningful (nm).**P/NAVPS** = Price per net asset value per share.› **SPECIAL SITUATIONS****FDDCPS** = Fully diluted distributable cash flow per share. Cash flow (EBITDA less interest, cash taxes, maintenance capital expenditures and any one-time charges) available to be paid to common shareholders while taking into consideration any possible sources of conversion to outstanding shares such as convertible bonds and stock options.› **SUSTAINABILITY AND CLEAN TECH****Sales per share** = revenue/fully diluted shares outstanding.**P/S** = Price/sales› **TRANSPORTATION AND INDUSTRIAL PRODUCTS****FDCFPS** = Fully diluted free cash flow per share.**P/CFPS** = Price/cash flow per share valuation multiple. P/CFPS calculations for cash flow of zero or negative are deemed not applicable (N/A). P/CFPS greater than 100 are deemed not meaningful (nm).



Gabriel Dechaine

Analyst
 416-869-7442

Associates:

Jacob Gardiner: 437-518-2299
 Pranoy Kurian: 416-507-9568

Selections

- › Bank of Montreal
- › Manulife Financial
- › Sun Life Financial

Canadian Banks & Lifecos

▶ **Canadian Banks – Q2/2025 Earnings Recap**

Despite stronger than expected Q2/25 results, we have taken a more cautious sector stance, as demonstrated by two downgrades (CM and RY). We didn't downgrade these stocks because of any negative view of their financial performance or strategies. Rather, we are simply embracing the caution that has been clearly reflected in bank commentary. Aside from RY's specific "peak PCL" commentary, other banks were subtly adjusting credit expectations. For example, BMO stated that tariff uncertainty could "add a few bps" to its high-40s impaired PCL ratio guidance. Until we see reasons to become more optimistic about the credit cycle and/or the loan growth outlook, we believe the sector will be trading in line with the market. Our only OP-rated stock is BMO. The bank is still in a turnaround after a disappointing fiscal 2024, and is showing progress towards its ROE expansion targets. Moreover, we believe investors will favour its relatively larger U.S. banking/earnings exposure.

▶ **Bank of Montreal (TSX: BMO) – Turnaround continues. Cautiously optimistic on H2/25 U.S. loan growth**

BMO's turnaround following a disappointing fiscal 2024 continued this quarter. Of note, credit improvement was evident for the second quarter in a row. The caveat here is that the tariff situation could put a pause to further improvement, which is what we have reflected in our forecasts. Another key driver of BMO's stock price is progress towards the bank's medium-term ROE target of 15%, which is heavily dependent on the U.S. division. To date, credit normalization has been the primary driver. Funding mix improvement was evident, with the bank shedding higher-cost deposits/excess liquidity, which supported U.S. NIM expansion. Loan growth, however, is still absent in the U.S. We are cautiously optimistic about a second half rebound. **Outperform.**

| | Stock Sym. | Stock Rating | Market Cap (Mln) | Shares O/S (Mln) | Stock Price 06/02 | Last Year Reported | FDEPS | | | P/E | | Book Value per Share | | | P/BV | | Div. % | 12-Mth Price Target | |
|-----------------------|------------|--------------|------------------|------------------|-------------------|--------------------|---------|----------|----------|------|------|----------------------|----------|----------|------|-----|--------|---------------------|---|
| | | | | | | | Last FY | est. FY1 | est. FY2 | FY1 | FY2 | Last Quarter | est. FY1 | est. FY2 | FY1 | FY2 | | Target | Δ |
| Banking | | | | | | | | | | | | | | | | | | | |
| Bank of Montreal | BMO | OP | 106,744 | 722 | 147.83 | 10/2024 | 9.68 | 11.53 | 12.71 | 12.8 | 11.6 | 104.40 | 110.00 | 114.96 | 1.3 | 1.3 | 4.4% | 160.00 | ↑ |
| Bank of Nova Scotia | BNS | SP | 91,288 | 1,246 | 73.29 | 10/2024 | 6.47 | 6.77 | 7.52 | 10.8 | 9.7 | 59.14 | 61.33 | 64.61 | 1.2 | 1.1 | 6.0% | 72.00 | ↑ |
| CIBC | CM | SP | ↓ 87,283 | 940 | 92.84 | 10/2024 | 7.40 | 8.02 | 8.45 | 11.6 | 11.0 | 57.08 | 60.91 | 64.36 | 1.5 | 1.4 | 4.2% | 98.00 | ↑ |
| Royal Bank of Canada | RY | SP | ↓ 247,064 | 1,411 | 175.16 | 10/2024 | 12.09 | 13.13 | 13.91 | 13.3 | 12.6 | 83.46 | 89.25 | 95.31 | 2.0 | 1.8 | 3.5% | 177.00 | ↓ |
| Toronto-Dominion Bank | TD | SP | 164,838 | 1,736 | 94.96 | 10/2024 | 7.81 | 8.02 | 8.46 | 11.8 | 11.2 | 59.59 | 67.97 | 71.71 | 1.4 | 1.3 | 4.4% | 98.00 | ↑ |
| Laurentian Bank | LB | UP | 1,339 | 44 | 30.35 | 10/2024 | 3.57 | 3.12 | 3.93 | 9.7 | 7.7 | 57.36 | 59.69 | 61.47 | 0.5 | 0.5 | 6.2% | 28.00 | ↑ |
| EQB | EQB | SP | 3,498 | 38 | 91.36 | 10/2024 | 11.03 | 10.77 | 12.55 | 8.5 | 7.3 | 77.51 | 85.61 | 95.48 | 1.1 | 1.0 | 2.3% | 106.00 | ↓ |
| Insurance | | | | | | | | | | | | | | | | | | | |
| Great-West Lifeco | GWO | SP | 48,378 | 931 | 51.98 | 12/2024 | 4.50 | 4.58 | 4.98 | 11.3 | 10.4 | 27.17 | 28.89 | 31.13 | 1.8 | 1.7 | 4.7% | 52.00 | ↓ |
| iA Financial | IAG | SP | 12,974 | 93 | 139.39 | 12/2024 | 11.16 | 11.95 | 13.08 | 11.7 | 10.7 | 73.44 | 79.55 | 86.91 | 1.8 | 1.6 | 2.6% | 141.00 | ↓ |
| Manulife Financial | MFC | OP | 75,000 | 1,713 | 43.79 | 12/2024 | 3.87 | 4.09 | 4.55 | 10.7 | 9.6 | 25.63 | 27.33 | 29.46 | 1.6 | 1.5 | 4.0% | 49.00 | ↓ |
| Sun Life Financial | SLF | OP | 50,468 | 565 | 89.26 | 12/2024 | 6.66 | 7.38 | 8.22 | 12.1 | 10.9 | 40.63 | 43.32 | 47.45 | 2.1 | 1.9 | 3.9% | 94.00 | ↑ |
| Sagicor Financial | SFC | OP | 1,073 | 136 | 7.90 | 12/2024 | 0.90 | 1.10 | 1.17 | 7.2 | 6.7 | 10.18 | 10.84 | 11.56 | 0.7 | 0.7 | 4.4% | 11.00 | ↑ |

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted; NR = Not Rated

Source: LSEG, Company financials, NBF analysis



Jaeme Gloyn, CFA
Analyst
416-869-8042

Associate:
Jack Cohen: 416-869-7505

Selections

- › [ECN Capital](#)
- › [Element Fleet Management](#)
- › [Fairfax Financial](#)

Highlights

▶ Element Fleet: Underlying Quality of Business on Display

Overall, an in-line quarter that delivered 8% y/y EPS growth demonstrates the underlying quality of the business. Net revenue growth, excluding currency impacts and one-time items, of 14% y/y outpaced management's underlying revenue growth objective of 11-13% for 2025. Net financing revenue was the highlight as pricing initiatives and lower cost of debt flow through. Additionally, organic growth initiatives continue to drive results as vehicles under management increased 4% y/y and the order backlog continues to grow. Moreover, opex growth moderated "considerably" in Q1-25 as guided, with management highlighting further moderation to come in 2025. EFN also reignited its buyback program to return capital to shareholders and accelerate per share growth metrics. Naturally, management reaffirmed 2025 guidance that implies double-digit EPS and FCFPS growth. As EFN executes, we expect significant FCF yield compression.

▶ Fairfax Financial: Investment Gains and Underwriting Drive Beat

We believe Q1-25 results demonstrate the strength of the FFH platform. FFH reported diluted EPS of \$42.70, above the Street's \$23.70. These results translate to an impressive, annualized ROE of 16% that drove a 2% q/q increase in Book Value Per Share. FFH reported a combined ratio of 99% that beat the street at 100%, and excluding catastrophes primarily tied to California Wildfires came in at a very solid 86%. In addition, the investment portfolio surprised to the upside on equity investment performance despite a choppy start to the year for equity markets more broadly. We believe the combination of 1) solid underwriting results; 2) consolidated interest and dividend income that remains at a run rate of \$2.4 billion; 3) strong performance from key associates and consolidated investments Eurobank and Poseidon; and 4) solid net investment performance supports our view Fairfax will deliver consistent profitability over the next several years. Moreover, FFH continues to hold ~\$2 billion in cash at the holdco and ~\$3.0 billion in excess capital at its insurance subsidiaries to deploy in ROE accretive transactions (e.g., buybacks or repurchase of minority interests in those insurance subsidiaries).

▶ ECN Capital: Momentum Continues to Build

Our Top Pick delivered strong results and positive momentum in Q1. Adjusted Revenues of \$55 million and Adjusted EBITDA of \$25.5 million both matched the street. Originations of \$538 million edged our \$525 million forecast on slight beat in Manufactured Housing (in line at RV and Marine). Momentum is building in the operating units as 1) manufactured housing originations increased 35% y/y in March and 33% y/y in April, 2) Champion Financing JV active balances were up 28% q/q and the pipeline of \$348 million supports further growth, and 3) RV and Marine originations were up 24% y/y in Q1. The strong results and positive momentum were exactly what we were expecting from Q1; accordingly, we expect confidence to grow in ECN's 2025 guidance of \$0.19 to \$0.25.

| | Stock Sym. | Stock Rating | Mkt Cap (Bln) | Shares O/S (Mln) | Stock Price 6/2 | Last Year Reported | FDEPS | | | P/E | | Book Value per Share | | | P/BV | | Div. % | 12-Mth Price Target | Δ |
|------------------------------|------------|--------------|---------------|------------------|-----------------|--------------------|------------|------------|------------|------|------|----------------------|------------|------------|------|------|--------|---------------------|---|
| | | | | | | | est. 2024 | est. 2025 | est. 2026 | 2025 | 2026 | Last Quarter | est. 2025 | est. 2026 | 2025 | 2026 | | | |
| Real Estate Finance | | | | | | | | | | | | | | | | | | | |
| First National Financial | FN | SP | 2.33 | 60.0 | 38.86 | 12/2024 | 3.49 | 3.38 | 4.11 | 11.5 | 9.5 | 10.31 | 11.15 | 12.61 | 3.5 | 3.1 | 6.4% | 39.00 | |
| Timbercreek Financial | TF | SP | 0.61 | 83.0 | 7.35 | 12/2024 | 0.56 | 0.72 | 0.73 | 10.1 | 10.1 | 8.28 | 8.31 | 8.35 | 0.9 | 0.9 | 9.4% | 8.00 | |
| Specialty Finance | | | | | | | | | | | | | | | | | | | |
| ECN Capital | ECN | OP | 0.78 | 281.1 | 2.79 | 12/2024 | US 0.09 | US 0.23 | US 0.28 | 8.9 | 7.2 | US 0.28 | US 0.43 | US 0.63 | 4.8 | 3.2 | 1.4% | 5.00 | |
| Element Fleet Management | EFN | OP | 12.72 | 389.1 | 32.70 | 12/2024 | US 1.12 | US 1.23 | US 1.40 | 19.4 | 17.0 | US 6.76 | US 7.04 | US 7.46 | 4.6 | 4.4 | 1.6% | 40.00 | |
| goeasy | GSY | OP | 2.51 | 16.8 | 149.47 | 12/2024 | 16.89 | 21.16 | 26.64 | 7.1 | 5.6 | 71.00 | 94.34 | 114.18 | 1.6 | 1.3 | 3.9% | 235.00 | ↓ |
| Brookfield Business Partners | BBU | OP | US 3.62 | 144.0 | US 25.11 | 12/2024 | -US 0.50 | US 1.28 | US 1.96 | 19.7 | 12.8 | US 24.15 | US 25.48 | US 27.57 | 1.0 | 0.9 | 1.0% | US 33.00 | ↑ |
| Power Corporation of Canada | POW | SP | 34.33 | 646.3 | 53.11 | 12/2024 | 4.47 | 5.09 | 5.65 | 10.4 | 9.40 | 36.10 | 37.97 | 41.01 | 1.4 | 1.3 | 4.6% | 55.00 | |
| Securities Exchange | | | | | | | | | | | | | | | | | | | |
| TMX Group | X | SP | 15.41 | 277.7 | 55.47 | 12/2024 | 1.70 | 1.94 | 2.12 | 28.7 | 26.2 | 16.80 | 17.42 | 18.38 | 3.2 | 3.0 | 1.4% | 55.00 | |
| Insurance | | | | | | | | | | | | | | | | | | | |
| Definity Financial Corp. | DFY | R | 8.6 | 115.9 | 74.52 | 12/2024 | 2.66 | R | R | R | R | 30.76 | R | R | R | R | 1.0% | R | |
| Intact Financial Corp. | IFC | OP | 55.53 | 178.4 | 311.35 | 12/2024 | 14.42 | 16.02 | 16.26 | 19.4 | 19.2 | 96.16 | 102.60 | 111.51 | 3.0 | 2.8 | 1.7% | 341.00 | ↑ |
| Trisura Group Ltd. | TSU | OP | 1.92 | 47.6 | 40.44 | 12/2024 | 2.80 | 2.94 | 3.59 | 13.8 | 11.3 | 17.16 | 19.37 | 22.96 | 2.1 | 1.8 | | 57.00 | |
| Fairfax Financial Holdings | FFH | OP | 51.35 | 22.0 | 2335.08 | 12/2024 | US\$160.56 | US\$180.37 | US\$192.52 | 9.4 | 8.9 | US 1081.23 | US 1223.71 | US 1409.04 | 1.4 | 1.2 | 0.9% | 2700.00 | |
| Asset Managers | | | | | | | | | | | | | | | | | | | |
| Fiera Capital Corp. | FSZ | R | 0.59 | 107.4 | 5.50 | 12/2024 | 0.94 | R | R | R | R | 2.73 | R | R | R | R | 7.9% | R | |
| IGM Financial Inc. | IGM | OP | 10.37 | 236.6 | 43.81 | 12/2024 | 3.95 | 4.29 | 4.73 | 10.2 | 9.3 | 33.29 | 34.92 | 37.43 | 1.3 | 1.2 | 5.1% | 54.00 | |

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; R=Restricted

Source: LSEG, Company reports, NBF

Note: All figures for BBU are in USD. FDEPS and BVPS are in USD for ECN and FFH. All other figures, including multiples are in CAD.



Maxim Sytchev

Analyst
416-869-6517

Associates:
Kazim Naqvi
416-869-6754

Roman Pshenychnyi
416-869-7937

Selections

- › Stantec Inc.
- › ATS Corporation
- › Russel Metals

Nuclear melt(up); backing into imputed expectations for ATRL's Nuclear segment.

Is blue sky outcome already priced in?

▶ Quantifying nuclear opportunity – investors are paying for it, likely rightfully so

Amid positively evolving regulatory landscape, nuclear-related equities are seeing material fund flows and multiple expansion (relevant peers at 19x EV/EBITDA now). We attempt to derive a valuation for the business using a "bottom-up approach" by using a discounted cash flow. Our baseline run rate for the segment is aligned with ATRL's 2027E targets. On top of this, we layered on both current and potential projects that are not imbedded in the guidance with cash inflows for new builds being recognized uniformly over a 10- to 12-year period and refurb projects having more front-loaded inflows over a five-year span in a cadence similar to guidance. Our base case assumption suggests an implied value of \$26.24 per ATRL share (before corporate costs), which is slightly below our updated \$32.41 multiple-driven valuation in our NAV for the Nuclear business. While one could argue that growth could continue to surpass expectations in the near term, one can hardly call our long-term assumptions punitive. All-in-all, this suggests the nuclear "hype" of today's market is approximately priced into ATRL's share price; that being said, excitement being backed by backlog growth can push valuation into much less reasonable territory.

▶ Bottom line – nuclear is important; bigger upside kicker needs to come from Engineering

Based on the pace of refurbishment projects, recent new build announcements, contemplated programs (like OPG), investors are imputing \$800+ million EBITDA business in late 2020s/early 2030s, a material step-up vs. \$204 million actuals in 2024. While we believe the new "nuclear paradigm" is defensible, we still want to remind investors that the biggest positive lever for ATRL's share price re-rating relates to better execution in Engineering business, a dynamic that was glossed over in Q1/25 nuclear-infused reporting, given Engineering's much larger EBITDA contribution – \$785 million in 2024 vs. nuclear's \$204 million; more specifically, a 1x EV/EBITDA multiple change in Engineering impacts NAV by 5% vs. same for Nuclear at 1.5%. All in, with cleaned-up balance sheet post 407, nuclear momentum and hopefully better H2/25E in Engineering, the path of least resistance is to the upside.

| Stock Symbol | Stock Rating | Δ | Price Target | Δ | price 6/2 | Market Cap (\$mln) | Year Reported | (A) Last FY | est. FY1E | est. FY2E | P/E FY1 | P/E FY2 | (A) Last FY | est. FY1 | est. FY2 | EV/EBITDA FY1 | EV/EBITDA FY2 | Div. Yield | Net debt/ FY1 EBITDA |
|-----------------------------------|--------------|----|--------------|---|------------|--------------------|---------------|-------------|-----------|-----------|--------------|--------------|-------------|-----------|-----------|---------------|---------------|-------------|----------------------|
| Aecon Group | ARE | OP | \$22.00 | | \$19.02 | \$1,199 | 12 / 2024 | -\$0.98 | \$0.81 | \$1.64 | 18.6x | 9.7x | \$273 | \$156 | \$251 | 10.8x | 6.5x | 4.0% | 2.9x |
| Bird Construction | BDT | SP | \$28.00 | ↓ | \$26.65 | \$1,493 | 12 / 2024 | \$2.03 | \$2.51 | \$3.03 | 10.7x | 8.9x | \$181 | \$226 | \$266 | 7.3x | 6.2x | 3.1% | 0.7x |
| Finning International | FTT | SP | \$53.00 | ↓ | \$49.95 | \$6,876 | 12 / 2024 | \$3.80 | \$3.50 | \$4.04 | 14.5x | 12.6x | \$1,248 | \$1,153 | \$1,185 | 7.6x | 7.4x | 2.4% | 1.6x |
| North American Construction Group | NOA | OP | \$41.00 | | \$23.51 | \$696 | 12 / 2024 | \$3.73 | \$3.82 | \$4.23 | 6.3x | 5.7x | \$390 | \$428 | \$441 | 3.3x | 3.2x | 2.0% | 1.7x |
| RB Global | RBA | SP | \$115.00 | ↓ | US\$105.26 | US\$20,303 | 12 / 2024 | US\$3.27 | US\$3.72 | US\$3.92 | 28.3x | 26.8x | US\$1,246 | US\$1,334 | US\$1,380 | 16.8x | 16.2x | 1.1% | 1.6x |
| Russel Metals | RUS | OP | \$55.00 | | \$42.00 | \$2,404 | 12 / 2024 | \$2.83 | \$3.90 | \$4.25 | 10.8x | 9.9x | \$304 | \$392 | \$418 | 6.3x | 5.9x | 4.1% | 0.2x |
| Wajax Corporation | WJX | SP | \$20.00 | | \$21.99 | \$494 | 12 / 2024 | \$2.38 | \$2.23 | \$2.59 | 10.0x | 8.6x | \$168 | \$166 | \$171 | 4.9x | 4.8x | 6.3% | 2.0x |
| AtkinsRéalis | ATRL | OP | \$98.00 | ↑ | \$91.00 | \$15,908 | 12 / 2024 | \$2.21 | \$2.90 | \$3.53 | 29.8x | 23.6x | \$753 | \$927 | \$1,069 | 16.9x | 14.6x | 0.1% | 0.0x |
| Stantec | STN | OP | \$147.00 | ↑ | \$143.34 | \$16,331 | 12 / 2024 | \$4.47 | \$5.38 | \$6.06 | 26.6x | 23.6x | \$863 | \$1,005 | \$1,110 | 17.4x | 15.8x | 0.6% | 0.0x |
| Toromont Industries | TIH | OP | \$130.00 | ↓ | \$118.78 | \$9,648 | 12 / 2024 | \$6.03 | \$5.84 | \$6.49 | 20.3x | 18.3x | \$849 | \$861 | \$924 | 11.2x | 10.5x | 1.8% | net cash |
| WSP Global | WSP | OP | \$292.00 | | \$282.83 | \$35,654 | 12 / 2024 | \$8.02 | \$9.46 | \$10.69 | 28.9x | 25.6x | \$1,829 | \$2,138 | \$2,332 | 18.7x | 17.1x | 0.5% | 2.0x |
| AutoCanada | ACQ | OP | \$25.00 | | \$22.41 | \$539 | 12 / 2024 | \$0.06 | \$1.56 | \$2.72 | 14.3x | 8.2x | \$91 | \$113 | \$183 | 8.9x | 5.6x | 0.0% | 3.9x |
| Ag Growth International | AFN | OP | \$51.00 | ↑ | \$38.30 | \$729 | 12 / 2024 | \$4.54 | \$1.74 | \$2.84 | 22.4x | 13.7x | \$265 | \$231 | \$249 | 7.0x | 6.5x | 1.5% | 3.8x |
| ATS Corporation | ATS | OP | \$54.00 | | \$39.31 | \$4,036 | 03 / 2024 | \$2.62 | \$1.48 | \$2.06 | 27.8x | 20.0x | \$435 | \$328 | \$401 | 16.4x | 13.4x | 0.0% | 4.1x |
| Colliers International | CIGI | OP | \$169.00 | | US\$121.67 | US\$6,154 | 12 / 2024 | US\$5.71 | US\$6.39 | US\$7.33 | 19.0x | 16.6x | US\$644 | US\$716 | US\$808 | 12.3x | 10.9x | 0.2% | 2.1x |
| Stella-Jones | SJ | OP | \$93.00 | | \$76.41 | \$4,286 | 12 / 2024 | \$5.65 | \$5.54 | \$5.66 | 13.9x | 13.6x | \$567 | \$557 | \$556 | 10.2x | 10.2x | 1.6% | 2.5x |
| Median | | | | | | | | | | | 18.8x | 13.6x | | | | 10.5x | 8.8x | 1.6% | |

Stock Rating: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; R=Restricted

*Multiples adjusted for concession investments

**Vishal Shreedhar**Analyst
416-869-7930**Associates:**Anshul Agarwala: 416-869-6767
Gabriel Chiu: 416-507-9009**Selection**› *Dollarama***Empire Company Ltd. (EMP.A: TSX)**▶ **We project Q4/F25 EPS of \$0.70 vs. consensus at \$0.71; last year (LY) was \$0.63**

(1) We expect EPS to be higher by 10% y/y, primarily reflecting positive Food Retailing (FR) same store sales growth (sssg), new store openings, a higher gross margin rate, lower interest expense, higher aggregate share of earnings from investments & other income (+24% y/y) and share repurchases, partly offset by higher D&A, higher SG&A and a lower tax rate. (2) We forecast FR sssg, excluding fuel, of 3.0% vs. 0.2% LY. (3) We project FR EBITDA of \$578 million vs. \$552 million LY. (4) EMP is expected to report on June 19, 2025.

▶ **Food sssg to see continued momentum**

(1) We expect FR sssg (excl. fuel) to see continued momentum with y/y higher traffic; we expect higher food store inflation (StatsCan data reflects 3.3% in Q4/F25 vs. 1.8% LY). Industry food store sales data from StatsCan was 5.3% y/y (vs. 2.8% y/y in Q3/F25). (2) Our review of peer commentary suggests: (i) Expectations of rising tariff-related inflation, (ii) Higher sales of locally sourced products from the Buy Canadian movement, (iii) Expectations of increasing square footage, and (iv) Ongoing consumer focus on value.

▶ **F2026 expected to track the financial framework**

(1) NBF models F2026 EPS growth of 11% y/y (vs. consensus at 10%); recall, Empire's long-term EPS growth objective is 8-11% annualized. Our forecast reflects (i) 3% sales growth: 2% FR sssg, store network growth and continued growth in e-commerce, (ii) ~10 bps FR gross margin expansion (excluding fuel and D&A): lower shrink, slightly lower promo penetration, favourable mix from higher sales in fresh, among others, (iii) slight SG&A leverage, (iv) higher interest expense, (v) share repurchases, and (vi) a higher tax rate. (2) We remain on the sidelines as we look for confirmation of sustainable momentum; however, we note that the valuation is at an interesting discount versus peers.

▶ **Sector Perform rating; Price Target is \$53**

(1) Our price target is based on 7.25x our F2027 FR EBITDA, plus the value of EMP's investments (less a 10% discount). (2) EMP trades at 7.6x our next 12 months (NTM) FR EBITDA (5-year average is 6.9x) vs. Loblaw at 11.3x our NTM Retail EBITDA and Metro at 12.8x our NTM EBITDA.

Merchandising & Consumer Products

| | Stock Sym. | Stock Rating | Market Cap. (Mln) | Shares O/S (Mln) | Stock Price 6/2 | Last Year Reported | FDEPS | | | P/E | | EBITDA | | | EV/EBITDA | | Book Value | Debt/Total Capital | 12-Mth Price Target | |
|----------------------------|------------|--------------|-------------------|------------------|-----------------|--------------------|---------|-------|-------|---------|------|--------|---------|-------|-----------|------|------------|--------------------|---------------------|---|
| | | | | | | | (A) | est. | est. | FY1 | FY2 | (A) | est. | est. | FY1 | FY2 | | | Δ | |
| | | | | | | | Last FY | FY1 | FY2 | Last FY | FY1 | FY2 | Last FY | FY1 | FY2 | Δ | | | | |
| General Merchandise | | | | | | | | | | | | | | | | | | | | |
| | CTCa.TO | SP | 9,805 | 55.7 | 173.58 | 12/2024 | 11.61 | 13.54 | 16.20 | 12.8 | 10.7 | 2,069 | 2,123 | 2,332 | 7.2 | 6.5 | 106.97 | 0.48 | 173.00 | ↑ |
| | DOL.TO | OP | 48,689 | 280.1 | 178.67 | 02/2025 | 4.16 | 4.51 | 5.19 | 39.6 | 34.4 | 2,122 | 2,302 | 2,606 | 23.7 | 21.0 | 4.24 | 0.79 | 182.00 | ↑ |
| Fuel and Other | | | | | | | | | | | | | | | | | | | | |
| | ATD.TO | OP | 67,123 | 948.7 | 73.18 | 04/2024 | 2.80 | 2.69 | 3.02 | 19.8 | 17.7 | 5,614 | 5,952 | 6,611 | 10.0 | 9.0 | 15.11 | 0.46 | 81.00 | ↓ |
| | PKI.TO | OP | 6,722 | 175.7 | 38.46 | 12/2024 | 2.29 | 2.75 | 3.71 | 14.0 | 10.4 | 1,690 | 1,813 | 1,999 | 7.2 | 6.5 | 17.98 | 0.66 | 42.00 | ↑ |
| Apparel | | | | | | | | | | | | | | | | | | | | |
| | GIL.TO | OP | 9,614 | 152.0 | 63.92 | 12/2024 | 3.00 | 3.45 | 3.81 | 13.5 | 12.2 | 834 | 865 | 917 | 9.7 | 9.2 | 9.25 | 0.57 | 72.00 | |
| | GRGD.TO | OP | 253 | 112.4 | 16.23 | 02/2024 | 1.36 | 1.34 | 1.51 | 12.1 | 10.8 | 303 | 330 | 371 | 6.4 | 5.7 | 0.00 | 0.68 | 23.00 | |
| Grocers | | | | | | | | | | | | | | | | | | | | |
| | EMPa.TO | SP | 12,322 | 237.2 | 53.99 | 05/2024 | 2.74 | 2.94 | 3.27 | 18.4 | 16.5 | 2,328 | 2,419 | 2,529 | 8.3 | 8.0 | 22.67 | 0.58 | 53.00 | ↑ |
| | L.TO | OP | 68,887 | 302.6 | 234.11 | 12/2024 | 8.55 | 9.45 | 10.28 | 24.8 | 22.8 | 7,024 | 7,484 | 7,722 | 10.4 | 10.1 | 36.72 | 0.40 | 234.00 | ↑ |
| | MRU.TO | SP | 23,466 | 221.3 | 107.96 | 09/2024 | 4.30 | 4.85 | 5.35 | 22.3 | 20.2 | 1,224 | 1,273 | 1,305 | 22.3 | 21.7 | 32.05 | 0.29 | 107.00 | |
| Food Manufacturer | | | | | | | | | | | | | | | | | | | | |
| | SAP.TO | OP | 10,941 | 424.1 | 26.81 | 03/2024 | 1.55 | 1.48 | 1.83 | 18.1 | 14.6 | 1,509 | 1,569 | 1,725 | 9.3 | 8.5 | 16.5 | 0.32 | 28.00 | |
| | LASa.TO | SP | 1,496 | 6.8 | 214.58 | 12/2024 | 19.08 | 21.27 | 24.36 | 10.1 | 8.8 | 276 | 343 | 375 | 6.0 | 5.5 | 169.9 | 0.34 | 231.00 | ↑ |
| | PBH.TO | SP | 3,636 | 44.8 | 81.21 | 12/2024 | 3.98 | 4.96 | 5.88 | 16.4 | 13.8 | 594 | 691 | 758 | 10.0 | 9.1 | 39.0 | 0.65 | 97.00 | ↑ |
| | MFI.TO | OP | 3,364 | 124.9 | 27.34 | 12/2024 | 0.78 | 1.75 | 1.92 | 15.6 | 14.2 | 553 | 676 | 694 | 5.1 | 4.9 | 12.6 | 0.52 | 30.00 | ↑ |
| Specialty Retailing | | | | | | | | | | | | | | | | | | | | |
| | PET.TO | OP | 2,169 | 71.1 | 30.65 | 12/2024 | 1.57 | 1.61 | 1.82 | 19.1 | 16.9 | 247 | 257 | 275 | 10.5 | 9.8 | 1.46 | 0.84 | 33.00 | ↑ |
| Restaurants | | | | | | | | | | | | | | | | | | | | |
| | MTY.TO | OP | 977 | 23.3 | 42.17 | 11/2024 | 0.96 | 3.36 | 4.28 | 12.5 | 9.8 | 265 | 261 | 264 | 6.2 | 6.2 | 35.09 | 0.44 | 51.00 | |

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

u=US dollars

Source: LSEG, Company reports, NBF



Shane Nagle, cfa
Analyst
416-869-7936

Associates:

Sameer Keswani: 416-869-8029
Adam Smiarowski: 416-869-7535
Andrew Dusome: 416-507-8177



Rabi Nizami
Analyst
416-869-7925

Associate:

Roberto Rossi: 416-869-6537



Mohamed Sidibé
Analyst
416-869-6436

Associate:

Kristian Koschany: 416-507-8123

Selections

- › [Hudbay Minerals](#)
- › [Lundin Mining](#)
- › [NGEx Minerals](#)
- › [Solaris Resources](#)
- › [Taseko Mines](#)

Market Securing Copper Supplies Ahead of Potential Tariffs

The copper market continues to trade on sentiment and news flow as prices experience volatility in 2025, impacted by tariff announcements, China recovery hopes, and AI power centre beliefs. Chinese housing markets remain subdued, as does global manufacturing with inflationary fears and impact of an escalating trade war impacting demand amidst a period of rising global supply. Market enthusiasm for EV production, AI power needs and data centres have taken a back seat to concerns of USA copper import tariffs, resulting in surging COMEX prices as companies stockpile the metal, despite high global inventory levels and expectations of a copper surplus in 2025. We expect imposition of tariffs will reverse copper flows from the U.S. into the global market, causing downward pressure on prices.

Long-term fundamentals remain favourable given the lack of advanced-stage projects in the pipeline to meet rising demand stemming from global energy needs (including renewables). Development projects have been slowed by inflationary pressures, localized labour shortages and persistent supply chain disruptions as well as increasing capital costs for mine expansions. We expect to see another wave of projects advancing in the coming years; however, the current pace is well behind levels necessary to meet longer-term demand growth.

Green infrastructure and electric vehicles (EVs) are emerging as the dominant story for long-term copper demand as developed countries require a significant buildout of the power grid and battery electric vehicles requiring 3x the copper of internal combustion engine vehicles. In our view, long-term fundamentals remain driven by the green energy transition and a lack of an advanced-stage project pipeline building a structural deficit in the coming years, a theme which may be slowed by tariffs/USA policy changes but unlikely to be derailed completely.

Top picks:

- ▶ **Hudbay Minerals Inc. (HBM: TSX)** - The company trades at discounted cash-flow and EBITDA valuation compared to peers, despite forecasted solid growth through 2025 with further tailwinds provided by Copper World catalysts including announcement of a partnership agreement and prudent financing package ahead of launching a feasibility study and pending exploration results from priority satellite targets in proximity to Constanca.
- ▶ **Lundin Mining (LUN: TSX)** - Lundin's valuation is supported by a stable operating outlook, strong FCF generation and upcoming catalysts through elimination of net debt following sale of its European business (Neves-Corvo and Zinkgruvan) for US\$1.40 bln in cash proceeds. While risks are expected to build related to capital commitments associated with the Josemaria/Filo JV, we do not see any significant near-term cash burden and expect to see several positive exploration updates as drilling at Filo enters the more productive summer months.
- ▶ **NGEx Minerals (NGEX: TSX)** - The last one standing in the Vicuña District, the scale of the Lunahuasi discovery is still unfolding as several of last year's best exploration drill holes defined the margins. A well-funded "Maximum Growth" drill campaign has the potential to meaningfully expand the scale of the discovery with first results imminent.
- ▶ **Solaris Resources. (SLS: TSX)** - Solaris continues to advance its large-scale Warintza project toward an initial technical report in H2/25 with discounted valuation supported by incremental exploration success and emigration of the company to Switzerland providing more strategic alternatives to crystallize value.
- ▶ **Taseko Mines (TKO: TSX)** - We maintain a transformational growth outlook for Taseko in 2025 with production from Florence anticipated by year-end while lower Y/Y operating costs and hedges in place mitigate risks from lower copper prices.

| | Stock Symbol | Stock Rating | Δ | Market Cap (Mln) | Shares O/S (Mln) | Stock Price 6/2 | 12-Month | | Analyst | EPS | | | P/E | | CFPS | | | P/CF | | Net Asset Value | P/NAV | |
|---|--------------|--------------|---|------------------|------------------|-----------------|----------|---|---------|---------|---------|---------|--------|--------|---------|---------|---------|-------|--------|-----------------|-------|-----|
| | | | | | | | Price | Δ | | FY0 | FY1 | FY2 | FY0 | FY1 | FY2 | FY0 | FY1 | FY2 | FY0 | | | FY1 |
| | | | | | | | Target | | | | | | FY1 | FY2 | | | | | | | | |
| Producers | | | | | | | | | | | | | | | | | | | | | | |
| Altius Minerals | ALS | OP | - | 1,220 | 46.3 | 27.55 | 37.00 | - | Nagle | 0.27c | 0.22c | 0.32c | 118.5x | 82.2x | 0.68c | 0.46c | 0.55c | 57.3x | 48.3x | 27.32 | 1.0x | |
| Capstone Copper | CS | OP | - | 5,670 | 762.2 | 6.83 | 8.50 | - | Nagle | 0.10u | 0.29u | 0.51u | 18.8x | 14.6x | 0.55u | 1.10u | 1.32u | 4.9x | 4.1x | 7.72 | 0.9x | |
| Ero Copper | ERO | OP | ↑ | 2,007 | 103.6 | 17.54 | 23.00 | ↑ | Nagle | 0.78u | 2.29u | 2.60u | 6.2x | 7.5x | 1.66u | 4.06u | 4.09u | 3.5x | 3.5x | 18.79 | 0.9x | |
| First Quantum Minerals | FM | OP | - | 16,959 | 834.2 | 18.88 | 24.00 | - | Nagle | (0.02)u | 0.31u | 0.69u | 47.7x | 29.3x | 2.31u | 2.21u | 1.73u | 6.7x | 8.6x | 23.45 | 0.8x | |
| Horizon Copper | HCU | SP | - | 111 | 86.5 | 1.05 | 1.50 | - | Nagle | (0.07)u | (0.05)u | (0.05)u | n/a | n/a | 0.15u | 0.06u | (0.05)u | 15.8x | n/a | 1.97 | 0.5x | |
| Hudbay Minerals | HBM | OP | - | 4,830 | 394.9 | 10.30 | 14.50 | - | Nagle | 0.47u | 0.34u | 0.21u | 25.9x | 57.4x | 1.82u | 1.76u | 1.73u | 5.1x | 5.2x | 14.95 | 0.7x | |
| Lundin Mining | LUN | OP | - | 11,096 | 854.2 | 11.71 | 15.50 | - | Nagle | 0.43u | 0.48u | 0.65u | 19.9x | 20.1x | 1.62u | 1.51u | 1.68u | 6.3x | 5.6x | 18.22 | 0.6x | |
| MAC Copper | MTAL | Tender | - | 1,002u | 82.4 | 9.53u | 12.25u | ↑ | Nagle | 0.14u | 0.85u | 0.93u | 14.3x | 13.0x | 2.23u | 2.46u | 2.87u | 3.6x | 3.1x | 8.68 | 1.1x | |
| Sherritt International | S | SP | - | 74 | 496.3 | 0.15 | 0.25 | - | Nagle | (0.14)u | (0.22)u | 0.07u | n/a | 2.3x | (0.07)u | (0.11)u | 0.05u | n/a | 2.3x | 0.91 | 0.2x | |
| Taseko Mines | TKO | OP | - | 978 | 316.5 | 3.22 | 4.50 | - | Nagle | 0.19c | 0.11c | 0.49c | 27.7x | 6.3x | 0.86c | 0.83c | 1.03c | 3.7x | 3.0x | 6.56 | 0.5x | |
| Teck Resources | TECKb | OP | - | 25,383 | 499.1 | 48.77 | 70.00 | - | Nagle | 2.62c | 2.09c | 2.43c | 24.3x | 21.0x | 5.65c | 6.88c | 10.56c | 7.4x | 4.8x | 56.43 | 0.9x | |
| Developers | | | | | | | | | | | | | | | | | | | | | | |
| Arizona Metals | AMC | OP | - | 178 | 136.7 | 1.30 | 3.75 | - | Nizami | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 5.56 | 0.2x | |
| Bravo Mining | BRVO | OP | - | 286 | 109.1 | 2.62 | 4.50 | - | Nizami | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 5.26 | 0.5x | |
| Foran Mining | FOM.TO | OP | - | 1,309 | 420.9 | 3.11 | 5.75 | - | Nizami | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 4.47 | 0.7x | |
| Marimaca Copper | MARI | OP | - | 472 | 101.0 | 4.67 | 7.50 | - | Dusome | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 10.08 | 0.5x | |
| NGEx Minerals | NGEX.TO | OP | - | 3,132 | 207.0 | 15.13 | 17.00 | - | Nizami | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 23.56 | 0.6x | |
| Osisko Metals | OM.V | OP | - | 274 | 609.6 | 0.45 | 1.25 | - | Nizami | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 1.56 | 0.3x | |
| Solaris Resources | SLS | OP | - | 998 | 163.7 | 6.21 | 12.50 | ↑ | Nagle | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 16.78 | 0.4x | |
| Trilogy Metals | TMQ | SP | - | 266 | 161.1 | 1.65 | 2.50 | - | Nizami | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 3.77 | 0.4x | |
| Western Copper and Gold | WRN | OP | - | 317 | 198.4 | 1.60 | 3.50 | - | Nizami | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 4.83 | 0.3x | |
| Critical Minerals Producers | | | | | | | | | | | | | | | | | | | | | | |
| Cameco | CCO.TO | OP | - | 34,721 | 435.3 | 79.76 | 81.00 | - | Sidibé | 0.62c | 1.23c | 1.89c | 64.7x | 42.3x | 2.09c | 2.09c | 2.86c | 38.2x | 27.9x | 49.98c | 1.6x | |
| Lithium Argentina | LAR.N | SP | - | 283u | 162.0 | 1.75u | 2.90u | - | Sidibé | (0.09)u | (0.10)u | (0.08)u | n/a | n/a | (0.14)u | (0.19)u | (0.16)u | n/a | n/a | 5.24c | 0.3x | |
| Uranium Energy Corp. | UEC.N | OP | - | 2442u | 428.7 | 5.70u | 9.00u | - | Sidibé | (0.07)u | (0.17)u | 0.06u | n/a | 89.1x | (0.27)u | (0.13)u | (0.04)u | n/a | n/a | 6.69u | 0.9x | |
| Critical Minerals Advanced Exploration | | | | | | | | | | | | | | | | | | | | | | |
| American Lithium | LI.V | SP | - | 79 | 220.4 | 0.36 | 0.60 | - | Sidibé | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 0.68c | 0.5x | |
| Denison Mines | DML.TO | OP | - | 1,864 | 896.3 | 2.08 | 3.75 | - | Sidibé | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 3.15c | 0.7x | |
| IsoEnergy | ISO.TO | OP | - | 479 | 48.1 | 9.97 | 17.00 | - | Sidibé | n/a | n/a | 0.03u | n/a | 332.3x | n/a | n/a | n/a | n/a | n/a | 17.67c | 0.6x | |
| Lithium Americas | LAC.TO | SP | ↓ | 792 | 218.9 | 3.62 | 5.50 | ↓ | Sidibé | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 6.33c | 0.6x | |
| NexGen Energy | NXE.TO | OP | - | 4,694 | 569.7 | 8.24 | 11.75 | - | Sidibé | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 9.74c | 0.8x | |
| Patriot Battery Metals | PMET.TO | OP | - | 331 | 162.3 | 2.04 | 7.00 | - | Sidibé | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 8.10c | 0.3x | |
| Critical Minerals Royalty Companies | | | | | | | | | | | | | | | | | | | | | | |
| Lithium Royalty Corp. | LIRC.TO | OP | - | 299 | 55.6 | 5.38 | 6.75 | ↓ | Sidibé | (0.02)u | (0.08)u | (0.02)u | n/a | n/a | (0.02)u | (0.04)u | 0.03u | n/a | 124.9x | 12.24c | 0.4x | |
| Uranium Royalty Corp. | URC.TO | SP | - | 398 | 133.6 | 2.98 | 4.00 | - | Sidibé | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 0.00c | n/a | |

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; R = Restricted; T = Tender; UR = Under Review

Source: Company Reports, NBF Estimates, LSEG

u = US dollars; c = Canadian dollars

**Don DeMarco**Analyst
416-869-7572

—

Associates:Rishika Bhatia: 416-507-8185
Amman Patel: 416-525-2168**Shane Nagle, CFA**Analyst
416-869-7936

—

Associates:Sameer Keswani: 416-869-8029
Adam Smiarowski: 416-869-7535
Andrew Dusome: 416-507-8177**Rabi Nizami**Analyst
416-869-7925

—

Associate:

Roberto Rossi: 416-869-6537

**Alex Terentiew**Analyst
416-433-8053

—

Associate:

Marc Ferrari: 416-869-8045

Watch for Changes in the Real Rate**Eye on U.S. inflation and Fed interest rate decisions which will drive spot gold prices.**

We can measure the relationship between inflation and interest rates by monitoring the change in real rates. The economic impact of COVID-19 forced governments to approve large stimulus programs to protect the economy. Supply chain constraints as well as the stimulus resulted in higher-than-normal inflation, which was combatted with rising interest rates. The U.S. Fed began to raise interest rates in March 2022, delivering several outsized hikes during the year. After leaving rates unchanged since July 2023, the U.S. Fed began its rate cut cycle at the September 2024 meeting with a 50-bps cut. The latest market consensus points to an expectation of ~50 bps of rate cuts in 2025, with the uncertainty around Trump's tariff plans leaving the Fed in pause mode. We believe the spot gold price and gold equities could prove volatile in the near term around key U.S. economic data releases and policy decisions. If the risk of a U.S. recession grows, we believe this could prove to be a tailwind for the spot gold price and gold equities. In our opinion, the rate of change of the real rate is more important to the spot gold price vs. the rate itself; thus, a flattening of a rising real rate could be the catalyst for a spot gold price rally. We also believe that the evolving geopolitical situations worldwide as well as continued strong central bank gold buying could provide support for the gold price.

Top Picks offer dependable results, strong balance sheets and numerous catalysts.

We believe the companies that are most likely to outperform are those with (1) management teams with solid track records of executing on guidance, (2) strong balance sheets, (3) encouraging Y/Y guidance with growth in production and/or declining costs and (4) FCF generation.

Selections**Gold/Silver Producers:**

- › *Aya Gold & Silver Inc.* (AYA: TSX; C\$18.75 target)
- › *Endeavour Mining* (EDV: TSX, C\$51.00 target)
- › *Kinross Gold Corp.* (K: TSX; C\$25.00 target)
- › *G Mining Ventures* (GMIN: TSX, C\$24.00 target)
- › *IAMGOLD Corp* (OGC: TSX, C\$15.00 target)

Developers:

- › *Artemis Gold Inc.* (ARTG: TSX, C\$26.00 target)

Royalties:

- › *OR Royalties Inc.* (OR: TSX; C\$38.00 target)

| Stock Symbol | Stock Rating | Δ | Market Cap (Min) | Shares O/S (Min) | Stock Price 6/2 | 12-Month | | | Analyst | EPS | | | CFPS | | | P/CF | | Net Asset Value | P/NAV | | |
|--|--------------|----|------------------|------------------|-----------------|----------|---------|--------|---------|---------|---------|---------|--------|--------|---------|---------|---------|-----------------|--------|--------|--------|
| | | | | | | Price | Δ | Target | | FY0 | FY1 | FY2 | P/E | FY0 | FY1 | FY2 | FY1 | | | FY2 | |
| | | | | | | | | | | | | | | | | | | | | | |
| Senior Producers (>1 Moz production) | | | | | | | | | | | | | | | | | | | | | |
| Agnico-Eagle Mines Ltd | AEM | OP | - | 85,740 | 503.40 | 170.32 | 215.00 | - | Nagle | 2.24u | 4.23u | 6.54u | 29.4x | 19.0x | 5.61u | 7.75u | 10.58u | 16.0x | 11.7x | 118.09 | 1.44x |
| Barrick Gold | ABX | SP | - | 47,857 | 1,719.00 | 27.84 | 35.00 | - | Nagle | 0.84u | 1.26u | 1.74u | 16.1x | 11.7x | 2.38u | 2.78u | 3.46u | 3.46x | 5.9x | 37.74 | 0.74x |
| Kinross Gold Corp | K | OP | - | 26,491 | 1,230.44 | 21.53 | 25.00 | - | Nagle | 0.44u | 0.68u | 1.14u | 23.0x | 13.7x | 1.20u | 1.64u | 2.05u | 9.6x | 7.6x | 26.67 | 0.81x |
| Newmont | NGT | SP | - | 85,288 | 1,120.00 | 76.15 | 94.00 | - | Nagle | 1.61u | 3.48u | 4.56u | 16.0x | 12.2x | 3.90u | 6.44u | 7.20u | 8.6x | 7.7x | 92.63 | 0.82x |
| Royalty Companies | | | | | | | | | | | | | | | | | | | | | |
| Elemental Altus Royalties | ELE | SP | - | 356 | 245.8 | 1.48 | 1.65 | - | Nagle | (0.01)u | 0.04u | 0.05u | 25.5x | 27.7x | 0.04u | 0.12u | 0.11u | 9.0x | 9.3x | 1.87 | 0.79x |
| EMX Royalty | EMX | OP | - | 345 | 106.8 | 3.23 | 4.75 | ↑ | Nagle | (0.01)u | (0.00)u | 0.02u | n/a | 151.6x | 0.08u | 0.12u | 0.14u | 20.5x | 17.3x | 5.58 | 0.58x |
| Franco-Nevada Corp | FNV | SP | - | 44,512 | 192.6 | 233.56 | 260.00 | - | Nagle | 3.26u | 4.49u | 5.20u | 37.6x | 44.5x | 4.20u | 5.78u | 6.47u | 29.2x | 26.1x | 105.27 | 2.22x |
| Gold Royalty Corp. | GROY | OP | - | 315u | 170.5 | 1.49u | 2.30u | - | Nagle | (0.01)u | (0.02)u | (0.00)u | n/a | n/a | 0.01u | 0.03u | 0.07u | 42.4x | 18.2x | 2.64 | 0.56x |
| Metalla Streaming & Royalty | MTA | OP | - | 410 | 92.6 | 4.19 | 6.50 | ↓ | Nagle | (0.07)u | (0.01)u | 0.05u | n/a | 90.1x | 0.01u | 0.10u | 0.14u | 32.9x | 22.9x | 6.61 | 0.63x |
| OR Royalties Inc. | OR | OP | - | 6,559 | 187.0 | 32.72 | 38.00 | - | Nagle | 0.52c | 0.83c | 1.01c | 42.2x | 34.8x | 0.87c | 1.11c | 1.26c | 31.7x | 27.8x | 27.65 | 1.18x |
| Royal Gold Inc | RGLD | OP | - | 11,709u | 65.7 | 180.38u | 215.00u | ↑ | Nagle | 5.27u | 7.17u | 8.45u | 24.8x | 21.1x | 7.49u | 9.66u | 11.09u | 13.5x | 11.7x | 95.76 | 1.88x |
| Sandstorm Gold Ltd | SSL | OP | - | 3,554 | 293.4 | 11.61 | 15.00 | - | Nagle | 0.07u | 0.21u | 0.26u | 42.1x | 46.6x | 0.46u | 0.49u | 19.2x | 18.0x | 9.83 | 1.18x | |
| Triple Flag Precious Metals Corp | TFPM | OP | - | 6,039 | 200.8 | 28.00 | 38.00 | ↑ | Nagle | 0.57u | 0.82u | 0.70u | 26.8x | 42.7x | 1.06u | 1.30u | 1.13u | 16.9x | 19.5x | 20.76 | 1.35x |
| Wheaton Precious Metals Corp | WPM | OP | - | 53,962 | 453.8 | 113.24 | 135.00 | - | Nagle | 1.47u | 1.97u | 2.15u | 44.0x | 55.4x | 2.26u | 3.06u | 3.20u | 28.4x | 27.1x | 51.63 | 2.19x |
| Intermediate Producers (>250 Koz production) | | | | | | | | | | | | | | | | | | | | | |
| Alamos Gold Inc | AGI | OP | - | 16,009 | 427.14 | 37.48 | 50.00 | ↓ | DeMarco | 0.53u | 0.80u | 1.25u | 34.1x | 21.9x | 1.28u | 1.57u | 2.08u | 17.4x | 13.2x | 33.58 | 1.12x |
| Allied Gold Corp | AAUC | OP | - | 1,860 | 319.6 | 5.82 | 9.00 | - | Sidibé | 0.00u | (0.03)u | 0.14u | - | 41.6x | 0.00u | (0.14)u | - | 5.9x | 14.63 | 0.40x | |
| Aura Minerals | ORA | OP | - | 2,462 | 72.4 | 34.00 | 34.00 | - | Nizami | 0.44u | (0.42)u | 2.51u | n/a | 9.9x | 1.66u | 3.23u | 3.95u | 7.7x | 6.3x | 32.59 | 1.04x |
| B2Gold | BTO | OP | - | 5,536 | 1,318.0 | 4.20 | 6.50 | - | DeMarco | 0.25u | 0.29u | 0.17u | 14.6x | 25.1x | 0.61u | 0.63u | 0.47u | 6.7x | 8.9x | 6.31 | 0.67x |
| Centerra Gold Inc | CG | OP | - | 2,136 | 207.56 | 10.29 | 13.50 | - | DeMarco | 0.05u | 0.71u | 0.76u | 10.6x | 9.9x | 0.93u | 1.18u | 1.26u | 6.4x | 5.9x | 16.86 | 0.61x |
| Discovery Silver Corp | DSV | OP | - | 1,303 | 399.7 | 3.26 | 4.00 | - | Nizami | (0.04)u | 0.24u | 0.27u | 9.8x | 2.4x | (0.04)u | 0.30u | 0.43u | 7.8x | 5.5x | 4.90 | 0.67x |
| Dundee Precious Metals | DPM | OP | - | 3,342 | 169.4 | 19.73 | 25.00 | - | DeMarco | 0.64u | 0.99u | 1.30u | 19.9x | 15.2x | 1.19u | 1.48u | 1.91u | 13.3x | 10.3x | 27.52 | 0.72x |
| Eldorado Gold Corp | ELD | OP | - | 5,941 | 206.50 | 28.77 | 36.00 | ↑ | DeMarco | 0.53u | 1.56u | 1.85u | 18.4x | 15.5x | 2.11u | 3.09u | 3.48u | 6.8x | 6.0x | 32.22 | 0.89x |
| Endeavour Mining | EDV | OP | - | 9,842 | 243.8 | 40.37 | 51.00 | ↑ | Sidibé | 1.35u | 0.95u | 0.93u | 42.5x | 43.4x | 4.51u | 2.72u | 3.90u | 14.0x | 10.4x | 67.97 | 0.59x |
| Equinox Gold Corp | EQX | OP | - | 4,292 | 456.1 | 9.41 | 14.00 | ↑ | Sidibé | 0.07u | 0.20u | 0.67u | 46.1x | 14.0x | 1.46u | 1.43u | 1.43u | 6.6x | 16.20 | 0.58x | |
| IAMGOLD Corp | IMG | OP | - | 5,888 | 575.0 | 10.24 | 15.00 | ↑ | Sidibé | 0.09u | 0.54u | 0.88u | 13.8x | 8.5x | 0.28u | 1.10u | 1.67u | 6.8x | 4.5x | 18.25 | 0.56x |
| Lundin Gold Inc. | LUG | OP | - | 14,265 | 240.2 | 59.39 | 66.50 | - | DeMarco | 0.62u | 0.88u | 1.76u | 67.2x | 33.8x | 1.88u | 1.93u | 2.48u | 30.8x | 24.0x | 34.25 | 1.73x |
| McEwen Mining | MUX | OP | - | 549 | 53.1 | 10.35 | 20.00 | - | DeMarco | 0.00u | (2.13)u | (0.28)u | - | - | 0.00u | 0.69u | 0.34u | 14.9x | 30.7x | 33.35 | 0.31x |
| New Gold Inc | NGD | OP | - | 4,962 | 791.37 | 6.27 | 6.75 | ↑ | Sidibé | 0.07u | 0.20u | 0.40u | 31.0x | 15.5x | 0.39u | 0.44u | 0.82u | 10.4x | 5.6x | 7.22 | 0.87x |
| OceanaGold Corp | OGC | OP | - | 4,455 | 698.20 | 6.38 | 7.50 | ↑ | DeMarco | 0.16u | 0.29u | 0.65u | 22.2x | 9.8x | 0.56u | 0.83u | 1.11u | 5.6x | 4.2x | 5.60 | 1.14x |
| SSR Mining Inc | SSRM | SP | - | 3,520 | 202.54 | 17.38 | 19.00 | ↓ | DeMarco | 1.36u | 0.28u | 1.28u | 44.5x | 9.9x | 2.73u | 2.18u | 22.8x | 5.8x | 24.76 | 0.70x | |
| Torex Gold Resources Inc | TXG | OP | - | 3,822 | 85.99 | 44.45 | 61.50 | - | DeMarco | 1.95u | 1.73u | 2.61u | 25.7x | 17.0x | 4.47u | 3.97u | 5.34u | 11.2x | 8.3x | 43.55 | 1.02x |
| Silver Producers | | | | | | | | | | | | | | | | | | | | | |
| Aya Gold and Silver | AYA | OP | - | 1,308 | 130.8 | 10.00 | 18.75 | - | DeMarco | 0.04u | 0.07u | (0.00)u | 140.0x | - | 0.11u | 0.08u | 0.02u | 120.7x | 489.8x | 12.46 | 0.80x |
| Coeur Mining Inc. | CDE | OP | - | 5,521u | 639.70 | 8.63u | 10.00u | - | Dusome | (0.23)u | 0.18u | 0.63u | 35.7x | 10.0x | 0.17u | 0.41u | 1.00u | 15.4x | 6.3x | 7.27 | 1.19x |
| First Majestic Silver Corp | AG | SP | - | 3,668 | 478.8 | 7.66 | 11.75 | - | DeMarco | (0.41)u | (0.08)u | (0.14)u | - | - | 1.04u | 0.10u | 0.41u | 75.9x | 18.8x | 7.78 | 0.98x |
| Fortuna Mining Corp | FVI | SP | - | 2,293 | 306.9 | 7.47 | 10.00 | - | Sidibé | 0.15u | 0.08u | 0.51u | 93.4x | 14.7x | 0.73u | 0.87u | 1.37u | 8.6x | 5.5x | 9.26 | 0.81x |
| Hecla Mining Company | HL | SP | - | 3,561u | 632.56 | 5.63u | 6.50u | ↓ | Dusome | (0.05)u | 0.02u | 0.18u | 204.7x | 22.4x | 0.19u | 0.46u | 0.50u | 8.9x | 8.2x | 3.08 | 1.83x |
| Pan American Silver | PAAS | R | - | R | 363.0 | 35.56 | R | R | DeMarco | R | R | R | R | R | R | R | R | R | R | R | R |
| Junior Producers (<250 Koz production) | | | | | | | | | | | | | | | | | | | | | |
| Aris Mining Corp. | ARIS | OP | - | 1,396 | 171.0 | 8.16 | 9.75 | - | DeMarco | 0.25u | 0.38u | 0.34u | 21.4x | 23.9x | 0.51u | 0.82u | 0.98u | 9.9x | 8.3x | 16.35 | 0.50x |
| G Mining Ventures | GMIN | OP | - | 4,861 | 224.9 | 21.61 | 24.00 | - | Nizami | (0.01)u | 0.39u | 1.04u | 40.6x | 15.8x | 0.56u | 0.56u | 1.47u | 28.3x | 10.7x | 24.86 | 0.87x |
| I-80 Gold Corp | IAU | OP | - | 340 | 409.8 | 0.83 | 2.00 | - | DeMarco | (0.26)u | (0.32)u | (0.26)u | - | - | (0.22)u | (0.24)u | (0.21)u | - | - | 3.52 | 0.24x |
| K92 Mining Inc. | KNT | SP | - | 3,110 | 238.5 | 13.04 | 13.75 | - | DeMarco | 0.19u | 0.17u | 0.54u | 77.4x | 24.1x | 0.32u | 0.33u | 0.72u | 40.0x | 18.2x | 17.33 | 0.75x |
| Wesdome Corp. | WDO | OP | - | 2,665 | 149.9 | 17.78 | 26.75 | - | DeMarco | (0.04)u | (0.01)u | 0.91u | - | 19.5x | 0.32u | 0.77u | 1.61u | 23.2x | 11.1x | 17.58 | 1.01x |
| Developers | | | | | | | | | | | | | | | | | | | | | |
| AbraSilver Resource Corp | ABRA | OP | - | 396 | 128.7 | 3.08 | 5.75 | - | DeMarco | (0.02)u | (0.02)u | (0.17)u | - | - | (0.05)u | (0.05)u | (0.17)u | - | - | 5.18 | 0.60x |
| Amex Exploration Inc | AMX | OP | - | 185 | 120.9 | 1.53 | 2.50 | - | Nizami | - | - | - | n/a | n/a | - | - | - | n/a | n/a | 3.35 | 0.46x |
| Artemis Gold Inc. | ARTG | OP | - | 5,086 | 225.3 | 22.58 | 26.00 | - | DeMarco | (0.14)u | (0.06)u | (0.15)u | - | - | (0.05)u | (0.05)u | (0.04)u | - | - | 28.45 | 28.45x |
| Liberty Gold Corp | LGD | OP | - | 115 | 384.1 | 0.30 | 0.75 | - | Nizami | - | - | - | n/a | n/a | - | - | - | n/a | n/a | 1.17 | 0.26x |
| MAG Silver Corp | MAG | R | - | 2,293 | 103.1 | 22.23 | R | R | DeMarco | R | R | R | R | R | R | R | R | R | R | R | R |
| Montage Gold Corp | MAU | OP | - | 916 | 239.1 | 3.83 | 4.15 | - | Sidibé | (0.01)u | (0.05)u | (0.09)u | - | - | (0.06)u | (0.09)u | (0.09)u | - | - | 6.88 | 0.56x |
| STLLR Gold Inc | STLR | OP | - | 51 | 61.0 | 0.84 | 2.00 | - | Nizami | - | - | - | n/a | n/a | - | - | - | n/a | n/a | 4.38 | 0.19x |
| New Found Gold Corp | NFG | OP | - | 449 | 200.5 | 2.24 | 3.00 | - | Nizami | - | - | - | n/a | n/a | - | - | - | n/a | n/a | 3.00 | 0.75x |
| NOVAGOLD Resources Inc. | NG | SP | - | 2,058 | 399.7 | 5.15 | 6.00 | - | Nizami | - | - | - | n/a | n/a | - | - | - | n/a | n/a | 11.66 | 0.44x |
| Osisko Development | ODV | OP | - | 370 | 136.6 | 2.71 | 4.75 | - | DeMarco | (1.83)u | (1.76)u | (0.69)u | - | - | (0.17)u | (0.71)u | (0.32)u | - | - | 8.06 | 0.34x |
| Perpetua Resources | PPTA | OP | - | 1,439 | 70.3 | 20.48 | 24.00 | - | Nizami | - | - | - | n/a | n/a | - | - | - | n/a | n/a | 37.18 | 0.55x |
| Snowline Gold | SGD | OP | - | 1,249 | 158.5 | 7.88 | 15.00 | - | Nizami | - | - | - | n/a | n/a | - | - | - | n/a | n/a | 15.11 | 0.52x |
| Vizsla Silver | VZLA | OP | - | 878 | 278.7 | 3.15 | 5.75 | - | DeMarco | (0.05)u | 0.04u | (| | | | | | | | | |

Intermediate Oil & Gas and Oilfield Services



Dan Payne
Analyst
403-290-5441

—
Associates:
Amy Chen: 403-290-5624
Nick Stevenson: 403-441-0928

Large Cap Oil & Gas



Travis Wood
Analyst
403-290-5102

—
Associates:
Jacob Swan: 403-290-5445
José Bitencourt Zimmermann:
403-441-0933

Selections

- › *Suncor Energy Inc.*
- › *Tourmaline Oil Corp.*

Crude Oil Outlook

Thanks to President Trump's escalating trade war lining up with OPEC's surprise decision to return barrels to the market earlier than expected, crude prices have slumped throughout the first half of the year, with fears of oversupply and underwhelming demand suppressing the overall macro outlook. Most recently, OPEC confirmed the third consecutive production hike, by 41.1 mbbbl/d in July, and it appears that the organization is following through its orchestrated move to reconquer market share and punish overproducers. From a demand perspective, we now expect to see more stagnant growth over the short term as investor confidence is low and risk-off, while capital investment likely slows until some stability and discernible logic is provided to the market. In addition, the likely impact to the global economy (manufacturing output likely suffers over the short term, certain economies pushed into recessions, inflationary pressures are reintroduced) and the impacts on global trade are still not well understood as markets and governments try to better understand the likelihood of Trump potentially easing or deferring tariffs even further in exchange for trade-offs (or if reciprocal tariffs are the better course of action). The big three forecasters (EIA, IEA, OPEC) have decreased demand growth forecasts for this year, with an expected range of 0.70-1.30 mmbbl/d of demand growth this year and 0.70-1.28 mmbbl/d next year. From a supply perspective, we believe the markets are overestimating expected supply growth this year. As it currently stands, we expect the return of OPEC+ production to be feathered in over the balance of the year and through 2026 (previously communicated a plan to return 2.2 mmbbl/d of production cuts over the next 18 months), as well as growth from Brazil, the United States, Canada and Guyana. Additionally, this price retreat likely leads to a decrease or deferral of upstream growth (many names in the U.S. already dialing back on spending as per 1Q earnings calls) given the complexity of building and executing on growth plans with this level of volatility (not to mention the heightened risks of inflation). As we have seen from the drop in recent rig counts, rig counts in the unconventional basins are quite elastic, while production volumes likely require a flattish rig count in order to maintain this over 13 mmbbl/d level of production. Furthermore, many of the OPEC+ countries likely cannot balance their budgets in this price environment. With those elements, in association with generalized geopolitical risks (Russia, Iran, Venezuela), we expect production to be reactive to this step-down in price if the tariff situation is not broadly resolved in short order. Notably, domestic pricing and differentials remain well in-hand, with support of an accommodative egress and inventory dynamic, and which should remain the case for the foreseeable low growth outlook. The WTI 2025 (balance) and 2026 forward strip currently sits at US\$58.81/bbl and US\$58.87/bbl.

Natural Gas Outlook

Due to favourable weather conditions and structural support from power demand, and strong net exports from LNG terminals, L48 natural gas inventory level has reset over 1Q25 and this bullish momentum for the commodity was supported by spot and forward prices up, on average, by 24% and 33%, respectively, over the same period. A combination of production levels remaining over 105 Bcf/d (achieving volumes just shy of 107 Bcf/d and most recently within the 105-106 Bcf/d range), a moderation in LNG exports (exports currently at ~15 Bcf/d versus recent record levels beyond 17 Bcf/d), and seasonally lower power burn (due to mild weather and higher than expected renewables), have substantially increased storage levels over the second quarter with current levels surpassing the five-year average by ~4%. Despite recalibrated expectations for supply and demand balances throughout the year for the reasons highlighted above, we continue to anticipate an undersupplied market in 2025 (rebalance expected by 2026, driven mainly by production increases supported by power demand and LNG capacity coming online). Overall, despite the structural shift seen in natural gas prices over the last several weeks, operators remain mostly disciplined and although we acknowledge that the structural shift initiated recently in the natural gas markets in the U.S. might be bumpy (given the complexity of inflows and outflows of molecules and how fast short-to-medium term S/D imbalances recalibrate over time), the additional pipeline and export capacity out of the Gulf of Mexico planned over the next couple of years supports favourably the overall strong momentum seen in the U.S. gas markets. The primary mechanism for this thematic remains the upcoming (and ongoing) commissioning of LNG Canada (Phase 1; ~2 Bcf/d), which should contribute a meaningful demand-pull from the basin, to reset supply/

demand and storage in support of the domestic price landscape as it ramps to capacity through year-end (with power burn/data centres still a longer-dated theme, and a more tangible catalyst than that occurring in U.S. markets). Our expectations (and market commentary) are for flows on CGL to ramp up in the coming weeks (Willow Valley Interconnect intermittently recently touching ~0.3 Bcf/d, to foreshadow), with first cargo expected to sail at midyear, which should be the indicator of that prospective reset for WCSB natural gas. Recent AECO pricing basis has softened and continues to trade at a wide historical differential: Basis remains in the \$1.80-2.00/mcf range through 2026 (vs. historical \$1.00-1.20/mcf), and given our domestic coverage group sells approximately 50% of its gas volumes at AECO, suggests a +10% average CFPS sensitivity to a normalization in basis (this reflects direct sensitivity to AECO). The NYMEX and AECO 2025 forward strips are currently at US\$3.69/mcf and C\$2.20/mcf, respectively.

Top picks:

▣ *Suncor Energy Inc. (SU: TSX; NYSE)*

Backstopped by much-improved asset performance and a uniquely integrated portfolio, Suncor has undergone a cultural shift over the last couple of years, with many records achieved in both the upstream and downstream (including production and utilizations), a testament to the significant operational improvements implemented across the portfolio. Thanks to leveraging the interconnectivity of its upstream assets, Suncor has made step-change gains by minimizing downtime and optimizing output volumes, driving operating costs per barrel down significantly over the same period while its downstream segment and marketing channels have consistently improved margins, underscoring our view that Suncor is one of the best integrated businesses on the continent. Despite the substantial operational and organizational achievements, Suncor continues to have an attractive relative valuation, trading at more than a 2.0x discount to its 2017-2019 EV/DACF historical average. Furthermore, we expect to see significant per-share metric accretion as buybacks compound over time following the company's recent shift towards 100% FCF returned to shareholders.

▣ *Tourmaline Oil Corp. (TOU: TSX)*

As one of Canada's largest natural gas producers, Tourmaline remains one of our top picks for its exposure to the natural gas trade, the result of well-capitalized and strong organic operations with fundamental tailwinds (cost, capital efficiencies and netback) to support a solid value proposition. Additional strength is seen in the balance sheet, deep inventory and top-tier cost structure as the company generates extensive FCF. In the current macro environment, Tourmaline is one of the most investable names, where it holds positive and well-supported liquidity and exposure to several value-additive themes, which in sum, support what is already an attractive valuation. Furthermore, the company exhibits a strong commitment to returning capital to shareholders, as exemplified by its recent slew of special dividend announcements.

| Stock Sym. | Stock Rating | Δ | Analyst | Share O/S (Mln) | Share Price 6/2/2025 | Market Cap. (Mln) | Yield (%) | EV/DACF | | | D/CF | | CFPS - FD | | | P/CFPS | | 12-Mth Price | | Δ |
|---------------------------------|--------------|----|---------|-----------------|----------------------|-------------------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------|---|
| | | | | | | | | act. 2023A | act. 2024E | est. 2025E | act. 2024E | est. 2025E | act. 2023A | act. 2024E | est. 2025E | act. 2024E | est. 2025E | Target | Return | |
| Senior/Integrated | | | | | | | | | | | | | | | | | | | | |
| Canadian Natural Resources | CNQ | SP | Wood | 2061.3 | \$42.22 | \$87,030 | 6% | 6.1x | 7.0x | 6.2x | 1.3x | 1.0x | \$13.84 | \$6.94 | \$7.61 | 6.0x | 5.5x | \$43.00 | 7% | ↑ |
| Cenovus Energy | CVE | SP | Wood | 1749.8 | \$18.31 | \$32,040 | 4% | 5.6x | 4.6x | 3.8x | 0.6x | 0.5x | \$4.57 | \$4.38 | \$5.21 | 4.1x | 3.4x | \$23.00 | 30% | |
| Imperial Oil | IMO | SP | Wood | 496.3 | \$99.54 | \$49,398 | 3% | 6.1x | 8.1x | 7.6x | 0.3x | 0.1x | \$11.17 | \$12.21 | \$13.01 | 7.8x | 7.5x | \$101.00 | 4% | |
| Suncor Energy | SU | OP | Wood | 1227.7 | \$50.21 | \$61,641 | 5% | 4.5x | 4.5x | 5.5x | 0.5x | 0.7x | \$9.51 | \$10.86 | \$9.06 | 4.5x | 5.5x | \$63.00 | 30% | ↑ |
| Large/Mid Cap | | | | | | | | | | | | | | | | | | | | |
| Advantage Oil & Gas | AAV | OP | Payne | 169.8 | \$11.22 | \$1,905 | 0% | 4.9x | 9.2x | 4.3x | 3.0x | 0.9x | \$1.82 | \$1.45 | \$3.06 | 7.8x | 3.7x | \$15.00 | 34% | |
| ARC Resources Ltd. | ARX | OP | Wood | 550.5 | \$29.22 | \$16,084 | 3% | 4.6x | 7.4x | 5.2x | 0.6x | 0.8x | \$4.31 | \$4.15 | \$6.19 | 7.0x | 4.5x | \$35.00 | 22% | ↑ |
| Athabasca Oil | ATH | OP | Payne | 510.8 | \$5.24 | \$2,677 | 0% | 7.4x | 4.6x | 5.3x | -0.2x | -0.4x | \$0.51 | \$1.01 | \$0.93 | 5.2x | 5.6x | \$6.00 | 15% | |
| Baytex Energy | BTE | OP | Payne | 779.9 | \$2.32 | \$1,809 | 4% | 3.5x | 2.0x | 2.2x | 1.2x | 1.3x | \$2.26 | \$2.42 | \$2.05 | 1.0x | 1.1x | \$5.00 | 119% | ↓ |
| Birchcliff Energy | BIR | OP | Payne | 267.5 | \$6.66 | \$1,781 | 2% | 7.7x | 8.4x | 3.9x | 2.3x | 0.6x | \$1.13 | \$0.87 | \$1.91 | 7.7x | 3.5x | \$8.50 | 29% | ↑ |
| Freehold Royalties | FRU | OP | Wood | 164.0 | \$12.30 | \$2,017 | 9% | 9.1x | 9.3x | 8.7x | 1.2x | 0.9x | \$1.59 | \$1.52 | \$1.46 | 8.7x | 8.4x | \$14.00 | 23% | |
| Headwater Exploration | HWX | OP | Payne | 237.8 | \$6.36 | \$1,512 | 7% | 5.4x | 4.4x | 4.7x | -0.2x | -0.1x | \$1.21 | \$1.42 | \$1.32 | 4.5x | 4.8x | \$8.50 | 41% | |
| Kelt Exploration | KEL | OP | Payne | 200.0 | \$6.88 | \$1,376 | 0% | 4.2x | 6.6x | 3.9x | 0.6x | 0.2x | \$1.40 | \$1.11 | \$1.84 | 6.2x | 3.7x | \$10.00 | 45% | |
| MEG Energy | MEG | SP | Wood | 253.4 | \$24.62 | \$6,238 | 2% | 4.9x | 5.0x | 6.0x | 0.5x | 0.7x | \$4.87 | \$5.13 | \$4.22 | 4.7x | 5.8x | \$24.00 | -1% | |
| NuVista Energy | NVA | SP | Payne | 203.3 | \$14.02 | \$2,851 | 0% | 3.4x | 5.3x | 4.1x | 0.4x | 0.1x | \$3.40 | \$2.64 | \$3.45 | 5.3x | 4.1x | \$16.00 | 14% | |
| Ovintiv Inc (US\$) | OVV | OP | Wood | 252.5 | \$36.58 | \$9,235 | 3% | 4.1x | 3.4x | 3.8x | 1.3x | 1.6x | \$14.77 | \$15.19 | \$14.27 | 2.4x | 2.5x | \$56.00 | 56% | |
| Paramount Resources | POU | SP | Payne | 143.2 | \$19.37 | \$2,774 | 3% | 4.7x | 3.2x | 6.5x | 0.2x | -0.6x | \$6.51 | \$6.24 | \$2.78 | 3.1x | 7.0x | \$25.00 | 32% | |
| Peyto Exploration & Development | PEY | OP | Wood | 200.5 | \$18.88 | \$3,785 | 7% | 5.1x | 6.3x | 5.0x | 1.9x | 1.3x | \$3.72 | \$3.62 | \$4.57 | 5.3x | 4.1x | \$24.00 | 34% | ↑ |
| PrarieSky Royalty | PSK | SP | Wood | 235.5 | \$23.16 | \$5,455 | 4% | 13.3x | 14.4x | 13.8x | 0.4x | 0.4x | \$1.60 | \$1.59 | \$1.66 | 14.5x | 13.9x | \$30.00 | 34% | |
| Saturn Oil & Gas | SOIL | SP | Payne | 199.2 | \$1.80 | \$359 | 0% | 2.1x | 2.6x | 2.2x | 2.3x | 1.7x | \$2.15 | \$2.05 | \$2.23 | 0.9x | 0.8x | \$3.50 | 94% | |
| Spartan Delta | SDE | OP | Payne | 203.3 | \$3.15 | \$640 | 0% | 3.9x | 4.2x | 3.8x | 0.9x | 0.8x | \$2.45 | \$0.94 | \$1.03 | 0.0x | 0.0x | \$6.00 | 90% | |
| Tamarack Valley Energy | TVE | OP | Payne | 518.9 | \$4.46 | \$2,314 | 3% | 3.7x | 3.4x | 3.7x | 0.9x | 0.8x | \$1.37 | \$1.56 | \$1.43 | 2.9x | 3.1x | \$6.50 | 49% | ↑ |
| Topaz Energy | TPZ | OP | Payne | 154.4 | \$25.36 | \$3,917 | 5% | 10.5x | 14.3x | 12.3x | 1.8x | 1.3x | \$1.97 | \$1.90 | \$2.12 | 13.4x | 12.0x | \$33.50 | 37% | |
| Tourmaline Oil | TOU | OP | Payne | 389.6 | \$63.11 | \$24,589 | 3% | 6.5x | 7.7x | 6.0x | 0.5x | 0.3x | \$10.73 | \$8.93 | \$11.13 | 7.1x | 5.7x | \$75.00 | 22% | |
| Vermilion Energy Inc. | VET | OP | Wood | 149.6 | \$9.30 | \$1,391 | 6% | 3.3x | 1.9x | 2.4x | 0.8x | 1.4x | \$6.98 | \$7.36 | \$6.84 | 1.2x | 1.3x | \$17.00 | 88% | |
| Whitecap Resources | WCP | OP | Wood | 1230.5 | \$8.68 | \$10,681 | 8% | 4.0x | 3.6x | 4.2x | 0.6x | 1.0x | \$2.94 | \$2.72 | \$3.10 | 3.1x | 3.5x | \$15.00 | 81% | |
| Small Cap | | | | | | | | | | | | | | | | | | | | |
| Kiwitohok Energy | KEC | OP | Payne | 43.7 | \$17.55 | \$767 | 0% | 2.9x | 3.6x | 2.1x | 1.0x | 0.3x | \$5.43 | \$6.11 | \$9.58 | 2.9x | 1.8x | \$24.00 | 37% | ↑ |
| Logan Energy | LGN | OP | Payne | 622.2 | \$0.62 | \$386 | 0% | 16.2x | 7.9x | 3.7x | 0.5x | 0.6x | \$0.09 | \$0.10 | \$0.19 | 6.1x | 3.2x | \$1.50 | 142% | |
| Lycos Energy | LXC | SP | Payne | 53.2 | \$1.51 | \$80 | 0% | 6.8x | 1.6x | 2.2x | 0.3x | 0.3x | \$0.71 | \$1.11 | \$0.79 | 1.4x | 1.9x | \$2.00 | 32% | |
| Surge Energy | SGY | OP | Payne | 103.0 | \$5.37 | \$553 | 10% | 3.5x | 2.5x | 2.8x | 0.8x | 0.9x | \$2.89 | \$2.87 | \$2.46 | 1.9x | 2.2x | \$9.00 | 77% | |
| Tenaz Energy | TNZ | OP | Wood | 28.8 | \$18.02 | \$519 | 0% | 1.3x | 20.2x | 5.7x | -0.4x | -0.2x | \$0.98 | \$0.79 | \$2.98 | 21.0x | 6.0x | \$23.00 | 28% | ↑ |
| Yangarra Resources | YGR | SP | Payne | 98.7 | \$0.93 | \$92 | 0% | 2.7x | 2.3x | 1.7x | 1.4x | 0.8x | \$1.01 | \$0.73 | \$0.89 | 1.3x | 1.0x | \$1.25 | 34% | |

* Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

Source: Company Reports, NBF, LSEG

| Stock Sym. | Stock Rating | Δ | Analyst | Market Cap (Mln) | Shares O/S (Mln) | Stock Price 6/2 | EBITDA (mm) | | | EV/EBITDA | | | Net Debt / EBITDA | | | 12-Mth Price | | Δ |
|--------------------------|--------------|----|---------|------------------|------------------|-----------------|-------------|------------|------------|------------|------------|------------|-------------------|------------|------------|--------------|--------|---|
| | | | | | | | act. 2023A | act. 2024E | est. 2025E | act. 2023A | act. 2024E | est. 2025E | act. 2023A | act. 2024E | est. 2025E | Target | Return | |
| Oilfield Services | | | | | | | | | | | | | | | | | | |
| CES Energy Solutions | CEU | SP | Payne | \$ 1,468.91 | 233.5 | \$6.29 | \$ 315.8 | \$ 403.2 | \$ 403.2 | 7.5x | 6.1x | 4.7x | 2.1x | 1.5x | 1.1x | \$10.50 | 67% | |
| Enerflex | EFX | SP | Payne | \$ 1,222.81 | 124.1 | \$9.85 | \$ 512.7 | \$ 432.0 | \$ 481.2 | 4.6x | 4.3x | 3.4x | 2.3x | 1.6x | 1.0x | \$14.50 | 47% | |
| Pason Systems | PSI | SP | Payne | \$ 976.94 | 79.4 | \$12.30 | \$ 171.5 | \$ 161.8 | \$ 174.1 | 4.2x | 5.0x | 4.5x | -1.0x | -0.5x | -0.5x | \$17.00 | 38% | |
| Precision Drilling Corp. | PD | SP | Payne | \$ 833.11 | 13.8 | \$60.46 | \$ 645.7 | \$ 568.6 | \$ 545.9 | 2.6x | 2.7x | 2.5x | 1.3x | 1.3x | 1.0x | \$110.00 | 82% | |
| Trican Well Services | TCW | SP | Payne | \$ 827.49 | 188.9 | \$4.38 | \$ 235.6 | \$ 219.2 | \$ 216.9 | 3.3x | 3.4x | 3.1x | -0.4x | -0.1x | -0.3x | \$5.75 | 31% | |

* Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

Source: Company Reports, NBF, LSEG

| Stock Sym. | Stock Rating | Δ | Analyst | Market Cap (Mln) | Shares O/S (Mln) | Stock Price 6/2 | EBITDA (mm) | | | EV/EBITDA | | Net Debt / EBITDA | | | 12-Mth Price | | Δ | |
|-------------------------|--------------|----|---------|------------------|------------------|-----------------|-------------|------------|------------|------------|------------|-------------------|------------|------------|--------------|--------|---|--|
| | | | | | | | act. 2023A | act. 2024E | est. 2025E | act. 2024E | est. 2025E | act. 2023A | act. 2024E | est. 2025E | Target | Return | | |
| Transition Fuels | | | | | | | | | | | | | | | | | | |
| Tidewater Renewables | LCFS | UP | Payne | \$ 84.38 | 34.9 | \$2.42 | \$ 41.1 | \$ 105.3 | \$ 68.1 | 4.6x | 3.6x | 9.2x | 1.4x | 1.7x | \$3.50 | 45% | | |

* Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

Source: Company Reports, NBF, LSEG



Patrick Kenny, CFA
Analyst
403-290-5451

—
Associates:
Derick Or: 403-290-5447
Johnathan Pescod: 403-355-6643

Selections

- › [AltaGas](#)
- › [Capital Power](#)
- › [TransAlta](#)
- › [TC Energy](#)

Overview

Commodities update

Crude settled at US\$61/bbl for WTI with tariffs now on hold and OPEC+ increasing July production. WTI averaged ~US\$61/bbl through May, narrowing ~3% compared to the April average level of ~US\$63/bbl while headed south with the ongoing OPEC speculation. On the gas front, NYMEX averaged ~US\$3.47/mcf through April, decreased from the April average of ~US\$3.42/mcf amid larger-than-expected storage build and entering injection season, with AECO averaging \$1.96/mcf for the month. On the Marketing front, the WCS heavy differential averaged ~US\$10/bbl for May, tightened from the April average of ~US\$11/bbl.

Pipelines & Midstream Update

Mainline volumes posted record throughput of 3.2 mmbpd versus 2025 full-year guidance of ~3.0 mmbpd. Recall, ENB recently sanctioned up to \$2 bln of Mainline capital investment through 2028 and launched a binding open season on Flanagan South supporting Mainline Optimization Phase 1 to add 150 kbpd of incremental capacity to serve destinations across the USGC for WCSB production growth. Meanwhile, ENB acquired a 10% non-operating equity interest in the 2.5 bcf/d Matterhorn Express Pipeline (MXP) for US\$0.3 bln with the acquisition expected to close in Q2/25, subject to satisfaction of closing conditions. Elsewhere, ENB sanctioned construction of the Traverse Pipeline alongside Whitewater Midstream, MPLX LP and Targa Resources to transport up to 1.8 bcf/d of natural gas between Agua Dulce and Katy, TX. ENB's effective interest in Traverse Pipeline will be 13.3% underpinned by firm transportation agreements with investment grade counterparties, pending the receipt of customary regulatory and other approval (ISD 2027).

The ~US\$3.9 bln Southeast Gateway pipeline is complete and ready for service, although the company is awaiting final approval of regulated rates (related to interruptible service) from the National Energy Commission (CNE) which is expected by the end of May (was May 1). Recall, the final price tag for the 1.3 bcf/d, 715 km project came in 13% below the original US\$4.5 bln budget. Meanwhile, TRP has sanctioned the US\$0.9 bln, 0.4 bcf/d Northwoods project (ISD: late 2029) expanding its ANR system to serve natural gas-fired power generation demand from data centres / economic growth in the U.S. Midwest which is 100% contracted under a 20 year take-or-pay agreement. Elsewhere, TRP sanctioned the \$1.1 bln (net) Bruce Power Unit 5 MCR, expecting to commence in Q4/26 with a return to service by early 2030.

PHMSA issued a Corrective Action Order requiring SOBO to operate Keystone under pressure restrictions until a root cause failure analysis (RCFA) and metallurgical testing is complete (Q3/25). Of note, SOBO substantially recovered all the released volume and is progressing towards remedial work plans on the site by mid-2025 and expects the environmental remediation costs to be largely recovered through insurance proceeds (i.e. - minimal impact to EBITDA). Overall, SOBO expects it will be able to meet its contractual commitments of 585 mbdpd through its strong System Operating Factor (Q1/25: 98%) and the ability to utilize DRA. Meanwhile, on the growth front, the US\$180 mln Blackrod Connection remains on track for an early 2026 in-service date, with construction on the 25 km crude oil and natural gas pipelines completed, and facility construction through H2/25.

PPL has locked in long-term take-or-pay agreements with a leading Montney producer across its value chain including the Peace Pipeline, Pouce Coupé systems, and NEBC Pipeline, while the new/extended fractionation agreements support higher utilization at the Redwater Complex, including RFS IV (ISD H1/26) and the proposed RFS III de-ethanizer. Meanwhile, despite Dow recently delaying construction of its Path2Zero project, PPL continues to evaluate options to meet its ethane supply commitment of up to 50,000 bpd (previous ISD of 2027 and 2029). Elsewhere, the company has short-listed preferred counterparties and entered definitive agreement negotiations to remarket its 1.5 Mtpa of Cedar LNG Project capacity.

ALA has now exceeded its tolling target for its LPG exports franchise by 2027, recently signing long-term contracts with Keyera, Inter Pipeline and a leading global chemicals company, while considering adding to its contracted

Pipelines, Utilities & Energy Infrastructure

[Back to Research Analysts page](#)

base with 85% of consolidated EBITDA now insulated from direct commodity price exposure. Meanwhile, the 55,000 bpd \$1.35 bln REEF expansion remains on budget / schedule (2026 ISD) with ~60% (was ~50%) of total project costs locked down. Moreover, ALA has sanctioned the ~\$55 mln RIPET methanol removal project ensuring fungible propane between RIPET and REEF (ISD: late 2026). Elsewhere, Pipestone II construction remains on track for late 2025 ISD with the facility construction 76% complete. On the Utilities front, the PSC of D.C. ordered an additional extension of PROJECTpipes 2, while SEMCO is in late stages of receiving regulatory approval for the ~US\$120 mln Keweenaw Pipeline Connector (ISD: 2027).

KEY has officially sanctioned its 47,000 bpd KFS Frac III expansion for ~\$500 mln (ISD of mid-2028), and in conjunction with its KFS Frac II Debottleneck (ISD mid-2026), KEY's fractionation capacity increases ~60% with the entire KFS complex ~85% contracted for an average of eight years. Meanwhile, KEY is advancing KAPS Zone 4 with commercial discussions entering final stages. Elsewhere, KEY inked new long-term contracts on its condensate system supporting near-record shipped volumes, and as such, is evaluating debottleneck opportunities and the use of DRA.

At Gateway, GEI completed the dredging project to 52 feet (from 47) on time and on budget, positioning the asset as one of only two terminals in Texas capable of loading up to 1.6 mmbbls on VLCCs and up to full capacity on a Suezmax. In conjunction with the \$20 mln Cactus II connection project providing access to ~700,000 bpd of incremental supply (ISD Q3/25), GEI remains on track to achieve its +15-20% Gateway run-rate EBITDA target by the end of 2025. Meanwhile, the \$50 mln strategic partnership with Baytex to expand its liquids infrastructure footprint in the Pembina Duvernay region remains on track for completion by Q4/25. We will continue to monitor updates related to its >\$25 mln of annual cost savings by the end of 2025 (\$6 mln realized in Q1/25 with current line-of-sight to \$18 mln annualized). Elsewhere, GEI appointed Dave Gosse as Senior VP & COO, effective May 20, 2025.

Power & Utilities Update

Reaffirming its FlexGen strategy, CPX [recently announced](#) the largest deal in the company's history, partially supported by a ~\$667 mln equity financing to fund the US\$2.2 bln (~\$3.0 bln) acquisition of two gas-fired facilities in the PJM market (closing late Q3/25), including the 1,124 MW Hummel combined-cycle facility and the 1,023 MW Rolling Hills peaker plant. Elsewhere, the company continues to engage with data centre customers and in Alberta is working with commercial counterparties while conducting detailed engineering for a co-located data centre opportunity at the Genesee site. Recall, CPX has 1.5 GW in Alberta's data centre interconnection queue with the AESO. Meanwhile, across its U.S. fleet, the company is progressing various re-contracting / contract extension opportunities, which may include commercial constructs for the data centre development; however, the company is unable to commit to a 2025 timing of such announcements.

TA continues to advance its Alberta data centre strategy, moving into the commercialization phase at Keephills 2 (395+ MW), and targeting a year-end definitive agreement. Meanwhile, negotiations for a life-extension project at its 650+ MW Centralia facility continue with an eye on reaching a definitive agreement by mid-2025. Meanwhile, TA announced a strategic investment in Nova Clean Energy, LLC, a developer of U.S. WECC renewable energy projects, including a six-year US\$75 mln term loan (convertible to ~23% minority interest) and a five-year US\$100 mln revolving facility, providing TA with the exclusive right to purchase Nova's 4.0+ GW pipeline (~1.0 GW net) of renewable developments with FID likely in the 2027/2028 range. Elsewhere, TA repurchased \$24 mln of common shares YTD as part of its \$100 mln share buyback program for 2025.

Top Picks

We screen our top picks using a multi-pronged approach for 1) double-digit free cash flow (AFFO) yield; 2) healthy balance sheet metrics; 3) attractive per share growth; and 4) strong catalyst potential.

| | Stock Sym. | Stock Rating | Units O/S (Mln) | Unit Price 6/2 | Market Cap. (Mln) | Distributions per Share | | | Cash Yield | | Distr. CF per Share - FD | | | P/Distr. CF | | Net Debt/ 25e EBITDA | 12-Mth Price | | Combined Return | |
|--|------------|--------------|-----------------|----------------|-------------------|-------------------------|------------|------------|------------|-------|--------------------------|------------|------------|-------------|-------|----------------------|--------------|--------|-----------------|--------|
| | | | | | | est. 2024 | est. 2025e | est. 2026e | 2024e | 2025e | est. 2024 | est. 2025e | est. 2026e | 2025e | 2026e | | Target | Return | | |
| Pipeline & Midstream | | | | | | | | | | | | | | | | | | | | |
| AltaGas | ALA | OP | 295.9 | \$38.52 | \$11,398 | \$1.19 | \$1.26 | \$1.34 | 3.3% | 3.5% | \$2.58 | \$3.35 | \$3.59 | 11.5x | 10.7x | 4.8x | 44.00 | 14.2% | ↑ | 17.5% |
| Enbridge Inc. | ENB | SP | 2179.0 | \$64.58 | \$140,720 | \$3.66 | \$3.77 | \$3.88 | 5.8% | 6.0% | \$5.56 | \$5.65 | \$5.91 | 11.4x | 10.9x | 5.0x | 64.00 | -0.9% | ↑ | 4.9% |
| Gibson Energy | GEI | SP | 165.0 | \$23.09 | \$3,810 | \$1.64 | \$1.72 | \$1.81 | 7.4% | 7.8% | \$2.29 | \$2.09 | \$2.79 | 11.0x | 8.3x | 3.4x | 24.00 | 3.9% | ↑ | 11.4% |
| Keyera | KEY | SP | 229.2 | \$41.42 | \$9,492 | \$2.04 | \$2.12 | \$2.21 | 5.1% | 5.3% | \$3.36 | \$3.36 | \$3.82 | 12.3x | 10.8x | 2.6x | 43.00 | 3.8% | ↑ | 8.9% |
| Pembina Pipelines | PPL | SP | 581.0 | \$52.01 | \$30,218 | \$2.74 | \$2.82 | \$2.93 | 5.4% | 5.6% | \$5.25 | \$4.58 | \$4.74 | 11.4x | 11.0x | 3.8x | 56.00 | 7.7% | ↓ | 13.1% |
| South Bow Corp. ⁽¹⁾ | SOBO | SP | 208.2 | \$25.90 | \$5,393 | \$0.50 | \$2.00 | \$2.00 | 7.7% | 7.7% | \$2.93 | \$2.56 | \$2.96 | 10.1x | 8.8x | 4.4x | 25.00 | -3.5% | ↑ | 4.2% |
| Superior Plus | SPB | SP | 222.5 | \$7.78 | \$1,731 | \$0.60 | \$0.18 | \$0.18 | 2.3% | 2.3% | \$1.08 | \$1.22 | \$1.20 | 4.6x | 4.6x | 3.4x | 7.50 | -3.6% | ↑ | -1.3% |
| Tidewater Midstream | TWM | UP | 431.2 | \$0.20 | \$84 | \$0.00 | \$0.00 | \$0.00 | 0.0% | 0.0% | -\$0.03 | -\$0.05 | \$0.05 | -3.6x | 4.3x | 3.5x | 0.10 | -48.7% | ↓ | -48.7% |
| TC Energy Corp. | TRP | OP | 1040.0 | \$70.43 | \$73,247 | \$3.70 | \$3.40 | \$3.50 | 4.8% | 5.0% | \$4.35 | \$5.16 | \$5.65 | 13.7x | 12.5x | 4.8x | 75.00 | 6.5% | ↑ | 11.3% |
| Power Producers & Utilities | | | | | | | | | | | | | | | | | | | | |
| ATCO Ltd. | ACO | SP | 112.2 | \$51.64 | \$5,793 | \$1.96 | \$2.02 | \$2.08 | 3.9% | 4.0% | \$4.52 | \$4.81 | \$4.62 | 10.7x | 11.2x | 5.0x | 50.00 | -3.2% | ↑ | 0.7% |
| Brookfield Infrastructure ⁽¹⁾ | BIP | SP | 793.0 | \$33.14 | \$26,280 | \$1.62 | \$1.72 | \$1.82 | 5.2% | 5.5% | \$1.98 | \$2.25 | \$2.52 | 14.7x | 13.2x | 6.9x | 34.00 | 2.6% | ↓ | 7.8% |
| Canadian Utilities | CU | SP | 271.6 | \$38.40 | \$10,428 | \$1.81 | \$1.83 | \$1.85 | 4.8% | 4.8% | \$3.76 | \$3.81 | \$4.02 | 10.1x | 9.6x | 5.8x | 39.00 | 1.6% | ↑ | 6.3% |
| Capital Power | CPX | OP | 151.5 | \$54.98 | \$8,329 | \$2.53 | \$2.69 | \$2.81 | 4.9% | 5.1% | \$6.34 | \$6.58 | \$6.95 | 8.4x | 7.9x | 3.6x | 62.00 | 12.8% | ↓ | 17.7% |
| Emera Inc. | EMA | SP | 303.4 | \$62.43 | \$18,942 | \$2.88 | \$2.91 | \$2.95 | 4.7% | 4.7% | \$3.33 | \$4.07 | \$4.62 | 15.4x | 13.5x | 5.3x | 60.00 | -3.9% | ↑ | 0.8% |
| Fortis Inc. | FTS | SP | 508.2 | \$66.74 | \$33,918 | \$2.39 | \$2.49 | \$2.62 | 3.7% | 3.9% | \$4.91 | \$5.58 | \$6.04 | 12.0x | 11.1x | 6.2x | 65.00 | -2.6% | ↑ | 1.1% |
| Hydro One Ltd. | H | SP | 596.9 | \$50.77 | \$30,306 | \$1.24 | \$1.31 | \$1.39 | 2.6% | 2.7% | \$2.05 | \$2.12 | \$2.17 | 24.0x | 23.4x | 5.9x | 47.00 | -7.4% | ↑ | -4.8% |
| TransAlta | TA | OP | 300.4 | \$13.54 | \$4,068 | \$0.24 | \$0.26 | \$0.26 | 1.9% | 1.9% | \$1.88 | \$1.59 | \$1.19 | 8.5x | 11.4x | 4.7x | 16.00 | 18.2% | ↓ | 20.1% |

Source: Company Reports, NBF Estimates, LSEG

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

⁽¹⁾ All dollar figures for BIP and SOBO are in USD



Matt Kornack
Analyst
416-507-8104

Associates:
Nicholas Telega: 416-869-8086
Giuliano Thornhill: 416-507-8108

Selections

- › [Northwest Healthcare Properties REIT](#)
- › [Chartwell Retirement Residences](#)
- › [First Capital REIT](#)

May REIT Highlights

▶ **InterRent REIT – Buyout Pricing Reflective of Macro Uncertainty**

CLV Group and GIC have agreed to acquire the REIT through an all-cash offer at \$13.55 (a 14% premium to the prior day close price but a 29% premium to the 90-day VWAP). The purchase price represents a 9% premium to our NAV and a 17% discount to book value (per IFRS). The buyers have agreed to a 40-day go-shop period during which the REIT can entertain higher potential offer prices from competing bidders. During this period, the break-fee has been placed at a lower level of \$49 mln, vs. \$79 mln after the go shop period, to reduce the frictional costs of an alternate deal while still compensating the initial bidders for actual and opportunity costs associated with their transaction proposal.

Following a behind the scenes activist campaign, it shouldn't be a major surprise that a privatization transaction has arisen. That said, the bid produced, while providing a reasonable value for unitholders, likely reflects some skittishness in the market by larger institutional capital players. The announced deal marries a management platform with a capital source looking for long-term investments and a well-positioned stabilized apartment portfolio. While the pricing seems fair for the assets being acquired in today's context (higher interest rates, macro uncertainty), there is no juicy change of control premium being paid here and with a 40-day go-shop period, it likely makes sense to hold on and see if anyone else comes to the table. A strategic buyer with an existing platform that could extract operating synergies would be the best possible White Knight; however, we can't imagine that there are many of these waiting in the wings.

▶ **Q1 2025 – Report Card**

Takeaways from Q1/25 – Some mixed performance within asset classes, seniors ops remains a bright spot. Occupancies tracked closely across asset classes with only slight positive / negative variances for U.S. housing and diversified, respectively. Leasing spreads were directionally consistent, albeit with some more distinct company-specific variability with industrial ahead on average, retail slightly better and office mixed with a weaker diversified print. SPNOI growth saw a clear outlier in the seniors segment owing to strong margins, rents and occupancy; elsewhere apartments were a bit weaker (holding occupancy but deceleration in rent growth + weaker margins on cold weather) and retail / industrial had positive and negative outliers but in a tight band (broadly those reporting in C\$ with U.S. exposure saw a positive bump). Capex figures were slightly below historic average (except seniors), apartments on both sides of the border saw lower spends as did office, where there has been some belt tightening. NOI variances were limited except for seniors, which materially outperformed expectations (although it's worth keeping in mind that this is an operation heavy business vs. other asset classes).

▶ **Montreal – Weathering the Storm as a Market that Doesn't Trend too Far from the Baseline**

We hosted a conference in Montreal and Property Tour in the city and surrounding area on May 21 / 22. While participants noted everyone is living through a period of heightened macro uncertainty, the feeling on the ground was one of cautious optimism. Unlike other metropolitan areas in Canada, Montreal tends to see modest growth in good and more challenging times with less exposure to outsized population growth or the booms and busts of resource dominated markets. Our Deputy Chief Economist painted this picture through some broader market stats, noting people in Quebec are feeling the best in the country about their household finances (73% describe their situation as good, vs. 62% in Canada and 59% / 53% in ON / AB). On the housing front, Montreal's resale market has been more insulated than that of Toronto and Vancouver while unemployment in aggregate is well below that of Toronto (especially amongst youth where unemployment is 8% in MTL vs. 18% in TO). On population growth, the city has seen a pullback but is now tracking a percentage year-over-year change consistent with its large peers.

| Matt Kornack | | Market | | | | Unit | Distributions per Unit | | | Cash Yield | | | FD FFO | | | P/FFO | | | Net | 12-Mth | | | |
|---------------------------------|---------|--------|-------|-----------|-----------|-----------|------------------------|----------|----------|------------|-------|------------|--------|----------|----------|----------|-------|-------|-------|-----------|-----------------------|-------|---|
| REIT | Stock | Cap | | | Price | Actual | est. | est. | est. | est. | est. | est. | Actual | est. | est. | est. | est. | est. | Asset | Price | Total | | |
| Sym. | Rating | Δ | (Mln) | Analyst | 6/2 | 2024 | 2025 | 2026 | 2024E | 2025E | 2026E | Annualized | 2024 | 2025 | 2026 | 2024 | 2025 | 2026 | Value | Target | Return ⁽¹⁾ | Δ | |
| Retail | | | | | | | | | | | | | | | | | | | | | | | |
| Choice Ppties REIT | CHP.un | OP | ↔ | \$10,799 | Thornhill | \$14.92 | \$1.08 | \$0.76 | \$0.77 | 7.2% | 5.1% | 5.2% | 5.2% | \$1.03 | \$1.05 | \$1.10 | 14.5x | 14.2x | 13.6x | \$15.75 | \$16.00 | 14.5% | ↔ |
| RioCan REIT | REI.un | SP | ↔ | \$5.165 | Kornack | \$17.35 | \$1.11 | \$1.11 | \$1.16 | 6.4% | 6.4% | 6.7% | 6.7% | \$1.65 | \$1.62 | \$1.66 | 10.5x | 10.7x | 10.4x | \$19.65 | \$18.00 | 10.1% | ↔ |
| SmartCentres REIT | SRU.un | SP | ↔ | \$4,596 | Kornack | \$25.78 | \$0.86 | \$1.85 | \$1.85 | 3.3% | 7.2% | 7.2% | 7.2% | \$2.11 | \$2.17 | \$2.20 | 12.2x | 11.9x | 11.7x | \$26.00 | \$25.00 | 0.3% | ↑ |
| First Capital REIT | FCR.un | OP | ↔ | \$3,762 | Kornack | \$17.71 | \$1.85 | \$0.86 | \$0.89 | 10.4% | 4.9% | 5.0% | 5.0% | \$1.22 | \$1.26 | \$1.31 | 14.5x | 14.0x | 13.6x | \$19.40 | \$19.25 | 19.1% | ↑ |
| CT REIT | CRT.un | SP | ↔ | \$3,756 | Thornhill | \$15.89 | \$0.86 | \$0.89 | \$0.95 | 5.4% | 5.6% | 6.0% | 6.0% | \$1.33 | \$1.37 | \$1.42 | 11.9x | 11.6x | 11.2x | \$16.30 | \$15.75 | 4.5% | ↑ |
| Crombie REIT | CRR.un | OP | ↔ | \$2,715 | Kornack | \$14.70 | \$0.89 | \$0.89 | \$0.89 | 6.1% | 6.1% | 6.1% | 6.1% | \$1.25 | \$1.27 | \$1.31 | 11.8x | 11.6x | 11.2x | \$15.90 | \$16.00 | 14.9% | ↔ |
| Primaris REIT | PMZ.un | SP | ↔ | \$1,820 | Kornack | \$15.21 | \$0.82 | \$0.84 | \$0.86 | 5.4% | 5.5% | 5.7% | 5.7% | \$1.69 | \$1.78 | \$1.88 | 9.0x | 8.6x | 8.1x | \$19.45 | \$15.25 | 5.7% | ↔ |
| Automotive Ppties REIT | APR.un | SP | ↔ | \$541 | Thornhill | \$11.01 | \$0.80 | \$0.80 | \$0.80 | 7.3% | 7.3% | 7.3% | 7.3% | \$0.95 | \$1.05 | \$1.10 | 11.6x | 10.5x | 10.0x | \$12.05 | \$10.75 | 4.9% | ↔ |
| Office & Diversified | | | | | | | | | | | | | | | | | | | | | | | |
| Allied Properties REIT | AP.un | SP | ↔ | \$2,166 | Kornack | \$15.50 | \$1.80 | \$1.80 | \$1.80 | 11.6% | 11.6% | 11.6% | 11.6% | \$2.17 | \$2.08 | \$1.91 | 7.1x | 7.1x | 7.5x | \$15.85 | \$14.25 | 3.5% | ↓ |
| DREAM Office REIT | D.un | SP | ↔ | \$298 | Kornack | \$15.72 | \$2.00 | \$1.00 | \$1.00 | 12.7% | 6.4% | 6.4% | 6.4% | \$2.92 | \$2.52 | \$2.63 | 5.4x | 5.4x | 6.2x | \$18.70 | \$16.00 | 14.5% | ↓ |
| H&R REIT | HR.un | SP | ↔ | \$2,929 | Kornack | \$10.46 | \$0.60 | \$0.60 | \$0.60 | 5.7% | 5.7% | 5.7% | 5.7% | \$1.14 | \$1.11 | \$1.15 | 9.1x | 9.1x | 9.4x | \$14.10 | \$10.50 | 6.1% | ↔ |
| BTB REIT | BTB.un | SP | ↔ | \$317 | Kornack | \$3.56 | \$0.34 | \$0.30 | \$0.30 | 9.4% | 8.4% | 8.4% | 8.4% | \$0.42 | \$0.44 | \$0.47 | 8.4x | 8.4x | 8.0x | \$3.40 | \$3.35 | 3.5% | ↑ |
| Industrial | | | | | | | | | | | | | | | | | | | | | | | |
| Granite REIT | GRT.un | OP | ↔ | \$4,284 | Kornack | \$69.87 | \$3.20 | \$3.30 | \$3.40 | 4.6% | 4.7% | 4.9% | 4.9% | \$5.42 | \$5.88 | \$6.31 | 12.9x | 12.9x | 11.9x | \$83.60 | \$71.00 | 6.2% | ↑ |
| DREAM Industrial REIT | DIR.un | OP | ↔ | \$3,279 | Kornack | \$11.21 | \$0.70 | \$0.70 | \$0.70 | 6.2% | 6.2% | 6.2% | 6.2% | \$1.00 | \$1.02 | \$1.04 | 11.2x | 11.2x | 11.0x | \$15.05 | \$11.50 | 8.8% | ↓ |
| Nexus Industrial REIT | NXR.un | SP | ↔ | \$688 | Kornack | \$7.28 | \$0.64 | \$0.64 | \$0.64 | 8.8% | 8.8% | 8.8% | 8.8% | \$0.72 | \$0.76 | \$0.85 | 10.1x | 10.1x | 9.5x | \$8.55 | \$7.25 | 8.4% | ↑ |
| PRO REIT | PRV.un | SP | ↔ | \$367 | Kornack | \$5.47 | \$0.45 | \$0.45 | \$0.45 | 8.2% | 8.2% | 8.2% | 8.2% | \$0.48 | \$0.52 | \$0.54 | 11.4x | 11.4x | 10.6x | \$6.25 | \$5.50 | 8.8% | ↑ |
| Multi-Res | | | | | | | | | | | | | | | | | | | | | | | |
| CAP REIT | CAR.un | OP | ↔ | \$7,196 | Kornack | \$44.92 | \$1.45 | \$1.45 | \$1.55 | 3.2% | 3.2% | 3.5% | 3.5% | \$2.54 | \$2.58 | \$2.74 | 17.7x | 17.7x | 17.4x | \$51.40 | \$49.00 | 12.3% | ↔ |
| Boardwalk REIT | BEI.un | SP | ↔ | \$3,731 | Kornack | \$69.98 | \$1.16 | \$1.44 | \$1.62 | 1.7% | 2.1% | 2.3% | 2.3% | \$4.19 | \$4.55 | \$4.80 | 16.7x | 16.7x | 15.4x | \$81.75 | \$74.00 | 7.4% | ↑ |
| Killam Apartment REIT | KMP.un | OP | ↔ | \$2,407 | Kornack | \$19.43 | \$0.70 | \$0.70 | \$0.70 | 3.6% | 3.6% | 3.6% | 3.6% | \$1.18 | \$1.26 | \$1.35 | 16.5x | 16.5x | 15.4x | \$22.10 | \$20.75 | 10.4% | ↑ |
| InterRent REIT | IIP.un | SP | ↔ | \$1,905 | Kornack | \$13.61 | \$0.36 | \$0.40 | \$0.40 | 2.7% | 2.9% | 2.9% | 2.9% | \$0.61 | \$0.68 | \$0.73 | 22.1x | 22.1x | 20.1x | \$12.40 | \$13.55 | 2.2% | ↑ |
| Minto Apartment REIT | MI.un | SP | ↓ | \$915 | Kornack | \$14.40 | \$0.49 | \$0.50 | \$0.52 | 3.4% | 3.5% | 3.6% | 3.6% | \$0.97 | \$0.95 | \$0.95 | 14.8x | 14.8x | 15.2x | \$17.70 | \$14.00 | 0.6% | ↓ |
| Northview Residential REIT | NRR.un | SP | ↔ | \$641 | Kornack | \$16.31 | \$1.55 | \$1.09 | \$1.09 | 9.5% | 6.7% | 6.7% | 6.7% | \$1.75 | \$2.11 | \$2.29 | 9.3x | 9.3x | 7.7x | \$21.45 | \$16.00 | 7.6% | ↑ |
| BSR REIT | HOM.u | SP | ↔ | US\$502 | Kornack | US\$12.99 | \$0.52 | \$0.18 | \$0.56 | 4.0% | 1.4% | 4.3% | 4.3% | US\$0.94 | US\$0.89 | US\$0.96 | 13.9x | 13.9x | 14.6x | US\$14.40 | US\$13.50 | 7.9% | ↔ |
| Seniors Housing | | | | | | | | | | | | | | | | | | | | | | | |
| Chartwell Retirement | CSH.un | OP | ↔ | \$5,154 | Thornhill | \$18.20 | \$0.61 | \$0.61 | \$0.61 | 3.4% | 3.4% | 3.4% | 3.4% | \$0.77 | \$0.94 | \$1.07 | 23.7x | 23.7x | 19.4x | \$17.20 | \$21.50 | 21.5% | ↑ |
| NorthWest H.P. REIT | NWH.un | OP | ↔ | \$1,181 | Thornhill | \$4.77 | \$0.58 | \$0.36 | \$0.36 | 12.2% | 7.5% | 7.5% | 7.5% | \$0.38 | \$0.46 | \$0.51 | 12.7x | 12.7x | 10.3x | \$6.80 | \$5.65 | 30.6% | ↔ |
| Sienna Sr. Living | SIA | OP | ↔ | \$1,709 | Thornhill | \$18.57 | \$0.94 | \$0.94 | \$0.94 | 5.0% | 5.0% | 5.0% | 5.0% | \$1.15 | \$1.14 | \$1.30 | 16.2x | 16.2x | 16.2x | \$19.75 | \$20.00 | 12.7% | ↑ |
| Self Storage | | | | | | | | | | | | | | | | | | | | | | | |
| SmartStop Self Storage REIT | SMA | OP | ↔ | US\$2,140 | Kornack | US\$36.55 | US\$0.01 | US\$0.01 | US\$1.60 | 0.0% | 0.0% | 4.4% | 4.4% | US\$1.55 | US\$1.80 | US\$2.21 | 23.6x | 23.6x | 20.3x | US\$42.55 | US\$40.50 | 10.8% | ↑ |
| StorageVault Canada | SVI | OP | ↔ | \$1,499 | Kornack | \$4.10 | \$0.01 | \$0.01 | \$0.01 | 0.2% | 0.3% | 0.3% | 0.3% | \$0.23 | \$0.25 | \$0.28 | 18.0x | 18.0x | 16.6x | \$4.95 | \$4.50 | 10.0% | ↔ |
| MHC | | | | | | | | | | | | | | | | | | | | | | | |
| Flagship Communities REIT | MHCu.TO | OP | ↔ | US\$453 | Kornack | US\$18.05 | US\$0.56 | US\$0.56 | US\$0.56 | 3.1% | 3.1% | 3.1% | 3.4% | US\$1.27 | US\$1.40 | \$1.60 | 14.3x | 14.3x | 12.9x | US\$25.65 | US\$21.75 | 23.6% | ↑ |

Stock Rating: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; RES=Restricted

Source: Company Reports, NBF, LSEG

(1) Total return = price return + 12 months rolling forward distribution return.

u = US Dollars



Zachary Evershed, CFA
Analyst
514-412-0021

—
Associates:
Prashant Kamath: 416-869-8504
Nathan Po: 416-660-1740

Selections

- › [Dexterra](#)
- › [DRI Healthcare](#)
- › [Dentalcorp](#)

Reloaded for Good Hunting with \$320 Million Equity Raise

On May 15th, TerraVest announced the offering of 1,500,000 common shares on a bought deal basis, priced at \$160.30/share and subsequently upsized to 1,740,000 common shares, resulting in base gross proceeds of \$278.9 million. The issuance closed on May 23rd with the 15% over-allotment option exercised in full, resulting in the issuance of 261,000 additional common shares, for 2,001,000 shares in aggregate and total gross proceeds of \$320.8 million.

Pro forma Net Debt/EBITDA drop to ~2.5x reloads the balance sheet

Though the 99% increase in shares creates upfront dilution, with clear indications of strength within the company's M&A pipeline (as evidenced by the flurry of deals post-Entrans) and ability to accretively deploy capital towards doubling the business again within five years' time, we believe this effect will only be temporary as pro forma Net Debt/EBITDA drops to ~2.5x from 3.4x, effectively reloading the balance sheet for further M&A or organic growth opportunities. We calculate a net EPS dilution of 1.2% in our model as the increase in share count is partially offset by the reduction in interest expense on lower debt levels.

Platforms in place for parallel integration

TVK's largest acquisition to date, Entrans, also acts as a new operating platform through which the M&A strategy is further bolstered, clocking in at a 50% market share within the North American tank trailer market (with spare capacity to boot) and a foothold in the heavy-haul trailer space, a niche vertical ripe for consolidation right within management's wheelhouse. The decentralized platform has already been put to use post-deal, with TVK firing off an additional three acquisitions (LBT, Simplex, Tankcon) to tack onto Entrans and Highland Tank's platforms, showcasing the deep bench providing bandwidth for concurrent acquisitions and integrations.

Doubling size in five years

Building on the new operating platform of Entrans and continuing to expand in all the company's segments, management does not see any reason why TerraVest cannot double again in five years' time. With pro forma leverage sitting in the mid-2s, we estimate that TVK can comfortably add \$350-450 million of acquired sales per year while remaining below 3x pro forma Net Debt/EBITDA.

Outperform rating, \$205 Target

Our \$205 target is based on 12.5x 2027e EV/EBITDA, comprised of a 10.5x base multiple and a 2x M&A growth premium representing the addition of ~\$400 million of acquired sales/year (without baking it into our estimates explicitly) while maintaining pro forma leverage below 3x, supported by robust FCF generation. Our target implies a 5.1% FCF yield and can be recreated within our DCF with a discount rate of 11.3%. With a long M&A runway, a stellar integration track record, and a knack for extracting organic growth from historically low-growth industries, we rate TVK Outperform.

| | Stock Symbol | Stock Rating | Market Cap (Mln) | Shares O/S (Mln) | Stock Price €/2 | Last Year Reported | FDEPS | | | P/E | | EBITDA (mln) | | | EV/EBITDA | | Div. yield | Net Debt/ FY2 EBITDA | 12-Mth Price Target | |
|-------------------------------------|--------------|--------------|------------------|------------------|-----------------|--------------------|-------------|----------|----------|-------|------|--------------|----------|----------|-----------|------|------------|----------------------|---------------------|---|
| | | | | | | | (A) Last FY | est. FY1 | est. FY2 | FY1 | FY2 | (A) Last FY | est. FY1 | est. FY2 | FY1 | FY2 | | | Target | Δ |
| | | | | | | | | | | | | | | | | | | | | |
| ADENTRA | ADEN | OP | 647.9 | 25.3 | 25.60 | 12/2024 | 2.99 | 2.24 | 2.83 | 8.3 | 6.6 | 184.3 | 168.7 | 181.6 | 6.0 | 5.3 | 2.3% | 3.7 | 46.00 | ↓ |
| Alaris Equity Partners Income Trust | AD | OP | 832.3 | 45.5 | 18.28 | 12/2024 | 4.40 | 1.98 | 1.71 | 9.2 | 10.7 | 157.4 | 146.7 | 138.3 | 8.9 | 9.2 | 7.4% | 3.3 | 25.00 | |
| Boyd Group Services | BYD | OP | 4,408.9 | 21.5 | 205.35 | 12/2024 | 1.44 | 0.53 | 4.67 | 282.8 | 32.1 | 334.8 | 346.8 | 481.2 | 13.0 | 9.7 | 0.3% | 2.6 | 245.00 | ↓ |
| Cascades | CAS | SP | 891.9 | 101.4 | 8.80 | 12/2024 | 0.60 | 1.05 | 1.72 | 8.4 | 5.1 | 501.0 | 571.3 | 644.0 | 5.2 | 4.2 | 5.5% | 3.4 | 10.00 | ↓ |
| Chemtrade Logistics | CHE | OP | 1,290.8 | 116.9 | 11.04 | 12/2024 | 1.80 | 1.60 | 1.57 | 6.9 | 7.0 | 470.8 | 460.4 | 478.5 | 5.0 | 4.7 | 6.3% | 2.0 | 17.00 | ↑ |
| Doman Building Materials | DBM | OP | 737.4 | 87.4 | 8.44 | 12/2024 | 0.65 | 0.81 | 0.90 | 10.4 | 9.4 | 195.6 | 263.1 | 276.8 | 6.1 | 5.6 | 6.6% | 4.0 | 10.50 | ↑ |
| Dentalcorp Holdings | DNTL | OP | 1,676.9 | 189.7 | 8.84 | 12/2024 | 0.43 | 0.53 | 0.64 | 16.7 | 13.8 | 284.8 | 319.3 | 355.6 | 9.7 | 8.7 | 1.1% | 3.7 | 15.00 | |
| Dexterra Group | DXT | OP | 556.8 | 63.6 | 8.75 | 12/2024 | 0.58 | 0.71 | 0.78 | 12.3 | 11.2 | 107.4 | 110.0 | 112.7 | 5.7 | 5.2 | 4.0% | 0.9 | 12.50 | |
| DRI Healthcare Trust | DRI | OP | 732.3 | 56.7 | 12.92 | 12/2024 | 2.18 | 1.76 | 1.77 | 5.4 | 5.3 | 156.6 | 159.2 | 138.1 | 5.7 | 5.9 | 4.3% | 2.8 | 18.50 | ↑ |
| GDI Integrated Facility Services | GDI | SP | 748.2 | 23.6 | 31.77 | 12/2024 | 1.35 | 1.74 | 2.26 | 18.3 | 14.1 | 137.0 | 159.0 | 176.2 | 6.7 | 5.7 | 0.0% | 2.2 | 41.50 | |
| Jamieson Wellness | JWEL | OP | 1,502.9 | 42.0 | 35.80 | 12/2024 | 1.62 | 1.97 | 2.61 | 18.2 | 13.7 | 141.0 | 159.3 | 184.9 | 11.6 | 9.8 | 2.3% | 1.9 | 40.00 | ↑ |
| KP Tissue | KPT | SP | 89.6 | 10.0 | 8.97 | 12/2024 | 0.31 | 0.61 | 0.43 | 14.7 | 20.9 | 264.8 | 297.9 | 279.1 | 6.1 | 6.7 | 8.0% | 4.0 | 9.50 | ↑ |
| Matr | MATR | OP | 606.2 | 63.0 | 9.63 | 12/2024 | 0.68 | 1.34 | 1.26 | 7.2 | 7.6 | 108.0 | 161.0 | 196.1 | 6.5 | 4.6 | 0.0% | 2.9 | 14.00 | ↓ |
| Richelieu Hardware | RCH | SP | 1,918.7 | 56.0 | 34.28 | 11/2024 | 1.53 | 1.59 | 2.04 | 21.6 | 16.8 | 201.4 | 212.0 | 245.4 | 9.7 | 8.2 | 1.8% | 1.2 | 37.50 | |
| Rogers Sugar | RSI | SP | 722.3 | 128.1 | 5.64 | 09/2024 | 0.56 | 0.51 | 0.50 | 11.1 | 11.3 | 141.6 | 146.9 | 148.1 | 7.6 | 8.5 | 6.4% | 2.8 | 6.25 | |
| Savaria Corporation | SIS | OP | 1,369.1 | 71.9 | 19.05 | 12/2024 | 0.89 | 0.82 | 1.11 | 23.2 | 17.2 | 161.2 | 173.5 | 193.8 | 9.2 | 8.1 | 2.8% | 1.3 | 24.00 | |
| TerraVest Industries | TVK | OP | ↑ 3,658.8 | 21.5 | 170.02 | 09/2024 | 3.29 | 5.81 | 8.33 | 29.3 | 20.4 | 189.6 | 268.3 | 349.9 | 17.3 | 12.8 | 0.4% | 3.2 | 205.00 | ↑ |

Stock Rating: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; R=Restricted

Note: BYD, ADEN, and DHT data are in USD except stock prices and target prices. KP Tissue: Financial data reflects Kruger Products L.P. (in which KP Tissue has a 12.7% interest).

Source: Company reports, NBF, LSEG

**Rupert Merer, P. ENG, CFA**Analyst
416-869-8008Associate:
Melissa Deane: 416-864-7001

Selections

- › Northland Power
- › Boralex
- › Hammond Power

Renewable energy infrastructure stocks are safe havens with growth

Our renewable energy infrastructure coverage has performed poorly over the last couple of years, with higher bond yields, rising construction costs and unfavourable weather. However, the industry remains well-supported by long-term contracted cash flows on existing assets, inflation to power costs, competitive costs for power from renewable energy and government policies that support growth. With this, we believe Independent Power Producers (IPPs) could recover as safe havens in uncertain times. Additionally, as the uncertainty of tariff impacts looms on manufacturers with U.S. sale exposure, HPS.A has also come under pressure; however, with no change in the electrification demand outlook we believe the impact will be transitory. Our top picks include NPI, BLX and HPS.A.

▶ Northland Power Inc. (NPI: TSX; Outperform; \$30/sh target):

NPI is a global leader in the development of offshore wind projects with ~3.2 GW of net capacity in renewable and thermal power generation. The stock has come under pressure recently, with concerns about increasing costs and lower returns on its two offshore wind development projects. In 2023, NPI achieved financial close on its 1.2 GW Baltic Power offshore wind project (49% to NPI) and 1.0 GW Hai Long project (30% to NPI). These milestones should de-risk the projects and provide improved visibility on growth for the company. We expect approximately 15% and 9% IRRs for the projects, respectively, and there's opportunity to improve returns post-COD through refinancing. The projects are expected to come online officially in 2026-2027E, though could start producing incremental revenue in 2025E. NPI is focused on the execution of its construction projects for the next couple of years, but should also be active in new developments, including onshore projects across Canada. Asset sell-downs are anticipated to fund future growth. NPI recently appointed its new CEO Christine Healy, effective January 20, 2025, who brings a wealth of experience to the company; we believe the appointment should remove the leadership overhang concerns with the stock. Our target is based on a long-term DCF with a cost of equity of 9.0%.

▶ Boralex Inc. (BLX: TSX; Outperform; \$42/sh target):

BLX is a renewable energy producer with wind, solar and hydro assets in the U.S., France and Canada. It has net installed capacity of over 3 GW, of which the majority is covered by inflation-indexed, fixed-price or feed-in premium contracts with an average life of 12 years. Like its peers, BLX has been under pressure recently, with rising bond yields and inflation concerns. However, BLX continues to execute. Recently, BLX was awarded another 365 MW of wind contracts (two projects) by Hydro-Québec, and it remains active across numerous markets in Canada, the U.S. and Europe (its total pipeline sits at roughly 6.8 GW). Near term, BLX has 590 MW of solar projects bid in a New York request for proposal (RFP) which could announce awards as early as 2025E. BLX finished Q1 2025 with ~\$504 million in available liquidity, leaving it well-positioned to fund its organic growth for the next year without dilution. It could look to increase leverage at the corporate or project level or engage in asset recycling, in addition to its internally generated equity. BLX is taking a disciplined approach to M&A in what it views as a buyer's market. BLX has been the best-performing stock in the sector and should continue to outperform. Our target is based on a long-term DCF with an 8.25% cost of equity.

▶ Hammond Power (HPS.a: TSX; Outperform; \$140/sh target):

Hammond Power Solutions has a manufacturing presence across North America and India and a dominant market share in the dry-type transformer market in North America (~\$3 billion fragmented market). Revenues grew over 100% over the last few years along with demand for its products and the market should continue to grow at more than 10%/year. Growth is coming from residential, commercial, industrial and transportation markets and supported by sectoral tailwinds from reshoring, electrification and rising data centre demand. The company is also expanding its offerings in related power quality products. With the majority of its \$80 million capital program complete, HPS has expanded its revenue capacity to ~\$1.0 billion, with an additional ~\$120

million of capacity expected to be complete by year end. Additional capacity reduces lead times and opens potential for new business wins, namely for larger (likely higher margin) projects. HPS's newest capacity expansion announcement focuses on its custom products, which tend to have higher margins (currently ~52% of sales). With a leverage ratio of ~0.2x EBITDA, we believe HPS could comfortably handle \$175-200 million of debt (~1.5x EBITDA) to support further organic growth and M&A. While tariff threats on inputs and final products from Canada and Mexico to the U.S. could create volatility in sales and earnings, HPS notes it can leverage its footprint across North America to moderate the impact and that the impact should be transitory as it works through its backlog.

| | Stock Sym. | Stock Rating | Market Cap (Mln) | Shares O/S (Mln) | Stock Price 6/2 | Last Year Reported | FD EPS | | | P/E | | Sales per share | | | P/S | | Book Value | Debt/Capital | 12-Mth Price | |
|--------------------------|------------|--------------|------------------|------------------|-----------------|--------------------|-------------|----------|----------|------|------|-----------------|----------|----------|-----|-----|------------|--------------|--------------|---|
| | | | | | | | (A) Last FY | est. FY1 | est. FY2 | FY1 | FY2 | (A) Last FY | est. FY1 | est. FY2 | FY1 | FY2 | | | Target | Δ |
| Energy Technology | | | | | | | | | | | | | | | | | | | | |
| 5N Plus | VNP | OP | 712.0 | 89 | 8.00 | 12/2024 | 0.12u | 0.20u | 0.24u | 27.6 | 22.9 | 2.74u | 3.18u | 3.60u | 2.5 | 2.2 | 0.99u | 0.34 | 9.00 | ↑ |
| Algonquin Power | AQN | OP | 4,113.6 | 766 | 5.37u | 12/2023 | 0.53u | 0.37u | 0.34u | 14.5 | 15.8 | 3.91u | 3.28u | 3.17u | 1.6 | 1.7 | 9.60u | 0.48 | 6.75u | ↑ |
| Ballard Power Systems | BLDP | SP | 383.2 | 299 | 1.28u | 12/2023 | (0.59)u | (0.49)u | (0.37)u | nmf | nmf | 0.34u | 0.27u | 0.31u | 4.7 | 4.1 | 3.31u | 0.03 | 2.00u | ↓ |
| Boralx | BLX | OP | 3,245.4 | 103 | 31.58 | 12/2024 | 0.76 | 0.82 | 0.72 | 38.5 | 43.9 | 9.92 | 8.20 | 8.61 | 3.9 | 3.7 | 19.70 | 0.52 | 42.00 | ↓ |
| Brookfield Renewable | BEP | OP | 15,723.5 | 663 | 23.71u | 12/2024 | 0.00u | 0.00u | 0.00u | nmf | nmf | 4.25u | 4.99u | 5.29u | 4.8 | 4.5 | 24.27u | 0.35 | 30.00u | ↓ |
| Exro Technologies | EXRO | UP | 47.2 | 525 | 0.09 | 12/2023 | (0.30)u | (0.16)u | (0.06)u | nmf | nmf | 0.03u | 0.05u | 0.18u | 1.8 | 0.5 | 0.16u | 9.30u | 0.16 | ↓ |
| Hammond Power Solutions | HPSa | OP | 1,189.0 | 12 | 100.02 | 12/2023 | 5.34 | 5.21 | 6.33 | 19.2 | 15.8 | 59.67 | 65.79 | 75.00 | 1.5 | 1.3 | 19.40 | 0.10 | 140.00 | ↓ |
| Innergex | INE | T | 2,789.7 | 203 | 13.71 | 12/2024 | (0.52) | 0.01 | 0.25 | nmf | 54.8 | 5.10 | 5.05 | 5.92 | 2.7 | 2.3 | 7.30 | 0.84 | 13.75 | ↓ |
| NanoXplore | GRA | SP | 394.1 | 171 | 2.31 | 06/2024 | (0.07) | (0.03) | 0.06 | nmf | 38.5 | 0.76 | 0.86 | 1.20 | 2.7 | 1.9 | 0.63 | 0.16 | 2.80 | ↓ |
| Northland Power | NPI | OP | 5,214.7 | 258 | 20.22 | 12/2024 | (0.70) | 1.00 | 1.64 | 20.2 | 12.3 | 8.84 | 9.28 | 9.48 | 2.2 | 2.1 | 18.59 | 0.60 | 30.00 | ↓ |
| Polaris Renewable | PIF | OP | 255.3 | 21 | 12.10 | 12/2024 | 0.56 | 0.28 | 0.22 | 43.2 | 55.0 | 3.72 | 3.62 | 4.24 | 3.3 | 2.9 | 12.76 | 0.25 | 21.00 | ↓ |

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

¹ FD EPS are pro-forma numbers from continuing operations and excludes goodwill amortization, restructuring and one-time charges.

Source: Company Reports, LSEG, NBF Estimates & Analysis

u = US dollar



Baltej Sidhu
Strategist
403-290-5627

—
Associate:
Anh Le: 403-290-5625

Overview

Despite facing challenges such as evolving regulations, heightened investor scrutiny and political polarization, sustainable investing is steadily establishing itself as a significant force in shaping global capital markets. Global ESG assets under management are suggested to have exceeded US\$35 trillion in 2024 and projected to reach over US\$40 trillion by 2030, indicating an anticipated compound annual growth rate of approximately 4%. The rate is notably lower than the remarkable historical annual growth rate of over 10% observed between 2016 and 2020, reflecting a healthier pace and maturation of the market.

Geographically, Europe is poised to maintain its position as the largest ESG market, commanding an estimated 45% share globally. This dominance is fueled by robust regulations that bolster product transparency, complemented by low fees and an expanding array of funds, which collectively provide stability and foster growth. On the other hand, the United States is projected to witness subdued growth, grappling with uncertainties linked to the Trump 2.0 presidency and broader pushback against ESG initiatives. Nonetheless, it is anticipated to retain its standing as the second-largest ESG market worldwide, capturing a 25% share of the market.

In other regions such as Japan, Canada and Australia, growth is expected to outpace the global average, partly due to starting from a smaller base. These trends underscore the resilience and ongoing evolution of sustainable investing; despite the complex landscape it navigates. All in all, the ESG and Sustainability thematic is here to stay and there is growing evidence of its continued entrenchment across asset classes within the global capital markets.

That said, we continue to expect ESG integration and shareholder engagement/negative screening to be the leading ESG investment style, especially as ESG disclosures and transparency improve at the corporate level and as institutional investors become more educated in the ESG landscape. In our opinion, we view ESG integration, which involves factoring in non-financial metrics into fundamental analysis as the best way for investors to integrate ESG metrics while generating adequate returns as it allows an investor to understand and hopefully avoid specific ESG risks, while not placing hard restrictions on specific industries.

Carbon Market Overview

▣ Compliance and Voluntary Markets

Carbon prices have risen at considerable rates, inclusive of all regions and systems since inception. The rise in prices has largely been attributable to enhanced government ambitions to reduce emissions due to global warming, which has led to more stringent regulations and legislation surrounding decarbonization (i.e., European Union's "Fit for 55" ambition). However, as of late, inflation and recessionary fears (i.e., depth and duration) alongside heightened commodity prices, which have accelerated concerns around demand destruction, have affected the niche market in step with broader equity market sentiment. With that, we choose to look past the noise as not only are governments legislating near-term reduction targets alongside net-zero by 2050, but are also tightening emissions caps under the numerous compliance cap-and-trade systems and concurrently reducing the supply of allowances, which should in time lead to higher carbon prices.

Starting with the most liquid carbon market, the European Emission Allowances (EUA) active contract closed the month of May at levels of €69 (US\$79). Overall, on average, EUAs were up 9% m/m and remain in contango with the Dec. 26 – Dec. 25 spread reflecting €2. Elsewhere, the United Kingdom Emissions Allowances (UKEA) active futures, which started trading at the end of May 2021, closed at £51 (US\$69) at the end of May, up 12% m/m on average and 9% since inception.

Within North America, the Regional Greenhouse Gas Initiative (RGGI) active futures were largely unchanged m/m at \$20. Lastly, the California Carbon Allowances (CCA) active futures closed the month at US\$27 and was down -2% m/m. With that, we note that the recent scoping plan in California, i.e., pathway towards achieving carbon neutrality, in our view, could potentially be backstopped through some form of tightening and/or rework of the State's cap-and-trade model to drive additional emission reductions.

Finally, we highlight the Voluntary Global Emission Offsets (GEO) active futures, which closed the month at less than US\$1 and up 33% m/m, while the Nature-based Global Emissions Offset (N-GEO) active futures rose 13% m/m. We continue to see pricing headwinds due to a tough macroeconomic environment affecting demand and the heightened public and media scrutiny following project quality concerns and credibility issues.

Monthly Highlights

▣ *Covering the Uncovered; Escalating Catastrophe Risk and the Case for Adaptation Finance*

Despite the significant advancements in modeling techniques over the past decades, forecasting catastrophe losses remains a complex task. The industry's transition to modern catastrophe models commenced in the aftermath of Hurricane Andrew in the early 1990s. This event resulted in insured losses exceeding US\$15 bln and led to the insolvency of over 10 insurers. Traditional actuarial methods, which are heavily dependent on backward-looking historical data, proved inadequate for capturing the financial impact of rare and extreme events. In response, the industry has adopted probabilistic catastrophe models that integrate hazard, exposure and vulnerability data to produce forward-looking simulations of a vast number of future events. These models are now central to pricing, underwriting and structuring reinsurance.

However, **as climate volatility accelerates, these models are being tested against events that are more frequent, more severe and increasingly unbound by historical patterns.** The challenge lies not in the lack of modeling sophistication, but rather in the profound uncertainty driven by climate change. Nonlinear shifts in hazard behaviours, the increasing prevalence of compound events, and abrupt changes in event frequency can undermine the predictive power of these models, particularly over multi-year periods. Additionally, rising urban development in high-risk zones and inflation in construction costs continue to elevate exposure and amplify losses, making long-term loss projections even more uncertain.

Still, the trend is unmistakable: insured losses are rising sharply and are expected to continue climbing. 2024 – the warmest year on record – saw global economic losses from natural disasters reach an estimated US\$310 bln, a 6% increase from 2023 and ~30% above the average of the preceding decade. However, less than half of these losses (US\$135 bln) were insured, highlighting a persistent and substantial protection gap. **Canada has also experienced an unparalleled surge in climate-related financial losses.** Since 2009, the average annual insured losses have amounted to \$2.8 bln, marking a significant increase from the \$400 mln to \$700 mln range observed prior to 2008. In 2024, insured losses reached an unprecedented \$8.5 bln, driven by major natural disasters such as wildfires, flooding and severe convective storms. **It is important to note that these figures understate the full economic costs. It is suggested that uninsured losses typically exceed insured losses by a factor of three to four, suggesting that the true economic toll in 2024 may range from \$25 bln to \$35 bln.**

Looking ahead, a continued rise in global catastrophe losses, particularly insured losses, appears highly probable. Current trends and industry forecasts indicate that the rate of growth is expected to accelerate. It took ~30 years for the average annual insured losses to double; however, current projections indicate that another doubling could occur within the next decade. Importantly, while a significant portion of the increase in catastrophe losses has been associated with economic development and rising asset concentration in hazard-prone regions, **the escalating impact of climate change is projected to become a more dominant force.** Non-peak perils (i.e., wildfires, hail, flood) are growing in frequency and severity, with three of the last five years seeing more than 30 insured events costing over US\$1 bln.

From a sustainability perspective, the increasing trend in catastrophe losses carries serious social implications, particularly regarding the long-term insurability of high-risk regions. Several insurers have exited or scaled back coverage in wildfire prone or flood prone areas, citing rising claim costs and challenges in maintaining actuarial soundness. Compounding the challenge is the persistent global protection gap, with a striking 60% of catastrophe losses uninsured in 2024.

There are also clear implications for both companies and capital providers - the case for climate adaptation is no longer abstract: Companies that fail to adapt increasingly face rising costs, supply chain volatility and the growing threat of stranded assets. But adaptation isn't just about managing downside risks, it also represents a fast-emerging investment frontier. Opportunities span catastrophe bonds, and green/climate bonds which generate fixed income returns while directing funds toward projects that enhance climate resilience, as well as investments in technologies like water efficiency, drought-resistant crops and resilient infrastructure.



Richard Tse
Analyst
416-869-6690

—
Associate:
Amy Li: 437-423-3708
Mike Stevens: 416-869-7490



John Shao
Analyst
416-869-7938

Selections

- › *Constellation Software (CSU)*
- › *Kinaxis (KXS)*
- › *Descartes Systems (DSG)*
- › *Kraken Robotics (PNG)*

More Selective

When it comes to our coverage universe, we think the remainder of year will require (even more) stock-specific selection than broad sector shots relative to recent years given the continued volatile macro backdrop. Year-to-date (as of intraday June 2), the S&P Info Tech Index, Nasdaq 100, and S&P/TSX Info Tech Index have returned -1.11%, +1.96%, and -0.18%, respectively, compared to the S&P 500's +0.65%. From a valuation perspective, while the sector is trading slightly below its historical average, we would not consider the group to be inexpensive. In this backdrop, we favour defensive names with strong balance sheets and recurring cash flows, while selectively positioning into names with strong (growing) relative market positions. At the time of writing, our preferred names include Constellation Software, Descartes, Kraken Robotics, and Kinaxis.

- › **Constellation Software** remains one of the most consistent growth stories in our coverage universe – its primary growth driver being vertical market software (VMS) acquisitions that's spawned spinoff companies of Topicus and Lumine, which are adding to Constellation's equity value as those new entities are expected to deploy capital at higher rates than Constellation. So, while Constellation has slowed its pace of capital deployment, those spinoffs have added considerable market value to Constellation. Given that, we expect to see Constellation move ahead with additional spinoffs this year which would be to its benefit.
- › **Descartes Systems.** We consider Descartes one of the premium consolidators in Canada with a proven ability to consistently acquire and integrate businesses to generate strong growth in revenue, profitability and free cash flow. As the global trade environment becomes increasingly complex, we believe the Company is well-positioned to benefit from ongoing market demand for greater supply chain visibility.
- › **Kraken Robotics.** We recently initiated coverage on Kraken Robotics, a marine technology company that provides underwater sensors and energy systems. We believe Kraken is well-positioned to monetize its market-leading products and services while capitalizing on strong industry tailwinds toward accuracy and automation.

| | Stock Sym. | Stock Rating | Market Cap (Mln) | Shares O/S (Mln) | Stock Price 6/2 | Last Year Reported | FDEPS | | | P/E | | EBITDA (Mln) | | | EV/EBITDA | | Book Value | Debt/Total Capital | 12-Mth Price | | |
|--------------------------------|------------|--------------|------------------|------------------|-----------------|--------------------|-------------|----------|----------|-------|------|--------------|----------|----------|-----------|------|------------|--------------------|--------------|--------|---|
| | | | | | | | (A) Last FY | est. FY1 | est. FY2 | FY1 | FY2 | (A) Last FY | est. FY1 | est. FY2 | FY1 | FY2 | | | Price Target | Δ | |
| | | | | | | | | | | | | | | | | | | | | | |
| Alithya Group Inc.* | ALYA | SP | 170 | 96.4 | 1.76 | 2024 | 0.14 | 0.18 | 0.10 | 9.8 | 17.1 | 35.5 | 40.5 | 44.8 | 6.9 | 6.2 | 1.83 | 41% | 2.00 | | |
| Altus Group Limited | AIF | SP | 2,515 | 45.9 | 54.77 | 2024 | 1.39 | 1.58 | 2.21 | 34.6 | 24.8 | 120.5 | 102.2 | 137.4 | 27.6 | 20.5 | 19.1 | 15% | 60.00 | | |
| Blackline Safety Corp.* | BLN | OP | 639 | 82.2 | 7.77 | 2024 | (0.13) | (0.02) | 0.10 | NMF | NMF | (2.4) | 6.3 | 16.2 | 91.8 | 35.7 | 1.0 | 11% | 7.50 | | |
| CGI Inc. | GIB.A | OP | 33,674 | 227.2 | 148.22 | 2024 | 7.62 | 8.34 | 9.02 | 17.8 | 16.4 | 2,952.6 | 3,199.8 | 3,423.3 | 10.5 | 9.8 | 44.8 | 27% | 185.00 | | |
| Computer Modelling Group Ltd.* | CMG | OP | 581 | 83.1 | 6.76 | 2024 | 0.27 | 0.30 | 0.32 | 23.3 | 22.0 | 43.7 | 42.0 | 43.0 | 12.8 | 12.5 | 1.0 | 0% | 10.00 | ↓ | |
| Constellation Software Inc. | CSU | OP | 103,190 | 21.2 | 4,869.42 | 2024 | 84.04u | 90.64u | 105.83u | 38.8 | 33.3 | 2,691.0u | 3,126.7u | 3,669.8u | 24.5 | 20.8 | 171.8 | 54% | 5500.00 | | |
| Coveo Solutions Inc. | CVO | OP | 677 | 96.0 | 7.06 | 2024 | 0.07u | 0.01u | 0.10u | NMF | NMF | 1.0u | (0.0u) | 9.2u | NMF | 39.7 | 1.3 | 0% | 8.50 | ↑ | |
| Descartes Systems Group* | DSG | OP | 9,966u | 87.1 | 114.40u | 2024 | 1.34u | 1.70u | 1.97u | NMF | NMF | 247.5u | 317.5u | 317.5u | 30.6 | 30.6 | 15.1 | 0% | 135.00u | | |
| Docebo Inc. | DCBO | SP | ↓ | 831u | 30.9 | 26.87u | 2024 | 1.04u | 1.09u | 1.35u | 24.7 | 20.0 | 33.6u | 42.4u | 53.7u | 17.4 | 13.8 | 1.7 | 0% | 35.00u | ↓ |
| D2L Inc.* | DTOL | OP | 818 | 55.8 | 14.66 | 2024 | 0.43u | 0.50u | 0.66u | 21.3 | 16.2 | 28.1u | 33.0u | 41.6u | 10.8 | 8.6 | 1.5 | 0% | 20.00 | | |
| Kinaxis Inc. | KXS | OP | 5,666 | 28.8 | 196.80 | 2024 | 2.27u | 3.48u | 4.22u | NMF | 46.7 | 106.1u | 130.9u | 156.8u | 28.9 | 24.1 | 14.3 | 0% | 225.00 | | |
| Kraken Robotics * | PNG | OP | 692 | 269.4 | 2.57 | 2024 | 0.09 | 0.04 | 0.08 | NMF | 31.6 | 20.7 | 26.1 | 41.1 | 17.5 | 11.1 | 0.0 | 0% | 3.00 | | |
| Lightspeed Commerce Inc. | LSPD | SP | 1,608u | 152.1 | 10.57u | 2024 | 0.45u | 0.54u | 0.73u | 19.6 | 14.4 | 53.7u | 70.5u | 100.2u | NMF | 10.5 | 10.9 | 0% | 13.00u | | |
| Open Text Corporation | OTEX | SP | 7,453u | 263.8 | 28.25u | 2024 | 4.17u | 3.69u | 4.25u | 7.7 | 6.6 | 1,970.2u | 1,740.8u | 1,908.1u | 7.2 | 6.6 | 15.6 | 61% | 34.00u | | |
| Pivotree Inc.* | PVT | SP | 34 | 28.2 | 1.20 | 2024 | (0.24) | 0.05 | 0.11 | 24.3 | 10.7 | 1.4 | 6.7 | 8.9 | 4.1 | 3.1 | 1.7 | 0% | 1.75 | | |
| Real Matters Inc. | REAL | SP | 423 | 74.0 | 5.71 | 2024 | 0.03u | 0.02u | 0.11u | NMF | NMF | 1.9u | (0.6u) | 11.1u | NMF | 23.4 | 1.5 | 0% | 7.00 | | |
| Shopify Inc. | SHOP | OP | 138,748u | 1295.4 | 107.11u | 2024 | 1.25u | 1.52u | 1.84u | NMF | NMF | 1,523.0u | 1,871.1u | 2,324.0u | 71.2 | 57.3 | 8.5 | 0% | 120.00u | | |
| Tecsys Inc* | TCS | OP | 653 | 14.9 | 43.71 | 2024 | 0.12 | 0.32 | 0.86 | NMF | NMF | 9.6 | 13.1 | 20.7 | 48.3 | 30.5 | 4.0 | 0% | 50.00 | | |
| TELUS Digital Experience | TIXT | OP | ↑ | 791u | 276.0 | 2.87u | 2024 | 0.41u | 0.33u | 0.48u | 8.6 | 5.9 | 481.0u | 402.1u | 445.1u | 5.3 | 4.8 | 7.1 | 43% | 3.50u | ↑ |
| Thinkific Labs Inc. | THNC | OP | 177 | 69.3 | 2.55 | 2024 | (0.01)u | 0.06u | 0.04u | NMF | NMF | (3.0)u | 2.8u | 3.7u | 27.3 | 20.6 | 0.6 | 0% | 3.75 | | |

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted;

Source: Company Reports, NBF, LSEG; * Covered by John Shao

u = US dollar

**Adam Shine, cFA**Analyst
514-879-2302

—

Associates:

Ahmed Abdullah, cFA: 514-879-2564

Bilal Khan: 416-869-8047

BCE**Working to reset narrative in 2025 with dividend cut and other initiatives:**

1Q results came on May 8 and it was critical for the company going into the reporting that it reset the dividend and overall narrative which had become rather stale. Secular challenges persist and there's much work for management to right the ship and return to growth, but a much overdue dividend cut was finally announced (-56% to annual \$1.75, DRIP discount eliminated), projected transformation cost savings by 2028 were raised to \$1.5B from \$1B (\$500M achieved 2022-2024), the new Ateko division was launched and is expected to grow business technology solutions revenues from about \$250M today to \$1B by 2030, and a strategic partnership was announced with PSP to de-risk the U.S. foray once the Zply Fiber deal closes in 2H25. The Zply/PSP deal involves the creation of Network FiberCo (NFC) which will be 51% owned by PSP and 49% owned by Zply in an off-balance sheet financing structure. Zply is to have 1.5M fibre locations when bought by Bell with an extra 0.5M fibre expansion locations in its remaining copper footprint. Bell had planned for Zply to have 3M+ fibre locations by the end of 2028, with NFC helping to fund ~1M fibre passings to be developed in Zply's four Pacific Northwest states, with potential over time to reach up to 6M. Bell sees its Zply EV/EBITDA purchase multiple closer to 13x 2025E now versus the initial 14.3x, expects investment returns of 20%+ from Zply/ NFC, and views PSP as a key partner in de-risking its U.S. fibre footprint expansion. NFC is expected to improve BCE's FCF profile by over \$1B (2026-2028), as the latter's capital intensity is now expected to be ~14.5% in 2026 instead of ~16.5% and then come down from there once Zply has built out the extra 0.5M fibre passings in its copper footprint. Leverage fell q/q -24 bps to 3.56x due to the issuance of hybrids in February and March that came to a total of \$4.4B. Leverage was telegraphed to be ~3.5x at the end of 2027 and ~3.0x by 2030. The sale of the 37.5% stake in MLSE (\$4.7B gross, \$4.2B net) is expected this summer. The Northwestel sale for up to \$1B is still expected to close in 2025, while there are efforts evolving now to divest of two non-core assets (smart home business, two-way mobile radio business).

| | Stock Sym. | Stock Rating | Market Cap. (Mln) | Shares O/S (Mln) | Stock Price 6/2 | Last Year Reported | FDEPS | | | P/E | | EBITDA (\$mIn) | | | EV/EBITDA | | Book Value | ND/ Total Capital | 12-Mth Price | | |
|--|------------|--------------|-------------------|------------------|-----------------|--------------------|---------|--------|--------|---------|------|----------------|---------|---------|-----------|------|------------|-------------------|--------------|-------|---|
| | | | | | | | (A) | est. | est. | FY1 | FY2 | (A) | est. | est. | FY1 | FY2 | | | Target | Δ | |
| | | | | | | | Last FY | FY1 | FY2 | Last FY | FY1 | Last FY | FY1 | FY2 | FY1 | FY2 | | | | | |
| Broadcasting & Entertainment | | | | | | | | | | | | | | | | | | | | | |
| Cineplex Inc. | CGX | OP | 743 | 63.4 | 11.72 | 12/2024 | (0.59) | 0.60 | 1.24 | 19.4 | 9.4 | 93.3 | 163.8 | 195.5 | 8.5 | 6.6 | -1.17 | 1.11 | 13.50 | | |
| Corus Entertainment Inc. | CJR.b | UP | 19 | 199.4 | 0.10 | 08/2024 | 0.06 | (0.26) | (0.33) | NM | NM | 283.4 | 155.2 | 119.1 | 6.9 | 8.7 | -2.14 | 1.67 | 0.01 | | |
| WildBrain Ltd. | WILD | SP | 454 | 212.3 | 2.14 | 06/2024 | (0.19) | (0.45) | 0.05 | -4.7 | 45.7 | 87.6 | 92.0 | 90.4 | 10.1 | 9.9 | -0.39 | 1.23 | 1.75 | | |
| Spin Master Corp. | TOY | OP | ↑ | 2,407 | 101.9 | 23.62 | 12/2024 | 2.05 | 2.38 | 2.87 | 7.2 | 6.0 | 463.6 | 407.1 | 478.3 | 5.1 | 4.3 | 13.38 | 0.13 | 29.00 | ↑ |
| Stingray Group Inc. | RAY.a | OP | 569 | 68.0 | 8.37 | 03/2024 | 0.79 | 0.87 | 1.07 | 9.6 | 7.9 | 114.1 | 125.9 | 139.2 | 7.6 | 6.6 | 3.91 | 0.60 | 11.50 | | |
| TVA Group Inc. | TVA.b | UP | ↓ | 35 | 43.2 | 0.80 | 12/2024 | (0.32) | (0.43) | (0.14) | NM | NM | 11.1 | -0.7 | 16.4 | NM | 6.6 | 7.34 | 0.20 | 0.25 | ↓ |
| Packaging, Printing, and Publishing | | | | | | | | | | | | | | | | | | | | | |
| AirBoss of America Corp.* | BOS | SP | 119 | 27.1 | 4.40 | 12/2024 | (0.46) | (0.00) | 0.10 | NM | 33.0 | 21.9 | 29.5 | 30.5 | 6.5 | 6.0 | 4.61 | 0.46 | 5.00 | | |
| CCL Industries Inc.* | CCL.b | OP | 13,961 | 175.6 | 79.49 | 12/2024 | 4.32 | 4.60 | 4.89 | 17.3 | 16.3 | 1497.1 | 1592.2 | 1672.3 | 9.5 | 8.8 | 31.07 | 0.24 | 94.00 | | |
| Thomson Reuters Corp. | TRI | OP | 121,847 | 450.5 | 270.47 | 12/2024 | 3.77 | 3.86 | 4.43 | 51.1 | 44.5 | 2779.0 | 2907.4 | 3188.2 | 30.9 | 27.8 | 27.29 | 0.12 | 286.00 | | |
| Transcontinental Inc. | TCL.a | OP | 1,791 | 83.6 | 21.42 | 10/2024 | 2.34 | 2.46 | 2.59 | 8.7 | 8.3 | 469.4 | 461.6 | 462.1 | 5.1 | 4.7 | 23.47 | 0.27 | 23.00 | ↑ | |
| Winpak Ltd.* | WPK | OP | 2,800 | 61.7 | 45.37 | 12/2024 | 2.35 | 2.18 | 2.62 | 15.2 | 12.6 | 240.8 | 225.9 | 263.7 | 7.4 | 6.0 | 20.55 | -0.36 | 52.00 | | |
| Retailing | | | | | | | | | | | | | | | | | | | | | |
| Leon's Furniture Ltd.* | LNF | OP | 1,935 | 68.2 | 28.38 | 12/2024 | 2.20 | 2.18 | 2.25 | 13.0 | 12.6 | 298.6 | 318.7 | 327.8 | 6.3 | 5.8 | 16.73 | 0.08 | 34.00 | | |
| Advertising & Marketing | | | | | | | | | | | | | | | | | | | | | |
| VerticalScope Holdings Inc. | FORA | SP | 91 | 21.8 | 4.15 | 12/2024 | (0.00) | (0.06) | 0.11 | NM | NM | 29.8 | 21.0 | 24.1 | 4.5 | 3.3 | 3.74 | 0.32 | 8.00 | ↓ | |
| Yellow Pages Ltd. | Y | SP | 154 | 13.8 | 11.20 | 12/2024 | 1.92 | 1.68 | 1.41 | 6.7 | 7.9 | 50.8 | 41.7 | 35.0 | 2.1 | 2.1 | 3.91 | -0.82 | 11.00 | | |
| Telecommunications | | | | | | | | | | | | | | | | | | | | | |
| BCE Inc. | BCE | OP | 27,843 | 912.3 | 30.52 | 12/2024 | 3.04 | 2.74 | 2.35 | 11.1 | 13.0 | 10589.0 | 10546.2 | 10695.6 | 6.6 | 6.5 | 15.03 | 0.73 | 35.00 | ↓ | |
| Cogeco Communications Inc. | CCA | OP | 2,904 | 42.3 | 68.70 | 08/2024 | 9.35 | 7.94 | 7.86 | 8.7 | 8.7 | 1442.3 | 1447.4 | 1458.0 | 5.7 | 5.5 | 75.15 | 0.57 | 85.00 | | |
| Quebecor Inc. | QBR.b | SP | 9,166 | 232.2 | 39.47 | 12/2024 | 3.21 | 3.69 | 3.86 | 10.7 | 10.2 | 2367.5 | 2366.8 | 2419.6 | 6.9 | 6.4 | 9.62 | 0.77 | 38.00 | | |
| Rogers Communications Inc. | RCI.b | OP | 19,784 | 538.0 | 36.77 | 12/2024 | 5.04 | 4.73 | 4.84 | 7.6 | 7.6 | 9617.0 | 9768.0 | 10000.0 | 7.3 | 7.0 | 19.75 | 0.80 | 52.00 | | |
| Telus Corp. | T | SP | 34,005 | 1504.0 | 22.61 | 12/2024 | 1.04 | 1.12 | 1.24 | 20.2 | 18.2 | 7333.0 | 7550.5 | 7862.1 | 8.5 | 8.1 | 10.31 | 0.63 | 22.00 | ↑ | |

Stock Rating: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; R=Restricted
Source: Bloomberg, LSEG and NBF estimates

BOS, FORA, TRI, TOY, and WPK estimates are in US\$, rest is CAD\$.
*BOS, CCL.B, WPK, and LNF are covered by Ahmed Abdullah.

Transportation & Industrial Products



Cameron Doerksen, CFA

Analyst
514-879-2579

Associate:
Andrew Pikul
416-869-6579

Selections

- › Exchange Income
- › Mullen Group
- › Cargojet

A closer look at the longer-term international intermodal growth drivers for CN and CPKC

International intermodal is an important segment for both CN Rail (Outperform, \$170.00 target) and CPKC (Sector Perform, \$117.00 target). For CN, intermodal is its largest segment at ~22% of total revenue with international intermodal 13% of total company revenue. For CPKC, intermodal makes up 18% of total revenue with international intermodal at 8% of total revenue. Below, we review the key drivers of changing trade flows, the impact of shipping alliance changes and port expansion plans that could impact the international intermodal networks of CN and CPKC.

▶ Tariffs could lead to trade flow changes

U.S. tariffs, if sustained longer term at materially high levels, will likely slow container imports into North America and possibly boost manufacturing in the U.S. and potentially in Mexico (depending on future trade agreements). If this is the long-term outcome, CPKC is likely the better positioned of the two Canadian railroads given its larger U.S. market presence and the greater likelihood in our view that lower-cost manufacturing will shift to Mexico. If, however, there is a normalization of key trade relationships between the U.S. and the rest of the world, we expect ongoing growth of imports from Asian countries into Canadian ports, which benefits both railways, although CN Rail likely has more to gain given its larger international intermodal franchise. An acceleration of more manufacturing out of China to countries in southern Asia may shift more imports to Eastern ports such as Halifax and Saint John, with CN modestly better positioned, in our view. If more manufacturing, especially final assembly operations, shifts to Mexico, CPKC is the better positioned railroad.

▶ Port expansions support growth

Port expansion projects are a key enabler for international intermodal growth for Canada's railroads and both CN Rail and CPKC should benefit over time from expansions at major container handling ports in Canada and Mexico. CN will likely see ongoing growth in Prince Rupert, Halifax and the Port of Montreal while CPKC is likely to see more growth in Saint John and Lazaro Cardenas in Mexico.

▶ Shipping alliance changes look positive for both CN and CPKC

The major container shipping lines have historically operated in an alliance structure, although individual shipping lines also operate routes outside the alliance structure. With a recent shakeup in alliance membership, as of February this year, there are three key alliances with a number of other shipping lines operating independently (including MSC, the largest container shipping company in the world). One of the more notable changes is the creation of a new alliance between Hapag-Lloyd and Maersk called the Gemini Cooperation network. The new network aims to provide a premium service with industry-leading schedule reliability of 90%+. The Gemini Cooperation's Asia-North America service will include calls in Vancouver (partnered with CPKC) and Prince Rupert (with CN) as well as calls to Lazaro Cardenas in Mexico (with CPKC) while its Europe-North America network will serve the Port of Saint John (also with CPKC). Both CN Rail and CPKC should experience some share shift benefits from the new alliance if it is successful with its premium offering and early indicators are that both railroads are benefiting from this change in the global shipping alliance structure.

Transportation & Industrial Products

| | Stock Sym. | Stock Rating | Shares O/S (Mln) | Stock Price 6/2 | Market Cap (Mln) | Last Year Reported | Cash EPS | | | P/E | | EBITDA | | | EV/EBITDA | | Net Debt / Cap | 12-Mth Price Target | |
|-----------------------------------|------------|--------------|------------------|-----------------|------------------|--------------------|-------------|----------|----------|-------|-------|-------------|----------|----------|-----------|-------|----------------|---------------------|-----|
| | | | | | | | (A) Last FY | est. FY1 | est. FY2 | FY1 | FY2 | (A) Last FY | est. FY1 | est. FY2 | FY1 | FY2 | | FY1 | FY2 |
| Air Canada | AC | OP | 330 | 18.89 | 6,234 | 12/2024 | 3.55 | 1.87 | 2.17 | 10.1x | 8.7x | 3,586 | 3,257 | 3,650 | 3.4x | 3.0x | 86% | 24.00 | ↑ |
| Andlauer Healthcare Group Inc. | AND | T | 40 | 53.42 | 2,129 | 12/2024 | 1.58 | 1.85 | 2.00 | 28.9x | 26.7x | 165 | 172 | 186 | 13.3x | 12.3x | 24% | 55.00 | |
| Bombardier Inc. | BBD.b | OP | 100 | 93.77 | 9,404 | 12/2024 | u5.16 | u6.34 | u8.00 | 10.5x | 8.3x | u1,360 | u1,525 | u1,639 | 7.4x | 6.8x | na | 115.00 | ↑ |
| BRP Inc. | DOO | SP | 74 | 61.04 | 4,487 | 01/2025 | 4.85 | 3.61 | 5.29 | 16.9x | 11.5x | 1,058 | 981 | 1,161 | 7.3x | 6.2x | 85% | 66.00 | ↑ |
| CAE Inc. | CAE | OP | ↑ 321 | 36.84 | 11,829 | 03/2025 | 1.21 | 1.30 | 1.59 | 28.3x | 23.1x | 1,147 | 1,246 | 1,351 | 11.6x | 10.7x | 39% | 43.00 | ↑ |
| Canadian National Rail | CNR | OP | 628 | 143.79 | 90,343 | 12/2024 | 7.10 | 7.79 | 8.48 | 18.5x | 16.9x | 8,139 | 8,803 | 9,340 | 12.7x | 12.0x | 49% | 170.00 | |
| Canadian Pacific Kansas City Ltd. | CP | SP | 934 | 111.54 | 104,212 | 12/2024 | 4.25 | 4.76 | 5.32 | 23.4x | 21.0x | 7,079 | 7,873 | 8,446 | 16.1x | 15.0x | 31% | 117.00 | ↓ |
| Cargojet Inc. | CJT | OP | 16 | 91.15 | 1,425 | 12/2024 | 5.32 | 5.62 | 6.13 | 16.2x | 14.9x | 331 | 342 | 369 | 6.7x | 6.2x | 52% | 121.00 | |
| Chorus Aviation Inc. | CHR | OP | 27 | 20.81 | 559 | 12/2024 | 1.04 | 2.11 | 1.48 | 9.9x | 14.1x | 212 | 202 | 169 | 4.3x | 5.1x | 40% | 29.00 | ↑ |
| Exchange Income Corporation | EIF | OP | 52 | 57.34 | 2,960 | 12/2024 | 2.99 | 3.64 | 4.14 | 15.8x | 13.8x | 628 | 702 | 753 | 7.4x | 6.9x | 60% | 73.00 | |
| Mullen Group Ltd. | MTL | OP | 87 | 14.16 | 1,239 | 12/2024 | 1.36 | 1.15 | 1.38 | 12.3x | 10.2x | 332 | 339 | 379 | 6.2x | 5.5x | 46% | 17.50 | ↓ |
| NFI Group Inc. | NFI | OP | 119 | 14.97 | 1,782 | 12/2024 | -u0.03 | u0.58 | u1.13 | 19.3x | 10.0x | u214 | u332 | u398 | 7.4x | 6.2x | 56% | 19.00 | |
| Transat A.T. Inc. | TRZ | UP | 39 | 1.63 | 64 | 10/2024 | -3.53 | -2.50 | -1.63 | na | na | 194 | 285 | 310 | 7.6x | 6.9x | na | 1.50 | |
| TFI International Inc. | TFII | OP | 84 | 116.44 | 9,802 | 12/2024 | u5.75 | u4.53 | u5.96 | 18.0x | 13.6x | u1,294 | u1,166 | u1,288 | 8.4x | 7.6x | 53% | 138.00 | |

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

u = US dollars

Source: Company Reports, LSEG, NBF

Branches

Ancaster • 911, Golf Links Road, Suite 201, Ancaster, ON, L9K 1H9 • 905-648-3813

Baie-Comeau • 600, Boul. Lafèche, bureau 340-B, Baie-Comeau, QC, G5C 2X8 • 418-296-8838

Barrie • 126 Collier Street, Barrie, ON, L4M 1H4 • 705-719-1190

Beauce • 11333, 1^{re} Avenue, bureau 200, Saint-Georges, QC, G5Y 2C6 • 418-227-0121

Bellevue West Van • Suite #209, 1455 Bellevue Avenue, West Vancouver, BC, V7T 1C3 • 604-925-3734

Berthierville • 779, rue Notre-Dame, Berthierville, QC, J0K 1A0 • 450-836-2727

Bin-Scarth • 24 Binscorth Rd, Toronto, ON, M4W 1Y1 • 416-929-6432

Brampton • 10520 Torbram Road (at Sandalwood Parkway), Brampton, ON, L6R 2S3 • 905-456-1515

Brandon • 633-C, 18th Street, Brandon, MB, R7A 5B3 • 204-571-3200

Calgary • 239 8th Ave., SW, Suite 100, Calgary, AB, T2P 1B9 • 403-476-0398

Calgary - Southport • 1100-10655, Southport Road SW, Southland Tower, Calgary, AB, T2W 4Y1 • 403-301-4859

Calgary - West • 3810-855, 2nd Street SW, Calgary, AB, T2P 4J8 • 403-410-9814

Chatham • 380 St. Clair, Street, Chatham, ON, N7L 3K2 • 519-351-7645

Chicoutimi • 1180, boulevard Talbot, Suite 201, Chicoutimi, QC, G7H 4B6 • 418-549-8888

Collingwood • rue Hurontario, Collington, ON, L9Y 2L8 • 705-445-2402

DIX30 • 9160, boulevard Leduc, Bureau 710, Brossard, QC, J4Y 0E3 • 450-462-2552

Drumheller • 356 Centre Street, PO Box 2176, Drumheller, AB, T0J 0Y0 • (403) 823-6859

Drummondville • 595, boulevard Saint-Joseph, Bureau 200, Drummondville, QC, J2C 2B6 • 819-477-5024

Duncan • 2763 Beverly Street, Suite 206, Duncan, BC, V9L 6X2 • 250-715-3050

Edmonton • 10175 – 101 Street NW, Suite 1800, Edmonton, AB, T5J 0H3 • 780-412-6600

Edmonton-North • TD Tower, 10088 – 102 Avenue, Suite No. 1701, Edmonton, AB, T5J 2Z1 • 780-421-4455

FrederictonNB • 551 King Street, Fredericton, NB, E3B 4Z9 • 506-450-1740

Gatineau • 920, St-Joseph, Bureau 100, Hull-Gatineau, QC, J8Z 1S9 • 819-770-5337

Granby • 201-975 rue Principale, Granby, QC, J2G 2Z5 • 450-378-0442

Halifax • Purdy's Wharf Tower II, 1969 Upper Water Street, Suite 1601, Halifax, NS, B3J 3R7 • 902-496-7700

Halifax-Spring Garden • 400-5657 Spring Garden Road, Parklane Terraces, Halifax, NS, B3J 3R4 • 902-425-1283

Îles-de-la-Madeleine • 425, chemin Principal, Cap-aux-Meules, QC, G4T 1E3 • 418-649-2532

Joliette • 40, rue Gauthier Sud, Bureau 3500, Joliette, QC, J6E 4J4 • 450-760-9595

Kelowna • 1631 Dickson Ave. Suite 1710, Landmark 6, Kelowna, BC, V1Y 0B5 • 250-717-5510

Lac-Mégantic • 3956, rue Laval, suite 100, QC, G6B 2W9 • 819-583-6035

Laval • 2500, boulevard Daniel Johnson, Bureau 610, Laval, QC, H7T 2P6 • 450-686-5700

Lethbridge • 404, 6th Street South, Lethbridge, AB, T1J 2C9 • 403-388-1900

Lévis • 1550, boulevard Alphonse-Desjardins, Bureau 110, Lévis, QC, G6V 0G8 • 418-838-0456

London Pall Mall • 256 Pall Mall Street, Suite 201, London, ON, N6A 5P6 • 519-439-6228

London-City Centre • 802-380 Wellington Street, London, ON, N6A 5B5 • 519-646-5711

Magog • 916, rue Principale Ouest, Magog, QC, J1X 2B7 • 819-868-0227

Metcalfe • 1155, rue Metcalfe, Suite 1450, Montréal, QC, H3B 2V6 • 514-879-4825

Mississauga • 350, Burnhamthorpe road West, Suite 603, Mississauga, ON, L5B 3J1 • 905-272-2799

Moncton • 735 Main Street, Suite 300, Moncton, NB, E1C 1E5 • 506-857-9926

Mont Saint-Hilaire • 450 boul. Sir-Wilfrid-Laurier local 208, Mont-St-Hilaire, Qc. J3H 3N9 • 450-467-4770

Mont-Tremblant • 1104, rue de Saint-Jovite, 2^e étage, Mont-Tremblant, QC, J8E 3J9 • 450-569-3440

Montréal International • 1, Place Ville-Marie, Bureau 1700, Montréal, QC, H3B 2C1 • 514-879-5576

Montréal L'Acadie • 9001, boulevard de l'Acadie, Bureau 802, Montréal, QC, H4N 3H5 • 514-389-5506

North Bay • 680 Cassells Street, Suite 101, North Bay, ON, P1B 4A2 • 705-476-6360

Oakville • 305 Church Street, Oakville, ON, L6J 7T2 • 905-849-3558

Oshawa • 575 Thornton Road North, Oshawa, ON, L1J 8L5 • 905-433-0210

Ottawa • 50 O'Connor Street, Suite 1602, Ottawa, ON, K1P 6L2 • 613-236-0103

Outremont • 1160, boulevard Laurier Ouest, App. 1, Outremont, QC, H2V 2L5 • 514-276-3532

Owen Sound • 1717 2nd Ave. E., Suite 202, Owen Sound, ON, N4K 6V4 • 519-372-1277

Peterborough • 201 George Street North, suite 401, Peterborough, ON, K9J 3G7 • 705-740-1110

Plessisville • 1719, rue St-Colixte, Plessisville, QC, G6L 1R2 • 819-362-6000

Kirkland • 16,766 Route Transcanadienne, bureau 503, Kirkland, QC, H9H 4M7 • 514-426-2522

PVM Montréal • 1, Place Ville-Marie, Bureau 1700, Montréal, QC, H3B 2C1 • 514-879-5200

Québec • 500, Grande-Allée Est, Bureau 400, Québec, Qc, G1R 2J7 • 418-649-2525

Québec - Sainte-Foy • Place de la Cité, 2600, boulevard Laurier, Bureau 700, Québec, QC, G1V 4W2 • 418-654-2323

Red Deer • 4719 48th Avenue, Suite 200, Red Deer, AB, T4N 3T1 • 403-348-2600

Regina • 2075, Prince Of Wales Drive, Suite 305, Regina, SK, S4V 3A3 • 306-781-0500

Repentigny • 492, rue Notre-Dame, Repentigny, Québec, J6A 2T7 • 450-582-7001

Richmond • 135-8010 Saba Road, Richmond, BC, V6Y 4B2 • 604-658-8050

Richmond Hill • 9130 Leslie Street, Suite 200, Richmond Hill, ON, L4B 0B9 • 416-753-4016

Rimouski • 127, boulevard René-Lepage Est, Bureau 100, Rimouski, QC, G5L 1P1 • 418-721-6767

Rivière-du-Loup • 10, rue Beaubien, Rivière-du-Loup, QC, G5R 1H7 • 418-867-7900

Rouyn-Noranda • 104, 8^e rue, Rouyn-Noranda, QC, J9X 2A6 • 819-762-4347

Saint John • 69 King Street, 2nd floor, St-John, NB, E2L 2B1 • 506-642-1740

Sainte-Marie-de-Beauce • 249, Du Collège, Bureau 100, Ste-Marie, QC, G6E 3Y1 • 418-387-8155

Saint-Félicien • 1120, boulevard Sacré-Cœur, Saint-Félicien, QC, G8K 1P7 • 418-679-2684

Saint-Hyacinthe • 1355, rue Daniel-Johnson Ouest, bureau 4100, Saint-Hyacinthe, QC, J2S 8W7 • 450-774-5354

Saint-Jean-sur-Richelieu • 395, boul. du Séminaire Nord, Suite 201, Saint-Jean-sur-Richelieu, QC, J3B 8C5 • 450-349-7777

Saint-Jérôme • 265, rue St-George, Suite 100, Saint-Jérôme, QC, J7Z 5A1 • 450-569-8383

Saint-Lambert • 564, avenue Victoria, Saint-Lambert, QC, J4P 2J5 • 450-671-5698

Saskatoon • 1308, 8th Street East, Saskatoon, Saskatchewan, S7H 0S8 • 306-657-3465

Sept-Îles • 805, boulevard Laure, Suite 200, Sept-Îles, QC, G4R 1Y6 • 418-962-9154

Shawinigan • 550 avenue De la Station, bureau 200, Shawinigan, QC, G9N 1W2 • 819-538-8628

Sherbrooke • 1802, rue King Ouest, Suite 200, Sherbrooke, QC, J1J 0A2 • 819-566-7212

Sidney • 2537, Beacon Avenue, Suite 205, Sidney, BC, V8L 1Y3 • 250-657-2200

Sorel • 58, rue Du Roi, Bureau 201, Sorel, Québec, J3P 4M7 • 450-743-8474

St. Catharines • 40 King Street, St. Catharines, ON, L2R 3H4 • 905-641-1221

Sudbury • 10 Elm Street, Suite 501, Sudbury, ON, P3C 1S8 • 705-671-1160

Theford Mines • 222, boulevard Frontenac Ouest, bureau 107, Theford Mines, QC, G6G 6N7 • 418-338-6183

Thunder Bay • 979, Alloy Dr, Suite 104, Thunder Bay, ON, P7B 5Z8 • 807-683-1777

Toronto 1 • Exchange Tower, 130 King Street West, Suite 3200, Toronto, ON, M5X 1J9 • 416-869-3707

Trois-Rivières • 7200, rue Marion, Trois-Rivières, QC, G9A 0A5 • 819-379-0000

Val d'Or • 840, 3^e avenue, Val d'Or, QC, J9P 1T1 • 819-824-3687

Valleyfield • 1356, boulevard Monseigneur-Langlois, Valleyfield, QC, J6S 1E3 • 450-370-4656

Vancouver - PB1859 • 1076 Alberni Street, Suite 201, Vancouver, BC, V6A 1A3 • 778-783-6420

Vancouver 1 • 475 Howe Street, Suite 3000, Vancouver, BC, V6C 2B3 • 604-623-6777

Victoria • 700-737 Yates Street, Victoria, BC, V8W 1L6 • 250-953-8400

Victoriaville • 650, boulevard Jutras Est, Bureau 150, Victoriaville, QC, G6S 1E1 • 819-758-3191

Waterloo • 116-85 Willis Way, Waterloo, ON, N2J 0B9 • 519-742-9991

White Rock • 2121 160th Street, Surrey, BC, V3Z 9N6 • 604-541-4925

Windsor • 1 Riverside Drive West, Suite 600, Windsor, ON, N9A 5K3 • 519-258-5810

Winnipeg • 1000-400 St. Mary Avenue, Winnipeg, Manitoba, R3C 4K5 • 204-925-2250

Yorkton • 89 Broadway Street West, Yorkton, SK, S3N 0L9 • 306-782-6450

International

National Bank Financial Inc.
(Authorised and Regulated by
The Financial Conduct Authority)
70 St. Mary Axe
London, England EC3A 8BE
Tel.: 44-207-680-9370
Tel.: 44-207-488-9379

New York

65 East 55th Street, 31st Floor
New York, NY 10022
Tel.: 212-632-8610

National Bank of Canada Financial Inc.

New York

65 East 55th Street, 34th Floor
New York, NY 10022
Tel.: 212-546-7500

Member of

- › Montreal Exchange
- › Toronto Stock Exchange
- › Winnipeg Commodities Exchange
- › Securities Industry Association
- › CNQ
- › Investment Dealers Association of Canada
- › Canadian Investor Protection Fund
- › Securities Investor Protection Corporation

Corporate Offices

Montreal National Bank Financial

Sun Life Building
1155 Metcalfe Street
Montreal, QC H3B 4S9
514-879-2222

Toronto National Bank Financial

The Exchange Tower
130 King Street West
4th Floor Podium
Toronto, ON M5X 1J9
416-869-3707

Calgary National Bank Financial

Bankers Court
2nd Street SW
Calgary, AB T2P 1B8
403-462-0677

Canada (Toll-Free)

1-800-361-8838
1-800-361-9522

United States (Toll-Free)

1-800-678-7155

This Report was prepared by National Bank Financial Inc. (NBF), a Canadian investment dealer, a dealer member of CIBC and an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange.

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. The information is current as of the date of this document. Neither the author nor NBF assumes any obligation to update the information or advise on further developments relating to the topics or securities discussed. The opinions expressed are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein, and nothing in this Report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this Report. The Report alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision.

This Report is for distribution only under such circumstances as may be permitted by applicable law. This Report is not directed at you if NBF or any affiliate distributing this Report is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you.

National Bank of Canada Financial Markets is a trade name used by National Bank Financial Inc. and National Bank of Canada Financial Inc.

Research analysts: The Research Analyst(s) who prepared these reports certify that their respective report accurately reflects his or her personal opinion and that no part of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views as to the securities or companies.

NBF compensates its Research Analysts from a variety of sources. The Research Department is a cost centre and is funded by the business activities of NBF including Institutional Equity Sales and Trading, Retail Sales, the correspondent clearing business, and Corporate and Investment Banking. Since the revenues from these businesses vary, the funds for research compensation vary. No one business line has a greater influence than any other for Research Analyst compensation.

Canadian Residents: NBF or its affiliates may engage in any trading strategies described herein for their own account or on a discretionary basis on behalf of certain clients and, as market conditions change, may amend or change investment strategy including full and complete divestment. The trading interests of NBF and its affiliates may also be contrary to any opinions expressed in this Report.

NBF or its affiliates often act as financial advisor, agent, lender or underwriter or provides trading related services for certain issuers mentioned herein and may receive remuneration for its services. As well, NBF and its affiliates and/or their officers, directors, representatives, associates, may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time in the open market or otherwise. NBF and its affiliates may make a market in securities mentioned in this Report. This Report may not be independent of the proprietary interests of NBF and its affiliates. NBF is a member of the Canadian Investor Protection Fund.

UK Residents: This Report is a marketing document. This Report has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. In respect of the distribution of this Report to UK residents, NBF has approved the contents (including, where necessary, for the purposes of Section 21(1) of the Financial Services and Markets Act 2000). This Report is for information purposes only and does not constitute a personal recommendation, or investment, legal or tax advice. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant investments or related investments discussed in this Report, or may act or have acted as investment and/or commercial banker with respect hereto. The value of investments, and the income derived from them, can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance. If an investment is denominated in a foreign currency, rates of exchange may have an adverse effect on the value of the investment. Investments which are illiquid may be difficult to sell or realise; it may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed. Certain transactions, including those involving futures, swaps, and other derivatives, give rise to substantial risk and are not suitable for all investors. The investments contained in this Report are not available to retail customers and this Report is not for distribution to retail clients (within the meaning of the rules of the Financial Conduct Authority). Persons who are retail clients should not act or rely upon the information in this Report. This Report does not constitute or form part of any offer for sale or subscription or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This information is only for distribution to Eligible Counterparties and Professional Clients in the United Kingdom within the meaning of the rules of the Financial Conduct Authority. NBF is authorized and regulated by the Financial Conduct Authority and has its registered office at 70 St. Mary Axe, London, EC3A 8BE. NBF is not authorized by the Prudential Regulation Authority and the Financial Conduct Authority to accept deposits in the United Kingdom.

EU Residents: With respect to the distribution of this report in the member states of the European Union ("EU") and the European Economic Area ("EEA") by NBC Paris, the contents of this report are for information purposes only and do not constitute investment advice, investment research, financial analysis or other forms of general recommendation relating to transactions in financial instruments within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 (MiFID 2). This report is intended only for professional investors and eligible counterparties within the meaning of MiFID 2 and its contents have not been reviewed or approved by any EU/EEA authority. NBC Paris is an investment firm authorised by the French Prudential Control and Resolution Authority ("ACPR") to provide investment services in France and has passported its investment services throughout the EU/EEA under the freedom to provide services and has its registered office at 8 avenue Percier, 75008 Paris, France. "NBC Financial Markets, a subsidiary of National Bank of Canada" is a trade name used by NBC Paris SA. NBF is not authorised to provide investment services in the EU/EEA.

U.S. Residents: With respect to the distribution of this report in the United States of America, National Bank of Canada Financial Inc. ("NBCFI") is registered with the Securities Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), and is a member of the Securities Investor Protection Corporation (SIPC). NBCFI operates pursuant to a 15 a-6 Agreement with its Canadian affiliates, NBF and National Bank of Canada.

This report has been prepared in whole or in part by research analysts employed by non-US affiliates of NBCFI that are not registered as broker/dealers in the US. These non-US research analysts are not registered as associated persons of NBCFI and are not licensed or qualified as research analysts with FINRA or any other US regulatory authority and, accordingly, may not be subject (among other things) to FINRA restrictions regarding communications by a research analyst with the subject company, public appearances by research analysts and trading securities held in a research analyst account.

All of the views expressed in this research report accurately reflects the research analyst's personal views regarding any and all of the subject securities or issuers. No part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. The analyst responsible for the production of this report certifies that the views expressed herein reflect his or her accurate personal and technical judgment at the moment of publication.

Because the views of analysts may differ, members of the National Bank Financial Group may have or may in the future issue reports that are inconsistent with this report, or that reach conclusions different from those in this report. To make further inquiry related to this report, United States residents should contact their NBCFI registered representative.

HK Residents: With respect to the distribution of this report in Hong Kong by NBC Financial Markets Asia Limited ("NBCFMA") which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities) and Type 3 (leveraged foreign exchange trading) regulated activities, the contents of this report are solely for informational purposes. It has not been approved by, reviewed by, verified by or filed with any regulator in Hong Kong. Nothing herein is a recommendation, advice, offer or solicitation to buy or sell a product or service, nor an official confirmation of any transaction. None of the products issuers, NBCFMA or its affiliates or other persons or entities named herein are obliged to notify you of changes to any information and none of the foregoing assume any loss suffered by you in reliance of such information.

The content of this report may contain information about investment products which are not authorized by SFC for offering to the public in Hong Kong and such information will only be available to those persons who are Professional Investors (as defined in the Securities and Futures Ordinance of Hong Kong ("SFO")). If you are in any doubt as to your status you should consult a financial adviser or contact us. This material is not meant to be marketing materials and is not intended for public distribution. Please note that neither this material nor the product referred to is authorized for sale by SFC. Please refer to product prospectus for full details.

There may be conflicts of interest relating to NBCFMA or its affiliates' businesses. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities and instruments that may be purchased or sold by NBCFMA or its affiliates, or in other investment vehicles which are managed by NBCFMA or its affiliates that may purchase or sell such securities and instruments.

No other entity within the National Bank of Canada group, including National Bank of Canada and National Bank Financial Inc., is licensed or registered with the SFC. Accordingly, such entities and their employees are not permitted and do not intend to: (i) carry on a business in any regulated activity in Hong Kong; (ii) hold themselves out as carrying on a business in any regulated activity in Hong Kong; or (iii) actively market their services to the Hong Kong public.

Copyright: This Report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of NBF.