Monday's analyst upgrades and downgrades

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Inside the Market's roundup of some of today's key analyst actions

After a tour of its Rainy River mine in Northwestern Ontario last week, RBC Dominion Securities analyst Michael Siperco raised his rating for New Gold Inc. (NGD-T unchno change, NGD-A -2.04% decrease) to "outperform" from "sector perform," expressing "higher confidence in a production rebound from the open pit following rainfall-impacted 2Q22 results, as well as better visibility into the transition to underground mining."

In a research note released Monday titled The worst appears to be over, he now projects gold production to increase by at least 40 per cent by 2024 with all-in sustaining costs declining by 30 per cent.

"Overall we came away with more certainty that open pit issues have been resolved, boding well for revised 2H production guidance, while having more confidence in the longer term shift from open pit to underground mining at Rainy River," said Mr.
Siperco. "The pit has been dewatered and normal mining operations have resumed, with 41koz AuEq [gold equivalent] produced in July/Aug (RBC estimate 64koz for 3Q22). We expect higher grade, lower cost production in 2H (up 32 per cent half-over-half), inline with guidance."

"Longer term, UG operations will shift to the Main zone (under the pit), with potential upside vs. the 2022 technical report from higher throughput bringing forward higher grade ore in the mine plan, improved mill performance and blending, and eventual exploration upside (including the ~1moz in resources not in the current plan)"

Pointing to "modestly higher 2022 production and lower sustaining capex estimates (both inline with revised guidance)," he raised his target for New Gold shares to US$1.25 from US$1. The average on the Street is US$1.10.

"Our upgrade to Outperform from Sector Perform is driven by the re-rate potential vs. peers over the next several quarters as production growth starts to accelerate," said Mr. Siperco.

Elsewhere, other analysts making changes include:

* National Bank Financial's Mike Parkin to $1.40 from $1.20 with a "sector perform" rating.

"In our view, the site tour showed de-risking of the Rainy River UG mine, which we believe warrants a higher implied P/NAV multiple of 1.00 times (previously 0.90 times)," he said.

* CIBC World Markets' Anita Soni to US$1.40 from US$1.25 with a "neutral" rating.

NEW GOLD INC
0.96-0.54 (-36.31%)

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In a series of research reports released Monday, Scotia Capital analyst George Doumet assumed the firm's consumer products coverage following the retirement of colleague Patricia Baker.

Emphasizing "good shelter doesn't come cheap," he initiated grocers with only Empire Company Ltd. (EMP-A-T -0.11% decrease) receiving a "sector outperform" recommendation.

Calling it "simply too cheap to ignore," he gave the parent company of Sobeys a $43.50 target price, down from the firm's previous $51 target. The average on the Street is $43.89.

"In today's operating environment, EMP.A positioning vis-à-vis MRU and L is at a disadvantage," he said. "First, EMP has a less favourable discount banner mix (approximately 15 per cent of revenue versus L at 60 per cent and MRU at 40 per cent). Second, it has less exposure to pharmacy (10-per-cent EBITDA contribution versus L at 40 per cent and MRU at 25 per cent), which is currently seeing healthy top-line trends driven by the re-openings through the front end (with the likes of cosmetics and other beauty products) and the recovery in Rx. That said, we simply believe that its valuation, both on a historical basis and on a relative basis, is simply too punitive – and should act as a floor in the near term. EMP.A shares are currently trading at a P/E (NTM) multiple of 11.7 times (which compares with its historical valuation of 14.6 times) and a substantial 4.2-times and 5.2-times discount to L and MRU, which is the widest it has ever been. We see substantial value at current levels, and as such, rate the shares Sector Outperform. Furthermore, we believe EMP.A's valuation differential could narrow in the near term if we see a faster-than-expected normalization in food inflation and/or receding recessionary risks. In the longer term, we expect this gap to close as EMP.A delivers earnings growth that is more in line with the group."

Mr. Doumet lowered the firm's recommendation for these stocks:

* George Weston Ltd. (WN-T -0.09% decrease) to “sector perform” from “sector outperform” with a $168 target, down from $176 and below the $180.71 average.

“We value WN shares by applying 12.5-per-cent discount to NAV (below its current discount of 14 per cent and in line with its more recent range) to our one-year target price of $125 for L-T shares and to Scotiabank GBM analyst Himanshu Gupta’s price target of $15 for Choice Properties REIT (CHP.UN-T). Given the expected rate of return, we rate WN shares Sector Perform,” he said.

* Metro Inc. (MRU-T +0.24% increase) to “sector perform” from “sector outperform” with a $76 target, down from $78 but above the $74.30 average.

“Over the longer term, through its solid track record of consistent execution, MRU has proven itself to be the most reliable operator, delivering on its three-pronged growth algorithm consisting of (i) 2-per-cent to 4-per-cent sales growth, (ii) 4-per-cent to 6-per- cent operating income, and (iii) 8-10-per-cent EPS growth. To do so, MRU has relied on its superior merchandise execution, data analytics, and in-store and network efficiency improvements. Current valuation, in our view, has rewarded this level of consistency – and we believe the risk/reward is balanced. As such, we rate the shares Sector Perform,” said Mr. Doumet.

Mr. Doumet cut his target for Loblaw Companies Ltd. (L-T -0.33% decrease) to $125 from $118, maintaining a “sector perform” rating. The average is $130.

“Loblaw has been the best performer among the grocers, with year-to-date (YTD) returns of 9 per cent versus MRU at 5 per cent and EMP.A at negative 7 per cent,” he said. “In our view, this all started with the management changes (new CEO, new CFO, and new COO) that occurred in May of 2021, when the emphasis shifted to “stable trading” – built on consistently generating 2-per-cent to 4-per-cent top-line growth, stable to modestly improving gross margins, improving operating efficiencies – all supplemented by share buybacks to deliver EPS growth in the 8-per-cent to 10-per-cent range. Since then, management has over-delivered on those metrics, and the market has adequately rewarded L with 1.5-times multiple expansion, vis-à-vis its historical average and narrowing the gap with MRU. Fast-forward to today, and the company is in the enviable position of having a large (and growing) discount presence (60 per cent of food sales) and a reputable and growing private label assortment. Furthermore, Shoppers Drug Mart (40 per cent of total EBITDA) continues to deliver with a strong front end (high-margin cosmetics and beauty). Bottom line: while L has delivered above average/industry-leading growth (aided by healthy mixrelated tailwinds), we believe this is largely reflected in the valuation, with the shares currently trading at 16 times NTM P/E, at a narrower discount to MRU versus what it has historically been (1 times versus 2.3 times) and at ~+1x standard deviation from its historical average.”

LOBLAW CO

111.88+8.24 (7.95%)

METRO INC 70.43+3.11
(4.62%) ***WESTON***
GEORGE 147.13+0.47
(0.32%)
EMPIRE COMPANY LTD
35.00-3.54 (-9.19%)

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In a separate report, Mr. Doumet lowered the firm's recommendation for Saputo Inc. (SAP-T -2.63% decrease) to "sector perform" from "sector outperform" upon assuming coverage, seeing its risk/reward proposition as "balanced."

"Over the course of the last five years, Saputo has faced a confluence of factors, both external (heightened competition especially in the mozzarella market, reduced milk availably, volatile commodity markets) and some more internally generated," he said. "Most recently, the pandemic has brought about substantial challenges, making F2022 one of the toughest operating environments in the company's history. More specifically, SAP faced supply chain challenges (higher freight and logistics costs), challenging labour conditions, and pricing initiatives that have lagged rising input costs.
Furthermore, commodity markets have not cooperated, producing well below average (cheese/milk) spreads."

"Share price performance has typically followed margins. We have good visibility over the NTM and see a continued path to margin recovery in the U.S. That said, while we believe there are ample levers at the company's disposal to reach its $2.125B Global Strategic Plan goal, visibility is more limited and current valuation is already pricing in some of these gains, with SAP shares are currently trading at 11.4 times EV/EBITDA NTM, modestly above the historical average. Furthermore, accelerated inorganic growth as likely limited given that the company's balance sheet capacity currently sits outside its longer-term leverage target.

His target for Saputo shares is $37, down from the firm's previous $40 target. The average is $38.75.

Mr. Doumet's other target changes include:* Alimentation Couche-Tad Inc. (N/A, "sector outperform") to $66 from $73. The average on the Street is $69.16.

"Over the last 10 years, Couche-Tard has compounded EBITDA by 20 per cent, well ahead of its US c-store peers (and many other retailers, in general)," he said. "A large part of this growth has been driven by M&A, with larger transactions occurring before 2019. But ATD isn't just an M&A story. The company has made substantial inroads in improving inside and network economics that has positioned it as a notable retailer (with top-quartile merchandising margins). Furthermore, the c-store industry has proven itself to be recession resilient (and actually grew during the last 2 recessions) and today is experiencing strong secular tailwinds driven by consumers demanding

more convenience, with an increasing propensity to consume food at c-stores (especially during economic contractions). Looking ahead, while the outlook for fuel dynamics is more difficult to predict, we see significant runway for ATD to continue to compound growth, after accounting for internal initiatives (Fresh Food Fast, Circle K Rebrand, etc.) and the resumption of M&A. Lastly, with shares trading at 13.7 times P/E on our F24E EPS, at a discount to its historical average (and one of the widest discounts to CASY's), we don't see valuation as demanding."

* Canadian Tire Corp. Ltd. (CTC-A-T -0.53% decrease, "sector outperform") to $184 from $258. Average: $208.20.

"CTC.a shares are trading at 8.1 times PE (NTM), well below the historical average of 12.4 times, and even below where the shares troughed during the financial crisis," he said. "Some U.S. peers have struggled with being over-inventoried in certain areas, and that has weighed on CTC's trading multiple. Furthermore, there's investor caution when it comes to lapping the recent strong performance brought about by the pent-up demand from the lockdowns and simply because of the discretionary nature of CTC's products. For F23, we are 5 per cent below Street expectations on both EBITDA/EPS on lower sales and gross margin assumptions. That said, we believe the current valuation is too punitive (arguably pricing in a 30-per-cent decline in EPS back to pre-pandemic levels), especially given that CTC is a much more resilient business than it was in past downturns, with a much stronger omni-channel presence, and having made substantial inroads in loyalty (including targeted marketing/ promotions), inventory, and supply chain management."

* Dollarama Inc. (DOL-T +0.81% increase, "sector outperform") to $93 from $90. Average: $86.96.

"The Dollarama story remains very relevant as we move through the current backdrop of high inflation and recessionary concerns," he said. "DOL's assortment of everyday essentials and consumables, coupled with its significant private label offering, appeal to many consumers, positioning the company to continue to expand its addressable market (at the expense of more established retailers, such as Walmart and Amazon). Secondly, the company is currently increasing its prices and is in the process of introducing new $5 price-point products, which should boost SSS growth this year, and next. Lastly, we believe DOL is well-positioned to expand margins (i.e. hold price) as input costs, transportation costs, and labor pressures eventually subside. Looking forward, in F23 and F24, we expect DOL to grow EPS by 24 per cent and 22 per cent, respectively."

* Neighbourly Pharmacy Inc. (NBLY-T +4.92% increase, "sector outperform") to $25 from $30. Average: $29.30.

"When compared to its Canadian consolidator peers, NBLY boasts one of the highest EBITDA/share CAGRs from 2020 to 2023," he said. "NBLY is currently trading at 10.7 times our F24 estimates. We believe a premium to its consolidation peers is warranted given NBLY's stronger growth profile, its more defensive business model and its stronger FCF generation."

SAPUTO INC
31.62+3.12 (10.95%)

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Equity analysts at iA Capital Markets upgraded their "2022 Top Picks" list for the fourth quarter in a research report released Monday before the bell.

"While the performance of our 2022 Top Picks fell into negative territory in the latter half of Q3, I am somewhat happy that we still outperformed the TSX Composite Index by 412 bps since we started tracking in January," said Neil Linsdell, the firm's Head of Research. "Recall that in 2021, our Top Picks delivered a return of over 34 per cent, beating the TSX Composite Index at just under 22."

By sector, the list, comprised of 14 equities, now looks like this:

Diversified Industries

Mr. Linsdell maintained Premium Brands Holdings Corp. (PBH-T -1.18% decrease) as his first pick and added Supremex Inc. (SXP-T +2.05% increase) to the list,
replacing GDI Integrated Facility Services Inc. (GDI-T) based on "attractive prospects through the end of the year."

He has a "buy" recommendation and $137 target for shares of for Premium Brands. The average target on the Street is $132.20.

"Concerns over input cost inflation and consumers trading down have put significant pressure on PBH's share price year-to-date," the analyst said. "We retain high confidence in this name as the fundamental thesis for PBH is intact, despite the pessimistic market mood. The stock is now trading at much more appealing valuations, well supported by the Company's consistently strong financial performance and growth prospects, including a robust acquisition pipeline"

For Supremex, he has "buy" rating and $8.50 target, matching the consensus on the Street.

"Supremex, a major North American player in envelopes and specialty packaging solutions, was listed as a notable name to watch in our past Top Picks updates," said Mr. Linsdell. "Driven by strong earnings growth, M&A potential in packaging, and active share buybacks, the stock has had a great run YTD but still trades at very low multiples. We now select SXP as our second Top Pick as it has managed to turn a secular declining envelope business into a growth driver while remaining active on acquisitions in the packaging space."

Separately, analyst Matthew Weekes reiterated Freehold Royalties Ltd. (

FRU-T +1.39% increase) and Exchange Income Corp. (EIF-T -0.38% decrease) as his top picks in the group.

He has a "strong buy" rating and $19 target for shares of Freehold, below the $20.28 average on the Street.

"We continue to view oil and gas Royalties as a hedge against inflation, providing exposure to diverse oil and gas operators and plays without a direct operating interest and therefore minimal expenses," he said. "These companies remain positioned to generate significant free cash flow that can be used to generate shareholder value through debt repayment, accretive royalty acquisitions, dividend growth, and share buybacks. For FRU, which has minimal debt, we expect that the Company will aim to deploy free cash flow after dividends to royalty acquisitions. FRU has announced $175- million of acquisitions in 2022 and we believe the Company's exposure to the fragmented U.S. market should continue to result in accretive deal flow. FRU and PrairieSky (PSK-T) have both been outperformers YTD, and we maintain our belief that FRU is positioned to deliver strong total returns due to its continued valuation discount to peers, high dividend yield (7.5 per cent with an 60-per-cent payout ratio at US$70/bbl WTI), minimal debt, and U.S. organic production growth and accretive M&A potential."

Mr. Weekes kept a "buy" rating and $56 target for Exchange Income. The average is $61.55.

"We are maintaining Exchange Income (EIF-T) as our Top Pick within our Diversified Industrial coverage universe, underpinned by strong projected total risk-adjusted returns driven by stable and growing dividends yielding 6 per cent, and continued growth of the Company's diversified platform through both organic growth in existing businesses and accretive M&A potential," he said. "Despite experiencing some pressure after the Company announced an equity issuance, EIF's stock is outperforming the TSX YTD after delivering strong H1 results and 2022/2023 guidance, two dividend increases, and the large acquisition of Northern Mat and Bridge, which is expected to provide double-digit free cash flow per share accretion on a normalized basis. With recession concerns weighing on markets, we are reassured by EIF's strong performance and sustainment of the dividend through the early stages of COVID-19 when some of the Company's aviation operations were significantly impacted. We believe EIF's operations are positioned to be resilient to inflation through strong positions in niche markets and government contracts in certain businesses while continuing to experience positive demand trends."

Healthcare and Biotechnology

Chelsea Stellick named DRI Healthcare Trust (DHT-UN-T -1.96% decrease) and Quipt Home Medical Corp. (QIPT-X) as her top picks for the quarter.

For DRI, she has a "buy" rating and $13 target for DRI. The average on the Street is $14.53.

“DRI has multiple advantages in this continued difficult macro-environment,” the analyst said. “First, the Trust has capital to deploy at a time when cash is in short supply in the biotech/pharma space, which will facilitate the execution of favourable deals in the pipeline. Second, DRI has no exposure to inflationary cost pressures given its flow- through royalty business model. Third, DRI’s portfolio consists of medically necessary pharmaceutical products that render sales and royalty receipts recession-resistant.
Finally, the Trust pays a quarterly dividend well-covered by cash flow from existing assets, and remaining cash flow is reinvested.”

Ms. Stellick kept a “buy” rating and $14 target for Quipt, exceeding the $12.66 average. “The

worst of the ventilator supply chain issue (due to a supplier recall) is now in the rear-view mirror, and catching up on the ventilator waitlist in F2023 will provide a small boost to organic growth alongside the layering in of integration synergies from recent and upcoming acquisitions. QIPT trades at a significant discount to its peers (5 times vs. 10 times F2022E EV/Adj. EBITDA), which we believe is unwarranted given management’s strong track record of successfully improving profitability over time and the superb demographic and regulatory tailwinds of the business,” said Ms. Stellick.

Power and Infrastructure

Analyst Naji Baydoun named TransAlta Corp. (TA-T -2.78% decrease, TAC-N) and Brookfield Infrastructure Partners L.P. (

BIP-UN-T -0.20% decrease, BIP-N) his top picks for the fourth quarter.

Calling it an “attractive clean energy transition play,” he has a “strong buy” rating and $16.50 target for TransAlta shares. The average on the Street is $16.54.

“We consider TA our preferred merchant and value play in the Canadian IPP sector,” he said. “TA offers investors (1) a balanced mix of contracted and merchant power exposure, (2) improving balance sheet and cash flow fundamentals, (3) long-term upside to rising Alberta power prices, (4) a discounted relative valuation versus IPP peers, and (5) both downside protection and upside optionality from Brookfield’s strategic support. Overall, (1) we believe that the current share price does not reflect much value for TA’s clean energy transition plan, and (2) see significant valuation multiple re-rating potential in the shares as management executes on its growth strategy (transforming TA into a lower-risk, more diversified, and predominantly renewable power IPP). We continue to see the potential for the shares to be worth closer to $18- 20/share, with both downside protection and upside optionality from Brookfield’s strategic support. Fundamentally, the near-term outlook for Alberta power prices remains healthy which could support strong financial performance in H2/22 (leading to revised guidance and higher estimates). Furthermore, we see the potential for TA to actively repurchase shares at current stock price levels, and believe that current relative valuation levels represent a buying opportunity for investors.”

Referring to it as a “must-own growth name,” Mr. Baydoun has a “strong buy” rating and US$47.50 target for Brookfield Infrastructure. The average is US$46.54.

“We view BIP as a unique and diversified way for investors to play the broad long-term infrastructure investment theme, with (1) access to a global, large-scale infrastructure investment platform (ownership interests in more than $70-billion of assets), (2) defensive cash flows (90 per cent of FFO regulated/contracted), (3) visible and sustainable organic cash flow growth (6-9 per cent per year, CAGR 2021-26E), (4) potential upside from accretive M&A, and (5) attractive income characteristics (4.0-per- cent yield, 60-70-per-cent long-term FFO payout, and a 5-9 per cent per year dividend growth target). So far in 2022, BIP has executed on several strategic initiatives that have helped it blow past its annual capital deployment targets,” he said. “The Company has been able to successfully deploy capital into a range of acquisitions that (1) are aligned with its overall growth strategy, and (2) expected to support BIP’s growth outlook. Furthermore, management has been able to source funding from capital recycling infinitives at attractive valuations, which helps finance M&A opportunities. We continue to like BIP’s portfolio positioning, with both (1) defensive attributes that provide a margin of safety (90 per cent regulated/contracted cash flow profile; limited volumetric and commodity price exposure; limited/manageable interest rate and unhedged foreign exchange exposure), and (2) offensive characteristics (70-per-cent inflation-indexation; strong balance sheet and liquidity to capitalize on volatile market environments). At this time, we believe that BIP is well positioned to deliver strong operational and financial performance into year-end, and the current relative valuations levels remain compelling (from a per-unit-of-growth perspective). We continue to see BIP as a standout growth vehicle for long-term shareholders in the current macro-economic context.”

Technology

Analyst Neehal Upadhyaya named Lightspeed Commerce Inc. (LSPD-T) and Wishpond Technologies Ltd. (WISH-X) to the “Top Picks” list.

For Lightspeed, he has a “buy” rating and US$29 target, below the US$37.02 average.

“A more established story in the large cap tech space, LSPD ticks off many of the boxes that investors look for, including a strong growth profile, a path to Adj. EBITDA profitability, diversified customer base in multiple geographies, strong management team, and an excellent balance sheet,” he said. “Seasonally, Q4/C22 (Q3/F22 for LSPD) has been a robust quarter for the Company as GTV typically increases as retailers enjoy a bump in sales due to the holiday season, boosting LSPD’s GPV and transactions-based revenue; we expect this year to be no different and are projecting LSPD to achieve record revenues of US$200-million-plus,” he said. “Beyond its strong growth prospects in C2023 and in Q4/C22, the Company has plenty of growth levers it can pull in the medium to long term through adding multiple revenue streams to NuORDER.”

For Wishpond, Mr. Upadhyaya has a “buy” rating and $1.50 target. The average is $1.92.

“For investors with a larger risk appetite, looking into the smaller cap universe, we believe Wishpond is a name that should be considered,” he said. “Similar to LSPD, WISH benefits from a seasonally strong Q4 as SMBs look to get ready for the holiday season by targeting consumers through their marketing strategies.”

Real Estate and REITS

Analyst Gaurav Mathur named Nexus Industrial REIT (NXR-UN-T -1.57% decrease) and Primaris REIT (PMZ.UN-T) as his top picks.

For Nexus, he has a “strong buy” rating and $15.50 target. The average is $13.31.

“Despite the recent pullback in unit prices, the fundamental thesis for Nexus Industrial REIT remains intact,” he said. “The REIT has a long growth runway with rental rate increases of 50-100 per cent across the portfolio, much higher than its publicly listed peer set in the Canadian industrial REIT sector. Based on our channel checks, we expect cap rates to stabilize soon as supply-demand imbalances continue to push pricing, both on a psf and rental rate basis. Management continues to maintain capital allocation discipline by focusing on redevelopment projects, recycling capital, and being opportunistic on the acquisitions front. On an implied cap rate basis, the REIT trades at a 6.2-per-cent cap rate (vs. 4.8 per cent for the industrial REIT sector) and has a healthy spread (up 3.0 per cent) when compared to the Canadian 10-year bond yield currently at
3.2 per cent, indicating a long growth runway. Additionally, the REIT offers a 7.7-per- cent distribution yield.”

For Primaris, Mr. Mathur has a “buy” rating and $15 target. The average is $16.33.

“The REIT continues to benefit from positive momentum in the business through rental rate increases and continued leasing strength,” he said. “Add rising occupancy levels and asset positioning to the mix, and the REIT has a strong growth runway. ..... The REIT clearly stands out in the Canadian Retail REIT sector with a low D/GBV of 29 per cent (compared to 42 per cent for its peers) and its use of the NCIB on a leverage neutral basis. We note that management is actively focused on creating shareholder value while stringently adhering to its capital allocation guardrails. On an implied cap rate basis, the REIT trades at an 8.5-per-cent cap rate (vs. 5.8 per cent for the retail REIT sector) and has a healthy spread (5.3 per cent) when compared to the Canadian 10-year bond yield currently at 3.2 per cent, indicating a long growth runway. Additionally, the REIT offers a 6.4-per-cent distribution yield.”

Separately, analyst Johann Rodrigues named InterRent REIT (IIP-UN-T -1.49% decrease) to the list with a “strong buy” rating and $18 target. The average is $16.11.

“As to why we like InterRent best, the stellar management/Board, the leading track record of NAV growth, the geographic mix (90-per-cent GTA/OTT/MTL/VAN), and the density pipeline are all strong reasons to invest in the name,” he said. “However, the simplest and most compelling reason is as follows. With 80 per cent of the population living in markets subject to rent control and turnover rates at historic, near-single-digit

lows, the majority of any multi-family REIT's portfolio is subject to renewals capped at 2-3 per cent. Where excess SPNOI and NAV growth occurs is in the balance – the portion of the portfolio that turns over and can be marked to market at rents substantially higher than in-place. Therefore, the REIT is poised to deliver excess growth should either have the highest turnover rate or the highest mark-to-market. It just so happens that InterRent has both."

Metals & Mining

Analysts Sehaj Anand and Ronald Stewart added Reunion Gold Corp. (RGD-X) to the list for the fourth quarter. They have a "speculative buy" rating and 70-cent target for the stock, which matches the consensus.

"We have selected Reunion Gold as our Top Pick as, even in this volatile market, the stock provides an attractive upside opportunity with limited downside risk," they said. "While GDXJ & Gold are both down quarter-to-date by 8 per cent, RGD's stock is up 61 per cent QTD, owing to the Company's success with the drill bit," they said. "During Q3/22, the Company completed an $36-million financing, strengthened its board and management by adding Fred Stanford (as Director) and Justin van der Toorn (VP Exploration), and released one set of drill results from Oko West. As highlighted in our recent note on September 8, 2022 ... the Company continues to deliver stellar assay results from Oko West, indicating further expansion potential from Block 6 (outside the cornerstone Block 4 area) as well as more near-surface ounces in the Saprolite cap.
While more ounces in the saprolite cap further sweeten the project's cash flow profile during the initial years, solid results from Block 6 further contribute to the project's overall scale. Owing to its softer nature, Saprolite is essentially free- dig material that does not require blast fragmentation and has a lower processing cost. On the back of continued success with the drill bit, the Company also decided to postpone Oko West's maiden resource to Q1/23 (previously expected in Q3/22), and now aims to release a larger resource. Following its larger resource strategy, Reunion expanded the ongoing drill program which will be now completed by YE2022. We believe this to be a sensible strategy as a larger resource would put Oko West into a higher bracket and would accelerate the stock's race to close the valuation gap. Notably, the stock rallied up 36 per cent to an all-time high of $0.41 within a week of the aforementioned update."

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Analysts at RBC Dominion Securities added a trio of Canadian companies in a fourth-quarter update to their "Top 30 Global Ideas for 2022" list on Monday.

"This list remains one of high-conviction, long-term ideas, with quarterly updates that enable dynamic changes into names that we think offer higherconviction upside potential," the firm said.

"Since publishing our Q3 update on July 5, 2022, the Top 30 list has delivered a total return of down 5.9 per cent (in USD terms) above our benchmark, the MSCI World Index, at 7.0 per cent. Year-to-date, the list has delivered a total return of negative 19.1

per cent, above the benchmark at negative 25.6 per cent, and since inception of our quarterly list at year-end 2019, the Top 30 has delivered a total return of 13.7 per cent, above the benchmark at 5.3 per cent."

The TSX-listed stocks joining the list are:

* Restaurant Brands International Inc. (QSR-N, QSR-T +0.28% increase) with an "outperform" rating and US$70 target. Average: US$65.50.

"Despite above-average global system sales growth and accelerating comp growth at Burger King and Popeyes, QSR's valuation remains in line with the global 'all- franchised' restaurant peer group average, driven in large part by continued weakness at Tim Hortons (responsible for 50 per cent of total op. profit)," said analyst Christopher Carril. "While we believe that TH sales improvement remains the primary catalyst for QSR shares, we see the combination of BK-driven, near-best-in-class unit growth (normalized 5-per-cent-plus), current momentum at PLK, significant scale, and potential to add brands in the future as key positives for a stock that in our view remains attractively valued."

* Element Fleet Management Corp. (EFN-T -0.76% decrease) with an "outperform" rating and $22 target. Average: US$19.14.

"Four key themes drive our positive view of EFN: 1) attractive growth – We forecast that EFN's EPS could grow at a mid-teens CAGR over the next five years, driven by new client wins, organic growth within existing customers, and significant returns of capital;
2) multiple potential catalysts (see below); 3) strong defensive attributes – EFN faces minimal credit/residual risks and tends to have long-term contracts(3–5 years) with high retention rates (98 per cent); and 4) attractive valuation – we see high EPS growth as a key driver of valuation and potential valuation multiple expansion," said analyst Geoffrey Kwan.

* Nutrien Ltd. (NTR-N, NTR-T) with an "outperform" rating and US$135 target.
Average: US$111.11.

"We continue to see a very constructive outlook for ag and fertilizers, especially for nitrogen due to extremely high global natural gas costs persisting, and potash due to very constrained supply from Russia/Belarus. Nutrien is now our preferred fertilizer stock, as it offers exposure to nitrogen (Mosaic has no exposure) and potash, and we think Nutrien tends to provide better downside protection against volatility and potential macro headwinds," said analyst Andrew Wong.

TSX-listed companies leaving the list are:

* Brookfield Asset Management Inc. (BAM-N, BAM-A-T -1.29% decrease) with an "outperform" rating and US$66 target. Average: US$62.91.

* Intact Financial Corp. (IFC-T -0.39% decrease) with an “outperform” rating and $219 target. Average: $214.14.

“With the addition of EFN as our highest-conviction idea in Canadian Diversified Financials, we remove Intact Financial (IFC CN) and Brookfield Asset Management (BAM US) while reiterating our positive recommendations on both stocks,” the firm said.

Other TSX-listed companies on the list are: Alimentation Couche-Tard Inc. (ATD-T - 0.36% decrease); AltaGas Ltd. (ALA-T -0.69% decrease); Canadian Natural Resources Ltd. (CNQ-T); Canadian Pacific Railway Ltd. (CP-T) and Telus Corp. (T-T -0.74% decrease).

ELEMENT FLEET MANAGEMENT CORP
17.02+4.14 (32.14%)
NUTRIEN LTD
85.39+10.19 (13.55%)
RESTAURANT BRANDS INTERNATIONAL
55.22-5.46 (-9.00%)

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Seeing fertilizer markets as “very supply constrained,” RBC Dominion Securities analyst Andrew Wong made a pair of rating changes on Monday after shifting his preference away from phosphate to nitrogen and potash.

He lowered Mosaic Co. (MOS-N) to “sector perform” from “outperform” and dropped his target to US$65 from US$85. The average is US$67.89.

“We believe Mosaic remains well-positioned and shares should perform well on an absolute basis, but we lower our rating to Sector Perform, from Outperform, due to — 1) we now favour nitrogen and potash vs. phosphate; 2) valuation discount to peers has narrowed, providing less re-rating potential; 3) less upside potential to consensus estimates vs. peers; and 4) recent phosphate production challenges,” the analyst said. “We may reconsider our stance if the valuation gap re-widens, phosphate market surprises to the upside, and/or phosphate operations improve.”

Conversely, Mr. Wong upgraded CF Industries Holdings Inc. (CF-N) to “outperform” from “sector perform” with a US$135 target, up from US$110 and above the US$113.32 average.

“We believe CF should benefit from a favourable nitrogen market outlook and attractive energy spreads between the U.S. and international markets that may persist long-term,” he said. “We also think CF has demonstrated a track record of strong operations and execution. We see potential upward consensus estimate revisions and strong cash flow

($4.2-billion, 21-per-cent yield in 2023 and $2.8-billion, 14-per-cent yield in 2024E) driving share price upside."

Mr. Wong kept an "outperform" recommendation and US$135 target for Saskatoon- based Nutrien Ltd. (NTR-N, NTR-T -3.07% decrease) . The average is US$111.11.

"We continue to see a constructive ag environment and structurally tight fertilizer markets," he said. "Despite a near-term pull-back in fertilizer demand and prices, we believe the outlook beyond 3-6 months remains very favourable and should continue to drive attractive cash generation for Nutrien ($8.7-billion, 18-per-cent yield in 2023 and $7.2-billion, 15-per-cent yield in 2024). We have added Nutrien to our Top 30 Global Best Ideas list."

CF INDUSTRIES HOLDINGS
102.81+32.03 (45.25%) ***MOSAIC COMPANY***
51.56+12.27 (31.24%)
NUTRIEN LTD
85.39+10.19 (13.55%)

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Expressing concern about its "premium" valuation, RBC Dominion Securities analyst Wayne Lam initiated coverage of K92 Mining Inc. (KNT-T -1.71% decrease) with a "sector perform" recommendation, despite calling it "one of the most exciting exploration stories today."

"Kainantu represents one of the highest grade mines within the top 5 per cent globally, with total resources more than doubling to 5.5 Moz AuEq (M&I+I) the past few years net of depletion, fueling the decision to pursue subsequent expansions," he said. "K92 has built on exploration success via the Judd deposit, while the recent discovery of high- grade dilatant zones has shown potential for greater ore tonnage per vertical metre. As such, K92 has outlined an aggressive exploration program targeting resource conversion and additions at depth. Lastly, the Blue Lake target demonstrates potential for larger scale copper-gold porphyry opportunities across the property. We view no shortage of targets for K92 with $15-million budgeted this year."

Mr. Lam set a target of $9.50 per share. The current average is $11.33.

"We estimate K92 trading at 0.84 times spot NAV and 9 times 3-yr EBITDA, representing a 30-per-cent premium to peers at 0.65 times NAV and significant premium on EBITDA," the analyst said. "We view the market pricing in expectations of full resource conversion to support the Stage 4 expansion, with limited FCF through 2024 as cash is reinvested toward construction. As such, we maintain a cautious outlook on shares based on valuation; we remain positive on the longer-term potential of the

company given Tier I asset quality, growing scale, and exploration upside, offset by development and geopolitical risk operating in PNG."

K92 MINING INC
7.97+0.78 (10.85%)

In other analyst actions:

* TD Securities' Brian Morrison cut his Aimia Inc. (AIM-T -0.28% decrease) target to $6 from $7, which is the average, with a "buy" rating.

* In response to its revised purchase price for Kentucky Power (US$2.65-billion, down from US$2.85-billion), Desjardins Securities' Brent Stadler reduced his Algonquin Power & Utilities Corp. (AQN-N, AQN-T -2.08% decrease) target to US$15.50 from US$17.50 with a "buy" rating. The average on the Street is US$16.33.

"We remain fans of the greening-the-fleet opportunity within Kentucky Power," he said. "In light of the delayed closing and after making several adjustments to our model, including a lower utility valuation P/E multiple to reflect our forecast of higher HLBV income, our target declines."

* TD Securities' Aaron MacNeil lowered his target for Ballard Power Systems Inc. (BLDP-Q, BLDP-T -6.32% decrease) to US$11 from US$12.50 with a "speculative buy" rating. The average is US$11.89.

* Following its Investor Day event and property tour of recently acquired multifamily rental properties in Montreal, Raymond James' Brad Sturges trimmed his target for units of Canadian Apartment Properties REIT (CAR-UN-T -0.65% decrease) to $59.50 from $61 with a "strong buy" rating. The average is $57.46.

"Canadian MFR leasing demand has been rapidly strengthening in 2H22 due to increased population growth and greater foreign immigration levels and a return of international students studying in Canada with reduced travel restrictions. This is anticipated to result in incrementally improving earnings results in 2H22 and more so in 2023 as the REIT realizes greater rent growth upon suite turnover back at pre-covid levels of 14 per cent or higher going forward in future quarters," said Mr. Sturges.

* Scotia Capital's Adam Buckham reduced the firm's target for dentalcorp Holdings Ltd. (DNTL-T -1.25% decrease) to $16 from $19, keeping a "sector outperform" rating, upon assuming coverage of the Toronto-based company. The average is $17.14.

"Dentalcorp not only offers investors unique exposure to the dentistry market in Canada, but also significant scale and reach, generating more than $1.3 billion and $246 million in pro forma revenue and EBITDA, respectively, from its 526 practices and more than 4.5 million annual patient visits," he said. "To sum up our view, we believe the DNTL story is 'worth sinking your teeth into.'"

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