

DAILY LEDGER

M(US), PSK, BMO, BNS, BEI.UN, NPI, ERF, CRR.UN, RNW, Slower F18 Mortgage Volume Hitting Big Banks, Vigil on Banks' IFRS 9 Measures and Tax Reform Meetings



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News, Trending Reports, Accounting Updates, Client Outreach & Top Ideas

Q&A HOTLINE

Questions on accounting (or governance issues)? [Click here to submit a request](#) to one of Veritas' accounting experts.

MATERIAL NEWS

MACY'S | Up a level | ([Email Kathleen](#))

Finally, we see SSSG at +1.3%, reversing negative comps over the past two years (note: [JWM catches a bid](#) recently after stemming the AMZN bleed lately). Excluding one-time items, fully diluted EPS came in at US \$2.82—likely a nice surprise for most analysts as EBITDA also increased 6.6%, hitting US \$1279M. GPM declined 16bps but good expense control led to an 83bps decline in SG&A margin: This drove EBITDA margins up 67bps to 14.76%. Inventory looks clean and fell 4% YoY. *Kathleen is on the call—stay tuned for her quarterly wrap!*

PRAIRIESKY | Dust bowl | ([Email Nima](#))

PSK's capex spend included a 300 boe/d add-on GORR (46% liquids) of \$46M, as a portion of its \$79M spend this quarter—keep watching PSK's tendency to raise payouts (the divvy rose 3%, or 3c) and its NCIB (extended by \$50M) meanwhile shrouding its growth conundrum which it seems only able to address by buying growth (at lower GORR). Q4 production at 24.4K boe/d rose a very modest 1% versus last quarter; so nothing too spectacular. *Nima has more on PSK's mix and outlook.*

BANK OF MONTREAL | Autotune out | ([Email Nigel](#))

BMO's banking results were negatively impacted by an expected \$425m write-down due to US tax reform, and year over year comparisons were also impacted by the sale of a US Auto loan portfolio. Loss provisions were lower on IFRS 9. *Nigel will sort through the numbers and bring you the conclusion shortly.*

SCOTIABANK | Mixed green | ([Email Nigel](#))

BNS raised its dividend 4% after a 12% increase in Canadian Banking Earnings and 16% rise in earnings from international banking, with lower loss provisions on IFRS 9. Additionally, BNS had a \$150M after-tax benefit from the re-measurement of employee benefits in Q1-F18. These gains were partially offset by a decline in Global Banking and Markets. *Nigel is on the call to dig deeper.*

HOUSING WATCH

No material housing news today.

TRENDING REPORTS

BOARDWALK | BUY—\$48.00 | Upside: 5% | N2K;Q4-F17 | PASSES GO, COLLECTS RECORD MOVE-INS | ([Click to read | Email Howard](#))

Boardwalk's recovery took a pivotal turn this quarter when it posted its first sequential revenue growth in ten quarters. We project that the REIT will achieve 2018 FFO per unit at the higher end of its guided \$2.15 to \$2.35 per unit range. We accordingly raise our intrinsic value estimate of BEI units to C\$48 per unit and maintain our BUY recommendation.

NORTHLAND POWER | BUY—\$24.50 | Upside: 9% | N2K;Q4-F17 | POWERING UP, FARMING DOWN | ([Click to read | Email Nasiba](#))

NPI's moving parts get a look: We cover Taiwan offshore wind and NPI's positioning in the upcoming auction where opportunities exist (including divvy hikes). We calculate DeBu-related upside (~40% premium on committed capital) from farming down its 50% stake (comped vs. similar transactions) and NPI's potential Taiwan returns. *BUY.*

ENERPLUS | BUY—\$17.50 | Upside: 19% | N2K;Q4-F17 | BAKKEN GROWTH NOW, NIOBRARA-DJ BUILDS MOMENTUM | ([Click to read | Email Jeff](#))

A strong quarter enhances our FY outlook which includes balanced cash flows; liquids-weighted growth drives FY FFO to ~\$550M at US \$55 WTI (up to \$610M at US \$60 WTI) against \$30M in divvys and capex at \$560M. Our 9% organic growth calc. is well ahead of headline 4-5% as we adjust for divestments—ERF is worth \$14/sh on NAV-basis alone. *BUY.*

RBC | BUY—\$103.50 | Upside: 1% | N2K;Q1-F18 | RBCCM AND WEALTH CONTINUE TO DELIVER GROWTH | ([Click to read](#) | [Email Nigel](#))

We look behind marginal declines in the domestic mortgage book, linked to B20 and uninsured mortgage volume pressure (we're still watching for guidance revisions), and review (in detail) the IFRS 9 impact on PCLs and non-interest income recognition, capping off with high points in cap. markets, wealth and US tax reform. *BUY.*

CROMBIE REIT | Top BUY—\$17.00 | Upside: 30% | N2K;Q4-F17 | HOW TO NARROW THAT NAV DISCOUNT? | ([Click to read](#) | [Email Howard](#))

NOI growth and lower payout fail to narrow the 15%+ (near three year highs) NAV discount. We have the remedy given what can be controlled: increase disclosure on FV calculations (esp. geography or market) vs. peers, duration matching between debt (5.4 yrs.) and lease terms (12.1 yrs.) and revisit the DRIP (i.e. reduce units or discount). *BUY.*

TRANSALTA RENEWABLES | BUY—\$15.00 | Upside: 28% | N2K;Q4-F17 | MEANINGFUL CATALYSTS AHEAD | ([Click to read](#) | [Email Nasiba](#))

The acquisitions of two US construction-ready wind projects (119 MW total capacity) are key this quarter. We review the earnings but focus on new U.S. exposure, and potential annual EBITDA gains on GHG credits (up to ~\$9M) and 1100MW of TA drop downs (between \$200M-\$260M). We tackle PPA and power prices also. *BUY.*

CANADIAN FINANCIALS | SECTOR REPORT | LOWER F18 BIG SIX MORTGAGE GROWTH; DOLLAR VOLUME DECLINES | ([Click to read](#) | [Email Nigel](#))

Big city dollar volume declines (i.e. the 25% drop in the GTA) and B20 get a thorough look. With weaker real estate, the Big Six may dial back growth targets if mortgage dollar volumes drop 10%+ (our supporting data is from 1998-current). Further, a 20% decline in dollar volumes could slow mortgage growth rates to low single-digits.

ACCOUNTING UPDATES

***New* Monthly Vigil: Banks and IFRS 9 – New Rules for PCLs** ([Click to read](#)): In first quarter of earnings under IFRS 9 standards, we expect big changes on how PCLs develop over time and flow through earnings. We dive into loss recognition, transition adjustments, and our expectation for accelerated reversion in PCLs to historical averages. *To hear more on new PCL rules, [Click here and hit SEND.](#)*

CLIENT OUTREACH

Dimitry Khmelitsky, The Tax man is here: The U.S. tax tsunami has come and its stirring waves for Canadian names and Dimitry can give an in-depth overview of the tax impacts on S&P/TSX 60 companies. BEAT, GILTI, AMT, capital expensing, interest deductibility, deferred taxes and NOLs are some key areas we can help you understand and determine who is affected most, just [Click here and hit SEND.](#)

TOP IDEAS

Top Ideas and Intrinsic Value: Our Top Ideas are high conviction calls to BUY or SELL a stock. Valuations should be considered accurate the day of issuance, but are fluid as time progresses—Our BUY and SELL calls rarely use valuation as a primary input.

- **CGI's intrinsic upped:** Additional disclosure show ability to earn higher EBIT margins than competitors; valuation rises to \$80.
- **EFN switched to a BUY:** Core fleet EPS would have to fall below \$0.50 for shares to be worth below \$6.00 EFN is trading at.
- **PSK moves past intrinsic:** Multiple expansion dreams have not come true as PSK moves out of our top SELLS.
- **CSU gets removed:** The Aecco acquisition was CSU's 2nd largest, likely driving financial leverage..

NOTE: If Google Chrome is your default browser, the links below will work. Mozilla's Firefox appears to be less reliable.

TOP BUYS (Click to read more)	Symbol	Price	Intrinsic Value	Exp. Return	Yield	Mkt Cap (\$B)	30 Day Chg
Cenovus Energy Inc.	CVE	9.74	21.00	115.6%	2.1%	12.0	-26.5%
TransAlta Corp.	TA	6.69	9.00	34.5%	2.4%	1.9	-5.5%
Cogeco Cable Inc.	CCA	70.81	95.00	34.2%	2.7%	3.5	-8.6%
Crombie REIT	CRR.UN	13.07	17.00	30.1%	6.8%	2.0	-3.5%
Shaw Communications Inc.	SJR.B	25.09	31.50	25.5%	4.7%	12.6	-7.1%
Metro Inc.	MRU	40.28	50.00	24.1%	1.8%	9.2	-1.1%
Capital Power Corp.	CPX	24.22	29.50	21.8%	6.9%	2.5	2.8%
Hydro One Ltd.	H	20.94	25.50	21.8%	4.2%	12.5	-4.3%
Premium Brands Holding Corp.	PBH	103.83	115.00	10.8%	1.6%	3.2	0.8%
WestJet Airlines Ltd.	WJA	26.43	29.00	9.7%	2.1%	3.0	4.3%
Allied Properties REIT	AP.UN	41.77	45.00	7.7%	3.7%	3.9	-0.3%
CGI Group Inc.	GIB.A	74.38	80.00	7.6%	0.0%	21.1	10.9%
Telus Corp.	T	46.73	50.00	7.0%	4.3%	27.8	-0.6%
Boralex Inc.	BLX	23.62	25.00	5.8%	2.5%	1.8	-3.7%

TOP SELLS (Click to read more)	Symbol	Price	Intrinsic Value	Exp. Return	Yield	Mkt Cap (\$B)	30 Day Chg
Aimia Inc.	AIM	1.78	0.75	-57.9%	0.0%	0.3	-55.5%
Valeant Pharmaceuticals Intl., Inc.	VRX	US 18.87	US 9.00	-52.3%	0.0%	US 6.6	-16.9%
The Star Group Inc.	TSGI	33.96	22.00	-35.2%	0.0%	5.0	9.7%
Hudson's Bay Company	HBC	9.96	7.60	-23.7%	0.5%	1.8	-14.4%
Brookfield Renewable Energy Partner	BEP	US 32.05	US 25.50	-20.4%	6.1%	US 9.9	-4.6%
Artis REIT	AX.UN	13.77	11.00	-20.1%	7.8%	2.1	-3.4%
IMAX Corp.	IMAX	US 23.65	US 19.00	-19.7%	0.0%	US 1.5	15.6%
Badger Daylighting Ltd.	BAD	25.07	20.50	-18.2%	1.8%	0.9	-7.5%

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