Canaccord Genuity Capital Markets

Global Morning Summary

20 May 2020

	Time	Cons.
Canadian Economic Indicators		
Teranet/ National Bank HPI MoM	08:30	–
Teranet/ National Bank HPI YoY	08:30	–
Teranet/ National Bank HP Index	08:30	–
Wholesale Trade Sales MoM	08:30	–
CPI NSA MoM	08:30	–
CPI YoY	08:30	–
Consumer Price Index	08:30	–
CPI Core- Median YoY%	08:30	–
CPI Core- Common YoY%	08:30	–
CPI Core- Trim YoY%	08:30	–
US Economic Indicators		
MBA Mortgage Applications	07:00	–
FOMC Meeting Minutes	14:00	–
UK Economic Indicators		
CPIH YoY	02:00	0.90%
CPI MoM	02:00	-0.10%
CPI YoY	02:00	0.90%
CPI Core YoY	02:00	1.40%
Retail Price Index	02:00	292.8
RPI MoM	02:00	0.00%
RPI YoY	02:00	1.60%
RPI Ex Mort Int.Payments (YoY)	02:00	1.80%
PPI Input NSA MoM	02:00	-4.00%
PPI Input NSA YoY	02:00	-8.60%
PPI Output NSA MoM	02:00	-0.40%
PPI Output NSA YoY	02:00	-0.40%
PPI Output Core NSA MoM	02:00	-0.10%
PPI Output Core NSA YoY	02:00	0.60%
House Price Index YoY	04:30	1.50%

Equity Indices	Ch.	Level
Canada S&P/ TSX Composite	+246.58(1.68%)	$ 14,885.48
Dow Jones	-390.51(1.59%)	$ 24,206.86
NASDAQ	-49.72(0.54%)	$ 9,185.10
S&P 500	-30.97(1.05%)	$ 2,922.94
Commodities	**Ch.**	**Level**
Gold (US$/ oz)	+3.10(0.18%)	$ 1,748.70
Copper (US$/ lb)	-0.00(0.17%)	$ 2.42
WTI Oil (US$/ bbl)	-0.27(0.84%)	$ 31.69

Click on **Company/Industry** name for report summary

Rating Changes

Canada(1)

Cineplex Inc. (CGX- TSX | C$14.86 | C$ 941.1 M)

Hanging in the balance; lowering target to $21.50/sh, upgrading to Speculative Buy

Delta 9 Cannabis, Inc (DN- TSX | C$0.47 | C$ 43.1 M)

Profitability achieved; upgrading to SPEC BUYfrom HOLD; increase target to C $0.75 from C$0.60

Australia(3)

Precious Metals - Producer

Price deck update - Precious metals

Target Price and Estimate Changes

Canada(1)

Inovalis Real Estate Investment Trust (INO.UN- TSX | C$6.53 | C$ 154.0 M)

Mixed Q1 results; significant cash position weighs on FFO per unit; decrease target to C$7.25 from C$9.00; maintain HOLD

VIVO Cannabis Inc. (VIVO- TSX | C$0.24 | C$ 71.1 M)

2.0 ramp delivers in-line quarter; tweaking estimates; maintain HOLD and C$0.30 target

Canadian Banks

Q2/F20 preview: Significantly lowering our EPS forecasts; moving valuation approach to P/B

UK & Europe(2)

William Hill plc (WMH- LSE | 122p | £ 1,045.5 M)

Improving earnings mix; raising price target to 110p (from 88p); maintain HOLD

Initiating Coverage

Canada(1)

Denison Mines Corporation (DML- TSX | C$0.58 |)

Big Wheel(er) keep on turnin'; initiating coverage with a SPEC BUY rating and C $0.90 target price

This Morning Summary is published Mon-Fri and includes reports published since the most recent edition. Please refer to individual reports for specific publication and pricing dates.

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Uranium Participation Corp. (U- TSX | C$4.87 |)
Wake me up before 'U' go go; initiating coverage with a BUY rating and C$6.25 target price

Company Updates

Canada(1)

Filo Mining Corp. (FIL- TSXV | C$1.65 | C$ 145.6 M)
Final assays released

Khiron Life Sciences Corp. (KHRN- TSXV | C$0.82 | C$ 88.1 M)
Colombian THC sales commence

Kraken Robotics Inc. (PNG- TSXV | C$0.42 | C$ 66.0 M)
Virtual roadshow notes; maintain SPEC BUY and C$0.75 target

UK & Europe(2)

Vistry Group plc (VTY- LSE | 760p | £ 1,651.0 M)
Reacting well to events; significant valuation discount; BUY, 840p target price

Australia(3)

Atomo Diagnostics Ltd (AT1- ASX | A$0.38 | A$ 214.0 M)
Academic preprint study - "a potentially game changing diagnostic tool"; maintain BUY and A$0.65 price target

Cineplex Inc.

Film and Entertainment

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Rating	Price Target
SPECULATIVE BUY↑	**C$21.50↓**
from HOLD	*from C$34.00*
CGX-TSX	Price **C$14.86**

Aravinda Galappatthige, CFA| Analyst | Canaccord Genuity Corp. (Canada) | agalappatthige@cgf.com | 1.416.869.7303
Matthew Lee, CFA| Associate Analyst | Canaccord Genuity Corp. (Canada) | mlee@cgf.com | 1.416.687.5363

Hanging in the balance; lowering target to $21.50/sh, upgrading to Speculative Buy

We have revised our estimates for Cineplex as we update our financial model based on our latest expectations around potential opening dates for cinemas, the likely slope of the ramp-up thereafter given film slate and other considerations (e.g. initial cautiousness by patrons, imposition of capacity limitation in initial months, etc.), and more aggressive cost reduction initiatives, particularly through Q1-Q3 2020. Our new forecast assumes a gradual reopening of cinemas by mid-August, but with low take-up early on. All in all, our F2020 EBITDA is lowered from $87M previously to -$94M. Our 2021 is only moderately lowered, as we found our prior estimates adequately conservative. The current 2021 forecast still assumes a steep 14% reduction in box office sales vs. 2019 levels through H1.

Keeping debt below $725M: Recall, a key condition Cineplex must meet to close the Cineworld transaction is to maintain debt levels below $725M ($625M in Q4/19, $599M net debt). Based on our revised estimates, we believe this is achievable through the end of Q2 (possibly a couple of weeks more), helped by the layoffs reported in the press, reductions in salaries, elimination of capex projects, possible deferral of lease payments and the government wage subsidy of 75%.

This means regulatory approval by early June is critical: The transaction requires approval under the Investment Canada Act (Heritage Canada). Recall the period of review was extended from the end of March, with further extensions possible. While foreign ownership should not be a point of contention, we suspect the delay is related to considerations around employment levels and Canadian content commitments in theatres. The above financial forecasts suggest that approval from Heritage Canada needs to come at least by early June, as otherwise the clock may run out on Cineplex's ability to keep the debt levels below $725M.

Target lowered to $21.50 per share: Against the current backdrop, we feel that a conservative approach would be to apply a 50% probability factor to a deal closing. This is based on our analysis of comments made by Cineworld in prior investor communications, Cineworld's own balance sheet conditions, and the fact that as of now there is no formal request or indication from Cineworld that it intends to back out of the deal. In any case, we believe that in the event Cineplex remains below $725M in debt and regulatory approval is obtained, the legal options to back out may be limited and complicated. Consequently, we apply 50% to the $34 cash take-out value and 50% to our standalone valuation of $9/sh.

Standalone value: Our $9/sh standalone valuation is based on F2021 estimates with a blended multiple of just 6.2x EV/EBITDAal F2021E (including 5.5x for theatre operations). On that basis we arrive at a $9 NAV (see figure 1).

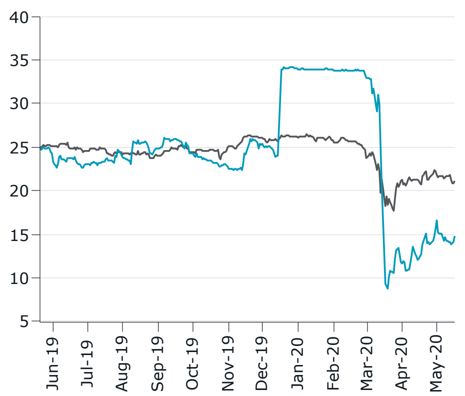
Recommendation upgraded to Spec Buy: Despite the upside to our target, considering the uncertainty we now rate the shares SPECULATIVE BUY.

The third option: While not factored into our target price, the other option to consider would be the prospect of a revised take-out price. The complication here is that this avenue would require a replay of elements of the transaction process, including obtaining approval from Cineplex shareholders. There is an argument to be made, however, that there would not be a need to go back to Cineworld shareholders. However, that is uncertain, which in turn makes this a somewhat uncertain route.

Market Data

52-Week Range (C$) :	6.30 - 34.39
Avg Daily Vol (000s) :	845
Market Cap (C$M) :	941.1
Shares Out. (M) :	63.3
Dividend /Shr (C$) :	0.00
Dividend Yield (%) :	0.0
Net Debt (Cash) (C$M) :	598.9

FYE Oct	2018A	2019A	2020E	2021E
Sales (C$M)	1,612	1,665	834.4↓	1,582↑
Previous	-	-	*1,325*	*1,569*
EBITDAaL (C$M)	247	231	(94)↓	198↓
Previous	-	-	*87*	*207*
EBITDAaL Margin (%)	15.3	13.8	(11.3)↓	12.5↓
Previous	-	-	*6.6*	*13.2*
EV / Adjusted EBITDAaL (x)	5.8	6.4	(20.5)↓	7.9↑
Previous	-	-	*12.1*	*5.4*
EPS Dil (C$)	1.21	0.46	(4.60)↓	0.27↓
Previous	-	-	*(1.67)*	*0.34*
FCF /Shr (C$)	1.47	1.08	(2.29)↓	1.02↑
Previous	-	-	*0.30*	*0.17*
P/E (x)	13.5	32.6	(3.2)	54.7
P/FCF (x)	10.1	13.7	(6.5)	14.6



CGX
S&P/TSX Composite Media Industry Group Index (reb

Source: FactSet

Canaccord Genuity Capital Markets

Rating and Target Price Changes

Delta 9 Cannabis, Inc

Canadian Cannabis

Canadian Equity Research
20 May 2020

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Kimberly Hedlin, CPA, CMA | Analyst | Canaccord Genuity Corp. (Canada) | khedlin@cgf.com | 1.403.508.3854
Alisa Nagorny | Associate | Canaccord Genuity Corp. (Canada) | anagorny@cgf.com | 1.416.869.7379

Rating	Price Target
SPECULATIVE BUY↑ *from HOLD*	**C$0.75↑** *from C$0.60*
DN-TSX	Price **C$0.47**

Market Data

52-Week Range (C$) :	0.33 - 1.65
Avg Daily Vol (000s) :	121
Market Cap (C$M) :	43.1
Shares Out., FD (M) :	91.6
Total Return to Target (%) :	59.6
Net Debt (Cash) (C$M) :	12.2
Enterprise Value (C$M) :	55.3

FYE Oct	2019A	2020E	2021E
Revenue (C$M)	31.8	50.3	64.4↓
Previous	-	-	*68.8*
Gross Profit Adj (C$M)	10.0	20.8	25.4
EBITDA Adj (C$M)	(3.6)	6.9↑	9.3↑
Previous	-	*4.0*	*8.2*
EV/Sales (x)	1.7	1.1	0.9
EV/EBITDA (x)	(15.4)	8.0	6.0
EPS Adj&Dil (C$)	0.15	0.02↑	0.01↑
Previous	-	*(0.05)*	*(0.01)*
FCF /Shr (C$)	(0.29)	0.05↑	0.06↑
Previous	-	*(0.02)*	*0.05*

DN
Horizons Marijuana Life Sciences Index ETF (rebased)

Source: FactSet

Profitability achieved; upgrading to SPEC BUYfrom HOLD; increase target to C$0.75 from C$0.60

With revenues of ~$11.8M, Delta 9's first-quarter results represented an inflection into positive EBITDA and operating cash flows, driven by pricing improvements and strong Grow Pod sales. We believe a pipeline of Grow Pod projects will continue to boost revenues over the next couple of quarters while retail store growth should provide a conduit for wholesale distribution over the coming 24 months. In conjunction with our expectations that the company will maintain low overhead costs and modest capital expenditures, while improving its wholesale pricing (due to lower B2B cannabis sales), we are raising our target to C$0.75/sh from $0.60/sh. With a potential return to target of 60%, we are upgrading our rating to SPEC BUY from Hold.

Conference call highlights

According to management, Delta 9 has fared better than most throughout the COVID-19 crisis. On the wholesale side, 95 additional Grow Pods approved by Health Canada in December have been planted out. In conjunction with potential distribution agreements (with Ontario being an obvious gap) and the launch of new high-THC strains, management expects to be well positioned for a wholesale ramp in Q3. The company has also put major capital projects on hold, which we believe improves DN's financial outlook and risk profile. On the B2B side, the company sees a healthy pipeline of fully financed Grow Pod projects, which should result in relatively strong B2B sales in Q2 and Q3. Management also highlighted that prior to COVID-19, US Grow Pod sales were progressing well, although it now expects some delays due to COVID-19.

Estimate revisions. After incorporating Q1 earnings results and management commentary, we have adjusted our estimates as noted below.

- **Wholesale cannabis**. The company attributed Q1 pricing strength to reduced B2B volumes. Given that we expect this trend to persist, we have lowered our B2B volumes over our forecast period. As a partial offset, we've reduced our total volume estimates and baseline prices due to current oversupply concerns. However, with DN maintaining low production and overhead costs, we have updated our cost assumptions, resulting in higher overall margins. The net impact of our changes was a $0.09/sh increase in our valuation.
- **Cannabis retail**. The previously announced Modern Leaf retail transaction is expected to close in Q2, and over the next 24 months, the company plans to open 12 additional retail locations. We have updated our medium-term store counts to include six incremental stores, which should support increased wholesale sales. While the retail segment has continued to perform well with an uptick in e-commerce offsetting any in-store sales softening, we are forecasting a modest decline in sales in Q2 due to ongoing COVID-19 challenges. However, our full year 2020 retail revenue estimates remain relatively unchanged.
- **B2B & consulting**. Following better-than-expected B2B sales in Q1 and guidance from management, we have raised our B2B estimates for Q2 and Q3, while adding modest annual sales over our long-term forecast period. The net impact of our changes added $0.03/sh to our valuation.

Valuation. Using a SOTP DCF model (WACC of 13-16.5% and 2.0% terminal growth rate), we arrive at a target price of C$0.75/sh (from $0.60/sh). Based on our estimates, Delta 9 is trading at a 2021E EV/EBITDA multiple of 6.0x versus our target multiple of 8.6x. In our view, key upcoming catalysts include provincial distribution agreements in Ontario, additional retail locations in AB and MB, and new Grow Pod projects in both Canada and the US. In our view, with manageable debt levels (~$20M maturing in two to >10 years), Delta 9 has no major near-term balance sheet concerns that should act as an overhang on the stock.

Inovalis Real Estate Investment Trust

Real Estate Investment Trusts

Canadian Equity Research
20 May 2020

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Brendon Abrams, CPA, CA| Analyst | Canaccord Genuity Corp. (Canada) | babrams@cgf.com | 1.416.687.5270
Michael Pennington| Associate | Canaccord Genuity Corp. (Canada) | mpennington@cgf.com | 1.416.869.7351

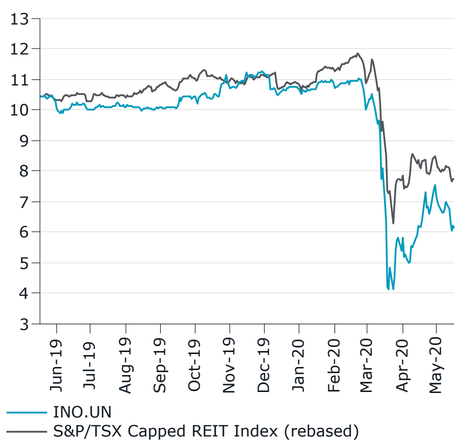
Rating	Price Target
HOLD *unchanged*	**C$7.25↓** *from C$9.00*
INO.UN-TSX	Price **C$6.53**

Market Data

Market Cap (C$M) :	154.0
Implied Return to Target (%) :	23.7
Debt/GBV (%) :	46.7
Distribution /Unit (C$) :	0.83
Distribution Yield (%) :	12.6
NAV /Unit (C$) :	9.00
Prem (Disc)/NAV (%) :	(27.4)
Units Out. (M) :	23.6
Implied Cap Rate (%) :	6.5
Major Unitholders:	Inovalis S.A. (11%)

FYE Oct	2018A	2019A	2020E	2021E
FFO (C$)	0.82	0.83	0.76↓	0.80↑
Previous	-	-	*0.79*	*0.79*
P/FFO (x)	8.0	7.9	7.9	7.5
AFFO (C$)	0.83	0.85	0.70↓	0.78↑
Previous	-	-	*0.77*	*0.77*
P/AFFO (x)	7.9	7.6	8.6	7.8

Quarterly FFO	Q1	Q2	Q3	Q4
2018A	0.22	0.21	0.20	0.18
2019A	0.17	0.21	0.23	0.22
2020E	0.16A	0.20	0.20	0.20
2021E	0.20	0.20	0.20	0.20



Source: FactSet

Mixed Q1 results; significant cash position weighs on FFO per unit; decrease target to C$7.25 from C$9.00; maintain HOLD

Inovalis reported Q1/20 results that were below expectations, highlighted by FFO per diluted unit of $0.16, down 4.5% Y/Y, and below our estimate of $0.20 and consensus of $0.18. The Y/Y decline is largely attributable to the sale of the REIT's Vanves property (previously its largest asset) in Q4/19 for net proceeds of C$140.9 million. Combined with the closing of an equity raise in December of C$51.5 million, the REIT maintained a significant cash position during the quarter (closing Q1/20 with $76 million in cash), which weighed on FFO per unit.

COVID-19 delays deployment of excess capital. Although the REIT had expected to deploy the proceeds from the sale of Vanves and equity raise sooner, the COVID-19 pandemic will likely delay this. While we expect this to be a drag on cash flow in the near term, there may be opportunities to acquire properties at more attractive valuations than prior to the pandemic. However, given the lack of recent transactions in the REIT's core markets and the continued decline in interest rates, it remains unclear where cap rates will settle.

Nevertheless, in hindsight, the timing of the Vanves disposition appears well-timed. As well, the REIT should receive an additional ~C$30 million from the repayment of its Rueil acquisition loan. Given Inovalis' ample liquidity, the REIT could support its current distribution in the near term, if management chooses, notwithstanding the elevated payout ratio (Q1/20 AFFO payout ratio of 169%).

Q2/20 rent collection expected to be above 90%. By the end of June 2020, management expects to collect at least 90% of Q2/20 rents in the French portfolio (66% of fair value) and 98% of May rents in the German portfolio. We note that Inovalis collects rent on a quarterly basis for the French portfolio and a monthly basis for the German portfolio.

Maintaining HOLD rating and lowering target price to $7.25. Overall, while Inovalis trades at a significant discount to NAV, we are maintaining our HOLD rating on the stock. We expect the office leasing environment in the REIT's core markets to soften over the next few quarters due to the COVID-19-induced economic downturn. As well, we would like to see how the REIT deploys its excess capital and have better visibility on how that impacts cash flow per unit and the REIT's payout ratio.

We are reducing our target price to $7.25 (from $9.00), which is set at a 20% discount (was 10%) to our NAV estimate. Combined with a 12.6% distribution yield, our target price implies a one-year total return of 23.7%.

VIVO Cannabis Inc.

Canadian Cannabis

Canadian Equity Research
20 May 2020

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Rating	Price Target
HOLD *unchanged*	**C$0.30** *unchanged*
VIVO-TSX	Price **C$0.24**

Kimberly Hedlin, CPA, CMA| Analyst | Canaccord Genuity Corp. (Canada) | khedlin@cgf.com | 1.403.508.3854
Alisa Nagorny| Associate | Canaccord Genuity Corp. (Canada) | anagorny@cgf.com | 1.416.869.7379

2.0 ramp delivers in-line quarter; tweaking estimates; maintain HOLD and C$0.30 target

Following VIVO's Q1 earnings, we have made minor tweaks to our estimates while providing an overview of key takeaways from the company's conference call. With minimal changes to our estimates, we are maintaining our C$0.30/sh target price and HOLD rating.

Conference call highlights

- **2.0 products drive revenue growth**. VIVO's Q1 revenues increased a solid 24% to $8.2M, driven by incremental cannabis 2.0 sales. In total, new derivative products comprised ~20% of the company's overall sales mix with management noting strong momentum across all 2.0 product categories. Management indicated it had an early entry into the extract product category, which it views as having less competition than chocolates and vapes. The company emphasized opportunities to expand with shatter and broader provincial distribution, particularly in NS and QC. Management also elaborated on its nano-technology licensing agreement for beverages. The technology, developed by Vertosa, is expected to yield a product with good clarity, taste and bio-availability. While the company didn't provide specific guidance on timing, it indicated that it expects to initially focus beverages on its Lumina wellness brand.
- **Margins expected to improve**. The company generated gross margins of 30%, which was below our 36% estimate. However, management expects margins to improve in the back half of the year as its large-scale ethanol extraction and distillation unit becomes operational. Commissioning of the unit is expected to reduce third-party distillate purchases, resulting in higher margins. Additionally, the company noted that due to its accounting treatment of production costs, start-up costs associated with its airhouse cultivation were expensed in Q1 versus being capitalized. These investments, along with a major packaging and processing expansion, are expected to yield positive results in H2.
- **Adapting to COVID-19**. The company continues to maintain high operating capacity throughout COVID-19 but has seen some softening in sales due to its premium positioning, in conjunction with retail closures and distribution bottlenecks. To address a market shift toward value products, the company recently launched its Canadian Bud Collection brand, which has primarily been distributed in Western Canada. According to management, the brand currently sells for an ~20-30% discount to its Canna Farms brand but is still of a relatively good quality.
- **Medical remains strong**. On the medical side, sales remain strong, with the company's HMED Connect app seeing a doubling in patients. Additionally, the company had a record day on April 20, serving ~1,000 patients in a single day.

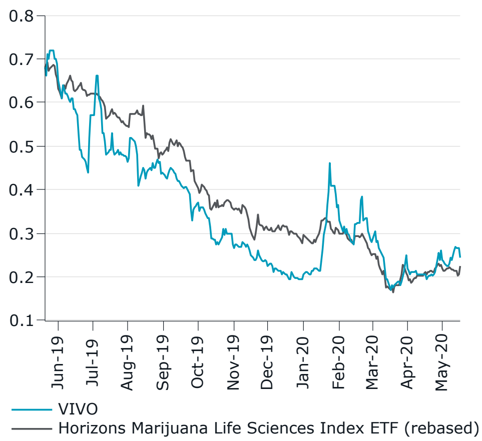
Valuation and estimate revisions

We have made modest changes to our valuation, including slight flower price reductions in 2020, which were offset by higher 2.0 sales. We continue to forecast a sales ramp in H2 due to COVID-19 normalizations, increased 2.0 processing capacity and our expectation that the company will enter new markets like Quebec and Nova Scotia. Processing efficiencies and in-house distillate production are also forecast to have a positive impact on H2/20 margins. These changes had a minimal impact on our SOTP value, which remains at $0.29/sh. As such, we are maintaining our C$0.30/sh target price. Based on our estimates, VIVO trades at a 2021E EV/EBITDA multiple of 4.6x versus our target multiple of 5.5x.

Market Data

52-Week Range (C$) :	0.16 - 0.96
Avg Daily Vol (000s) :	549
Market Cap (C$M) :	71.1
Shares Out., FD (M) :	296.3
Total Return to Target (%) :	25.0
Net Debt (Cash) (C$M) :	(1.1)
Enterprise Value (C$M) :	70.0

FYE Oct	2019E	2020E	2021E
Revenue (C$M)	23.2	39.1↓	85.5
Previous	-	*40.4*	-
EV/Sales (x)	3.0	1.8	0.8
Gross Profit Adj (C$M)	8.0	15.3	50.1
EBITDA Adj (C$M)	(15.2)	(6.7)↓	15.2↑
Previous	-	*(6.1)*	*13.4*
EV/EBITDA (x)	-	-	4.6
EPS Adj&Dil (C$)	(0.10)	(0.09)↓	(0.00)↑
Previous	-	*(0.07)*	*(0.01)*
FCF /Shr (C$)	(0.11)	(0.07)↓	0.02↑
Previous	-	*(0.06)*	*0.01*



Source: FactSet

Raising Target Price

William Hill plc

Travel & Leisure - Gaming

cg Canaccord Genuity Capital Markets

UK Equity Research

20 May 2020

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Canaccord Genuity Ltd (UK)

Simon French | Consultant Analyst | Canaccord Genuity Ltd (UK) | sfrench@cgf.com | 44.20.7523.8367

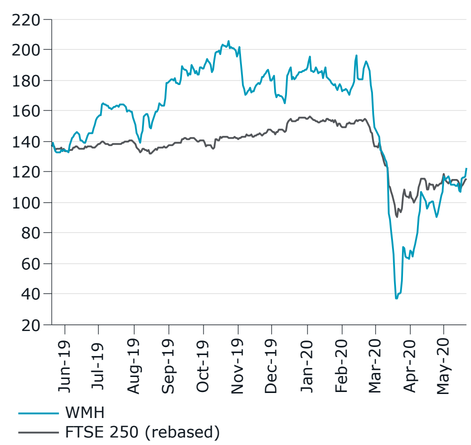
Improving earnings mix; raising price target to 110p (from 88p); maintain HOLD

Rating	Price Target
HOLD *unchanged*	**110p ↑** *from p*
WMH-LSE	Price **122p**

Market Data

52-Week Range (p) :	29 - 207
Avg Daily Vol (M) :	8.7
Market Cap (£M) :	1,045.5
Shares Out. (M) :	857.0
Enterprise Value (£M) :	1,653

FYE Oct	2019A	2020E	2021E	2022E
Sales (£M)	1,582	1,375↓	1,532↓	1,653↓
Previous	-	*1,382*	*1,586*	*1,710*
EBITDA (£M)	275.5	181.8↑	266.4↑	311.3↑
Previous	-	*177.9*	*264.0*	*300.0*
EBIT Adj (£M)	147.0	51.4↑	127.8↑	166.5↑
Previous	-	*47.4*	*127.3*	*159.2*
PBT Adj (£M)	96.5	13.6↑	91.0↑	124.5↑
Previous	-	*9.6*	*87.9*	*119.9*
EPS Adj&Dil (p)	10.7	1.4↑	9.1↑	12.5↑
Previous	-	*1.0*	*8.8*	*12.0*
DPS (p)	2.7	4.0	6.0	8.0
P/E (x)	11.4	86.1	13.4	9.8
EV/EBITDA (x)	5.8	9.2	6.3	5.4
Div. Yield (%)	2.2	3.3	4.9	6.6



Source: FactSet

Canaccord Genuity view

William Hill is rapidly becoming a US online gaming option (US-listed peer Draftkings trades on 13.5x FY21 EV/revenue) with an 86-year-old trading business attached (UK and European-listed peers trade on ~1.5x FY21 EV/revenue). This neatly obfuscates problems in its UK business - both Retail and Online. It had been two months since WMH updated the market and it has reiterated its guidance of a £100-110m EBITDA impact from COVID-19 (albeit now with a different mix) with monthly cash outflow reduced to £15m. Liquidity is strong but the group remains over-leveraged. UK online gaming performance is disappointing and we reduce our Online forecasts for FY21-22E but increase our US forecasts to reflect the addition of the Caesars sportsbooks with the acquisition by Eldorado (US strategic partner) due to complete next month. This leaves our forecasts broadly unchanged. We reiterate our HOLD recommendation but increase our target price to 110p (from 88p), based on an FY21E P/E of 12.0x (previously 10.0x) supported by our sum-of-the-parts analysis.

4M trading

Total revenue for the 17 weeks to 28 April was down 27% YoY (split -5% in the 10 weeks pre-COVID-19/-57% since). 6% growth in Online gaming in the COVID period lags peers who have seen strong substitution into gaming products. The problem appears to us to lie in its UK performance, with International - bolstered by Mr Green - performing better. Sports wagers fared better than expected, down only 56%, but included Cheltenham. Overall, we think the COVID period disappointed and pre-COVID was flattered by abnormally high win margin.

Outlook

WMH has taken advantage of the current uncertainty, in our view, to abandon all guidance out to FY23, meaning its somewhat optimistic $300m US EBITDA target falls away. Near-term, the resumption of UK horse racing on 1 June, Premier League football next month and other sporting activity resuming across Europe should provide renewed impetus into FY21. The US remains core to its growth strategy - as it does for almost all its peers - and the completion of the Eldorado and Caesars combination will increase its retail footprint.

Liquidity strong and covenants reset Forecasts and valuation

It had been two months since WMH updated the market and as CFO designate Matt Ashley highlighted on the call, the guidance of a £100-110m EBITDA impact hasn't changed, just the mix, with the costs of the additional Retail closure periods absorbed by the furlough scheme. Furthermore, the Group advised that each additional month of Retail closure results in a £12-15m EBITDA impact assuming government financial support continues. The net debt/EBITDA covenant has been amended to 4.5x at June 2021.

We have increased our FY20E earnings to reflect the benefit of furlough but weaker Online. Our FY21-22E Online forecasts are also reduced but US increased to incorporate Caesars sportsbooks. This leaves the stock trading on an FY21E P/E of 13.4x and an EV/EBITDA of 6.3x. The area of subjectivity is the US. Eldorado's valuation of its 20% share in William Hill US implies a value of ~£520m, and a read-across from Draftkings EV/revenue multiple would suggest ~£2.9bn; this is nonsensical to us given it is a 75% premium to the WMH EV (~£1.65bn) - and the two businesses have very different profiles. We forecast the US will make ~£40m EBITDA in FY21E so WMH's 80% share is valued at around £375m if we were to back out its valuation using a SOTP analysis (valuing Retail at 4x and Online at 8x). The stock, having touched 29p intraday a few weeks ago, remains supported by US sports betting fever - we expect this will abate at some point. Maintain HOLD.

Denison Mines Corporation

Base Metals and Minerals

Canadian Equity Research
19 May 2020

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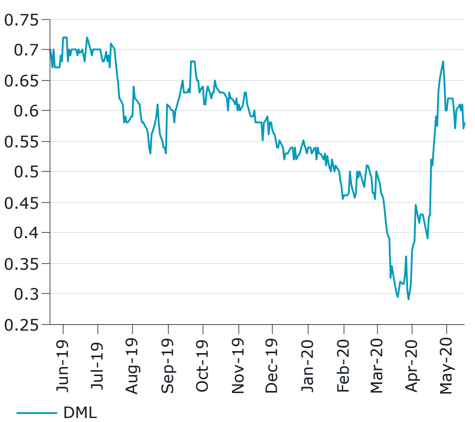
Rating	Price Target
SPECULATIVE BUY *unchanged*	**C$0.90** *unchanged*
DML-TSX DNN-NYSE	Price **C$0.58**

Market Data

52-Week Range (C$) :	0.23 - 0.72
Avg Daily Vol (000s) :	389
Market Cap :	346.4
Shares Out. (M) :	626.0
Enterprise Value :	333
NAV /Shr :	0.87
P/NAV (x) :	0.67

FYE Oct	2019A	2020E	2021E
Net Debt (Cash) (C$M)	(8)	(3)	(15)
FCF /Shr (C$)	(0.03)	(0.02)	(0.03)
EPS (C$)	(0.03)	(0.03)	(0.03)



Source: FactSet

Katie Lachapelle, CPA| Associate Analyst | Canaccord Genuity Corp. (Canada) |
klachapelle@cgf.com | 1.416.869.7294

Big Wheel(er) keep on turnin'; initiating coverage with a SPEC BUY rating and C$0.90 target price

We initiate coverage of Denison Mines Corp. with a SPECULATIVE BUY rating and a C$0.90 per share target price. Denison is a uranium exploration and development company, with a diverse portfolio of uranium interests located in the Athabasca Basin. Denison's key assets include its flagship Wheeler River Project, as well as its 22.5% interest in the McClean Lake JV, among other exploration projects. Our price target is based on 1.0x NAV, forecast as at Apr 1, 2021. Our SPEC BUY rating is based on the 55% implied return to our target and the technical, permitting, and project funding risks associated with the Wheeler River project.

Our investment thesis is based on four key attributes, as detailed below:

Wheels keep turning on Denison's large, high-grade, low-cost flagship project. Denison continues to advance and de-risk its 90%-owned flagship project, Wheeler River. With a resource of 1.9Mt grading 3.2% U_3O_8, Wheeler River is <u>one of the world's highest-grade and lowest-cost undeveloped uranium projects</u>. We anticipate increased interest in the project as momentum builds in the uranium sector and Denison further de-risks the project through additional test work, permitting and final Feasibility. We believe that <u>continued positive field and laboratory results in support of in-situ recovery mining will significantly de-risk the project, and present a potential re-rating opportunity</u>. Based on our long-term price deck of US$50/lb U_3O_8, we estimate an impressive after-tax IRR of 44% on the Wheeler River project. We forecast construction commencing in 2023, with first production in 2026.

Assets are concentrated in the infrastructure-rich eastern Athabasca Basin. The eastern Athabasca Basin is a prolific mining camp, home to some of world's largest uranium mining and milling operations. <u>As the largest undeveloped uranium project in the eastern portion of the Athabasca Basin, Wheeler River is expected to benefit from its close proximity to existing regional infrastructure</u>, including the Provincial power grid, an all-season highway, and the McClean Lake mill. In our view, access to existing infrastructure reduces the capital intensity and development risk profile of the project.

Momentum is building in the uranium sector and <u>Denison provides leverage to an improving uranium market</u> through its diverse asset portfolio. On the back of COVID-19 related supply disruptions, the spot price for uranium has increased ~37% year-to-date to ~US$34/lb. In our view, <u>upward pricing pressure is likely to continue given uncertainty around the timing of production restarts</u> (in particular, Cigar Lake). As these mines remain suspended, the spot market is tightening, and inventories are declining. We believe that utilities are beginning to feel pressure to re-enter into long-term contracts, and we expect these contracts to occur at higher prices (that are more aligned with the global production cost curve), supporting year-over-year increases in the uranium price. <u>We view the return to long-term contracting at higher prices as the next big catalyst for the uranium market</u>. Increasing our uranium price deck by 10% results in a 12% increase to our NAV.

Denison is led by a team of highly experienced industry professionals with the technical and financial expertise required to advance Wheeler River. DML is also part of the Lundin Group of Companies, which has a successful track record of creating value for shareholders.

Key risks: Key risks to our investment thesis include uranium price movements and market sentiment, viability of ISR as the mining method, potential changes to project parameters, permitting and financing risks, and exposure to changes in the CAD:USD exchange rate. A detailed discussion on each of these is in the body of this report.

Upcoming potential catalysts include results from ongoing ISR test work (ongoing), advancement of EA level work including submission of an Environmental Impact Statement (H1 2021), and completion of a bankable Feasibility Study.

Uranium Participation Corp.

Base Metals and Minerals

19 May 2020

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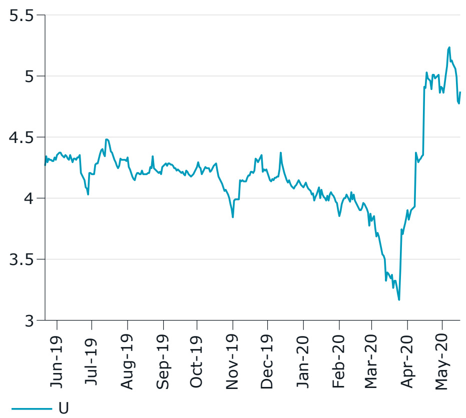
Rating	Price Target
BUY *unchanged*	**C$6.25** *unchanged*
U-TSX	Price **C$4.87**

Market Data

52-Week Range (C$) :	3.12 - 5.35
Avg Daily Vol (000s) :	419
Market Cap :	672.4
Shares Out. (M) :	138.1
Enterprise Value :	669
NAV /Shr :	6.01
P/NAV (x) :	0.81



Source: FactSet

Katie Lachapelle, CPA| Associate Analyst | Canaccord Genuity Corp. (Canada) |
klachapelle@cgf.com | 1.416.869.7294

Wake me up before 'U' go go; initiating coverage with a BUY rating and C$6.25 target price

We are initiating coverage of Uranium Participation Corp. ("UPC","U") with a BUY rating and a C$6.25 per share target price. UPC is a Toronto-based holding company that invests exclusively in physical uranium. UPC's primary objective is to achieve appreciation in the value of its uranium holdings (U_3O_8 and UF_6) through upward movements in the uranium price.

Our target price is based on 1.0x our 12-month forward NAVPS estimate. Our NAVPS is based on our valuation of UPC's inventory of physical uranium (U_3O_8 and UF_6) priced at our 12-month spot uranium forecast, net of working capital adjustments. Our BUY rating is based on the 28% implied return to our target.

Our investment thesis is based on three key attributes as summarized below:

1. UPC offers low-risk exposure to uranium: Through its strategy of buying and holding uranium, UPC provides investors with an indirect way to invest in physical uranium, without being exposed to the operational risks associated with companies that engage in the exploration, development, mining and processing of uranium. These risks can result in negative share price movements, independent of sentiment in the uranium market. Thus, by not being exposed to operational risks, UPC's shares closely track movements in the uranium price with a high degree of correlation (0.89 versus the producer and developer group average of 0.61). In our view, UPC is the cleanest investment vehicle for uranium exposure.

2. Trading discounts (and premiums) create opportunities: As a holding company, UPC is not actively managed to track the price of uranium. Therefore, UPC's shares often trade at a premium or a discount to their net asset value. In our view, this creates opportunity whenever the share price deviates from the underlying value of the physical uranium UPC holds. We estimate a current NAV of C$6.01/sh, based on UxC's last reported spot price of ~US$34/lb U_3O_8 and UPC's uranium holdings of ~17.4mlbs U_3O_8 equivalent. This implies that UPC's shares are currently trading at a 19% discount to NAV, well below the historical average premium of 0.7%. In our view, this presents an attractive buying opportunity, given our expectation of a rising uranium price.

3. Supply/demand dynamics create upward pricing pressure: In light of recent supply/demand dynamics, we are increasingly positive on the near-term outlook for uranium pricing, and we continue to believe in the strong long-term fundamentals. In our view, upward pressure on pricing is likely to continue given uncertainty around the timing of production restarts related to COVID-19, as well as ongoing supply-side discipline from some of the world's largest producers (Cameco and Kazatomprom).

These supply-side disruptions have resulted in a significant tightening in the spot market, making it difficult for traders to find material to support mid-term carry trade contracts. These contracts have been a major source of supply for utilities over the past few years, displacing the need for long-term contracts. We believe that tightening supply and a decline in mid-term market activity will pressure utilities to re-enter the long-term market to ensure future supply for their reactors. We continue to view the return to long-term contracting at higher prices as the next big potential catalyst for the uranium market. We expect these contracts to occur at higher prices, supporting year-over-year increases in the uranium price towards our long-term price of US$50/lb U_3O_8.

Key risks: Key risks to our investment thesis include weaker-than-expected uranium prices, volatility in the CAD:USD exchange rate, and further dilution via capital market transactions. We provide a detailed discussion on each of these in the body of this report.

Upcoming potential catalysts include positive developments in the uranium market resulting in increases in the spot uranium price, a closing of the gap between the share price and NAV, and additional buying under the recently announced NCIB.

Canaccord Genuity Capital Markets

Flash Update

Filo Mining Corp.

Base Metals - Developer/Explorer

Canadian Equity Research
20 May 2020

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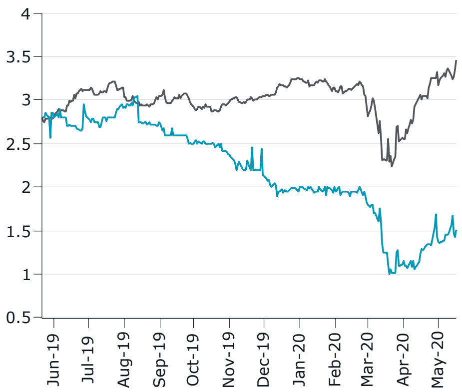
Dalton Baretto, CFA| Analyst | Canaccord Genuity Corp. (Canada) | dbaretto@cgf.com | 1.416.869.7380
Katie Lachapelle, CPA| Associate Analyst | Canaccord Genuity Corp. (Canada) | klachapelle@cgf.com | 1.416.869.7294
Lucas Pamatat| Associate | Canaccord Genuity Corp. (Canada) | lpamatat@cgf.com | 1.416.687.6371

Rating	Price Target
SPECULATIVE BUY *unchanged*	**C$2.25** *unchanged*
FIL-TSXV	Price **C$1.09**

Market Data

52-Week Range (C$) :	1.00 - 3.25
Avg Daily Vol (000s) :	23.35
Shares Out. (M) :	88.2
Market Cap (C$M) :	145.6
Dividend /Shr (C$) :	0.00
Dividend Yield (%) :	0.0



Source: FactSet

Final assays released

Summary: This morning FIL announced the results of the final set of assays released from the 2019/20 drill program at the Filo del Sol project in Argentina. As previously announced, the program was truncated in late March due to the Argentine government's COVID-19 related directive. Eight diamond drill holes and 13 RC holes were drilled to various states of completion during the program, of which assay results on five diamond holes (FSDH032-036) and 11 RC holes (VRC166-176) were previously released.

Although unfortunately truncated early, we believe the 2019/20 drill program generally served its purpose in terms of better defining the existence and extent of the under-lying porphyry to the north and at depth. We look forward to the resumption of the campaign next season.

Please refer to the accompanying figure for context on the discussion below.

Highlight:

FSDH038: This hole was collared next to previous hole FSDH030 in the central part of the deposit, and it was drilled to the west at an angle of -80 degrees. Drilling reached a depth of 383m before the program was curtailed. Strong Cu-Au mineralization was intersected starting at 150m, and the hole ended in mineralization; we note that this hole is entirely within the currently defined resource.

- 233m grading 1.76% CuEq, inc.
  - 73m grading 2.04% CuEq

Other intercepts:

- **FSDH037** stepped out 200m to the north of the resource and was drilled to a depth of 205m before being curtailed. Alteration and geochemistry are similar to previous holes FSDH032 and FSDH033, with strong rhyolite down to 150m followed by a breccia down to the end of the hole.
- **FSDH039** stepped out even further north, to 1.9km beyond FSDH038. This hole was designed to test the strong results returned from a previous RC hole, but did not achieve the targeted depth before being truncated. Nonetheless, alteration patterns encountered indicate that the epithermal system extends at least this far.

Khiron Life Sciences Corp.

Cannabis

Canadian Equity Research
20 May 2020

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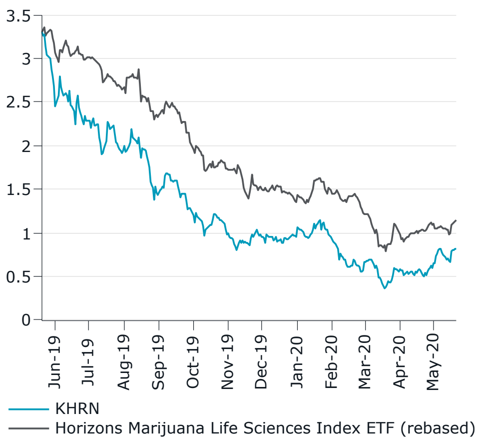
Kimberly Hedlin, CPA, CMA| Analyst | Canaccord Genuity Corp. (Canada) | khedlin@cgf.com | 1.403.508.3854
Alisa Nagorny| Associate | Canaccord Genuity Corp. (Canada) | anagorny@cgf.com | 1.416.869.7379

Rating	Price Target
SPECULATIVE BUY *unchanged*	**C$2.80** *unchanged*
KHRN-TSXV	Price **C$0.80**

Market Data

52-Week Range (C$) :	0.30 - 3.33
Avg Daily Vol (000s) :	458.34
Shares Out. (M) :	107.4
Market Cap (C$M) :	88.1
Dividend /Shr (C$) :	0.00
Dividend Yield (%) :	0.0

Note: Net debt (cash) includes warrants and options dilutive to target.



Source: FactSet

Colombian THC sales commence

Khiron announced yesterday that it has received authorization from Colombia's National Narcotics Fund to begin selling magistral preparations of high-THC medical cannabis. This marks the final hurdle to begin sales of high-THC products in Colombia, and as the country's first producer authorized to do so, we believe Khiron will continue to solidify its leadership position in the region.

Highlights

- The authorization positions Khiron as the first and, to date, only company fully authorized to manufacture and sell high-THC medical cannabis for patient prescriptions in Colombia.
- Initial high-THC product prescriptions under the National Narcotics Fund authorization will be filled through the company's fully owned ILANS clinics, which received the high-THC dispensary authorization.
- Distribution is expected to expand as Khiron's Colombian pharmacy partners receive dispensing authorizations, anticipated in Q3/20.
- The approval comes roughly two months after Khiron announced low-THC sales approvals, two weeks after issuing its first prescriptions in the UK, and roughly three weeks after signing a significant distribution and marketing agreement in Brazil. While the company has recently achieved a number of important milestones, as noted below, we see further potential catalysts on the horizon.

Potential catalysts

In our view, key catalysts in Colombia, Brazil, Peru and Europe include the following.

- **Colombia**. In Colombia, we will be monitoring the company’s medical sales ramp-up, along with a broader telemedicine rollout and incremental pharmacy and delivery agreements. The Zerenia clinic is expected to open shortly, while the company has also indicated it is pursuing EU-GMP at its production facility.
- **Brazil**. In our view, key potential catalysts for Brazil include a GMP medical supply partner, sanitary authorization applications (and approvals for prescription products under new medical regulations) and the start of sales through a compassionate care platform (starting as early as Q3/20). We also expect the company to pursue a distribution partner in central/northern Brazil.
- **Peru**. Sales in Peru are contingent on the receipt of a THC import quota and are forecast to start in Q3/20.
- **Europe**. We will be monitoring patient uptick levels following first sales into the UK through Project Twenty21. We will also be watching for an entry into the German market, which is likely contingent on a supply agreement with an EU-GMP certified producer (or Khiron achieving EU GMP certification at its Colombian facility).

Valuation

Using a SOTP DCF model (WACC of 10-17% and 2.0% terminal growth rate), we arrive at a target price of C$2.80/sh, which implies a potential return of ~240%. Based on our estimates, KHRN is trading at a 2021E EV/revenue multiple of 1.0x, versus our target multiple of 5.1x. Given the company's market opportunity, current leadership position, and potential catalysts, we highlight Khiron as a top pick.

Kraken Robotics Inc.

Aerospace Technology

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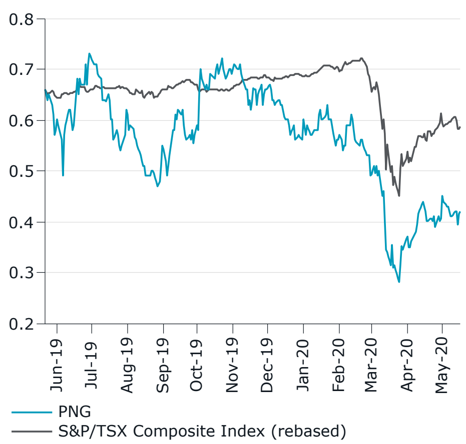
Doug Taylor, CFA | Analyst | Canaccord Genuity Corp. (Canada) | dtaylor@cgf.com | 1.416.867.6101
Neil Bakshi | Associate | Canaccord Genuity Corp. (Canada) | nbakshi@cgf.com | 1.416.867.2366

Rating	Price Target
SPECULATIVE BUY *unchanged*	**C$0.75** *unchanged*
PNG-TSXV	Price **C$0.42**

Market Data

52-Week Range (C$) :	0.28 - 0.76
Avg Daily Vol (000s) :	155
Market Cap (C$M) :	66.0
Shares Out. (M) :	157.1
Total Return to Target (%) :	78.6
Net Debt (Cash) (C$M) :	(0.2)
Enterprise Value (C$M) :	65.8
Last Reported Quarter:	Q4/19A

FYE Oct	2018A	2019A	2020E	2021E
Revenue (C$M)	6.7	15.1	26.6	44.0
EBITDA Adj (C$M)	(3.3)	0.4	4.7	13.1
Free Cash Flow (C$M)	(6.8)	(5.6)	0.3	3.4
EV/Sales (x)	9.2	4.3	2.5	1.4
EV/EBITDA (x)	(20.1)	157.2	14.1	5.0



Source: FactSet

Virtual roadshow notes; maintain SPEC BUY and C$0.75 target

Investment Recommendation

We hosted Kraken Robotics Founder and CEO Karl Kenny and CFO Joe Mackay for a day of marketing meetings on Tuesday. The meetings confirmed our view that Kraken is set up to string together at least a couple of years of exceptional growth in 2020 and 2021 with improving operating leverage. This is supported by five near-term contract opportunities, which management went into in detail; news (and initial revenue) is expected on each of these fronts through the balance of 2020. This sets up a catalyst-rich period for Kraken shares, in our view. Against that backdrop, we continue to find the stock undervalued. We maintain a SPECULATIVE BUY rating and $0.75 target price.

Investment Highlights

Multiple opportunities are coalescing to support growth projections. During the meetings, Kraken went into specifics on five specific near-term contract pursuits that support our expectations for 76% revenue growth in 2020 and 66% in 2021. Importantly, COVID-19, while causing some small logistics issues, has not led to a material change in the company's trajectory. Specifically, we point to the following:

- **Danish Navy –** After originally announcing a $35 – 40M award in October 2019, which we understand to be with the Danish Navy, Kraken has seen the contracting phase stalled by a challenge. Management believes this will be resolved in the coming weeks and allow the company to begin executing against the award. Once it begins, Kraken expects to recognize the majority over the next two years.
- **Polish Navy –** The Polish Navy is updating its mine-hunting capabilities and is considering procuring 2 – 3 KATFISH, which could represent a $10M+ award to Kraken beginning as early as Q3. Note that military contracts are expected to carry higher margins (50%+ gross margins and ~30% EBITDA margins).
- **Ocean Infinity** – Customer (and ~15% shareholder) Ocean Infinity is constructing a new fleet of autonomous ships called Armada. The company anticipates that 7 – 10 of these ships could get outfitted with KATFISH drones in addition to winches, etc. The company expects a decision to be made on this portion of the build as early as Q3 and that this could represent a $10 – 15M opportunity for Kraken.
- **ThayerMahan** has already purchased multiple KATFISH and is expected to have demand for several more as it continues its own growth in work for the US govt.
- **US Navy** – Kraken won a foreign comparative test for sensor systems for small man-portable drones, which are being upgraded by the U.S. Navy. The company is delivering prototypes and expects to participate in a competitive bake-off, which could potentially lead to a $50M opportunity. We hope to learn more about this prospect in the fall.
- **Batteries –** After a dramatic step higher in revenue from the now fully owned Kraken Power subsidiary for subsea, pressure-tolerant batteries in 2019, the company expects to continue to produce ~$10M/year worth of batteries per year going forward, noting multiple new customer opportunities.

Robotics-as-a-Service (RaaS) remains an exciting potential upside opportunity. The company continues to work towards building out a service model referred to as SeaVision, which involves performing surveys on behalf of clients (rather than selling them systems). This will include periodic collection of data and subsequent data analytics. Potential customers include commercial offshore O&G, utilities (wind power, etc.) and other infrastructure providers. The R&D effort to establish this solution is being funded largely by the Ocean Supercluster grant in the near term. While this business does not yet represent a significant part of our growth profile for the coming years, an increasing proportion of revenue from this type of recurring revenue source has positive implications for valuation and addressable market sizing, in our view.

Company Update

Vistry Group plc

Homebuilding

Aynsley Lammin | Analyst | Canaccord Genuity Ltd (UK) | alammin@cgf.com | 44.20.7523.8344

Reacting well to events; significant valuation discount; BUY, 840p target price

Rating	Price Target
BUY *unchanged*	**840p** *unchanged*
VTY-LSE	Price **760p**

Canaccord Genuity view

The Group is making good progress integrating the two businesses and is in a comfortable liquidity position despite having more debt than peers. The Partnerships business provides good revenue visibility and should help cash-flow as construction activity reopens. The Group has clearly found a way to operate safely on site and should continue to see build rates improve. As the builders are finding workable solutions to managing site activity with social distancing, the focus will increasingly turn to what underlying demand will be over and above the current order book. It remains early days but it is encouraging that in recent weeks, the levels of website traffic and prospects have been strong and have returned to the levels seen in January and February. Anecdotally, demand does seem to be improving over recent weeks; clearly the impact of unemployment trends on demand beyond the summer remains a key issue. The Group is being proactive and positioning itself well to meet the 'new normal' environment. Shares are up from their April lows but remain around 50% lower than their February highs. There is significant potential value in the shares assuming underlying demand improves to decent levels into 2021. Shares remain at a significant discount to book value.

Update summary

The update confirmed that the Group's performance during lockdown, while severely impacted, has been better than initially expected in respect of reservations, completions and cash management. The Group has instituted safe working practices including social distancing measures and now has around 5,600 operatives back working across its developments and expects productivity to continue to increase. Partnerships led the Group's return to site and proved to be the most resilient part of the business.

Operational update

In Partnerships, over 70% of production capacity has been restored. Interest from housing associations and investors continues to be strong. In Housebuilding, its sales offices have reopened. Over the past 8 weeks, it took 447 gross private reservations resulting in 300 reservations net of cancellations. The sales rate has been improving and has been 0.26 over the past three weeks. Pricing has been broadly in line over the last 8 weeks. It is operating on 119 out of a total of 172 housebuilding developments with more to open.

Business integration and funding

The integration of the two businesses is clearly progressing well with the new operating and reporting structures in place. More cost savings (£9.5m) have been identified which are expected to increase the anticipated total annualised synergies from the deal to over £44m. As at 18th May, the Group had net debt of £476m (21st April 2020: £440m) and committed bank facilities of £770m with well spread maturities out to 2027. The Group has received confirmation that it is eligible to access funding from the Bank of England CCFF should it be required.

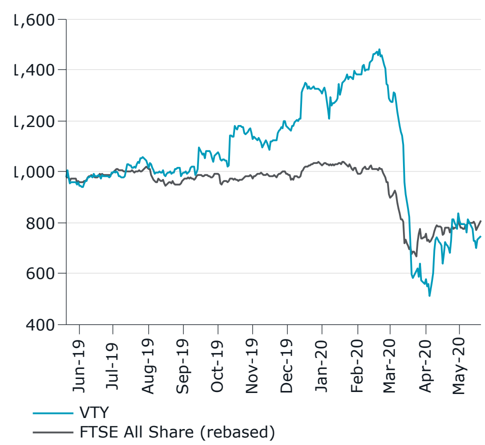
Valuation

Shares are down by -42% YTD and reside on a 2020E price-to-book multiple of only 0.76 times which it is currently at the bottom end of the sector range.

Market Data

52-Week Range (p) :	523 - 1,491
Avg Daily Vol (M) :	0.4
Market Cap (£M) :	1,651.0
Shares Out. (M) :	217.4

FYE Oct	2019A	2020E	2021E	2022E
Sales (£M)	1,124	1,907	2,199	2,414
EBIT (£M)	192.6	255.9	320.8	380.9
PBT Adj (£M)	188.3	220.0	295.0	355.0
EPS Adj&Dil (p)	110.5	81.0	108.6	130.7
DPS (p)	106.2	0.0	54.3	65.3
P/E (x)	9.5	9.4	7.0	5.8
P/NAV (x)	1.1	0.8	0.7	0.7
Div. Yield (%)	10.1	0.0	7.1	8.6
ROE (%)	12.9	8.2	10.7	12.1
EV/Sales (x)	1.1	0.8	0.8	0.6



Source: FactSet

Canaccord Genuity Capital Markets

Company Update

Atomo Diagnostics Ltd

Diagnostics and Tools

20 May 2020

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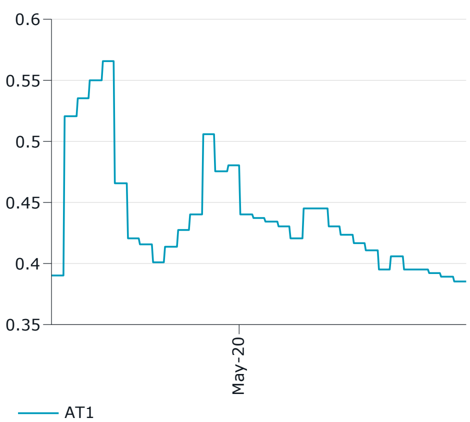
Martyn Jacobs | Canaccord Genuity (Australia) Ltd. | mjacobs@cgf.com | +61 3 8688 9164

Rating	Price Target
BUY *unchanged*	**A$0.65** *unchanged*
AT1-ASX	Price **A$0.38**

Market Data

52-Week Range (A$) :	0.36 - 0.63
Market Cap (A$M) :	214.0
Shares Out. (M) :	560.9
Dividend /Shr (A$) :	0.00
Dividend Yield (%) :	0.0
Net Debt (Cash) (A$M) :	(22.6)
Enterprise Value (A$M) :	236

FYE Oct	2019A	2020E	2021E	2022E
Sales (A$M)	0.5	4.1	21.2	38.2
Gross Profit (A$M)	0.1	2.6	14.2	26.0
EBITDA (A$M)	(5.3)	(5.6)	4.4	15.3
Net Income Adj (A$M)	(4.8)	(5.7)	3.3	13.9
EPS Adj&Dil (A$)	(0.01)	(0.01)	0.01	0.02
EV/Sales (x)	414.8	50.5	9.8	5.2
EV/EBITDA (x)	(42.6)	(36.5)	47.0	13.1
P/E (x)	(68.8)	(39.9)	69.9	16.5
Net Debt (Cash) (A$M)	(5)	(23)	(21)	(29)



Source: FactSet

Canaccord Genuity (Australia) Limited has received a fee as Lead Manager to the Atomo Diagnostics capital raising announced in October 2019.

Canaccord Genuity (Australia) Limited has received a fee as Lead Manager to the Atomo Diagnostics IPO announced 14 April 2020.

Canaccord Genuity (Australia) Limited has received a fee as the Lead Manager and Bookrunner to the Bellevue Gold Limited capital raising announced on 24 July 2019.

Canaccord Genuity (Australia) Limited has received

Academic preprint study - "a potentially game changing diagnostic tool"; maintain BUY and A$0.65 price target

Investment Recommendation

Given the debate that has emerged around serology v molecular testing, in the context of COVID-19, we believe the preliminary academic paper we summarise in this note could, if proved accurate, make a helpful contribution to the diagnosis of cases and also be potentially materially positive for Atomo Diagnostics.

French company NG Biotech submitted its COVID-19 diagnostic test strip, which is carried by the Atomo device, for independent examination. The testing was conducted by France's Hôpital Bicêtre (Bacteriology-Hygiene Dept), independent of NG/AT1, and funded by independent third parties, including not-for-profit Médecins Sans Frontières. Note, this preliminary academic paper has been submitted to *The Lancet* for peer review, is not yet published, and is publicly available in *The Lancet's* preprint library.

We believe the data could assist the Australian Therapeutic Goods Association (TGA) in its assessment of the NG test for Australian clearance and registration. The key metrics from the independent study include **sensitivity at 97% and specificity at 100%**.

Key Highlights

The traditional swab test has limitations - There are substantial limitations to the rT-PCR (PCR or swab) category of test. It requires specialised expensive laboratory equipment, is often only located in laboratories with biosafety level ≥2 and may require sample transportation that can delay results for 2-3 days. PCR swab samples may also be complicated to obtain, pose considerable risk to health care workers with insufficient personal protective equipment (PPE), and can produce false-negative results in up to 30% of confirmed COVID-19 patients in a clinical setting, either due to poor sampling or lower viral loads if the illness it is at a more advanced stage.

Key result details - Over two weeks in mid-March, 256 samples were studied across c.150 patients using the NG test carried by the Atomo device. The study revealed a 97% sensitivity or true positive rate, indicating there were very few 'false negatives'. Importantly, the study also generated a 100% specificity or true negative rate, revealing zero 'false positives'. Correctly identifying negative outcomes 100% of the time is important to give people confidence to return to work and socially connect, in our view.

Authors' view - The authors noted that the 15-minute timeline, as compared to several hours or days for molecular testing, suggests that the NG/Atomo test could be a useful tool for triaging patients, especially in overwhelmed hospital settings in high burden areas. The results were compatible with those recently published using ELISA (a laboratory programme referenced within the preliminary academic paper). The authors noted the complete absence of false positives makes the NG test, in their view, a "potentially game changing diagnostic tool in the currently limited arsenal with which to fight the disease." The authors made the interesting point that although the result was read at 15 minutes, **in most of the IgM + IgG positive cases the signals appeared within ≤2 minutes**.

Utility of the test - The authors confirmed that the NG/Atomo test is simple, cheap, rapid, easy to interpret and practical, as it can be stored at room temperature. It reliably detects the antibodies IgM and IgG and can be performed at a patient's bedside, at a general physician's office, or when triaging in an emergency department. The article holds out some potential for a measure of immunity, subject to further study. It indicates a range of use cases for the test including health workers, non-medical essential workers; use by physicians to diagnose cases after eight days and confirm infection from those with a negative PCR test; segmenting those immune from those needing protection; and evaluating population antibody prevalence to calibrate epidemic and mortality projections.

Target Price Changes

Canadian Banks

Canadian Equity Research
20 May 2020

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Company	Rating	Price	Target
Canadian Banks			
BMO-TSX	Buy	C$65.22	C$73.00↓
previous			*C$106.00*
BNS-TSX	Hold	C$51.08	C$53.00↓
previous			*C$77.00*
CM-TSX	Hold	C$81.87	C$84.00↓
previous			*C$109.00*
CWB-TSX	Buy	C$20.76	C$24.00↑
previous			*C$22.00*
LB-TSX	Sell	C$29.09	C$26.50↑
previous			*C$23.00*
NA-TSX	Hold	C$53.47	C$58.50↓
previous			*C$72.50*
RY-TSX	Hold	C$83.73	C$86.50↓
previous			*C$110.00*
TD-TSX	Hold	C$56.14	C$57.00↓
previous			*C$75.00*

Priced as of close of business 19 May 2020

Scott Chan, MBA, CFA| Analyst | Canaccord Genuity Corp. (Canada) | schan@cgf.com | 1.416.869.3549
Pratik Agarwal| Associate | Canaccord Genuity Corp. (Canada) | pagarwal@cgf.com |
Nicolas Racine | Canaccord Genuity Corp. (Canada) | nracine@cgf.com | 1.416.867.6108

Q2/F20 preview: Significantly lowering our EPS forecasts; moving valuation approach to P/B

Canadian banks' FQ2 reporting begins on May 26 with BNS and NA. Since FQ1 results began (Feb. 21), the Big 6 banks have been significantly impacted by COVID-19, declining on average 27%, comparing unfavorably to the TSX Composite at -17% (see Fig. 4). We made several assumption changes heading into the quarter (see below) that significantly altered our EPS estimates. For the Group (avg.), we took down our F2020 / F2021 EPS forecasts by 34%/21%, respectively (Fig. 6). For FQ2, we forecast Big 6 bank EPS declining 51% QoQ, similar to what was reported for US regional banks (see link). We continue to believe the higher quality Big 6 bank stocks include RY, TD, and NA (from credit and capital perspective), while BMO, BNS, and CM (all trading at P/B fwd. of <1x) should offer more upside in a market recovery.

- **COVID-19 assumption changes.** We mainly took the playbook from US Mega bank earnings (see link) and adjusted our EPS estimates downwards amidst COVID-19, mainly related to (1) higher FQ2 loan growth (e.g. commercial and corporate drawdowns) and deceleration over next two quarters; (2) NIM compression (e.g. US Fed and BOC rate cuts, lower credit card rates); (3) CMRR (e.g. AUM / WM / custodial related fees, underwriting and advisory); (4) slightly lower NIX (e.g. from variable comp; majority of Banks to not lay off employees during pandemic); (5) credit (F2020E: PCL ratio of ~90 bps for Group); and (6) removed NCIB and dividend growth assumptions.
- **Significantly reducing EPS estimates.** Out of the assumptions above, we view credit as the biggest wildcard towards earnings variability. For the Big 6, we have reduced our FQ2/20 EPS estimates, reflecting -51% QoQ growth (see Fig. 8). For the upcoming quarter, we believe BMO, BNS, and CM are most susceptible to the largest QoQ EPS declines (ranging from -55% to -61%), while RY, NA, and TD offer less EPS downside, in our view. For F2020E, our Group (avg.) EPS forecast declines 32% YoY and rebounds by 25% in F2021. The Big 6 banks have averaged 7% EPS growth over the past 14 years (F2019: +3%). With our revised F2021 EPS forecasts, the Group currently trades at a P/E (F2021E) of 9.2x vs. its historical range of 7.2x to 12.4x (Fig. 15).
- **Changing valuation approach to P/B.** Due to earnings uncertainty, we are changing our valuation approach on Banks to reflect new target P/B multiples. On this metric, we suggest that Cdn. Banks have decent share upside medium term. Currently, the Group (avg.) trades at P/B (NTM) of 1.1x (Fig. 18). In Fig. 1, we show our new P/B target multiples by each Bank against our prospective F2021 ROE forecasts. Recall, our old valuation methodology reflected a Group P/E bank multiple of 10.5x that applied premiums/discounts for each company. As a result, our Big 6 bank target prices have decreased on average by 25%. Applying the new valuation methodology, we increased our target prices for the regional banks (CWB and LB).
- **Strong capital position.** The Big 6 banks are in a strong capital position. At Q1/F20, the Group reported a CET 1 ratio (avg.) of 11.5% (Fig. 14) with RY's ratio highest at 12.0%. Recall, OSFI announced that it has decreased the Domestic Stability Buffer (D-SIB) to 1% on RWA (from 2.25%), effectively lowering the minimum CET 1 ratio to 9.0% (from 10.25%). The two largest factors impacting capital include provision for credit losses and RWA inflation. Currently, we suggest the Big 6 banks' dividend yield (avg. of 6.0%) provides near-term support with an expected F2021E payout ratio (avg.) of 55%. The Big 6 banks should be able to earn at least their dividend payments over the next two quarters and maintain their current dividend over our forecasted period. We believe that LB would be most at risk for a dividend cut near term (CGe: FQ2 EPS forecast of $0.23).

Canaccord Genuity Capital Markets

Australian Equity Research
20 May 2020

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Company	Rating	Price	Target
Precious Metals - Developer/Explorer			
BGL-ASX	Spec Buy	A$0.64	A$1.35↑
previous			*A$1.30*
BRB-ASX	Spec Buy	A$0.26	A$0.70↑
previous			*A$0.65*
CMM-ASX	Spec Buy	A$1.56	A$1.75↑
previous			*A$1.70*
KSN-ASX	Spec Buy	A$0.16	A$0.85↑
previous			*A$0.80*
MZZ-ASX	Spec Buy	A$0.26	A$0.85
Precious Metals - Producer			
DCN-ASX	Spec Buy	A$0.44	A$0.65
EVN-ASX	Hold↓	A$6.08	A$5.85↑
previous			*A$5.40*
GOR-ASX	Buy	A$1.76	A$2.20↑
previous			*A$2.15*
NST-ASX	Buy	A$14.12	A$16.05↑
previous			*A$15.55*
OGC-ASX	Buy	A$2.96	A$5.05↑
previous			*A$4.55*
PRU-ASX	Buy	A$1.15	A$1.85↑
previous			*A$1.70*
RRL-ASX	Buy	A$5.21	A$6.05↑
previous			*A$5.85*
RSG-ASX	Buy	A$1.13	A$2.05↑
previous			*A$1.85*
SAR-ASX	Buy	A$5.63	A$6.10↑
previous			*A$5.90*
SBM-ASX	Buy	A$3.13	A$4.55↑
previous			*A$4.30*
SLR-ASX	Hold↓	A$2.15	A$2.25↑
previous			*A$2.15*
WGX-ASX	Buy	A$2.35	A$3.65↑
previous			*A$3.55*
Precious Metals and Minerals			
RED-ASX	Spec Buy	A$0.29	A$0.50

Priced as of close of business 18 May 2020

Reg Spencer| Analyst | Canaccord Genuity (Australia) Ltd. | rspencer@cgf.com | +61.2.9263.2701
Tim McCormack| Analyst | Canaccord Genuity (Australia) Ltd. | tmccormack@cgf.com | +61.8.9268.4810
Henry Renshaw| Analyst | Canaccord Genuity (Australia) Ltd. | hrenshaw@cgf.com | +61.2.9263.2798

Price deck update - Precious metals

Gold price breakout? After observing a recent "mini" gold price breakout last week (to ~US$1,740/oz), and our retained view that the current macro backdrop is supportive of a higher gold price, we have re-cut our precious metal and AUD:USD forward-curve pricing assumptions. The Aussie dollar has strengthened since our last update (Q2'20 price deck update) and appears to be holding in the mid-60's against the US dollar, with forward-curve pricing expectations relatively flat over the long term.

Broadly speaking, ASX-listed gold equities look to have already reacted to the recent move with over half of our covered names above pre-COVID-19 levels (excluding DCN, up 6%). In addition to outlining updated pricing assumptions, we have reviewed our top picks.

Price deck update

The updated forward-curve pricing assumptions for US$ gold see the long-term (2025) prices up by 6.3% to US$1,824/oz, with nearer-term (2020-2023) prices increasing by an average of 5.8%. Our long-term AUD:USD assumptions have increased by 4% to AUD:USD 0.64, resulting in our long-term A$ gold price assumption increasing by 2% to A$2,864/oz.

Valuation & rating changes

Our valuation changes (see sidebar) result from updated commodity price and currency assumptions. Methodology changes include a minor upward revision to the EVN.ASX operating NAV multiple to 1.3x (from 1.25x). On average, our producer valuations have increased 5% (both Senior producers and Intermediate/Junior producers +5%). EVN.ASX and SLR.ASX ratings are changed to HOLD (from BUY) on valuation grounds.

Top pick - Senior producers:

SAR - 100% exposure to A$ gold prices and organic production growth potential from Super Pit (valuation more leveraged to Super Pit upside compared to NST).

Top picks - Intermediate/Junior producers:

RSG - Attractive valuation/FCF metrics (P/NAV 0.55x, FY21e FCF Yield 24%). Potential upcoming stock catalyst with the successful ramp-up at Syama.

OGC - Fundamental valuation upside (P/NAV of 0.59x, after recent share price strength), coupled with production growth underpinned by development of new UG mines at Waihi and Haile, and a possible restart a Didipio.

SBM - Multiple avenues for asset optimisation with capex phase nearing completion at Gwalia, Simberi sulphides investment case improving (FID MarQ'21) and possible Atlantic optimisation.

GOR - Healthy CF from the low-risk Gruyere operation (+A$150m p.a, ~10% FCF yield) after funding exploration work programs in the Yamana region.

Top pick - Developer/Explorer:

BGL - High quality, high grade (2.2Moz at 11.3 g/t) development opportunity in WA; resource growth potential, strong newsflow, and takeover appeal.

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Global Stock Ratings (as of 05/20/20)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	499	59.19%	53.51%
Hold	202	23.96%	39.60%
Sell	17	2.02%	29.41%
Speculative Buy	125	14.83%	72.80%
	843*	100.0%	

*Total includes stocks that are Under Review

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