ESTIMATES / TARGETS RAISED

SAP SE

Keith Bachman - Software

Solid FCF Performance

Mkt	$133.38	$147.00	$163,857
Rating	Price	Target	Mkt Cap.

- SAP reported a solid quarter with consistent growth in cloud backlog, better-than-expected performance in license/maintenance, impressive op margin and FCF performance, while cloud growth was a touch disappointing.
- Management reiterated full year guidance which seems particularly conservative for margins and FCF, though cloud growth implies an acceleration.
- From a stock perspective, we continue to view the risk return as balanced, and thus maintain our Market Perform rating, and prefer ADBE and MSFT in GARP software.

Surge Energy

Mike Murphy - E&P - Canada

Resuming Coverage: Convertible Debenture Financing and Redemption

Mkt	$9.18	$10.50	$903
Rating	Price	Target	Mkt Cap.

- Surge previously announced a public offering of $42 million of convertible debentures with an interest rate of 8.50% per annum, payable semi-annually commencing on June 30, 2024.
- The debentures will mature on December 31, 2028, and the net proceeds are intended to be used to fund the redemption of Surge's 6.75% convertible debentures due June 30, 2024, as well as for general corporate purposes.
- We maintain our Market Perform rating and are increasing our target price to $10.50 on the back of our updated price deck.

IN THIS ISSUE

ESTIMATES / TARGETS LOWERED

CCL.B	LNR	MFI	MGA
MRE	MTL	RBY	TVE

Altius Minerals

Rene Cartier - Metals & Mining

Q3/23 Attributable Royalty Revenue Short of Expectations

Mkt	$21.08	$22.00	$1,001
Rating	Price	Target	Mkt Cap.

- Altius delivered weaker-than-expected Q3/23 attributable royalty revenue relative to our estimates. In our view, the miss in the results was mainly driven by the potash division and to a lesser extent base and battery metals and thermal coal.
- In the quarter, Altius received its first lithium royalty revenue. SEDI filings show Altius was active on share repurchases and cancelations during the quarter. Altius plans to release its full Q3/23 results after market close on November 8.
- Our target price slightly lowers to $22.00 (from $23.00) after incorporating the results.

Blackstone Group

Rufus Hone - Asset Managers

3Q23: A Rare Quarterly Miss; Lingering Headwinds for PE/RE Next Year

Mkt	$102.30	$94.00	$124,344
Rating	Price	Target	Mkt Cap.

- We lower forward EPS estimates up to 6% following BX's softer-than-expected 3Q results and reduce our target to $94 (from $97). BX struck a slightly more cautious tone this quarter, with BX's primary KPIs (inflows, deployment, and realizations) all decelerating QoQ.
- Nevertheless, we expect BX's business to remain resilient, despite its overweight position in RE/PE, where interest rate/macro headwinds are more acute. Private credit continues to experience strong demand, but a recovery in Private Wealth fundraising is the more meaningful catalyst for BX.
- We see greater relative value among APO/KKR.

Discover Financial Services

James Fotheringham - Specialty Finance

3Q23: Lowering Estimates and Target Due to Higher Provisions and Share Counts

Mkt	$91.85	$99.00	$22,958
Rating	Price	Target	Mkt Cap.

- Following DFS's 3Q23 big credit miss, we lower estimates as much as -7% (higher provisions and share counts) and we lower our target price to $99 (was $100).
- DFS attributed half its bigger-than-expected reserve build to card loan growth (+16%) and the other half to macroeconomic pressures (affecting lower-mid FICO borrowers disproportionately); if delinquencies fail to slow over the coming months, incremental provisions are likely.
- Management tweaked full-year guidance higher on slightly faster loan growth, but credit quality (card loan losses) and regulatory issues (buy-back pause) remain in focus.

Freeport-McMoRan

Katja Jancic - Metals & Mining - US

Executing

OP	$35.23	$45.00	$50,507
Rating	Price	Target	Mkt Cap.

- Freeport delivered another solid quarter, driven by better-than-expected copper sales. Looking ahead, no major changes to '24/'25 targets, other than a slight capex increase.
- However, we are reducing estimates given the increase in energy costs and our expectations for costs to remain stickier. We are also reducing our target to $45.
- FCX has a strong pipeline of organic initiatives/projects in the near/medium-term, as well as meaningful potential longer-term projects, a performance-based payout policy, and in our view remains well-positioned to benefit from a positive secular outlook for copper.

Granite REIT

Michael Markidis - Canadian Real Estate

U.S. Development Tour Takeaways

OP	$67.22	$84.00	$4,285
Rating	Price	Target	Mkt Cap.

- GRT's U.S. development tour (October 16-18) emphasized the (1) quality of GRT's asset base and tenant roster, and (2) strength of its team, in our view.
- Recent deliveries, combined with a slowdown in new leasing in certain markets, have negatively impacted U.S. segment occupancy this year (-530 bps to 94.4% as at Q223). Further erosion is possible in the near term; however, we believe we are nearing a trough.
- Reflecting an expansion to our overall cap rate assumption (+25 bps, to 5.25%), we've adjusted our target to $84 (from $91).

ManpowerGroup

Jeffrey M. Silber - Business Services

3Q23 Takeaways: Macro Still Weakening, Lowering Estimates/Target

Mkt	$69.50	$79.00	$3,446
Rating	Price	Target	Mkt Cap.

- MAN reported an adjusted EPS beat from slightly better-than-expected margins, though 4Q23 guidance was worse than expected.
- Geographically, Northern Europe was the largest miss compared to prior forecast, with other countries relatively in line on a CC basis. Management commentary indicated further weakening through 3Q23, and some European Manpower brand weakening into 4Q23, though some of this may have been baked in given intra-quarter macro data.
- We reduce our estimates and target price to $79 (from $88).

COMPANY UPDATES

Allstate

Michael Zaremski - Insurance Property & Casualty

Lowering Estimates After 3Q23 Catastrophe + Reserve Development Pre-Announcement

Mkt	$127.41	$115.00	$33,327
Rating	Price	Target	Mkt Cap.

- We lower our 3Q23 EPS estimate to $0.68 (from $1.00), reflecting worse-than-expected prior-year reserve development, partly offset by better-than-expected September catastrophe losses. Our 2024-2025 estimates fall by ~1% each, reflecting more unfavorable reserve development in third quarters from ALL's seasonal Run-Off (asbestos+environmental) reserve review.
- We estimate that ALL is just under $1 billion away from hitting its aggregate catastrophe reinsurance retention across April 2023-March 2024. BMOe CATs over the next six months imply applicable CAT losses falling just shy of the aggregate retention (details below).

Beam Therapeutics

Kostas Biliouris - Biotechnology

Cutting Cost & Increasing Focus Raises Concerns NT, but It's a Positive LT

OP	$20.80	$66.00	$1,647
Rating	Price	Target	Mkt Cap.

- BEAM's OpEx (~$315M in 2022) is the highest among peers, while the execution efficiency has been relatively low, driving investor concerns.
- Today's announcement on cost cutting and program prioritization raises concerns around the promise/success of BEAM's platform/pipeline (having also a readthrough to VERV that uses BEAM's platform), but we believe this strategy will improve BEAM's efficiency in the long-term.
- We see the AATD program (potential data in ~2024) as the major value driver and investor focus, while the ESCAPE program can also offer a significant opportunity in SCD. Remaining OP.

CCL Industries

Stephen MacLeod - Canadian Packaging

Takeaways From TLMI Annual Meeting

OP	$55.20	$77.00	$9,807
Rating	Price	Target	Mkt Cap.

- We attended and presented at the Tag and Label Manufacturers Institute (TLMI) Annual Meeting. With macro headwinds well underway, industry participants were encouraged to prepare for mild recession.
- On M&A, sector multiples have contracted from recent highs, but buyer & seller expectations remain disconnected; M&A activity to re-accelerate once conditions normalize. We believe CCL is well-positioned in the industry to weather headwinds, invest internally, and pursue M&A.
- CCL is a best-in-class packaging company (top-quartile returns, leverage, margins) deserving of a premium relative valuation; we see attractive risk-reward (7.7x 2024E EV/EBITDA).

CSX

Fadi Chamoun - Transportation

Improved Visibility Into EPS Re-Acceleration Framework

OP	$30.54	$37.00	$61,273
Rating	Price	Target	Mkt Cap.

- We characterize CSX's Q3/23 results as largely in line with expectations.
- Operational execution continues to be strong and is converting into business development across several merchandise end markets and in domestic intermodal. With several headwinds receding, we believe EPS has bottomed and should re-accelerate in H2/24 and into 2025.
- We reiterate our $37 target price and Outperform rating.

Freeport-McMoRan

Katja Jancic - Metals & Mining - US

First Look: 3Q'23 Beat on Higher Copper Volume

OP	$35.61	$47.00	$51,052
Rating	Price	Target	Mkt Cap.

- FCX reported 3Q'23 adjusted EBITDA of $2.2bn, above our/FactSet consensus of $2.06bn/$2.13bn (vs. our estimates the beat can primarily be attributed to higher copper volume and better realized prices).
- Looking ahead, minor changes to 2023 outlook, with 2024/2025 volume targets unchanged, but 2024 capex up slightly. The cost guide now includes the Indonesian export duty, although discussions on applicability remain (see below).
- Overall a well-executed quarter. Call at 10:00 a.m. ET.

4D Molecular Therapeutics

Kostas Biliouris - Biotechnology

Our Thoughts on Two Key Investor Concerns That Are Driving Weakness in FDMT

OP	$10.41	$50.00	$438
Rating	Price	Target	Mkt Cap.

- FDMT (-33%) has significantly underperformed XBI (-12%) over the past month, and we believe that, in addition to macro themes, two key investor concerns that may be driving downside include:
- (1) Investor speculations that the high-dose cohort in CF experienced (lung) inflammation; and (2) Uncertainty around the wetAMD PhIII design/timelines/execution, driven by the current regulatory headwinds that TKI companies are facing.
- Although we appreciate that the above fuel near-term ambiguity/concerns, we don't see them as material risks for the FDMT thesis. Remain OP and await CF data on 11/2/2023.

BMO Capital Markets

Maple Leaf Foods

Tamy Chen - Retailing/Consumer

Q3/23 Preview: Q/Q Change in Pork Complex Trended Largely in Line

OP	$24.61	$33.00	$3,005
Rating	Price	Target	Mkt Cap.

- The notable q/q increase in the average pork complex for Q3/23 was in line with management's outlook for sequential improvement. We are sticking with our Q3/23 Meat margin estimate, which is more conservative than MFI's guidance, given the Producer spread's intra-quarter decline.
- The stock has declined materially in recent weeks; we wonder if Prop 12 concerns have been one of the factors.
- We find the current valuation compelling (8x 2024E EBITDA vs. historical 8-10x) and reiterate our Outperform rating.

Marsh & McLennan

Michael Zaremski - Insurance Property & Casualty

3Q23 MMC EPS First Blush and Truist Insurance Brokerage KPI's

Mkt	$189.65	$192.00	$93,678
Rating	Price	Target	Mkt Cap.

- MMC reported $1.57 operating EPS vs. $1.39 consensus. MMC beat on both underlying growth and adjusted operating margin. However, the Risk and Insurance segment missed both consensus and BMOe on adjusted operating margins.
- See Ex.1 for variance details vs. consensus. Listen to the webcast replay: HERE. See p.4 for Truist Insurance earnings details/read-throughs.

Microsoft

Keith Bachman - Software

Potential Azure Stabilization

OP	$330.11	$400.00	$2,452,638
Rating	Price	Target	Mkt Cap.

- Broadly, we believe MSFT's upcoming September quarter report will have modest upside. Further, as we outlined in our Office comments, we think MSFT will deliver more generative AI growth potential in CY24 vs. near-term quarters, and thus we think Microsoft will be a good stock in CY24.
- For Azure, we/consensus project growth to be 25.5% y/y CC in the September quarter, and ~24.5% y/y in the December quarter, and we believe such estimates are reasonable.
- We are not changing our estimates and maintain our Outperform rating and $400 target price.

Mullen Group

John Gibson - Industrials

Q3/23 Recap; Power of Diversification

Mkt	$13.70	$16.00	$1,216
Rating	Price	Target	Mkt Cap.

- Mullen's Q3/23 results were solid in context of continued freight headwinds, while Specialized & Industrial work was a stand-out. Inventory levels also appear to be stabilizing, which bodes well for the company moving forward.
- MTL stock has been weaker in 2023, mostly due to the macro backdrop. While believe the shares sit at an attractive entry point, we remain cautious around demand levels over the next few quarters.
- As such, we continue to rate MTL shares Market Perform and reiterate our $16 target price.

PPG Industries

John P. McNulty - US Chemicals

PPG to OP With Raws Tailwinds, Vols to Rise & Multiple at Low End of 10-Yr Range

OP	$127.78	$165.00	$30,093
Rating	Price	Target	Mkt Cap.

- PPG delivered another solid set of results coming in better than expected with resilient pricing and improved raw mat tailwinds that offset weakness on the volume front.
- With lower raws to further benefit 4Q and 1H24 and management pointing to modest volume growth in 2024 along with lower interest expense, we see upside to the consensus and double-digit EPS growth ahead.
- While PPG may have been a bit crowded into the print, we see EPS growth and valuation (near 10-year lows) as attractive—reiterate OP to our $165 target price.

Rubellite Energy

Mike Murphy - E&P - Canada

Figure Lake Acquisition; Production Ahead of Expectations

OP	$2.41	$3.25	$149
Rating	Price	Target	Mkt Cap.

- Through a $34 million acquisition, the company added 800bbl/d of production and significant acreage to its position at Figure Lake, where recent development results have exceeded expectations.
- Q3 volumes were also strong with operational momentum set to carry through into the new year.
- We maintain our Outperform rating and $3.25 target price.

Regeneron Pharmaceuticals

Evan David Seigerman - BioPharma

Vabysmo Launch Progressing as Investors Eye Rev Stabilization From Eylea HD

OP	$826.03	$985.00	$89,674
Rating	Price	Target	Mkt Cap.

- Roche 3Q results read-through as a modest negative for 3Q Eylea sales in a similar story to what we saw in 2Q.
- With Eylea HD's approval in 3Q we view 4Q as a potential inflection point for Regeneron's business, looking to see aflibercept revenue stabilization as Eylea HD starts to lower share erosion to Vabysmo**.**
- Overall, Roche pharma sales grew 1% y/y in 3Q at CER, partially driven by Vabysmo outperformance, sales growing to CHF 656M in 3Q (FactSet consensus of CHF 606M) vs. CHF525M in 2Q +25% q/q.

Steel Dynamics

Katja Jancic - Metals & Mining - US

Well Positioned Longer Term but Valuation Appears Full

Mkt	$99.20	$107.00	$16,431
Rating	Price	Target	Mkt Cap.

- Following in-line 3Q'23 results, we are only making minor estimate adjustments. Looking ahead, STLD indicated customer order activity remains solid and demand steady, but 4Q'23 is expected to be impacted by seasonal trends.
- Meanwhile, Sinton ramp-up delayed further, while new coating lines are set to start in 1Q'24 and aluminum rolling mill remains on budget/shedule.
- Overall, STLD'S multiple growth investments should translate to higher through-cycle earnings over time, but with shares trading at 7.7x 2024E EV/EBITDA, our view remains shares are near fair value.

The Travelers Companies

Michael Zaremski - Insurance Property & Casualty

Post-3Q Mgmt Meeting+Model Updates: Investment Tailwinds and Auto Improvement

OP	$163.94	$217.00	$37,532
Rating	Price	Target	Mkt Cap.

- We, along with others, were afforded the opportunity to sit down with Travelers' mgmt team.
- Mgmt’s tone was similarly bullish to their tone and verbal data pts offered during the 3Q EPS call; i.e. (we’re paraphrasing here): 1) moderating inflationary pressures in certain areas, especially auto, 2) pricing-power moving north, 3) still embedding an inflation cushion in terms of health inflation vs. actual trailing trend.
- We remain Outperform rated based on our view that profit margins will meaningfully inflect higher, led largely by personal auto & home) in ’24-’25.

BMO Capital Markets

Tamarack Valley Energy

Mike Murphy - E&P - Canada

Non-Core Asset Sale; Enhanced Shareholder Returns on the Horizon

Mkt	$4.16	$4.50	$2,316
Rating	Price	Target	Mkt Cap.

- The announced Cardium asset disposition was widely anticipated by the market and metrics were within the range of expectations.
- Importantly, the transaction accelerates the company's enhanced shareholder returns timeline with its next net debt target forecast to be reached in Q4/23 on current strip pricing.
- We maintain our Market Perform rating and target price of $4.50.

Union Pacific

Fadi Chamoun - Transportation

UNP Exits Q3/23 on Stronger Footing & With Positive Momentum

OP	$210.33	$270.00	$128,188
Rating	Price	Target	Mkt Cap.

- Operating momentum is showing signs of improvement under new CEO Jim Vena. While this should support margin gains over the coming year, a more constructive volume environment—dependent on both the macro and UNP commercial execution—will be needed to fully realize the benefits of efficiency improvement.
- We continue to believe that an optimized UNP can deliver +$17 in EPS and mid-50% OR over the medium term (F2027).
- We reiterate our Outperform rating and $270 target price.

SECTOR UPDATES

Agribusiness & Protein

Andrew Strelzik

Takeaways From BMO's Fall Ag Outlook Call

- We hosted our fall Ag outlook call with BMO's leading commercial ag lending team today (replay available on request). First, our team indicated that U.S. grower sentiment remains cautiously optimistic as balance sheet and working capital positions remain strong, and 2024 is expected be another year of tight farm profits given corn/soybeans are expected to hover around ~$5/$13 for the foreseeable future.
- Second, farmer corn/ soybean selling is materializing slower than normal, potentially creating a bottom for basis (albeit well below last year’s basis) as buyers seek to incentivize farmer selling. Outlooks for processing margins (ethanol, soy crush) remained constructive, however.
- Third, crop input and equipment commentary was consistent with what we've been talking about (strong grower buying of crop inputs though dealers are more hand-to-mouth instead of restocking yet, seed prices up a little, softness in new equipment sales continues etc.).

BMO Capital Markets

Auto Parts

Tamy Chen

Q3/23 Preview: Minimal Strike Impact in Q3, IHS Lowers Q4 Production

- Q3/23A production was only slightly lower than pre-strike forecasts. For Q4/23E, IHS meaningfully lowered its forecast for Detroit Three production, which had a negative impact to our earnings estimates for all three auto parts companies in that quarter.

- There could be potential upside to our Q4/23 forecasts if Detroit Three production and/or cost recoveries are higher than expected.

- We rate all three names Outperform; our pecking order is now MGA, LNR, MRE (previously LNR, MRE, MGA).

BMO Global Commodities Research

Colin Hamilton

BMO China Chart Pack: Positive (Except for Property)

- The prevailing economic concerns for China that worried the market in mid-2023 continue to wane, with broader economic data momentum continuing to improve through September. One key takeaway from LME Week was that Chinese market participants, in the main, were more bullish, or at least less bearish, than many had expected.

- There is no debate the property sector is disappointing expectations, and is likely to remain a drag for 2024.

- However, the view was that essentially all other metal-consuming areas in China were doing well, as was the export market for metal-containing goods. Of course, backing this, China's industrial metals demand is up y/y. In our view we are past peak China pessimism and recent data points have put a floor in the market.

BioPharma

Evan David Seigerman

CTAD 2023 Planner: Late-stage Enthusiasm for mABs; subQ leca, Ph 1/2s in Focus

- Heading into the Clinical Trials on Alzheimer's Disease (CTAD) conference in Boston next week (Oct 24-27). We anticipate late-stage enthusiasm for Lilly's donanemab and Biogen's Leqembi data, given upcoming and recent approval, respectively.

- We are closely watching the lecanemab subQ readout, which will show effect on amyloid as measured by PET scan and interim safety — we want to see non-inferior ARIA and PK/PD; at-home subQ dosing would be an important differentiator for Biogen as donanemab approval expected by YE23.

- We are also focused on early assets in our coverage including Ph 1 updates for Biogen's BIIB080 and Regeneron's ALN-APP. Outside our coverage, we're watching Acumen's ACU193 and Roche's RG6289 and trontinemab in AD; Alector's latozinemab in FTD and EIP Pharma's neflamapimod in Lewy body dementia. *Our conference planner is below (ask us for a copy in Excel).*

Environmental Services

Devin Dodge

Less Volatility Expected in Q3/23, but Improving Setup for 2024

- Q3/23 earnings season for our environmental services coverage kicks off on October 24 (WM) and wraps up on November 2 (NVRI, GFL).
- We expect fewer surprises across the group compared to recent quarters, with most firms poised to deliver results in line or slightly ahead of guidance.
- We believe WCN, CLH, and RSG are the most likely candidates to report better-than-expected earnings.

Fertilizers & Chemicals

Joel Jackson

Takeaways From BMO's Fall Ag Outlook Call

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- Third, crop input and equipment commentary was consistent with what we've been talking about (strong grower buying of crop inputs though dealers are more hand-to-mouth instead of restocking yet, seed prices up a little, softness in new equipment sales continues etc.).

Commodities Daily

Colin Hamilton

BMO Metals Brief

Healthcare REITs

Juan C. Sanabria

SNF Minimum Staffing: Examining Potential Risks vs. Proposed Standards

- CMS proposed minimum staffing level for skilled nursing (SNFs) earlier this fall, which represents a longer-term risk (3-5 yr targeted implementation) for the industry given the requirement would not be funded via increased government reimbursements in an environment where it's hard to recruit and retain nurses. Industry feedback suggests confidence the proposal will ultimately be watered down (currently in a 60-day comment period) in some capacity.
- That said, we find it helpful to assess REITs' relative rankings using the latest available CMS data (1Q23) to help assess potential risks.
- Relative to the 3.0 HPRD staffing proposal, SBRA, WELL & VTR have the highest staffing levels, while LTC, NHI & OHI screen the lowest. Within healthcare, we continue to favor senior housing operating with a view towards a multi-year recovery, but remain positive on SNFs with CTRE rated Outperform.

BMO Capital Markets

Restaurants

Andrew Strelzik

Traffic Tracker: Casual Dining Trends in September and QTD

- In this report, we highlight traffic trends across full service (casual dining) category in September and first half of October.
- Category trends slowed in September before recovering modestly in early October, and there is growing evidence of consumer value sensitivity.
- Across companies, we 1) lower BLMN outlook (below consensus) and target ($25); 2) see risk to PLAY FY3Q comp (our estimate already below) and lower target ($48); 3) increase TXRH 3Q comp above consensus and EPS (albeit only in line); 4) expect in-line FY1Q comp for EAT and note strong QTD acceleration; and 5) believe Olive Garden is running solidly above consensus with strong Oct acceleration, while LongHorn is in line to below.

Software

Daniel Jester

Thoughts Into Software CY3Q23 Results

- In this report we compile thoughts for some of our coverage reporting over the next few weeks.
- Our sense in high level discussions with investors suggest a reasonable degree of caution overall into third quarter results, where the focus is increasingly turning to the trajectory for 2024.
- Within this group we continue to like PTC and Workiva.

Environmental Services

Less Volatility Expected in Q3/23, but Improving Setup for 2024

BMO Capital Markets

IN Depth

Environmental Services

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Bottom Line:

Q3/23 earnings season for our environmental services coverage kicks off on October 24 (WM) and wraps up on November 2 (NVRI, GFL). We expect fewer surprises across the group compared to recent quarters, with most firms poised to deliver results in line or slightly ahead of guidance. We believe WCN, CLH, and RSG are the most likely candidates to report better-than-expected earnings.

Key Points

In Q3/23, nearly all of our environmental services stocks lagged the S&P Industrial index (-5.6%) and the broader market (-3.6%). The exception was CLH (+1.8%) which continues to benefit from strong demand and pricing fundamentals in its ES segment. Within solid waste, WCN was the top performer (-6.0%) while WM (-12.1%) and GFL (-18.1%) were the laggards. We believe soft volumes, low recycling values and rising long-term interest rates contributed to the weak share price performances in the quarter.

Pricing will be the main driver for top-line growth in the quarter. On average, we're projecting organic revenue growth to average ~4% from the solid waste firms in Q3/23. Volumes are expected to be sluggish (range of flat-to-down 2%) from softer construction and special waste activity, as well as the shedding of lower-margin tonnage. Pricing should remain elevated (average core price: 8.3%), with mid-year rate resets on long-term contracts potentially providing a modest bump to restricted market pricing. Revenue growth from net M&A contributions is expected to range from a decline of ~2.5% (GFL) to +5.4% (WCN).

Increasingly favorable price-cost spread. While cost inflation has been slower than expected to recede in 2023, we expect some of the pressure on expense growth to ease in H2/23 as firms cycle through adjustments to wages and third-party trucking rates implemented last year. Layering in the strong pricing outlook, we expect the favourable price-cost spread to become more visible in Q3/23. We're projecting adjusted EBITDA margin expansion in Q3/23 for the solid waste firms to average ~110 bps (Q2/23: +60 bps; Q1/23: -70 bps).

Relatively neutral impact from commodities in Q3...Recovered material values were softer q/q but we believe were generally consistent or slightly ahead of the guidance frameworks provided by WCN, RSG and GFL. RIN prices were up q/q but were roughly in line with the updated H2/23 outlooks from WCN and WM. Fuel prices were lower y/y, but the rise in diesel prices during the quarter could result in a modest drag on profitability (i.e., fuel surcharges lag fuel price changes by ~45 days).

... but could support improved results in the coming quarters. The BMO Recycling Basket shifted higher in October from a continued recovery in OCC markets while plastic prices have been rising from the trough values in the summer. RIN prices have also stepped up in October and should be a modest positive for Q4/23 for WCN, WM and GFL.

Demand for industrial and hazardous waste services is expected to remain strong which should be supportive for pricing, utilization and margins for environmental services firms. In addition, we expect CLH (and GFL) to benefit from improved spreads in their UMO re-refining operations.

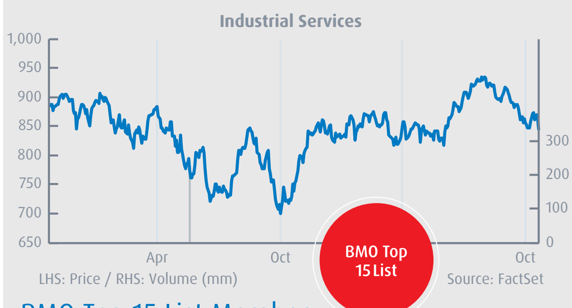
What's Inside

Preferred ideas within our environmental services coverage:

WCN (OP; TP: US$158): Improving visibility into above-average margin expansion in H2/23 and into 2024 from strong pricing, moderating cost inflation, and improving employee turnover. We believe WCN's H2/23 guidance is conservative and leaves substantial room for upside vs. estimates. Dialogue with potential sellers is elevated and WCN has significant capacity to fund deals without straining the balance sheet. The valuation premium vs. peers is nearly 1.5 turns below its five-year average.

GFL (OP; TP: US$38): Several margin improvement initiatives under way should help to narrow the gap with peers. The runway for M&A remains long and is a key consideration for valuation. Recent divestitures have reset financial leverage meaningfully lower and there is a path for net debt-to-EBITDA to approach peers in the next 18-24 months.

CLH (OP; TP: US$186): Demand has been resilient despite economic data suggesting a slowdown in the industrial economy during 2023. Strong pricing and an expected increase in incinerator utilization should support continued improvement in ES margins in H2/23. Moreover, we believe oil spreads have been improving which suggests increased profitability of SKSS (vs. guidance).



BMO Top 15 List Member

Waste Connections (WCN-NYSE) - Cdn Large Cap

Industry Research

Glossary

Please see page for our Coverage Universe

Restaurants

Traffic Tracker: Casual Dining Trends in September and QTD

BMO Capital Markets

Restaurants

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Legal Entity: BMO Capital Markets Corp.

Bottom Line:

In this report, we highlight traffic trends across full service (casual dining) category in September and first half of October. Category trends slowed in September before recovering modestly in early October, and there is growing evidence of consumer value sensitivity. Across companies, we 1) lower BLMN outlook (below consensus) and target ($25); 2) see risk to PLAY FY3Q comp (our estimate already below) and lower target ($48); 3) increase TXRH 3Q comp above consensus and EPS (albeit only in line); 4) expect in-line FY1Q comp for EAT and note strong QTD acceleration; and 5) believe Olive Garden is running solidly above consensus with strong Oct acceleration, while LongHorn is in line to below.

Key Points

Full service restaurant traffic slowed in September, but recovered somewhat in the first two weeks of October. September full-service traffic trends decelerated ~90 basis points to a 5% decline y/y, though trends in the first two weeks of October reaccelerated to 4% decline. Relative to 2019, September traffic slowed for the second consecutive month to 15% decline and QTD improved but remains near 12-month lows (12% decline).

Wider outperformance of value-oriented casual diners another sign of increasing consumer value sensitivity. Lower average check restaurants realized widening traffic gap to higher-priced alternatives in 3Q vs. 2Q and the September gap widened further.

Company takeaways include the following (see body of report for estimate revisions and detailed look at traffic trends by company):

- **BLMN — Negative:** We are increasingly concerned by BLMN's traffic underperformance. We lower comp/EPS estimates below consensus for 3Q23, 4Q23, and 2024 and lower our target to $25. Traffic trends slowed across BLMN's portfolio in September and QTD, meaningfully underperforming the other peers in our coverage.

- **DRI — Slight Positive:** Olive Garden same-store sales trends halfway through F2Q24 appear to be tracking solidly ahead of consensus, in part owing to meaningful acceleration behind early rollout of Never Ending Pasta relative to last year. On the other hand, Longhorn appears to be running in-line to below consensus as trends slowed in September and first half of October

- **EAT — Slight Positive:** Recognizing check dynamics make read-throughs more difficult, Chili's appears to be tracking in line with our/consensus comps in F1Q24. Moreover, F2Q24 QTD trends accelerated strongly coinciding with return of value-oriented 3 for Me TV ads.

- **PLAY — Negative:** We see risk to FY3Q23 consensus comps (our estimate is below) as traffic trends sequentially worsened from last quarter, including a soft first half of October. While PLAY has demonstrated an ability to drive EBITDA in softer comp environment, there could be a point at which it creates too big a hurdle. We lower our target to $48.

- **TXRH — Positive:** We raise F3Q23 comp estimate above consensus (albeit EPS only in line) as traffic accelerated solidly in September and trends continue to lead FSR category. We also see upside bias to 4Q comps, though trends slowed QTD alongside decelerating Steakhouse segment performance.

Industry Research

Glossary

SAP SE

BMO Capital Markets | IN Fact

SAP-NYSE	Rating	Price: Oct-19	Target ↑	Total Rtn
	Market Perform	$133.38	$147.00	11%

Software

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Legal Entity: BMO Capital Markets Corp.

Solid FCF Performance

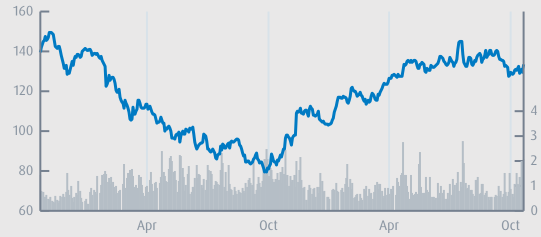
Bottom Line:

SAP reported a solid quarter with consistent growth in cloud backlog, better-than-expected performance in license/maintenance, impressive op margin and FCF performance, while cloud growth was a touch disappointing. Management reiterated full year guidance which seems particularly conservative for margins and FCF, though cloud growth implies an acceleration. From a stock perspective, we continue to view the risk return as balanced, and thus maintain our Market Perform rating, and prefer ADBE and MSFT in GARP software.

Key Points

Mostly Steady Demand: SAP demonstrated steady cloud demand in Q3, evidenced by consistent 25% y/y CC growth in current cloud backlog for three consecutive quarters. In addition, S/4HABA current cloud backlog was robust with 66% y/y CC growth, although decelerated from 70% y/y CC growth in June quarter. S/4HANA cloud revs likewise showed solid y/y CC growth of 77%, decelerating from 79% y/y CC from June quarter but accelerating from 75% y/y CC in March quarter. The strong momentum is driven by multi-year cloud migration from both net news and conversion in installed base, helped by the adoption of RISE/GROW program and scalable BTP. We think the demand is durable in the near term due to SAP's core position in the multiple business processes such as ERP and HR, as well as large on-prem base yet to migrate to cloud (~20k). However, Cloud revs was E3.5bn, missed our/Street consensus by 2.2%, and grew by 23% y/y CC, demonstrating relatively steady results vs. 22% y/y CC growth in previous two quarters. Despite the focus on cloud migration, support revs of E3.0bn CC maintained 1% y/y CC decrease, flat from the previous three quarters. Further, license revs of E349M CC decreased by 14% y/y CC, better than 24% y/y CC decline in June quarter. We think the resilient maintenance and license revs was healthy, supporting SAP's revs trajectory amid the cloud shift. However, we think license revs will continue to be under duress in FY24 and beyond, and we project license rev and maintenance to decelerate in FY24. Net, total revs grew by 9% y/y to E8.1bn CC, accelerating from 8% y/y CC in June quarter.

2YR Price Volume Chart



LHS: Price ($) / RHS: Volume (mm) — Source: FactSet

Company Data			in $
Dividend	€1.49	Shares O/S (mm)	1,228.5
Yield	1.2%	Market Cap (mm)	$163,857
EV (mm)	€135,117	AD Vol. (mm)	1.78

BMO Estimates			in €
(FY-Dec.)	**2022A**	**2023E**	**2024E**
Revenue (mm)	€29,519	€31,017↑	€33,631↑
EPS	€4.08	€5.29↑	€6.09↑
CFPS	€4.06	€4.65↑	€5.61↑

Consensus Estimates	**2022A**	**2023E**	**2024E**
EPS		€5.23	€6.21

Valuation	**2022A**	**2023E**	**2024E**
P/E	31.1x	24.0x	20.8x
EV/FCF	28.3x	24.6x	20.5x
EV/Revenue	4.6x	4.4x	4.0x

QTR. EPS	Q1	Q2	Q3	Q4
2022A	€1.00	€0.96	€1.12	€1.00
2023E	€1.27a	€1.07a	€1.45a	€1.50
2024E	€1.37	€1.47	€1.53	€1.72

Key Changes				
Target	Estimates	Q4 / 23E	2023E	2024E
$147.00↑	Revenue (mm)	€8,277	€31,017	€33,631
$140.00	*Previous*	*€8,259*	*€30,998*	*€33,330*
	EPS	€1.50	€5.29	€6.09
	Previous	*€1.52*	*€5.13*	*€6.01*
	CFPS	€1.52	€4.65	€5.61
	Previous	*€1.55*	*€4.50*	*€5.47*

Our Thesis

We rate SAP shares Market Perform. We believe SAP is well positioned for the long term but think it will have a difficult time generating upside to our/consensus estimates in 2023.

 October 20, 2023

SAP SE - Block Summary Model

Income Statement	2022A	2023E	2024E
Revenue	€29,519	€31,017	€33,631
Cost of Revenues	5,587	7,467	8,592
Gross Profit	21,925	22,969	25,040
Operating Expenses	10,440	13,411	15,330
Operating profit (Non-GAAP)	7,991	8,636	9,710
Other income (expense)	(621)	759	(10)
Earnings Before Taxes	7,370	9,395	9,700
Taxes	1,298	2,340	2,328
Net Income (Non-GAAP)	4,520	5,917	7,372
EPS (Non-GAAP)	4.08	5.29	6.09
Diluted Shares Outstanding	1,175	1,178	1,179
Cash Flow Statement	**2022A**	**2023E**	**2024E**
Depreciation & Amortization	1,896	1,414	1,682
Change in Working Capital	(313)	788	598
Cash From Operating	5,648	6,406	7,577
Capex	(874)	(843)	(970)
Cash From Investing	666	2,659	(970)
Dividends paid	(2,877)	(2,413)	(2,000)
Cash Flow From Financing	(6,337)	(7,273)	(3,550)
Net Change in Cash	110	1,502	3,056
Free Cash Flow	4,774	5,482	6,606
Balance Sheet	**2022A**	**2023E**	**2024E**
Cash and Cash Equivalents	15,488	19,191	22,248
Total Current Assets	18,569	22,548	26,286
Total Assets	72,160	69,957	73,520
Current Liabilities	17,454	14,416	15,371
Deferred revenues (ST & LT)	5,390	5,660	6,112
Total debt (ST & LT)	14,371	10,868	10,868
Total Liabilities	29,309	26,168	27,273
Total Shareholders' Equity	42,851	43,789	46,247

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

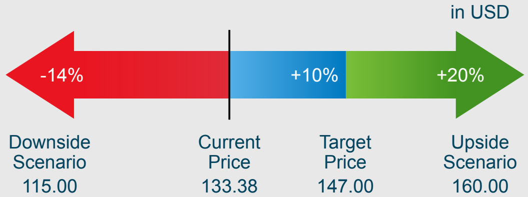
Our target price is based on an EV/FCF of 29-30x our 2024 estimate.

Upside Scenario $160.00

Our upside case is based on a P/E of 31x our 2024 estimate. Our upside case includes an additional 200 bps of revenue growth and 100 bps of margin expansion versus our base-case assumption.

Downside Scenario $115.00

Our downside case is based on a P/E of 25x our 2024 estimate. Our downside case reduces revenue growth by 200 bps and an additional 100 bps of margin declines versus our base-case assumption.



Key Catalysts

Continued adoption of S/4HANA, customer migration to the cloud, and "RISE with SAP."

Company Description

SAP offers a range of enterprise resource planning and business analytics software and serves 190,000 customers in 190 countries.

SAP-NYSE Research

Glossary

Company Models

Software

Thoughts Into Software CY3Q23 Results

Bottom Line:

In this report we compile thoughts for some of our coverage reporting over the next few weeks. Our sense in high level discussions with investors suggest a reasonable degree of caution overall into third quarter results, where the focus is increasingly turning to the trajectory for 2024. Within this group we continue to like PTC and Workiva.

Key Points

Workiva: Intriguing Medium-term Catalyst Path. In-bound investor interest in the story remains solid given favorable regulatory tailwinds in key economies which are opening a secular opportunity in ESG reporting. Expectations into the quarter appear reasonably low for the first time in 2023 as shares have lagged since the company's analyst day in September as we think investors were hoping for more conviction around an underlying ESG-driven growth acceleration. We see modest top/bottom-line and cRPO upside. WK reports FY3Q23 results October 30.

PTC: Steady Conditions. We anticipate modest upside to close out the fiscal year when the company reports November 1. Indicators around the economy since the company last reported have not altered our industry view and forward consensus estimates appear reasonable. We remain favorable on the opportunity around integrating ServiceMax and the managed leadership transition underway at the company.

BILL: Healthy Debate. Following solid FY4Q23 results, shares have remained mostly range bound during the intra-quarter period with four key debates in our conversations with investors around macro, financial institution business, competition, and Divvy cross sell. We expect reasonably solid results although 2H macro worries for us persist. BILL reports FY1Q24 results November 2.

BlackLine: Story in Transition. In the near-term we continue to see an uneven selling environment for the company, coupled with an evolving G2M and customer success strategy, while the company is also addressing competitive product differentiation. Following the company's user conference earlier in the fall our investor conversations have been more balanced with ongoing near-term numbers concerns at least partially offset by the potential to improve execution and margin more notably in 2024-25. BL reports FY3Q23 results November 2.

Vertex: Steady Growth that Needs Margin for Next Leg. We continue to see focus on efficient growth, consistent with takeaways from recent management meetings (link), as investments made over the past few years start to fade. Our conversations and read throughs in the back-office software ecosystem suggest similar conditions sequentially, and are directionally encouraging for VERX. We increase our FY3Q23 ARR estimate to 14.5% y/y and tick higher our EV / Sales multiple 1pt to 8.5x which, in conjunction with our DCF, lifts our TP to $24. VERX reports FY3Q23 results November 9.

Expensify: Cutting TP on Tough Growth Outlook. The company is attempting to reaccelerate growth but current conditions are still weak and our estimates are below consensus. Reflective of the continued expected growth challenges and uncertain financial trajectory, we cut our EV / Sales multiple, which in combination with our DCF, lowers our TP to $4 from $7. EXFY FY3Q23 earnings date TBA.

IN Fact

BMO Capital Markets

Software

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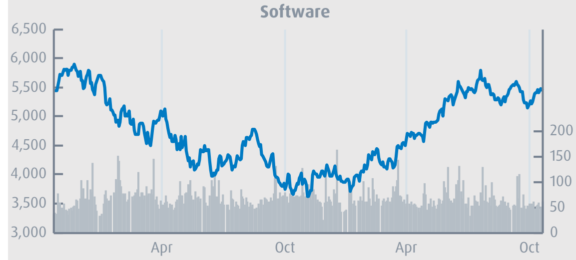
Software



LHS: Price / RHS: Volume (k) Source: FactSet

Industry Research

Glossary

Tamarack Valley Energy

BMO Capital Markets

IN Fact

TVE-TSX	Rating	Price: Oct-19	Target	Total Rtn
	Market Perform	$4.16	$4.50	12%

Non-Core Asset Sale; Enhanced Shareholder Returns on the Horizon

Bottom Line:

The announced Cardium asset disposition was widely anticipated by the market and metrics were within the range of expectations. Importantly, the transaction accelerates the company's enhanced shareholder returns timeline with its next net debt target forecast to be reached in Q4/23 on current strip pricing. We maintain our Market Perform rating and target price of $4.50.

Key Points

Non-Core Disposition Announced. Tamarack Valley announced the sale of its Cardium assets (~7,000boe/d, 60% gas) for $123 million in cash. Metrics equate to $17,600/boe/d on production and 2.5x the forecasted operating netback (next 12 months on strip). The transaction includes the assumption of $38.4 million and $80.6 million gross operated inactive and active ARO, respectively. Closing of the sale is expected in early November.

Guidance Update. Pro forma, Q4/23 production is expected to be reduced by 4,500boe/d with 2023 production down by 1,200 boe/d (BMOe 67.3mboe/d). The company expects next year's production to be reduced by 6,000 boe/d. Further details on guidance are expected with the upcoming quarterly results.

Return of Capital Framework. With the injection of cash, we estimate the company will hit its next net debt targets of $1.1bn (up to 25% of FCF to shareholder returns) in Q4/23, and $900 million (up to 50% of FCF) in Q2/24 on current strip.

Valuation and Recommendation. TVE trades at 2024E EV/EBITDA of 2.0x (BMO Deck) relative to peers at 2.9x, while leverage is estimated at 0.4x 2024E D/CF vs. the group at -0.1x. We maintain our Market Perform rating and target price of $4.50.

Key Changes

Estimates	2023E	2024E
CFPS	$1.36	$1.88
Previous	*$1.38*	*$1.94*
EPS		$0.97
Previous		*$0.96*
Total (Mboe/d)	67.3	65.1
Previous	*68.5*	*70.0*

This report was prepared by an analyst(s) employed by BMO Nesbitt Burns Inc., and who is (are) not registered as a research analyst(s) under FINRA rules.

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Company Data			in C$
Dividend	$0.15	Shares O/S (mm)	556.8
Yield	3.6%	Market Cap (mm)	$2,316
EV (mm)	$3,370	Net Debt (mm)	$1,363

BMO Estimates (FY-Dec.) in C$	2022A	2023E	2024E
CFPS	$1.60	$1.36↓	$1.88↓
EPS	$0.74	$0.36	$0.97↑
Total (Mboe/d)	48.3	67.3↓	65.1↓
Oil & Liq (b/d)	33,191	52,056↓	52,712↓
NGas (MMcf/d)	67.2	67.9↓	50.8↓

Consensus Estimates	2022A	2023E	2024E
CFPS		$1.38	$1.67

Valuation	2022A	2023E	2024E
EV/EBITDA	3.9x	3.5x	2.6x
P/E	5.6x	11.7x	4.3x
D/CF	1.8x	1.3x	0.4x

QTR. CFPS	Q1	Q2	Q3	Q4
2023E	$0.28a	$0.28a	$0.41	$0.40
2024E	$0.42	$0.45	$0.51	$0.50

Notes : Near-term market volatility may cause the expected total return to become temporarily misaligned relative to the hurdle for this stock's rating, as defined under our current system.

Our Thesis

Although we view the company's Clearwater assets as high quality, the continued focus on debt reduction will limit shareholder returns in the near term.

Tamarack Valley Energy - Block Summary Model

Commodity Assumptions	2022A	2023E	2024E
WTI Oil (US$/bbl)	94.30	78.80	92.20
WCS (C$/bbl)	98.54	81.14	101.89
US$/C$ FX Rate	0.77	0.75	0.78
Henry Hub (US$/Mcf)	6.51	2.74	3.25
Production	**2022A**	**2023E**	**2024E**
Oil Production (mbbl/d)	17.4	16.9	17.0
Y/Y Change	*11.2%*	*-2.7%*	*0.3%*
Gas Production (MMcf/d)	67.2	67.9	50.8
Y/Y Change	*3.1%*	*1.1%*	*-25.2%*
NGL Production (mbbl/d)	15.8	35.1	35.7
Y/Y Change	*241.8%*	*122.7%*	*1.7%*
Total Production (mboe/d)	48.3	67.3	65.1
Y/Y Change	*39.7%*	*39.4%*	*-3.2%*
Per Unit Metrics ($/Boe)	**2022A**	**2023E**	**2024E**
Pre Hedge Realization	89.99	69.24	86.67
Royalties	(17.41)	(13.74)	(18.20)
Operating	(11.49)	(10.10)	(9.25)
Transportation	(3.13)	(3.66)	(3.05)
Interest	(3.47)	(3.82)	(3.43)
Income Statement	**2022A**	**2023E**	**2024E**
Total Revenues	1,458	1,702	2,061
Operating Income	345	200	542
Operating EPS	$0.74	$0.36	$0.97
EBITDA	869	963	1,303
Cash Flow Statement	**2022A**	**2023E**	**2024E**
Cash Flow From Operations	785	642	1,054
Capex	458	440	475
Free Cash Flow	287	325	579
Cash Flow From Investments	(1,271)	(316)	(475)
Reinvestment Rate (Capex/DCF)	284%	38%	45%
Balance Sheet	**2022A**	**2023E**	**2024E**
Cash	0	(0)	(0)
PP&E	4,415	4,117	4,101
Total Assets	4,620	4,299	4,283
Debt	851	(215)	(711)
Total Liabilities and Equity	4,620	4,299	4,283
D/CF	1.8x	1.3x	0.4x

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

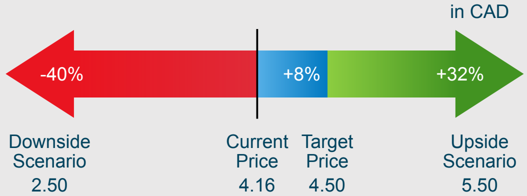
The company's target price is based on our net asset value (NAV) analysis and review of comparable company trading multiples.

Upside Scenario $5.50

In a more constructive oil price environment, we would expect a 20% premium to our target 2024E EV/EBITDA multiple of 2.5x, for a price of $5.50.

Downside Scenario $2.50

In our bearish case, we would expect a 20% discount to the current 202E EV/EBITDA multiple of 2.0x, for a price of $2.50.



Key Catalysts

Incremental well results from the Clearwater, including exploration in the Seal area. Exceeding production guidance.

Company Description

Tamarack Valley Energy is an oil and gas company involved in the identification, evaluation, and operation of resource plays in the Western Canadian sedimentary basin.

TVE-TSX Research

Glossary

Company Models

October 19, 2023 | 22:50 ET~

CSX

CSX-NSDQ	Rating	Price: Oct-19	Target	Total Rtn
	Outperform	$30.54	$37.00	23%

BMO Capital Markets

IN Fact

Transportation

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Improved Visibility Into EPS Re-Acceleration Framework

Bottom Line:

We characterize CSX's Q3/23 results as largely in line with expectations. Operational execution continues to be strong and is converting into business development across several merchandise end markets and in domestic intermodal. With several headwinds receding, we believe EPS has bottomed and should re-accelerate in H2/24 and into 2025. We reiterate our $37 target price and Outperform rating.

Key Points

Q3/23 results largely in line. CSX's reported revenues were 0.5% within expectations while EBIT of $1,295m (OR 63.8%) was in line with our estimate of $1,291mm (OR 63.6%) and slightly below consensus of $1,311mm (OR 63.1%). Adjusted EPS of $0.42 compared to our $0.42 and consensus of $0.43. On a y/y basis, revenues were down 8%; EBIT was lower by 18%; and EPS declined 19%. The y/y performance reflects lower coal yields, fuel headwinds, lower accessorial revenues, and inflationary cost pressures.

Volumes have accelerated and multiple revenue/earnings headwinds are currently on a moderating path. CSX's four-week moving average carloads is up 3.6% m/m led by intermodal and ag products. Merchandise volumes are also up ~1% on the same basis. Management highlighted this acceleration on the post-earnings conference call. Accessorial and fuel revenue headwinds are largely in the rearview mirror, and while unit cost inflation remains elevated, particularly in labor, the pace is moderating going forward.

The pricing environment remains generally stable with opportunities for acceleration around certain long-term contracts that have yet to recognize the recent increase in rail inflation. Visibility into coal yields is limited over the medium term, but rates are expected to improve sequentially in the low-to-mid-single digit range reflecting firmer commodity prices in recent months.

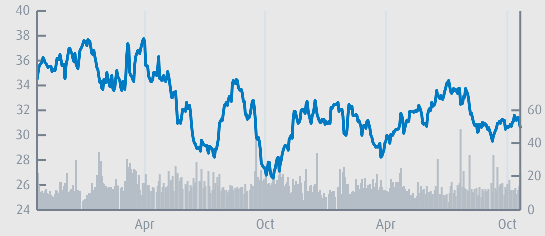
More importantly, CSX network is largely now well resourced and is delivering best-in-class service levels, which is enabling share gains across several end markets in merchandise and domestic intermodal.

Reiterating our Outperform rating; target price unchanged at $37. Our forecast does not assume cyclical tailwinds in F2024 and includes further moderation in coal volume/pricing. Nonetheless, we forecast EPS growth to re-accelerate in H2/24 and continue into F2025 when a strong backlog of business wins is expected to start ramping up.

Key Changes

Estimates	Q4 / 23E	2023E	2024E
Revenue	$3,598		$14,815
Previous	*$3,624*		*$14,909*
EBIT	$1,316	$5,557	$5,507
Previous	*$1,355*	*$5,592*	*$5,636*
EPS	$0.44	$1.83	$1.90
Previous	*$0.45*	*$1.85*	*$1.95*

2YR Price Volume Chart



LHS: Price ($) / RHS: Volume (mm) Source: FactSet

Company Data			in $
Dividend	$0.44	Shares O/S (mm)	2,006.3
Yield	1.4%	Market Cap (mm)	$61,273
AD Vol. (mm)	21.81	Net Debt (mm)	$17,023

BMO Estimates (FY-Dec.) in $	2022A	2023E	2024E	2025E
Revenue	$14,853	$14,575	$14,815↓	$15,498↓
EBIT	$6,023	$5,557↓	$5,507↓	$5,766↓
EPS	$1.95	$1.83↓	$1.90↓	$2.05↓
EV	$82,288	$76,753↓	$77,593↓	$78,342↓

Consensus Estimates	2022A	2023E	2024E	2025E
EPS		$1.84	$2.00	$2.22

Valuation	2022A	2023E	2024E	2025E
P/E	15.7x	16.7x	16.1x	14.9x

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$0.39	$0.54	$0.52	$0.49
2023E	$0.48a	$0.49a	$0.42a	$0.44
2024E	$0.43	$0.48	$0.48	$0.50
2025E	$0.47	$0.52	$0.53	$0.54

Our Thesis

CSX's PSR implementation has delivered significant improvements to unit costs and service levels, though we believe that earnings growth has become more volume/revenue dependent. The free cash flow outlook is very strong given low capital intensity and improved profitability levels in recent years, which should continue to support a strong level of distribution to shareholders.

CSX - Block Summary Model

Income Statement	2022A	2023E	2024E	2025E
Revenue	14,853	14,575	14,815	15,498
Growth y/y %	*20.3%*	*-1.9%*	*1.6%*	*4.6%*
Operating Expenses	8,830	9,017	9,308	9,732
EBITDA	7,523	7,153	7,149	7,464
Growth y/y %	*7.3%*	*-4.9%*	*-0.1%*	*4.4%*
EBIT	6,023	5,557	5,507	5,766
Growth y/y %	*7.7%*	*-7.7%*	*-0.9%*	*4.7%*
Net Income	4,166	3,692	3,651	3,794
Growth y/y %	*10.2%*	*-11.4%*	*-1.1%*	*3.9%*
Diluted EPS	$1.95	$1.83	$1.90	$2.05
Growth y/y %	*16.0%*	*-5.8%*	*3.4%*	*8.2%*
Revenue/Carload % y/y	19.1%	1.8%	-0.0%	1.3%
Carloads Growth % y/y	-0.6%	-1.5%	1.8%	3.2%
Operating Ratio	60.6%	61.9%	62.8%	62.8%
Cash Flow Statement	**2022A**	**2023E**	**2024E**	**2025E**
Cash Provided From Operations	5,619	5,356	5,449	5,657
Capex	2,133	2,300	2,400	2,450
Dividends	852	925	1,108	1,257
Free Cash Flow	3,486	3,056	3,049	3,207
Balance Sheet	**2022A**	**2023E**	**2024E**	**2025E**
Cash and Cash Equivalents	2,087	1,083	929	685
Total Current Assets	1,762	1,822	1,833	1,856
Net PP&E	34,242	34,477	34,745	35,018
Total Assets	41,912	41,234	41,387	41,464
Total Debt	18,047	18,188	18,873	19,379
Total Liabilities	29,287	29,002	30,201	31,209
Shareholders' Equity	12,625	12,232	11,186	10,255
Key Metrics	**2022A**	**2023E**	**2024E**	**2025E**
Debt/EBITDA	2.1x	2.4x	2.5x	2.5x
EBIT/Interest	8.3x	7.0x	7.0x	6.7x
Capex/Sales	14.4%	15.8%	16.2%	15.8%
ROIC	15.3%	13.7%	13.7%	14.6%

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

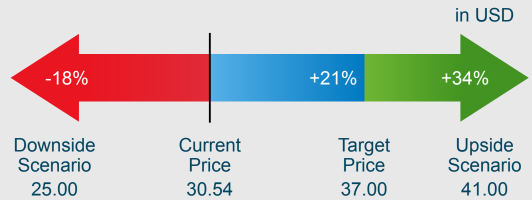
The P/E multiple assumed is 18.0x our forward estimates.

Upside Scenario $41.00

We assume volume grows 2.75% faster than the base case as CSX grows market share, which should support higher multiple resulting in upside to $41.

Downside Scenario $25.00

We see downside to about $25 in the case of an economic/freight recession and quick normalization in coal markets and commodity prices.



Key Catalysts

Potential catalysts include factors supporting an improved coal outlook (including weather) and trends in freight demand, fuel, and foreign exchange prices.

Company Description

CSX owns the largest rail network in the eastern U.S. It provides rail transportation services over a 21,000-route-mile network in 23 states, the District of Columbia, and 2 Canadian provinces. CSX also provides intermodal operations.

CSX-NSDQ Research

Glossary

Company Models

October 19, 2023 | 22:31 ET~

Granite REIT

GRT.UN-TSX	Rating	Price: Oct-19	Target ↓	Total Rtn
	Outperform	$67.22	$84.00	30%

U.S. Development Tour Takeaways

Bottom Line:

GRT's U.S. development tour (October 16-18) emphasized the (1) quality of GRT's asset base and tenant roster, and (2) strength of its team, in our view. Recent deliveries, combined with a slowdown in new leasing in certain markets, have negatively impacted U.S. segment occupancy this year (-530 bps to 94.4% as at Q223). Further erosion is possible in the near term; however, we believe we are nearing a trough. Reflecting an expansion to our overall cap rate assumption (+25 bps, to 5.25%), we've adjusted our target to $84 (from $91).

Key Points

We toured two developments completed in 2020 and 2022 (1.1msf) and four developments (nine buildings) completed in 2023 (3.7msf). These state-of-the art facilities are (or will soon be) Two Green Globes certified. Average physical occupancy for the projects completed this year is 60%. Property specific details are shown in Exhibit 1.

Reagan Logistics Park (RLP): strong location vs. competing supply. RLP is composed of two vacant buildings (10144 and 10207 Veterans Parkway) totalling 1.0msf in the Plainfield submarket of Indianapolis (IN). Plainfield offers superior access to the Indianapolis airport and the Fedex Express World Hub. Per CoStar, it ranks largest in terms of size (~12% of inventory) and is outperforming from a vacancy perspective (5.5% vs. 7.4% for the overall market). Supply risk is lower on an absolute basis (1.5msf vs. 11.8msf), but relatively consistent in relation to existing inventory (~3%).

Tenant investment at North Point 90 (NP90) is significant. NP90 includes three buildings (13220, 13230, and 13250 Crosby Freeway) in Houston totalling 1.4msf. The largest tenant, Chewy (online retailer of pet food and pet-related products), occupies the 688ksf building and is investing ~US$75M on internal racking and robotic infrastructure. Physical occupancy for the entire development is 89%. GRT noted that it is talking to two tenants for the remaining 148ksf that is available at 13220.

We believe the remainder of Highway 109 Business Park (109BP) will lease-up relatively quickly. 109BP is a three-building development totalling 509ksf. The first two multi-tenant buildings are partly leased; we believe GRT is targeting a larger user for the third. The Nashville market is tight (3.8% vacancy; 3.6% of existing inventory under construction), population growth is strong, and broker commentary suggested that interest for the remaining space at BP90 is robust.

Key Changes
Target $84.00↓ $91.00

This report was prepared by an analyst(s) employed by BMO Nesbitt Burns Inc., and who is (are) not registered as a research analyst(s) under FINRA rules.

BMO Capital Markets

IN Fact

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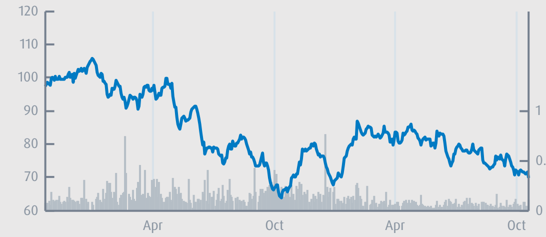
2YR Price Volume Chart



LHS: Price (C$) / RHS: Volume (mm) Source: FactSet

Company Data			in C$
Distribution	$3.20	Units O/S (mm)	63.7
Yield	4.8%	Market Cap. (mm)	$4,285
NAV	$84.40	Prem/(Disc) to NAV	-20.4%

BMO Estimates (FY-Dec.)	2021A	2022A	2023E	2024E
FFO/Unit	$3.92	$4.43	$4.91	$5.18
AFFO/Unit	$3.67	$4.05	$4.29	$4.71
Distributions	$3.01	$3.11	$3.21	$3.30
AFFO Payout %	82.0%	76.8%	74.7%	70.0%
EBITDA (mm)	$297	$353	$394	$425

Valuation	2021A	2022A	2023E	2024E
P/FFO	17.1x	15.2x	13.7x	13.0x
P/AFFO	18.3x	16.6x	15.7x	14.3x

QTR. FFO/Unit	Q1	Q2	Q3	Q4
2021A	$0.93	$0.99	$0.99	$1.01
2022A	$1.05	$1.09	$1.08	$1.20
2023E	$1.24a	$1.21a	$1.21	$1.24
2024E	$1.26	$1.27	$1.31	$1.34

Our Thesis

We rate GRT Outperform. Our positive stance reflects GRT's positioning as a modern and global industrial real estate business, solid near-term earnings growth potential, and strong balance sheet.

Granite REIT - Block Summary Model

Income Statement	2021A	2022A	2023E	2024E
Revenues	$393	$456	$520	$550
Net Operating Income (NOI)	333	380	433	460
NOI Margin	84.5%	83.5%	83.2%	83.7%
G&A	38	29	43	39
G&A Margin	9.8%	6.5%	8.2%	7.1%
EBITDA	297	353	394	425
EBITDA Margin	75.6%	77.4%	75.8%	77.4%
Funds From Operations (FFO)	251	289	313	330
FFO/Unit	$3.92	$4.43	$4.91	$5.18
Adj. Funds From Operations (AFFO)	235	264	274	300
AFFO/Unit	$3.67	$4.05	$4.29	$4.71
Fair Value Gains /(Losses)	1,298	(208)	(86)	0
Cash Flow Statement	**2021A**	**2022A**	**2023E**	**2024E**
Balance Sheet	**2021A**	**2022A**	**2023E**	**2024E**
Total Assets	8,567	9,280	9,202	9,321
Income Producing Properties	7,792	8,527	8,741	8,771
Properties Under Development	163	273	113	132
Total Debt	2,444	3,048	3,067	3,067
Non-controlling Interest	3	5	5	5
Unitholder's Equity	5,319	5,475	5,419	5,539

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

GRT trades at an implied cap rate of 6.0% and a 20.4% discount to our NAV. Our $84 target price equates to our NAV estimate and implies an ~16.2x multiple to our 2024 FFO estimate.

Upside Scenario $87.00

Our upside scenario equates to our NAV estimate assuming no change to our applied cap rate and a 2% increase in NOI.

Downside Scenario $63.00

Our downside scenario is based on a 10% discount to our NAV estimate assuming a 50 bps increase in our applied cap rate and a 3% decrease in NOI. Note: The exhibit below illustrates only price return.

Key Catalysts

1) Same-property NOI growth driven by positive leasing spreads and contractual increases. 2) NOI growth and fair value gains from development completions. 3) Continued reduction of the REIT's weighting to Magna.

Company Description

Granite REIT is a Canadian-based real estate investment trust engaged in the acquisition, development, ownership and management of logistics, warehouse and industrial properties in North America and Europe.

GRT.UN-TSX Research
Glossary
Company Models

Auto Parts

Q3/23 Preview: Minimal Strike Impact in Q3, IHS Lowers Q4 Production

BMO Capital Markets

Auto Parts

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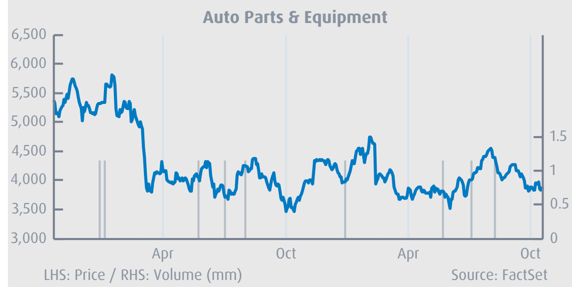

Bottom Line:

Q3/23A production was only slightly lower than pre-strike forecasts. For Q4/23E, IHS meaningfully lowered its forecast for Detroit Three production, which had a negative impact to our earnings estimates for all three auto parts companies in that quarter. There could be potential upside to our Q4/23 forecasts if Detroit Three production and/or cost recoveries are higher than expected. We rate all three names Outperform; our pecking order is now MGA, LNR, MRE (previously LNR, MRE, MGA).

Key Points

Earlier this week, auto forecasting company IHS published industry production schedules that included Q3/23 actuals, which we compared with our earnings estimates. We also reviewed our other model assumptions.

Q3/23A production only slightly lower than pre-strike forecasts, which had a modest negative impact to our estimates.

Q4/23E Detroit Three production lowered. IHS now expects 1.09mm units, down from 1.22mm in last month's forecast largely due to an extension in assumed strike duration (from six weeks to 10) and the strike's expansion to some additional plants since mid-September. This had a negative impact on our Q4/23 estimates and our full year forecasts are below management guidance for all three companies.

Good production growth expected in 2024, flattish for 2025. For 2024, IHS nudged its estimate for Detroit Three production up modestly to 7.31mm units from 7.29mm in its September forecast. The firm is forecasting a 14% y/y increase in Detroit Three production and 7% y/y increase in North America industry production, driven by both a positive fundamental outlook and expected recovery from the strike

Revised Q3/23E by company:

- For MGA, our Q3/23 EPS estimate is now $1.27 (from $1.40, Street is $1.35) due to i) correcting a previous model error and ii) lower production in MGA's top NA and EU platforms. Due to reductions in our Q3/23 and Q4/23 EPS estimates, our 2023 EPS forecast is now $4.92 (from $5.30, Street is $5.30) vs. MGA's guidance range of $4.96 to $5.66. This guidance was last updated with Q2/23 reporting and did not assume a UAW strike.

- For LNR, our Q3/23E EPS is now $2.00 (from $1.97, Street is $2.10) due to i) an increase in Industrial segment revenues and ii) cost recoveries after reviewing our previous assumptions and management commentary, partially offset by iii) correcting a previous model error and iv) lower production in Detroit Three and EU. Given IHS' latest forecast, we are forecasting 150bps y/y compression in Mobility margin for 2023; management's last guidance was for "contraction".

- For MRE, our Q3/23E EPS is now $0.53 (from $0.49, Street is $0.53) due to an increase in cost recoveries after reviewing our previous assumptions and management commentary, partially offset by lower production in EU. MRE's most recent outlook anticipated higher EBITDA in H2/23 vs. H1/23 on continued improvement in production and cost recoveries. Given IHS' latest forecast, our 2023 revenue estimate of $5bn is within guidance but our EBIT margin of 5.8% is just shy of the 6-7% target range.

BMO Top 15 List

BMO Top 15 List Member

Linamar (LNR-TSX) - Cdn Small Cap

Industry Research

Glossary

October 19, 2023 | 21:00 ET~

Freeport-McMoRan

BMO Capital Markets

IN Fact

FCX-NYSE	Rating	Price: Oct-19	Target ↓	Total Rtn
	Outperform	$35.23	$45.00	29%

Metals & Mining - US

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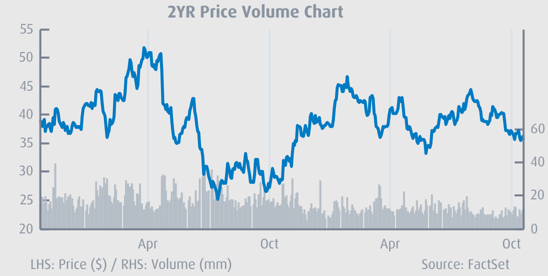
Executing

2YR Price Volume Chart



Bottom Line:

Freeport delivered another solid quarter, driven by better-than-expected copper sales. Looking ahead, no major changes to '24/'25 targets, other than a slight capex increase. However, we are reducing estimates given the increase in energy costs and our expectations for costs to remain stickier. We are also reducing our target to $45. FCX has a strong pipeline of organic initiatives/projects in the near/medium-term, as well as meaningful potential longer-term projects, a performance-based payout policy, and in our view remains well-positioned to benefit from a positive secular outlook for copper.

Key Points

3Q'23 Results: Click here for the first look note. **2024/2025 Outlook:** No changes were made to the consolidated copper/gold volume targets, with FCX continuing to target copper/gold volumes of 4.2blbs/1.8moz in 2024 and 4.2blbs/1.6moz in 2025, although leaching and potential productivity improvements in NA offer possible upside to the current targets, in our view.

Strong Organic Project Pipeline: FCX slightly increased its 2024 capex to $3.9b, vs. $3.8b previously, with the increase driven primarily by a new project in Indonesia to transition energy source from coal to LNG over the next 3-4 years (total capex of ~ $1b). Although the current copper pricing environment coupled with higher capital costs are not supportive of new major project investments, FCX continues to make minor investments and works on completing feasibility/economic studies in order to create optionality. Overall, our view remains FCX has a solid near-term (~400mlbs from leaching and NA productivity improvements), medium-term (600mlbs leaching, 550mlbs Kucing Liar project, 200mlbs Bagdad expansion, 650mlbs El Abra expansion) and longer-term organic growth pipeline. **Leaching Update:** In 3Q'23, FCX produced 46mlbs of copper from leaching, achieving ~90% of its near-term target. In our view, leaching represents an attractive growth opportunity as it's not capital intensive, with FCX indicating leaching costs average ~$1.0/lb, which over time would translate to lower average costs in NA.

Indonesian Smelter Update: Construction of the 1.7mtpy smelter is 84% complete, vs. 75% a quarter ago. Construction is still expected to be completed by mid-'24, after which commissioning will begin, with ramp-up expected through YE '24. FCX continues to work with the government to enable exports to continue until smelter is fully operational (i.e., likely YE 2024). As a reminder, FCX's current export license is valid through May '24.

Key Changes

Target	Estimates	Q4 / 23E	2023E	2024E
$45.00↓	Revenue	$6,034	$22,984	
$47.00	*Previous*	*$6,244*	*$22,681*	
	EBITDA	$2,327	$8,830	$9,234
	Previous	*$2,559*	*$8,922*	*$9,775*
	EPS	$0.42	$1.68	$1.94
	Previous	*$0.50*	*$1.74*	*$2.14*

Company Data			in $
Dividend	$0.60	Shares O/S (mm)	1,433.6
Yield	1.7%	Market Cap (mm)	$50,507
Cash (mm)	$4,217	Total Debt (mm)	$11,127

BMO Estimates (FY-Dec.)	2022A	2023E	2024E
Revenue	$22,780	$22,984↑	$24,133
EBITDA	$9,522	$8,830↓	$9,234↓
EPS	$2.44	$1.68↓	$1.94↓
FCFPS	$1.13	$0.99↓	$0.51↓
ND/EBITDA	0.3x	0.5x↑	0.5x↑

Consensus Estimates	2022A	2023E	2024E
EPS		$1.59	$2.10

Valuation	2022A	2023E	2024E
EV/EBITDA	0.0x	7.3x	7.1x
P/E	14.5x	20.9x	18.2x

QTR. EBITDA	Q1	Q2	Q3	Q4
2022A	$3,431	$2,315	$1,525	$2,251
2023E	$2,165a	$2,141a	$2,197a	$2,327
2024E	$2,391	$2,357	$2,241	$2,244

Our Thesis

In our view, FCX shares represent a favorable risk/reward for those seeking copper exposure, a commodity with a favorable secular supply/demand outlook.

October 20, 2023

Freeport-McMoRan - Block Summary Model

Income Statement	2022A	2023E	2024E
Total Revenues	22,780	22,984	24,133
Cost of Sales	13,084	13,777	14,507
DD&A	2,019	1,970	1,840
SG&A	420	476	520
Interest Expense	(560)	(554)	(512)
Net Income	3,468	2,066	2,799
Adjusted EPS	$2.44	$1.68	$1.94
EBITDA	9,522	8,830	9,234
EBIT	7,503	6,860	7,394
Diluted Shares Outstanding	1,451	1,443	1,443
Cash Flow Statement	**2022A**	**2023E**	**2024E**
Operating Cash Flow	5,139	5,574	6,459
Investing Cash Flow	(3,440)	(4,904)	(4,900)
Financing Cash Flow	(1,623)	(2,961)	(2,253)
Change in Cash	76	(2,291)	(694)
Beg Cash Balance	8,070	7,596	5,305
Ending Cash Balance	8,146	5,305	4,611
Free Cash Flow	1,636	1,430	739
Balance Sheet	**2022A**	**2023E**	**2024E**
Cash & Equivalents	8,146	5,305	4,611
Other Total Current Assets	7,467	8,332	8,332
Total Assets	51,093	52,037	54,403
Total Current Liabilities	6,345	4,860	4,860
Total Liabilities	26,222	24,971	24,971
Shareholders' Equity	15,555	16,848	19,214
Total Liabilities and Share Equity	51,093	52,037	54,403
Net Debt	2,474	4,100	4,794

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

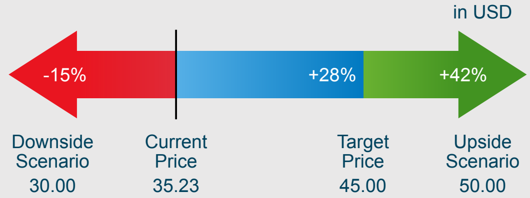
Our $45 target price represents 8.7x 2024E EBITDA at the BMO 2024 copper price forecasts of $3.65/lb, at the higher end of a reasonable valuation range, but FCX of today is significantly de-risked vs. 5-10 years ago, indicating higher-than-historical multiples are warranted in our opinion.

Upside Scenario $50.00

Our upside scenario share price of $50 is based on ~6.0x EV/EBITDA in a $4.50/lb copper price scenario.

Downside Scenario $30.00

Our downside scenario share price of $30 is based on ~8.0x EV/EBITDA, based on a ~$3.00/lb copper price scenario.



Key Catalysts

Underlying copper price changes.

Company Description

Freeport is a major copper producer with assets that include the Grasberg mine in Indonesia, the Morenci mine in North America, and the Cerro Verde operation in South America. Through its ownership in Grasberg, FCX is also a major gold producer.

FCX-NYSE Research

Glossary

Company Models

4D Molecular Therapeutics

FDMT-NSDQ	Rating	Price: Oct-18	Target	Total Rtn
	Outperform	$10.41	$50.00	380%

Our Thoughts on Two Key Investor Concerns That Are Driving Weakness in FDMT

Bottom Line:

FDMT (-33%) has significantly underperformed XBI (-12%) over the past month, and we believe that, in addition to macro themes, two key investor concerns that may be driving downside include: **(1)** Investor speculations that the high-dose cohort in CF experienced (lung) inflammation; and **(2)** Uncertainty around the wetAMD PhIII design/timelines/execution, driven by the current regulatory headwinds that TKI companies are facing. Although we appreciate that the above fuel near-term ambiguity/concerns, we don't see them as material risks for the FDMT thesis. Remain OP and await CF data on 11/2/2023.

Key Points

Investors believe patients under 2E15vg 4D-710 experienced inflammation, due to managements commentary about potential deprioritization of the 2E15vg dose.

Clinical data for the 1E15vg cohort demonstrated high *CFTRΔR* expression (>90% of cells) with clean safety (here). At NFCFC (11/2), management will present additional FEV1/CFQ-R data (not biopsy data) for 1E15vg and the first *CFTR* data for 2E15vg. Similar to 1E15vg cohort, in the 2E15vg cohort we look for >90% *CFTRΔR* expression with positive FEV1/CFQ-R trends. Although inflammation is always a possibility and could impact 4DMT platform's reputation in the near-term, **(1)** No available data suggest that 2E15vg 4D-170 can trigger inflammation; **(2)** Potential inflammation events under 2E15vg don't have a meaningful read-through on 4D-710 development (given that 2E15vg isn't necessary due to near-saturated *CFTRΔR* expression with 1E15vg) or 4D-150 development (~100,000x lower dose).

Recent FDA guidance (here) generates uncertainty around 4D-150 PhIII trial design/timelines/execution. Historically, the PhIII trials of wetAMD gene therapies included a treatment arm (e.g., RGX-314) and an active control arm (e.g., Aflibecept), with the primary endpoint based on non-inferiority. FDA's recent guidance proposes the addition of a third arm (placebo) that the treatment has to demonstrate superiority to, exposing placebo patients to a 15-letter vision loss. Given that a 15-letter vision deterioration can be severe/irreversible, ophthalmologists may be reluctant to recruit patients for such studies that compromise their vision, creating uncertainty around trial enrollment/timelines/execution (OCUL example here). In 1Q24, we await updates from management's meeting with FDA (4Q23) on PhIII design wherein: **(1)** *Favorable outcome:* Two arms (4D-150, active control), with primary endpoint based on non-inferiority; **(2)** *Unfavorable outcome:* Three arms (4D-15, active control, placebo), 4D-150 needs to demonstrate superiority to placebo. *We think the fast enrollment in 4D-150 trials (here) signals that ophthalmologists want to bring 4D-150 to market, suggesting a favorable PhIII enrollment either way.*

IN Fact

BMO Capital Markets

Biotechnology

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Legal Entity: BMO Capital Markets Corp.

2YR Price Volume Chart

LHS: Price ($) / RHS: Volume (mm) Source: FactSet

Company Data			in $
Dividend	$0.00	Shares O/S (mm)	42.1
Yield	0.0%	Market Cap (mm)	$438
52-Week High	$26	52-Week Low	$7

BMO Estimates			in $
(FY-Dec.)	2022A	2023E	2024E
EPS	$(2.79)	$(2.68)	$(2.65)
Revenue	$3	$1	$1
Valuation			
	2022A	2023E	2024E
P/E	NM	NM	NM

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$(0.70)	$(0.74)	$(0.65)	$(0.71)
2023E	$(0.76)a	$(0.64)a	$(0.68)	$(0.62)

Our Thesis

(1) 4DMT harnesses its clinically validated platform to develop differentiated gene therapies; **(2)** The wetAMD program addresses limitations of approved/investigational drugs and can potentially confer a >$5B commercial opportunity; **(3)** The Cystic Fibrosis program may be the first therapy delivering clinical benefit to CF patients without treatment options, potentially unlocking a ~$3B opportunity.

4D Molecular Therapeutics - Block Summary Model

Income Statement	2022A	2023E	2024E
Total Revenues	3	1	1
R&D	71	78	86
SG&A	25	26	28
Operating Income	(93)	(104)	(113)
Net Income (non-GAAP)	(90)	(100)	(110)
Diluted EPS (non-GAAP)	$(2.79)	$(2.68)	$(2.65)
Diluted Shares Outstanding	32	37	42
Cash Flow Statement	**2022A**	**2023E**	**2024E**
Cash From Operating Activities	(87)	(87)	(104)
Cash Flow From Investments	(17)	(12)	(13)
Cash Flow From Financing	3	141	162
Starting Cash Balance	153	52	95
Ending Cash Balance	52	95	141
Balance Sheet	**2022A**	**2023E**	**2024E**
Total Current Assets	221	256	302
Total Assets	262	305	358
Total Current Liabilities	16	18	20
Total Liabilities	31	33	34
Total Shareholders' Equity	231	272	324
Total Liabilities and Share Equity	262	305	358
Total Cash	52	95	141
Total Debt	0	0	0

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

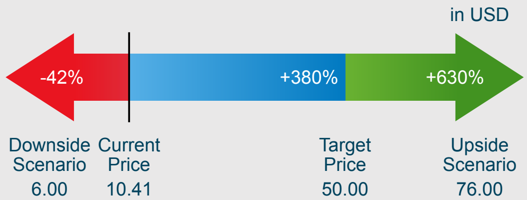
Our target for FDMT is based on our SOTP DCF analysis driven by NPV of 4D-710 and 4D-150 cash flows through 2035. We use a WACC of 14.0% based on the methodology for our biotech coverage. We assign a terminal value to FDMT revenues with a growth rate of 0%, capturing the potential growth of FDMT's vector evolution platform.

Upside Scenario $76.00

Our upside case assumes positive clinical data from the 4D-150 and 4D-710 trials. Under this scenario, the PoS for 4D-150 program increases to 30% (from 25%) and for 4D-710 program increases to 25% (from 15%) leading to a share price of $76, which represents ~50% upside from base case ($50). For the upside scenario to materialize, we would expect no safety signals and sustained clinical efficacy.

Downside Scenario $6.00

Our downside case assumes that all the pipeline programs fail and FDMT is trading at cash.



Key Catalysts

Key catalysts over the next 12 months include: (1) Data readout from 4D-710 trial for Cystic Fibrosis (modulator ineligible) in 2Q23.

Company Description

4D Molecular Therapeutics, Inc., a clinical-stage gene therapy company, develops product candidates using its adeno-associated viruses vectors. It develops a portfolio of gene therapy product candidates focused in three therapeutic areas: ophthalmology, cardiology, and pulmonology.

FDMT-NSDQ Research

Glossary

Company Models

BioPharma

CTAD 2023 Planner: Late-stage Enthusiasm for mABs; subQ leca, Ph 1/2s in Focus

Bottom Line:

Heading into the Clinical Trials on Alzheimer's Disease (CTAD) conference in Boston next week (Oct 24-27). We anticipate late-stage enthusiasm for Lilly's donanemab and Biogen's Leqembi data, given upcoming and recent approval, respectively. **We are closely watching the lecanemab subQ readout,** which will show effect on amyloid as measured by PET scan and interim safety — we want to see non-inferior ARIA and PK/PD; at-home subQ dosing would be an important differentiator for Biogen as donanemab approval expected by YE23. **We are also focused on early assets in our coverage including Ph 1 updates for Biogen's BIIB080 and Regeneron's ALN-APP.** Outside our coverage, we're watching Acumen's ACU193 and Roche's RG6289 and trontinemab in AD; Alector's latozinemab in FTD and EIP Pharma's neflamapimod in Lewy body dementia.

Our conference planner is below (ask us for a copy in Excel).

Key Points

Key readouts across our coverage: 1) Biogen's preliminary lecanamab subQ readout, Leqembi CLARITY-AD biomarker/subgroup data and Ph 1B BIIB080 MAD and LTE data; 2) additional analysis of Lilly's donanemab TRAILBLAZER-ALZ 2 trial including safety insights (which follows full Ph 3 readout in July); and 3) Regeneron's ALN-APP Ph 1.

Biogen: While additional data on Leqembi and aducanemab are not ground-breaking, Biogen has a chance to differentiate its AD franchise with lecanamab subQ formulation that would remove the burden of in-office IV administration required for Leqembi and donanemab. We will also see more Ph 1b data for BIIB080 (MAPT ASO), which previously showed a reduction of this magnitude in tau PET across brain regions. ***(1)*** *LB9: Exploratory clinical outcomes from BIIB080 (MAPT ASO) Phase 1b multiple ascending dose and LTE study in mild Alzheimer's disease. 10:25AM, 10/25/23.* ***(2)*** *Late-breaking Symposium 4: Lecanemab for Early Alzheimer's Disease: Long-Term Outcomes, Predictive Biomarkers & Novel SubQ Admin. 5:25PM, 10/25/23.*

Lilly: While we welcome any and all data that could differentiate donanemab, investors are focused on approval for donanemab guided to YE23. Recall July 2023 full readout for Ph 3 TRAILBLAZER-ALZ 2, which showed a faster removal of plaques than other agents (i.e., Leqembi), and requires less frequent dosing. ***(1)*** *Symposium 2: Donanemab in Early Symptomatic Alzheimer's Disease: Additional Insights from TRAILBLAZER-ALZ 2. 9:25AM, 10/25/23;* ***(2)*** *LB11: Rapid amyloid clearance and efficacy: Results from TRAILBLAZER-ALZ 2, a phase 3 study of donanemab for treatment of early Alzheimer's disease. 4:55pm, 10/25/23.*

Regeneron: This readout follows recently announced data that showed mean 56%/65% reduction in sAPPa/sAPPβ was achieved at 6 months for the highest dose (75mg). These data may help resolve overhang of FDA's partial clinical hold, which could be resolved by YE23; the Part B MAD portion initiated in Canada is ongoing. ALN-APP offers a significant/durable target engagement (which is key given the IT administration). Discussion with KOL here. *(1) LB10: Phase 1 safety, tolerability, and pharmacological results of ALN-APP, the first investigational RNA interference therapeutic in development for early-onset Alzheimer's disease. 11:05AM, 10/25/23.*

See our planner for additional abstracts and posters relevant to our coverage.

BMO Capital Markets

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BMO Top 15 List

BMO Top 15 List Member
Eli Lilly (LLY) U.S. Large Cap Stock
Regeneron Pharmaceuticals (REGN) U.S. Large Cap Stock

Industry Research

Glossary

Agribusiness & Protein

Takeaways From BMO's Fall Ag Outlook Call

BMO Capital Markets

Agribusiness & Protein

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Bottom Line:

We hosted our fall Ag outlook call with BMO's leading commercial ag lending team today (replay available on request). First, our team indicated that U.S. grower sentiment remains cautiously optimistic as balance sheet and working capital positions remain strong, and 2024 is expected be another year of tight farm profits given corn/soybeans are expected to hover around ~$5/$13 for the foreseeable future. Second, farmer corn/soybean selling is materializing slower than normal, potentially creating a bottom for basis (albeit well below last year's basis) as buyers seek to incentivize farmer selling. Outlooks for processing margins (ethanol, soy crush) remained constructive, however. Third, crop input and equipment commentary was consistent with what we've been talking about (strong grower buying of crop inputs though dealers are more hand-to-mouth instead of restocking yet, seed prices up a little, softness in new equipment sales continues etc.).

Key Points

Farmer sentiment cautiously optimistic; breakeven 2024 corn price estimated $4.00-4.50/bu (echoing ag-apalooza takeaways). This compares with spot and futures corn hugging $5/bu, plus, most farmers have strong working capital positions and sufficient storage, so they can be patient and defer sales into 2024 if crop prices aren't attractive (tax incentives also support deferrals). In fact, growers have already started deferring sales, as evidenced by current elevator inventories at half of typical levels and 30-50% less-than-normal contracted new crop. This wait-and-see grower attitude is despite higher interest rates and is expected to continue until the new year when there is greater clarity on yields.

U.S. corn/soy yields are tracking better than expected and in-line with trend levels despite dry conditions in the West. The panel raved about how seed genetics and tech has been surprising growers to the upside. Our lending team does not expect a material shift from corn acres to soybeans (some investors are concerned on this).

Growers are purchasing and applying crop inputs normally (specifically fertilizer) this fall, but dealers are operating on a hand-to-mouth basis. Retail inventories are currently historically low and dealers are neither de-stocking or restocking yet. There has been more demand this year for fungicides than normal, and seed prices are expected to rise slightly for next year (consistent with our prior commentary as we see 2-3% seed price mix lift for 2024).

Equipment prices are expected to decline up to 10% over the next 1-2 years following record used equipment prices and demand driven by supply chain constraints.

Outlook for ethanol and soy crush margins was constructive. Lower corn prices and production constraints create a favorable setup for ethanol margins (typically seasonal losses now, but 15% margin currently). A constructive U.S. crush margin outlook also was painted as soybean crush overcapacity (given new plants coming online) is not expected until 2025+.

U.S. cattle herd rebuild delayed. Increased slaughter-ready cattle supplies are not expected until late 2025 or 2026. Despite record cattle feeder profitability, ranchers are expected to be slower to retain heifers than in prior cycles considering inflationary pressures (though Kansas and Texas panhandle feed costs are getting more favorable).

Industry Research

Glossary

October 19, 2023 | 20:00 ET~

Rubellite Energy

RBY-TSX	Rating	Price: Oct-19	Target	Total Rtn
	Outperform	$2.41	$3.25	35%

Figure Lake Acquisition; Production Ahead of Expectations

Bottom Line:

Through a $34 million acquisition, the company added 800bbl/d of production and significant acreage to its position at Figure Lake, where recent development results have exceeded expectations. Q3 volumes were also strong with operational momentum set to carry through into the new year. We maintain our Outperform rating and $3.25 target price.

Key Points

Clearwater Acquisition. Rubellite announced a $34 million acquisition that includes 800bbl/d of heavy oil production and 215 net sections of land in the Southern Clearwater. The transaction will have an effective date of October 1 and is expected to close in early November this year.

Q3/23 Production. Preliminary estimates came-in at ~3,154bbl/d ahead of our 2.9mbbl/d estimate and consensus 3.0mbbl/d.

Updated Guidance. Pro forma, the company has revised 2023 guidance upward to 3.1-3.2mbbl/d (from 2.9-3.1mbbl/d), noting that current sales volumes are trending >3.5mbbl/d. Spending for the year has been adjusted to $55-57 million (from $47-52 million) with another $7 million allocated for exploration.

Operational Update. With all eight wells on the 15-24 pad now on production, five of the wells are averaging IP30 rates of 222 bbl/d with the other three averaging IP60 rates of >200bbl/d, higher than type curve expectations of 116bbl/d. The company has also temporarily contracted a second rig for the remainder of the year to evaluate step-out locations.

Valuation & Recommendation. RBY trades at 1.9x 2024E EV/EBITDA (BMO Deck) relative to peers at 2.9x. We maintain our Outperform rating and target price of $3.25

Key Changes			
Estimates	Q3 / 23E	2023E	2024E
CFPS	$0.23	$0.84	$1.43
Previous	*$0.21*	*$0.79*	*$1.35*
EPS	$0.12	$0.34	$0.66
Previous	*$0.11*	*$0.30*	*$0.63*
Total (Mboe/d)		3.2	4.1
Previous		*3.0*	*3.8*

This report was prepared by an analyst(s) employed by BMO Nesbitt Burns Inc., and who is (are) not registered as a research analyst(s) under FINRA rules.

BMO Capital Markets

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2YR Price Volume Chart

Company Data			in C$
Dividend	$0.00	Shares O/S (mm)	61.8
Yield	0.0%	Market Cap (mm)	$149
EV (mm)	$147	Net Debt (mm)	$21

BMO Estimates			in C$
(FY-Dec.)	2022A	2023E	2024E
CFPS	$0.44	$0.84↑	$1.43↑
EPS	$0.47	$0.34↑	$0.66↑
Total (Mboe/d)	1.7	3.2↑	4.1↑
Oil & Liq (b/d)	1,670	3,151↑	4,072↑
NGas (MMcf/d)	0.0	0.0	0.0

Consensus Estimates	2022A	2023E	2024E
CFPS		$0.83	$1.34

Valuation	2022A	2023E	2024E
EV/EBITDA	6.3x	2.7x	1.6x
P/E	5.1x	7.2x	3.6x
D/CF	1.2x	1.0x	0.2x

QTR. CFPS	Q1	Q2	Q3	Q4
2023E	$0.17a	$0.19a	$0.23	$0.25
2024E	$0.28	$0.35	$0.40	$0.41

Our Thesis

We view Rubellite as having the depth and quality of Clearwater inventory at Figure Lake to deliver meaningful production growth over the medium term.

BMO Capital Markets

Rubellite Energy - Block Summary Model

Commodity Assumptions	2022A	2023E	2024E
WTI Oil (US$/bbl)	94.30	78.80	92.20
WCS (C$/bbl)	98.54	81.14	101.89
US$/C$ FX Rate	0.77	0.75	0.78
Henry Hub (US$/Mcf)	6.51	2.74	3.25
Production	**2022A**	**2023E**	**2024E**
Oil Production (mbbl/d)	1.7	3.2	4.1
Y/Y Change	*4.7%*	*88.7%*	*29.2%*
Gas Production (MMcf/d)	0.0	0.0	0.0
NGL Production (mbbl/d)	0.0	0.0	0.0
Total Production (mboe/d)	1.7	3.2	4.1
Y/Y Change	*4.7%*	*88.7%*	*29.2%*
Per Unit Metrics ($/Boe)	**2022A**	**2023E**	**2024E**
Pre Hedge Realization	89.39	75.58	94.37
Royalties	(9.37)	(7.38)	(10.38)
Operating	(7.22)	(6.59)	(6.50)
Transportation	(7.30)	(7.96)	(7.90)
DD&A	(22.08)	(29.12)	(23.00)
G&A	(5.44)	(5.53)	(4.31)
Interest	(0.56)	(1.15)	(1.20)
Income Statement	**2022A**	**2023E**	**2024E**
Total Revenues	31	68	110
Operating Income	25	21	43
Operating EPS	$0.47	$0.34	$0.66
EBITDA	23	54	94
Cash Flow Statement	**2022A**	**2023E**	**2024E**
Discretionary Cash Flow	23	52	92
Cash Flow From Operations	23	52	92
Capex	(94)	(63)	(60)
Free Cash Flow	(71)	(11)	32
Cash Flow From Investments	(86)	(107)	(60)
Reinvestment Rate (Capex/DCF)	409%	120%	65%
Balance Sheet	**2022A**	**2023E**	**2024E**
Cash	2	0	0
PP&E	166	230	256
Total Assets	204	267	293
Debt	12	45	12
Equity/Minority Interest	159	200	244
Total Liabilities and Equity	204	267	293
D/CF	1.2x	1.0x	0.2x

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

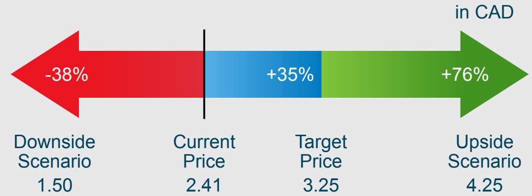
Our $3.25 target price is based on a 2023E EV/EBITDA of 4.0x. We view a slight premium multiple as warranted due to the high-growth nature of the company.

Upside Scenario $4.25

In the event of exploration success at Peavine/Dawson, we expect the pace of development could be accelerated, resulting in a 40% premium to our 2024E EV/EBITDA target multiple of 3.1x, for a share price of $4.25.

Downside Scenario $1.50

In the event of lower-than-anticipated step-out/appraisal drilling results, we would expect a multiple contraction 30% below the current 2024E EV/EBITDA trading multiple of 1.9x, for a share price of $1.50.



Key Catalysts

Incremental exploration wells in its northern Clearwater asset base. Better-than-expected well results and beating/achieving production guidance.

Company Description

Rubellite Energy is a junior exploration and production company focused on the Clearwater heavy oil play in northern Alberta. It was formed through a plan of arrangement with Perpetual Energy in September 2021.

RBY-TSX Research

Glossary

Company Models

October 19, 2023 | 16:15 ET~

Union Pacific

BMO Capital Markets — IN Fact

UNP-NYSE 15	Rating	Price: Oct-19	Target	Total Rtn
	Outperform	$210.33	$270.00	31%

Transportation

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UNP Exits Q3/23 on Stronger Footing & With Positive Momentum

Bottom Line:

Operating momentum is showing signs of improvement under new CEO Jim Vena. While this should support margin gains over the coming year, a more constructive volume environment—dependent on both the macro and UNP commercial execution—will be needed to fully realize the benefits of efficiency improvement. We continue to believe that an optimized UNP can deliver +$17 in EPS and mid-50% OR over the medium term (F2027). We reiterate our Outperform rating and $270 target price.

Key Points

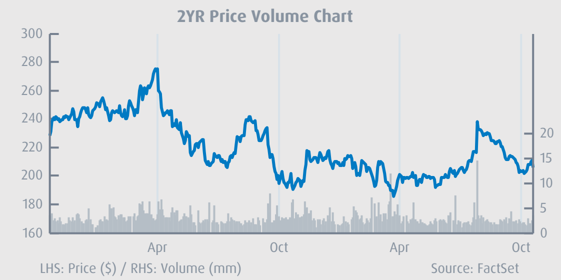
Results modestly better than expected. Revenues were in line at $5,941mm while EBIT of $2,177mm (63.4% OR) was higher than our $2,126mm (64.0% OR) forecast and in line with consensus of $2,183mm (63.4% OR). We note that results included a one-time asset write-down that affected EBIT by ~$32mm.

Operating momentum has gained. Network performance has steadily improved with car velocity up 8%, train speed up 10%, and dwell down 8% since Jim Vena rejoined UNP on August 14. The pace of improvement has driven car inventory levels down 2% despite a recent uptick in volume, signaling better car cycle times. Management highlighted further opportunities for improvement across several areas including network velocity as well as from simplifying UNP's organizational structure to expedite decision-making and enhance service. The fourth quarter and F2024 should also benefit from a greater emphasis on pricing, in order to catch up with inflationary pressures, particularly labour, which has been running at a higher-than-expected pace. Half of UNP contracts are multi-year agreements and have yet to reflect the elevated pace of cost inflation.

Larger acceleration in margin improvement will need volume. Our updated F2024 forecast assumes volume growth of less than 1% and reflects the mixed demand environment. Despite this, we believe that UNP can deliver high-single-digit EPS growth and improve OR by 150bps through next year. Margin expansion should accelerate in F2025 as the demand environment recovers and as UNP service improvement drives business development wins. We believe that UNP has an opportunity to deliver EPS of +17 and mid-50% OR over the medium term, which would support significant upside from current levels.

Key Changes

Estimates	Q4 / 23E	2023E	2024E
Revenue	$6,060	$24,020	$24,792
Previous	*$6,123*	*$24,059*	*$25,328*
EPS	$2.60	$10.34	$11.12
Previous	*$2.66*	*$10.26*	*$11.63*



Company Data			in $
Dividend	$5.20	Shares O/S (mm)	609.5
Yield	2.5%	Market Cap (mm)	$128,188
AD Vol. (mm)	3.49	Net Debt (mm)	$33,717

BMO Estimates (FY-Dec.) in $	2022A	2023E	2024E	2025E
Revenue	$24,875	$24,020↓	$24,792↓	$26,239↓
EPS	$11.21	$10.34↑	$11.12↓	$13.11↓
EV	$163,150	$157,542↑	$157,459↑	$157,102↓

Consensus Estimates	2022A	2023E	2024E	2025E
EPS		$10.15	$11.37	$12.78

Valuation	2022A	2023E	2024E	2025E
P/E	18.8x	20.3x	18.9x	16.0x
EV/EBITDA	13.4x	13.9x	13.0x	11.9x

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$2.57	$2.93	$3.05	$2.67
2023E	$2.67a	$2.57a	$2.51a	$2.60
2024E	$2.64	$2.74	$2.78	$2.98
2025E	$3.07	$3.25	$3.29	$3.51

Our Thesis

Our analysis suggests that UNP can lower operating expenses to expand operating margin and improve the company's competitive position and ability to re-energize volume growth over the medium to long term. Execution has improved and UNP has the potential to operate at low capex for several years. This, combined with improving profitability, should support robust FCF and expansion in ROIC.

BMO Capital Markets

Union Pacific - Block Summary Model

Income Statement	2022A	2023E	2024E	2025E
Revenue	24,875	24,020	24,792	26,239
Growth y/y %	*14.1%*	*-3.4%*	*3.2%*	*5.8%*
Operating Expenses	14,958	15,036	15,068	15,415
EBITDA	12,163	11,299	12,068	13,184
Growth y/y %	*5.3%*	*-7.1%*	*6.8%*	*9.3%*
EBIT	9,917	8,984	9,723	10,824
Growth y/y %	*6.2%*	*-9.4%*	*8.2%*	*11.3%*
Net Income	6,998	6,312	6,682	7,513
Growth y/y %	*7.3%*	*-9.8%*	*5.9%*	*12.4%*
Diluted EPS	$11.21	$10.34	$11.12	$13.11
Growth y/y %	*12.7%*	*-7.8%*	*7.5%*	*17.8%*
Operating Ratio	59.7%	62.3%	60.8%	58.7%
Labor Productivity (y/y % GTM/ headcnt)	0.4%	-4.3%	1.9%	1.9%
Cash Flow Statement	**2022A**	**2023E**	**2024E**	**2025E**
Cash Provided From Operations	9,362	8,308	9,337	10,221
Capex	3,620	3,700	3,400	3,600
Dividends	3,159	3,171	3,354	3,502
Free Cash Flow	5,742	4,608	5,937	6,621
Balance Sheet	**2022A**	**2023E**	**2024E**	**2025E**
Cash and Cash Equivalents	1,019	1,196	1,279	1,647
Total Current Assets	2,933	2,960	3,079	3,244
Net PP&E	56,038	57,599	57,599	57,599
Total Assets	65,449	64,759	64,981	65,541
Total Debt	34,957	33,239	33,239	33,250
Total Liabilities	53,286	51,546	52,271	53,282
Shareholders' Equity	12,163	13,213	12,710	12,259
Key Metrics	**2022A**	**2023E**	**2024E**	**2025E**
Debt/EBITDA	2.9x	2.9x	2.8x	2.5x
EBIT/Interest	7.8x	6.7x	7.4x	8.3x
Capex/Sales	14.6%	15.4%	13.7%	13.7%
ROIC	17.1%	15.2%	16.1%	18.1%

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

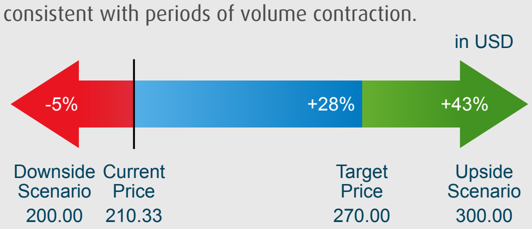
Multiple assumed is 21.5x our forward earnings.

Upside Scenario $300.00

We assume volume grows 2% faster than the base case and pricing also accelerates consistent with prior trends.

Downside Scenario $200.00

The stock trades at a discount to the market multiple consistent with periods of volume contraction.



Key Catalysts

Potential catalysts could include progress in terms of network fluidity and productivity metrics. Trends in freight demand, fuel, and foreign exchange prices are additional potential catalysts.

Company Description

Union Pacific (UNP) operates the largest railroad in North America, covering 23 states across the western two-thirds of the U.S. The company serves many of the fastest-growing U.S. population centers, operates from all major West and Gulf Coast ports to eastern gateways, connects with Canada's rail systems, and is the only railroad serving all six major Mexico gateways.

BMO Top 15 List

BMO Top 15 List Member

U.S. Large Cap Stock

UNP-NYSE Research

Glossary

Company Models

Fertilizers & Chemicals

Takeaways From BMO's Fall Ag Outlook Call

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BMO Capital Markets Corp.*

Bottom Line:

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Farmer sentiment cautiously optimistic; breakeven 2024 corn price estimated $4.00-4.50/bu (echoing ag-apalooza takeaways). This compares with spot and futures corn hugging $5/bu, plus, most farmers have strong working capital positions and sufficient storage, so they can be patient and defer sales into 2024 if crop prices aren't attractive (tax incentives also support deferrals). In fact, growers have already started deferring sales, as evidenced by current elevator inventories at half of typical levels and 30-50% less-than-normal contracted new crop. This wait-and-see grower attitude is despite higher interest rates and is expected to continue until the new year when there is greater clarity on yields.

U.S. corn/soy yields are tracking better than expected and in-line with trend levels despite dry conditions in the West. The panel raved about how seed genetics and tech has been surprising growers to the upside. Our lending team does not expect a material shift from corn acres to soybeans (some investors are concerned on this).

Growers are purchasing and applying crop inputs normally (specifically fertilizer) this fall, but dealers are operating on a hand-to-mouth basis. Retail inventories are currently historically low and dealers are neither de-stocking or restocking yet. There has been more demand this year for fungicides than normal, and seed prices are expected to rise slightly for next year (consistent with our prior commentary as we see 2-3% seed price mix lift for 2024).

Equipment prices are expected to decline up to 10% over the next 1-2 years following record used equipment prices and demand driven by supply chain constraints.

Outlook for ethanol and soy crush margins was constructive. Lower corn prices and production constraints create a favorable setup for ethanol margins (typically seasonal losses now, but 15% margin currently). A constructive U.S. crush margin outlook also was painted as soybean crush overcapacity (given new plants coming online) is not expected until 2025+.

U.S. cattle herd rebuild delayed. Increased slaughter-ready cattle supplies are not expected until late 2025 or 2026. Despite record cattle feeder profitability, ranchers are expected to be slower to retain heifers than in prior cycles considering inflationary pressures (though Kansas and Texas panhandle feed costs are getting more favorable).

Industry Research

Glossary

Healthcare REITs

SNF Minimum Staffing: Examining Potential Risks vs. Proposed Standards

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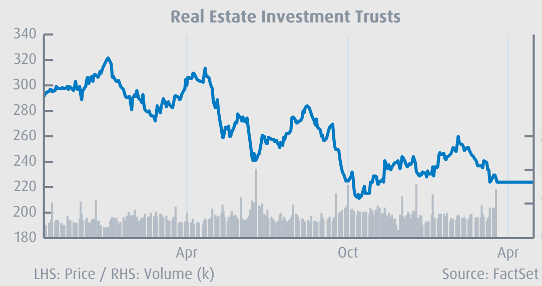

Bottom Line:

CMS proposed minimum staffing level for skilled nursing (SNFs) earlier this fall, which represents a longer-term risk (3-5 yr targeted implementation) for the industry given the requirement would not be funded via increased government reimbursements in an environment where it's hard to recruit and retain nurses. Industry feedback suggests confidence the proposal will ultimately be watered down (currently in a 60-day comment period) in some capacity. That said, we find it helpful to assess REITs' relative rankings using the latest available CMS data (1Q23) to help assess potential risks. Relative to the 3.0 HPRD staffing proposal, **SBRA**, **WELL** & **VTR** have the highest staffing levels, while **LTC**, **NHI** & **OHI** screen the lowest. Within healthcare, we continue to favor senior housing operating with a view towards a multi-year recovery, but remain positive on SNFs with **CTRE** rated Outperform.

Key Points

CMS Proposal Basics. CMS recently proposed SNFs provide a minimum of 0.55 hrs of care from registered nurse (RNs) per resident day and 2.45 hours of care from a certified nurse aide (CNA) for a total of 3.0 hrs per resident day (HPRD). In addition, RNs will have to be on site 24-hours a day. The proposal is currently in a 60-day comment period with industry sources positive the final ruling will be altered or watered down in SNF's favor.

SBRA, WELL, & VTR Lead vs. Peers. Comparing CMS data, **SBRA**, **WELL,** & **VTR** have the highest relative staffing levels (Exh-2), while **LTC**, **NHI,** & **OHI**, have the lowest. On avg, only 6% of REITs' assets comply with the mandate (Exh-3), vs the industry avg of 19%, likely due to less non-profit representation in REITs. **VTR** has the highest percentage of assets in compliance (14%), while **NHI** has the lowest (2%). Including LPNs, 51% of REITs' assets would meet the 3.0 HPRD staffing target vs the 60% industry avg (Exh: 4-5) with nearly all REITs on average above the 3.0 HPRD threshold.

Industry Push Back: In talking to participants, there are two main areas of pushback on CMS' proposal, excluding the fact the proposal isn't paid for with higher reimbursements levels and finding labor (particularly nurses) remains a challenge. First the proposal would require 24-hr RN coverage & second, licensed practical nurses (LPNs) don't count towards minimums, despite being included in state staffing mandates. We note LPNs have higher training than CNAs. So, excluding LPNs seems incongruous with the goal of improving patient care.

Expensive Agency Use Declining. As of the 1Q23, REITs used contract labor for ~10.4% of the total CNA & RN hours worked. **LTC** & **OHI** had the lowest contract labor use while **VTR** had the highest (Exh: 8-9). REITs' contract labor declines have outpaced the industry avg. We expect further moderation in contract labor utilization, which should help further boost rent coverage levels that have been trending higher.

CA Hikes Min Wages; CTRE Most at Risk. Separately, Gov. Newsom signed a bill last Friday that will raise the minimum wage for healthcare workers in CA to $25/hr vs. a market rate of ~$21-22/hr, according to industry sources. Stand alone SNFs aren't specifically included, which we view as a negative given there wouldn't be a commensurate reimbursement with market forces likely to drive up pay across healthcare regardless of the lack of SNF inclusion in the mandate. As per Exh 10 & 11, **CTRE** has the largest SNF exposure to CA (29% of rents) while **VTR** & **NHI** have no SNF assets in the state.

Industry Research

Glossary

October 19, 2023 | 17:33 ET~

The Travelers Companies

BMO Capital Markets — IN Fact

TRV-NYSE	Rating	Price: Oct-19	Target	Total Rtn
	Outperform	$163.94	$217.00	35%

Insurance Property & Casualty

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Legal Entity: BMO Capital Markets Corp.

Post-3Q Mgmt Meeting+Model Updates: Investment Tailwinds and Auto Improvement

Bottom Line:

We, along with others, were afforded the opportunity to sit down with Travelers' mgmt team. Mgmt's tone was similarly bullish to their tone and verbal data pts offered during the 3Q EPS call; i.e. (we're paraphrasing here): 1) moderating inflationary pressures in certain areas, especially auto, 2) pricing-power moving north, 3) still embedding an inflation cushion in terms of health inflation vs. actual trailing trend. **We remain Outperform rated based on our view that profit margins will meaningfully inflect higher, led largely by personal auto & home) in '24-'25.**

Key Points

Other key points: 4) earned pricing being in excess of loss costs which didn't come through this qtr due to a number of normal variances which netted to a negative impact. **5)** *which is a negative impact*, TRV is putting more weight on more recent higher-than-expected catastrophe claim levels.

Some brief takeaways: Catastrophe levels: Looking forward, TRV and the industry are incorporating a higher catastrophe/inflationary outlook, reflected in double-digit property pricing levels. Over time, TRV's view of "normalized" gross (pre-reinsurance) catastrophe levels has been volatile, from 5.4% 5 years ago to 4.5% in 2022 (per TRV's proxy which adjusts to reflect the 10-year average). We estimate TRV will view normalized catastrophes as 5.1% in 2024, versus BMO's catastrophe load estimate of 5.6%, consensus 5.9%, and TRV's 20-year average of 4.9%. **Pricing has been well in excess of loss inflation lately,** which will likely partially mask the historical ~700bps of worse/higher core margin. BMOe 4Q'23, 2024, and 2025 all-in combined ratios are 91.9%, 94.8%, and 93.8%, respectively, versus consensus at 92.6%, 95.4%, and 95.0%. **Reviver Statutes/Sexual Molestation:** Other states could pass laws that cause further changes to the industry's reserves. **Litigation Finance:** Impacts everyone but moreso carriers who cater to larger corporates/bigger insurance policies, like D&O. 3Q's underlying loss ratio was flat y/y and was modestly negatively impacted by a number of items – not enough of a "story" to describe/quantify on the EPS call. **Loss-cost inflation trend:** TRV said its view of forward loss-cost inflation (~5.5% was the last update, see our loss-cost tracker below) didn't change, but the starting point of underlying inflation levels is higher. To us, this implies loss-cost inflation has been running a bit higher than TRV's expectations given reserve release levels this year are on track to equal 0.4pts vs. TRV's 10-year average of 2.4pts.

Key Changes

Estimates	Q4 / 23E	2023E	2024E
EPS	$5.25	$11.40	$18.85
Previous	*$5.26*	*$12.52*	*$18.58*
Net Premiums Written	10,248	40,455	44,922
Previous	*10,092*	*40,552*	*44,554*

Company Data			in $
Dividend	$4.00	Shares O/S (mm)	228.9
Yield	2.4%	Market Cap (mm)	$37,532
P/BV	0.0x	Book Value	$21,855.00

BMO Estimates (FY-Dec.) in $	2022A	2023E	2024E	2025E
EPS	$12.42	$11.40↓	$18.85↑	$22.53↑
Net Premiums Written	35,414	40,455↓	44,922↑	47,810↑
BVPS	$92.89	$91.60↓	$103.26↓	$118.52↓
tBVPS x AOCI	$114.00	$120.28↓	$133.24↑	$149.91↑

Consensus Estimates	2022A	2023E	2024E	2025E
EPS		$11.75	$17.29	$20.12

Valuation	2022A	2023E	2024E	2025E
P/E	13.2x	14.4x	8.7x	7.3x
P/BVPS	1.8x	1.8x	1.6x	1.4x
P/tBVPS ex AOCI	1.4x	1.4x	1.2x	1.1x

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$4.22	$2.57	$2.20	$3.40
2023E	$4.11a	$0.06a	$1.95a	$5.25
2024E	$5.33	$3.43	$4.02	$6.10
2025E	$6.34	$4.07	$5.39	$6.73

Our Thesis

Our forward EPS estimates materially exceed the consensus (6% cumulatively through 2024) for three key reasons: 1) We foresee TRV's personal lines results improving materially into 2024 due to corrective actions TRV has been undertaking, 2) reserving cushion which TRV built up within its portfolio from 2019-2022, and 3) incremental opportunistic growth in recent quarters.

BMO Capital Markets

The Travelers Companies - Block Summary Model

Operating Metrics	2022A	2023E	2024E	2025E
Net Premiums Written	35,414	40,455	44,922	47,810
Net Premiums Earned	33,763	37,939	42,980	46,161
Net Investment Income	2,562	2,950	3,530	3,713
Loss and Loss Adjustment Expense Ratio	67.1%	70.2%	66.2%	65.4%
Underwriting Expense Ratio	28.6%	28.4%	28.6%	28.5%
Combined Ratio	95.7%	98.7%	94.8%	93.9%
Catastrophe Loss Ratio	6%	9%	6%	6%
Prior Year Reserve Development Ratio	-1.9%	-0.4%	-0.0%	-0.4%
Underlying Loss Ratio	63.5%	62.1%	60.6%	59.9%
Operating EPS	$12.42	$11.40	$18.85	$22.53

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

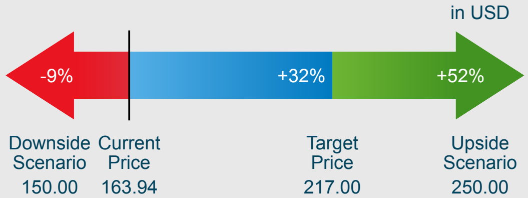
Our $217 target price represents an 11.7x multiple to our 2024 operating income EPS estimate. This P/E multiple is 2% above TRV's historical six-year multiple relative to the S&P 500 and in line with its six-year historical average multiple of ~11.8x. Our target price represents ~1.8x book value ex-AOCI, which is ~27% above TRV's historical six-year average.

Upside Scenario $250.00

TRV is overweight workers' compensation insurance; should medical inflation levels remain muted, TRV's margins would likely be positively affected. Accelerating commercial insurance rates will boost both top-line growth and margins; reserve releases could increase should social inflation decelerate. Higher interest rates could also have a positive impact on net investment income.

Downside Scenario $150.00

TRV is overweight workers' compensation insurance; should medical inflation levels rise materially, TRV's margins would likely be negatively affected. Decelerating commercial insurance rates could hinder both top-line growth and margins; reserve releases could come under pressure should social inflation accelerate. Lower interest rates will hurt outer-year EPS estimates.



Key Catalysts

Monthly commercial pricing data points from the major surveys. Property replacement cost inflation figures are also very important given labor and input cost inflation has been causing insurers to need to increase prices in order to get ahead of rising costs.

Company Description

Travelers engages in the provision of commercial and personal property and casualty insurance products and services. It operates through the following business segments: Business Insurance, Bond and Specialty Insurance, and Personal Insurance. The company was founded in 1853 and is headquartered in New York, NY.

TRV-NYSE Research

Glossary

Company Models

Mullen Group

BMO Capital Markets

IN Fact

MTL-TSX	Rating	Price: Oct-19	Target	Total Rtn
	Market Perform	$13.70	$16.00	22%

Industrials

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Q3/23 Recap; Power of Diversification

Bottom Line:

Mullen's Q3/23 results were solid in context of continued freight headwinds, while Specialized & Industrial work was a stand-out. Inventory levels also appear to be stabilizing, which bodes well for the company moving forward. MTL stock has been weaker in 2023, mostly due to the macro backdrop. While believe the shares sit at an attractive entry point, we remain cautious around demand levels over the next few quarters. As such, we continue to rate MTL shares Market Perform and reiterate our $16 target price.

Key Points

Q3/23 Financial Results. Adjusted EBITDA of $88.6 million was ahead of our $79.0 million estimate and consensus of $83.7 million.

- By segment, **Less-Than-Truckload (LTL)** revenue, EBITDA, and margins held in flat Q/Q at $194 million, $35 million, and 17.8%, respectively.
- **Logistics & Warehousing (L&W)** revenue of $137 million declined ~4% Q/Q, while margins fell ~140 basis points to 19.5%.
- **Specialized & Industrial (S&I)** results were the big outperformer this quarter, with revenue of $125 million up ~17% Q/Q (and ~15% Y/Y), while margins were strong at 23.7%.
- **U.S. & Int'l Logistics** revenue of $48 million declined ~4% Q/Q, while margins were relatively flat at 2.3%, mostly due to the slowdown in the U.S. freight market.

Signs of Life Emerging. Management is seeing signs that inventories are normalizing, while energy/mining related work remains strong. We also believe the company holds optionality through M&A, particularly as it looks to refinance some 2024 notes (announcement expected prior to year-end).

Incorporating Q3/23 Results. Post quarter, we are increasing our 2023/2024 EBITDA estimates to $329/$339 million, respectively ($316/$328 million prior). MTL's valuation sits at an attractive level of ~5x 2024E EV/EBITDA (BMO numbers), which is several turns below its peers. We like this entry point, although believe it could take some time for the shares to move higher until more clarity exists around the macro backdrop. As such, we reiterate our Market Perform rating and $16 target price, which reflects ~6x 2024 EV/EBITDA.

Key Changes

Estimates	Q4 / 23E	2023E	2024E
EPS		$1.35	$1.40
Previous		*$1.25*	*$1.33*
CFPS	$1.27	$3.05	$2.91
Previous	*$1.16*	*$2.83*	*$2.82*
EBITDA	$80	$329	$339
Previous	*$77*	*$316*	*$328*

2YR Price Volume Chart

LHS: Price (C$) / RHS: Volume (mm) Source: FactSet

Company Data			in C$
Dividend	$0.72	Shares O/S (mm)	88.7
Yield	5.3%	Market Cap (mm)	$1,216
AD Vol. (mm)	0.14	Net Debt (mm)	$704

BMO Estimates (FY-Dec.) in C$	2022A	2023E	2024E
EPS	$1.55	$1.35↑	$1.40↑
CFPS	$2.85	$3.05↑	$2.91↑
EBITDA	$330	$329↑	$339↑
ROCE (%)	11.8%	10.2%↑	10.5%↑
ND/EBITDA	1.9x	1.9x	1.5x

Consensus Estimates	2022A	2023E	2024E
EPS		$1.42	$1.42

Valuation	2022A	2023E	2024E
P/E	8.8x	10.1x	9.8x
P/CFPS	4.8x	4.5x	4.7x
EV/EBITDA	5.8x	5.8x	5.7x

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$0.17	$0.42	$0.39	$0.62
2023E	$0.34a	$0.37a	$0.40a	$0.31
2024E	$0.31	$0.33	$0.39	$0.37

Our Thesis

MTL's business remains one of the more stable platforms in our coverage universe, although the mixed macro backdrop causes us to maintain a more neutral tone on the shares. We continue to rate MTL shares Market Perform.

Mullen Group - Block Summary Model

Income Statement	2022A	2023E	2024E
Revenue	$1,999	$1,978	$2,012
Operating Expenses	1,428	1,391	1,415
Gross Margin	572	588	597
EBITDA	$330	$329	$339
EBT	211	180	182
Net Income	159	135	137
Adjusted Net Income	159	135	137
EPS (diluted)	1.55	1.35	1.40
Adjusted EPS (diluted)	$1.55	$1.35	$1.40
Cash Flow Statement	**2022A**	**2023E**	**2024E**
Cash Flow from Ops (before Δ WC)	292	304	285
Change in Working Capital	(29)	(20)	0
Cash Flow From Operations	263	284	285
Cash Flow From Investments	(37)	(97)	(100)
Cash Provided From Financing	(215)	(187)	(185)
Change in Cash	11	1	0
Cash at Beginning of Period	(1)	9	9
Cash at End of Period	9	9	9
Balance Sheet	**2022A**	**2023E**	**2024E**
Total Current Assets	360	415	415
Total Assets	1,996	2,082	2,063
Total Current Liabilities	220	323	323
Total Liabilities	1,023	1,102	1,011
Share Capital	845	805	805
Retained Earnings	98	142	215
Total Shareholders' Equity	973	979	1,052
Total Liabilities and Share Equity	1,996	2,082	2,063

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

Our $16.00 target price is based on ~6x 2024E EV/EBITDA.

Upside Scenario $22.00

If MTL is able to grow recently completed acquisitions over the next few years, the company could see positive revisions to our and Street forecasts. Upticks in GDP would also improve its non-WCSB-focused businesses. Such developments could see MTL trade up to the $22 area.

Downside Scenario $9.00

If oil prices drop and the economy contracts, each of Mullen's segments could face further demand weakening, although Less-Than-Truckload revenue would likely hold in reasonably well. We would not be surprised if the shares traded down to the $9 area in such a scenario.

Key Catalysts

Mullen has a history of growth through acquisition, which would act as positive catalysts. Positive broader economic news would also be positive for MTL.

Company Description

Mullen is a Canadian transportation and logistics company. The company operates through four segments: 1) Less-Than-Truckload; 2) Logistics & Warehousing; 3) Specialized & Industrial Services; and 4) U.S. and Int'l Logistics.

MTL-TSX Research

Glossary

Company Models

October 19, 2023 | 16:43 ET~

Steel Dynamics

BMO Capital Markets

IN Fact

STLD-NSDQ	Rating	Price: Oct-19	Target	Total Rtn
	Market Perform	$99.20	$107.00	10%

Metals & Mining - US

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Well Positioned Longer Term but Valuation Appears Full

Bottom Line:

Following in-line 3Q'23 results, we are only making minor estimate adjustments. Looking ahead, STLD indicated customer order activity remains solid and demand steady, but 4Q'23 is expected to be impacted by seasonal trends. Meanwhile, Sinton ramp-up delayed further, while new coating lines are set to start in 1Q'24 and aluminum rolling mill remains on budget/shedule. Overall, STLD'S multiple growth investments should translate to higher through-cycle earnings over time, but with shares trading at 7.7x 2024E EV/EBITDA, our view remains shares are near fair value.

Key Points

3Q'23 Results: Click here for the first look note. **Market Commentary:** Steel Dynamics indicated industry fundamentals remain solid, with demand steady and customer inventories at historically low levels. Non-residential construction is expected to remain healthy. Infrastructure spending demand is still expected to pick up in 2024, although likely pushed out to 2H'24, in our view. The UAW strike has not materially impacted STLD, mainly because its exposure is more to the European/Asian auto producers.

Fabrication Business Softening: The order backlog currently extends through 1Q'24, although it has contracted as shipments have outpaced spot order activity. The softness has been attributed to continued project funding delays, with STLD expecting funding will improve early next year. Meanwhile, backlog pricing remains strong and spot pricing resilient, although no specifics were provided. Overall, fabrication's profitability is expected to decline sequentially on seasonally lower volumes and lower prices. Meanwhile, our view remains steel fabrication business started to exhibit signs of easing, which in our view will continue in 2024.

Sinton Update: Sinton produced 290kt of sheet in 3Q'23 (July outage reduced production by ~90kt), down from 390kt in 2Q'23, therefore operating at ~39% capacity, vs. ~52% in 2Q'23. The mill is expected to progressively ramp up to ~70% run-rate by year-end, with Sinton expected to produce ~2.4mt in 2024, implying ~80% utilization, although full capacity is expected to be reached in mid-2024. **Coating Lines Update:** Commissioning of the four new coating lines will commence in 1Q'24, with the ramp-up expected over 3-6 months. The coating lines will increase value-added mix by 1mt/+17% to 6.9mt. **Aluminum Rolling Investment:** No change. Progress on the ~ $2.5b aluminum rolling mill continues to be made (650ktpy capacity, EBITDA target of $650-700m/year); commissioning expected in mid-2025. **2024 Preliminary Capex Outlook:** $1.8-2.0b, vs. our prior estimate of $1.5b.

Key Changes

Estimates	Q4 / 23E	2023E	2024E
Revenue	$3,954	$18,516	$15,580
Previous	*$4,057*	*$18,312*	*$15,652*
EBITDA	$578	$3,576	$2,274
Previous	*$594*	*$3,587*	*$2,283*
EPS	$2.03	$14.37	$8.02
Previous	*$2.08*	*$14.44*	*$8.09*

Company Data			in $
Dividend	$1.70	Shares O/S (mm)	165.6
Yield	1.7%	Market Cap (mm)	$16,431
Cash (mm)	$828	Total Debt (mm)	$2,377

BMO Estimates (FY-Dec.)	2022A	2023E	2024E
Revenue	$22,261	$18,516↑	$15,580↓
EBITDA	$5,990	$3,576↓	$2,274↓
EPS	$22.71	$14.37↓	$8.02↓
FCFPS	$19.24	$8.50↑	$(1.00)↓
ND/EBITDA	0.1x	0.3x↓	0.6x

Consensus Estimates	2022A	2023E	2024E
EPS		$14.71	$8.87

Valuation	2022A	2023E	2024E
EV/EBITDA	3.3x	5.1x	8.0x
P/E	4.4x	6.9x	12.4x

QTR. EBITDA	Q1	Q2	Q3	Q4
2022A	$1,672	$1,787	$1,457	$1,074
2023E	$950a	$1,172a	$876a	$578
2024E	$799	$536	$470	$470

Our Thesis

In our view Steel Dynamics remains well-positioned to benefit from still relatively healthy downstream steel fabrication results (albeit declining), expected improvement in sheet steel prices/lower mill costs, and improved profitability at Sinton. But, in our view, STLD shares are near fair value at this stage in the cycle.

Steel Dynamics - Block Summary Model

Income Statement	2022A	2023E	2024E
Total Revenues	22,261	18,516	15,580
Cost of Sales	15,759	14,149	12,721
DD&A	384	432	417
SG&A	546	541	433
Interest Expense	92	80	74
Net Income	3,863	2,361	1,319
Adjusted EPS	$22.71	$14.37	$8.02
EBITDA	5,990	3,576	2,274
EBIT	5,578	3,109	1,829
Diluted Shares Outstanding	185	168	164
Cash Flow Statement	**2022A**	**2023E**	**2024E**
Operating Cash Flow	4,460	3,096	1,736
Investing Cash Flow	(2,043)	(1,760)	(1,900)
Financing Cash Flow	(2,197)	(1,353)	(280)
Change in Cash	221	(17)	(444)
Beg Cash Balance	1,244	1,628	1,611
Ending Cash Balance	1,465	1,611	1,168
Free Cash Flow	3,552	1,428	(164)
Balance Sheet	**2022A**	**2023E**	**2024E**
Cash & Equivalents	1,628	1,611	1,168
Other Total Current Assets	6,010	5,463	5,463
Total Assets	14,160	15,193	16,233
Total Current Liabilities	2,032	1,918	1,918
Total Liabilities	6,030	6,035	6,035
Shareholders' Equity	8,130	9,158	10,198
Total Liabilities and Share Equity	14,160	15,193	16,233
Net Debt	814	983	1,427

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

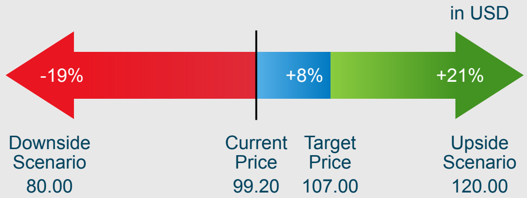
Our $107 target price represents 8.3 2024E EV/EBITDA.

Upside Scenario $120.00

Our upside scenario share price of $120 is based on a ~6.0x multiple applied to bull case EBITDA.

Downside Scenario $80.00

Our downside scenario share price of $80 is based on a ~7.5x EV/EBITDA multiple applied to bear case EBITDA.



Key Catalysts

Underlying steel price changes.

Company Description

Steel Dynamics is a vertically integrated, mini-mill steel producer primarily serving U.S. construction markets. Steel Dynamics has annual steel production capacity of ~14 million tons and comprises three operating segments: steel-making operations, metals recycling operations, and steel fabrication operations.

STLD-NSDQ Research

Glossary

Company Models

Discover Financial Services

BMO Capital Markets

IN Fact

Specialty Finance

DFS-NYSE	Rating	Price: Oct-18	Target ↓	Total Rtn
	Market Perform	$91.85	$99.00	11%

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Legal Entity: BMO Capital Markets Corp.
BMO Nesbitt Burns Inc.*

3Q23: Lowering Estimates and Target Due to Higher Provisions and Share Counts

Bottom Line:

Following DFS's 3Q23 big credit miss, we lower estimates as much as -7% (higher provisions and share counts) and we lower our target price to $99 (was $100). DFS attributed half its bigger-than-expected reserve build to card loan growth (+16%) and the other half to macroeconomic pressures (affecting lower-mid FICO borrowers disproportionately); if delinquencies fail to slow over the coming months, incremental provisions are likely. Management tweaked full-year guidance higher on slightly faster loan growth, but credit quality (card loan losses) and regulatory issues (buy-back pause) remain in focus.

Key Points

Big credit miss. DFS's 3Q23 core EPS of $2.47 missed consensus of $3.17 by -19%; much higher-than-expected provisions more than offset higher revenues (NII and fees) and lower expenses. Relative to reported EPS of $2.59, we calculate $2.57 core after stripping-out the benefit of a lower-than-normal tax rate (-$0.02).

Card loan credit quality in focus. DFS's 3Q23 provisions ($1.7 billion) meaningfully exceeded consensus ($1.4 billion) due to a higher reserve build for card loans (for which 30+day delinquencies jumped +130 bps y/y). DFS attributed half the build to card loan growth (+16% y/y) and the other half to lower borrower savings and net worth (for lower-mid FICO borrowers in particular). DFS sees card losses peaking later next year, then plateauing for a few quarters before declining; however, if delinquencies fail to slow over the coming months, incremental provisions will likely be needed.

Marginally better guidance. Management tweaked full-year guidance higher on faster loan growth (up mid-teens% *versus* prior up low-to-mid-teens%); otherwise, guidance was unchanged (NIM 11%, costs up low-double-digits%, NCOs 3.4-3.6%, and buybacks paused). DFS reiterated its medium-term target for operating efficiency ratios below 40%, and spending volume is expected to grow low-single-digits% next year.

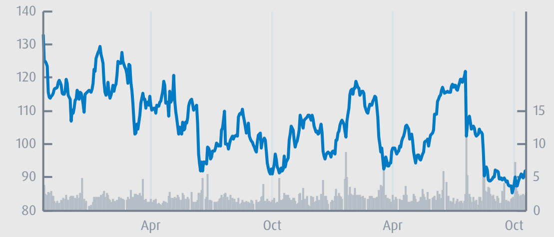
Lowering estimates due to higher expected credit provisions and share counts. We lower our DFS core EPS estimates -6% in 2023E (to $12.27 from $13.02), -7% in 2024E (to $12.30 from $13.21), and -4% in 2025E (to $14.00 from $14.63) due to higher-than-previously modeled credit provisions, lower NIM, and longer buy-back pause.

Lowering target. Our new $99 DFS target price (was $100) is predicated on 1.4x TCE ($69 per share) plus 0.5x excess capital ($9 per share) in 4Q24E. Our 1.4x target P/TCE is calculated as the product of a 19.5% normalized RoTCE and 7x historical P/E.

Key Changes

Target	Estimates	Q4 / 23E	2023E	2024E
$99.00↓	Core EPS	$2.56	$12.27	$12.30
$100.00	*Previous*	*$2.77*	*$13.02*	*$13.21*
	NIM			10.6%
	Previous			*10.8%*
	TCE/TA		9.0%	9.9%
	Previous		*9.8%*	*9.4%*

2YR Price Volume Chart



LHS: Price ($) / RHS: Volume (mm) Source: FactSet

Company Data			in $
Dividend	$2.80	Shares O/S (mm)	250.0
Yield	3.0%	Market Cap (mm)	$22,958
Net Debt (mm)	$13,452	Wkly $Vol (000s)	2,047,753

BMO Estimates				in $
(FY-Dec.)	2022A	2023E	2024E	2025E
Core EPS	$16.31	$12.27↓	$12.30↓	$14.00↓
NIM	11.0%	11.0%	10.6%↓	10.3%↓
TCE/TA	9.9%	9.0%↓	9.9%↑	10.8%↑
Provs./Loans	3.39%	2.39%	5.68%	-1.66%

Consensus Estimates	2022A	2023E	2024E	2025E
EPS		$12.96	$12.91	$15.80

Valuation	2022A	2023E	2024E	2025E
P/E	5.6x	7.5x	7.5x	6.6x

QTR. Core EPS	Q1	Q2	Q3	Q4
2022A	$4.76	$4.20	$3.55	$3.79
2023E	$3.60a	$3.54a	$2.57a	$2.56
2024E	$2.63	$2.99	$2.97	$3.72
2025E	$2.86	$3.57	$3.65	$3.93

Our Thesis

We worry about owning credit card lenders into an expected credit cycle. We remain cautious on the group, but favor COF, because it built reserves more aggressively than peers ahead of the impending credit cycle.

This report was prepared in part by an analyst(s) employed by a Canadian affiliate, BMO Nesbitt Burns Inc., and who is (are) not registered as a research analyst(s) under FINRA rules.

BMO Capital Markets

Discover Financial Services - Block Summary Model

Income Statement	2022A	2023E	2024E	2025E
Net Interest Income	10,999	12,945	13,855	14,423
Non-interest Revenue	2,552	2,782	2,841	2,949
Non-interest expenses	5,236	5,794	6,475	6,734
PPNR	8,315	9,933	10,221	10,638
Provisions	2,359	5,740	6,062	5,922
Pre-Tax Income	5,956	4,194	4,159	4,716
Taxes	1,350	969	998	1,132
Net Income	4,606	3,224	3,161	3,584
Minority and Preferred interest	88	85	85	85
Net Income to common	4,518	3,139	3,076	3,499
Average diluted shares	278	254	250	250
EPS	$16.25	$12.34	$12.30	$14.00
Non-core adjustments	15	(5)	0	0
Core EPS	$16.31	$12.27	$12.30	$14.00
Key Ratios	**2022A**	**2023E**	**2024E**	**2025E**
TCE/TA	9.9%	9.0%	9.9%	10.8%
Basel 3 Common equity tier 1 ratio	10.5%	10.5%	10.5%	10.5%
Provisions/Avg Loans	3.39%	2.39%	5.68%	-1.66%
NCO rate	1.8%	3.4%	4.2%	3.8%
NIM	11.0%	11.0%	10.6%	10.3%
Balance Sheet	**2022A**	**2023E**	**2024E**	**2025E**
Cash & Equivalents	21,105	23,923	26,094	28,462
Loans	112,075.2	127,383.5	136,651.0	146,861.5
Reserves	7,374	9,072	9,703	10,336
Goodwill	1,003	1,073	1,031	990
other intangibles	255	254	249	244
other assets	4,597	5,513	5,513	5,513
Total Assets	131,706	149,075	159,834	171,734
Deposits	91,636	107,140	115,971	125,531
Debt	20,108	19,759	20,971	22,258
Other liabilities	5,618	7,475	5,851	4,155
Total Liabilities	117,362	134,373	142,794	151,944
Preferred shares	1,056	1,056	1,056	1,056
Common Equity	13,288	12,709	15,627	15,459

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

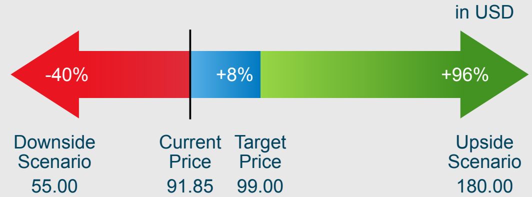
Our target price is predicated on: 1) our *pro forma* TCE forecasts to which we apply a target P/TCE multiple predicated on normalized RoTCE and a normalized forward P/E valuation multiple, and 2) our estimate of *pro forma* excess capital per share.

Upside Scenario $180.00

Assuming DFS realizes only 50% of our forecast net credit losses over the next two years.

Downside Scenario $55.00

Assuming DFS realizes 1.5x our forecast net credit losses over the next two years.



Key Catalysts

DFS is not a catalyst stock; however, its valuation should prove most valuation sensitive to labor market forecasts (and consequent consumer credit expectations), along with regulatory developments (Basel 3 End-game, Long-term Debt Rule, and now DFAST stress scenarios.

Company Description

Discover Financial Services (DFS) is a direct banking and payment services company. The company is a bank holding company, as well as a financial holding company. The company provides direct banking products and services and payment services through its subsidiaries. The company manages its business activities in two segments: Direct Banking and Payment Services.

DFS-NYSE Research

Glossary

Company Models

October 19, 2023 | 16:03 ET~

Maple Leaf Foods

BMO Capital Markets

IN Fact

MFI-TSX	Rating	Price: Oct-19	Target	Total Rtn
	Outperform	$24.61	$33.00	38%

Retailing/Consumer

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Q3/23 Preview: Q/Q Change in Pork Complex Trended Largely in Line

Bottom Line:

The notable q/q increase in the average pork complex for Q3/23 was in line with management's outlook for sequential improvement. We are sticking with our Q3/23 Meat margin estimate, which is more conservative than MFI's guidance, given the Producer spread's intra-quarter decline. The stock has declined materially in recent weeks; we wonder if Prop 12 concerns have been one of the factors. We find the current valuation compelling (8x 2024E EBITDA vs. historical 8-10x) and reiterate our Outperform rating.

Key Points

MFI reports Q3/23 before market open on November 2. Our Q3/23E EPS is unchanged at $0.18 (mean is $0.22) but our Q4/23 and 2024 quarterlies are slightly changed.

Average pork complex in Q3/23 was much better q/q but declined intra-quarter. We define the pork complex as the combined "Producer margin" (hog price minus cost of raising a piglet) and "Packer margin" (cut-out price minus hog price). In Q3/23, the pork complex averaged US$7.4cwt, a notable improvement from negative US$17.5cwt in Q2/23.

Within the quarter, the pork complex declined from July through September due to a deteriorating Producer margin from falling hog prices. Some industry participants attributed this to elevated slaughter for this time of year. We wonder if this may be partly due to Proposition 12. The Packer margin fared better, declining m/m in August before rebounding in September. Cut-out prices held in fairly well in Q3/23, which was largely attributed to better demand, including of exports.

The q/q improvement in the Packer margin for Q3/23 is positive for MFI, but this may have been partially dampened by the Producer spread's intra-quarter decline that caused the overall complex to compress (MFI raises hogs for 40% of its internal pork requirements). On the Q2/23 earnings call, management expected Q3/23 Meat segment EBITDA margin to improve another 170bps q/q on top of the 170bps in Q2/23. We continue to take a more conservative stance, assuming 120bps of q/q margin improvement in Q3/23.

MFI's plant-based brands continue to decline by high-teens % in U.S. retail sell-through per IRI. We have not changed our segment forecasts. We continue to expect the business to break even on adjusted EBITDA in Q3/24 vs. management's guidance for year-end 2023.

Key Changes

Estimates	Q3 / 23E	2023E	2024E
Gross Profit	$142	$473	$747
Previous	*$144*	*$477*	*$754*
Adj. EBITDA	$124	$431	$616
Previous	*$126*	*$434*	*$623*

2YR Price Volume Chart

LHS: Price (C$) / RHS: Volume (mm) — Source: FactSet

Company Data			in C$
Dividend	$0.84	Shares O/S (mm)	122.1
Yield	3.4%	Market Cap (mm)	$3,005
Net Debt (mm)	$1,982	P/BV	1.9x

BMO Estimates				in C$
(FY-Oct.)	**2022A**	**2023E**	**2024E**	**2025E**
Sales	$4,739	$5,022	$5,181	$5,332
Gross Profit	$424	$473↓	$747↓	$812
Adj. EBITDA	$273	$431↓	$616↓	$684
EPS	$(0.26)	$0.26↓	$1.54↓	$2.00

Consensus Estimates	**2022A**	**2023E**	**2024E**	**2025E**
EPS		$0.40	$1.96	$3.06

Valuation	**2022A**	**2023E**	**2024E**	**2025E**
P/E	NM	NM	16.0x	12.3x
EV/EBITDA	19.7x	12.5x	8.4x	

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$0.03	$(0.00)	$(0.01)	$(0.27)
2023E	$(0.12)a	$(0.00)a	$0.18	$0.20
2024E	$0.24	$0.37	$0.46	$0.47

Our Thesis

On the pork complex, we may be in the early innings of recovery, although Prop 12 has introduced some risk. On the poultry plant, we believe management provided compelling arguments as to why this ramp should fare better than Heritage. Our 2024E EBITDA assumes MFI only realizes 40% of its targeted plant ramp gains yet valuation is compelling.

Maple Leaf Foods - Block Summary Model

Income Statement	2022A	2023E	2024E	2025E
Sales	$4,739	$5,022	$5,181	$5,332
Gross Profit	424	473	747	812
Adj. EBITDA	273	431	616	684
Adj. EBIT	66	199	378	445
Net Income	(312)	(91)	188	244
Meat Sales	4,594	4,883	5,029	5,180
Meat Adjusted EBITDA	379	472	619	676
Plant Sales	169	149	152	152
Plant Adjusted EBITDA	(105)	(40)	(3)	8
Cash Flow Statement	**2022A**	**2023E**	**2024E**	**2025E**
Cash From Operating Activities	49	98	413	465
Capital Expenditure	356	250	200	130
Dividends	99	103	107	110
Free Cash Flow	(406)	(255)	105	226
Balance Sheet	**2022A**	**2023E**	**2024E**	**2025E**
Total Current Assets	1,046	1,040	1,091	1,117
Total Assets	4,439	4,441	4,454	4,371
Total Current Liabilities	634	634	634	634
Total Liabilities	2,779	2,991	2,911	2,681
Net Debt	1,802,228	2,059,890	1,954,487	1,728,754
Total Shareholders' Equity	1,661	1,450	1,543	1,689

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

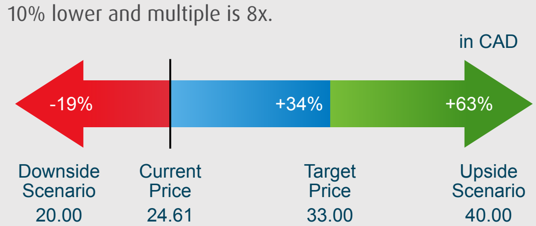
Our target price is based on a projected EV that is 9.5x our 2024 EBITDA estimate. The historical range is 8x to 10x.

Upside Scenario $40.00

Meat segment profitability in H2/23 improves by more than expected. Achieves more of the targeted gains from the new poultry facility than we are modeling. Plant segment breaks even at the end of 2023. 2024 EBITDA is 5% higher and multiple is 10x.

Downside Scenario $20.00

Meat segment profitability improves more slowly than expected in H2/23 and 2024. Drag from poultry facility is greater than we are modeling and extends into 2024. Plant segment EBITDA loss does not improve any further. MFI takes on additional debt to fund operations. 2024 EBITDA is 10% lower and multiple is 8x.



Key Catalysts

Pace of improvement/deterioration in the pork complex. Poultry facility ramp and contribution from this. Progress in plant segment profitability. Mix of sales into higher-margin categories such as RWA and export markets.

Company Description

MFI is a prepared meats company serving wholesale, retail, and foodservice customers across North America and internationally. The company primarily produces processed packaged meats, chilled meal entrees and lunch kits, pork, poultry, and turkey products. In addition, MFI also engages in the production of hogs for use in its meat manufacturing business.

MFI-TSX Research

Glossary

Company Models

October 19, 2023 | 15:35 ET~

Blackstone Group

BX-NYSE	Rating	Price: Oct-18	Target ↓	Total Rtn
	Market Perform	$102.30	$94.00	-5%

3Q23: A Rare Quarterly Miss; Lingering Headwinds for PE/RE Next Year

Bottom Line:

We lower forward EPS estimates up to 6% following BX's softer-than-expected 3Q results and reduce our target to $94 (from $97). BX struck a slightly more cautious tone this quarter, with BX's primary KPIs (inflows, deployment, and realizations) all decelerating QoQ. Nevertheless, we expect BX's business to remain resilient, despite its overweight position in RE/PE, where interest rate/macro headwinds are more acute. Private credit continues to experience strong demand, but a recovery in Private Wealth fundraising is the more meaningful catalyst for BX. We see greater relative value among APO/KKR.

Key Points

A Rare Quarterly Miss. BX reported DE per share of $0.94 vs. Street at $1.02. Relative to Street estimates, BX missed across the board, with FRE 3% lower than expected, driven by slower management fee growth, lower fee-related performance revenue (FRPR), and softer transaction fees. In addition, realizations/performance fees came in lighter than expected, driving the remainder of the miss.

Lingering Headwinds for PE/RE. While the fundamental performance of BX's Real Estate and Private Equity portfolios has been resilient, we worry about the timing/quantum of realizations in a higher-for-longer environment, delaying future fundraising activity. In our view, BX struck a more cautious tone this quarter with respect to a near-term capital markets recovery, which poses incremental risk to 2024 estimates.

Credit & Insurance Momentum. Across all its businesses, BX continues to see the strongest demand for its private credit solutions (~50% of 3Q23 inflows); we believe the Alts will all be long-term beneficiaries from the pullback in lending from traditional providers. BX recently integrated its Corporate Credit, Asset-Backed Finance, and Insurance groups to form BXCI; targeting ~$1T of AUM by 2033 (vs. ~$370B today).

Reducing Estimates. We lower our EPS estimates by -6% in 2023 (to $4.15 from $4.40), -6% in 2024 (to $5.79 from $6.13), and -1% in 2025 (to $6.63 from $6.70) reflecting a more extended recovery in realizations/deployment activity. We also remove BREIT-related FRPR from 1H24E.

Lowering Target. Our $94 ($97 prior) target is split: $69/share from FRE (+9.3% organic net flows imply a 16.7x P/E 2024E), plus $23/share from P-fees as determined by the relative reliability of BX's P-fees (>1x M-fees) implying 16.7x P/E, plus $2/share from excess capital (>$4/share in 4Q24E at a 0.5x multiple).

Key Changes

Target	Estimates	Q4 / 23E	2023E	2024E
$94.00↓	Core EPS	$1.32	$4.15	$5.79
$97.00	*Previous*	*$1.45*	*$4.40*	*$6.13*
	Fee Related Earnings ($M)	1,357.37	4,665	5,696
	Previous	*1,453.60*	*4,816*	*6,015*
	Net Flows ($M)	8,660	21,708	69,490
	Previous	*13,160*	*44,813*	*71,490*

This report was prepared in part by an analyst(s) employed by a Canadian affiliate, BMO Nesbitt Burns Inc., and who is (are) not registered as a research analyst(s) under FINRA rules.

BMO Capital Markets

IN Fact

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BMO Capital Markets Corp.*

2YR Price Volume Chart

LHS: Price ($) / RHS: Volume (mm) Source: FactSet

Company Data			in $
Dividend	$3.42	Shares O/S (mm)	1,215.5
Yield	3.3%	Market Cap (mm)	$124,344
		Wkly $Vol (000s)	3,489,124

BMO Estimates (FY-Dec.)	2022A	2023E	2024E	2025E
Core EPS	$5.17	$4.15↓	$5.79↓	$6.63↓
Fee Related Earnings ($M)	4,413	4,665↓	5,696↓	6,398↓
Net Flows ($M)	92,211	21,708↓	69,490↓	69,380↑
FPAUM ($M)	974,676	1,026,863↓	1,141,755↓	1,259,735↓

Consensus Estimates	2022A	2023E	2024E	2025E
EPS		$4.22	$5.89	$6.77

Valuation	2022A	2023E	2024E	2025E
P/E	19.8x	24.6x	17.7x	15.4x

QTR. Core EPS	Q1	Q2	Q3	Q4
2022A	$1.55	$1.49	$1.06	$1.07
2023E	$0.97a	$0.93a	$0.94a	$1.32
2024E	$1.24	$1.29	$1.45	$1.81
2025E	$1.54	$1.58	$1.67	$1.84

Our Thesis

We expect BX will continue to gain share across private markets; however, its two largest businesses (Real Estate and Private Equity) are facing near-term fundraising and monetization headwinds — we suspect these will persist throughout 2024. A recovery in Private Wealth fundraising is the most meaningful catalyst for BX. We favor APO and KKR on valuation (both OP rated).

Blackstone Group - Block Summary Model

Income Statement	2022A	2023E	2024E	2025E
Management fees	5,973	6,530	7,361	8,134
Transaction and Advisory Fees	310	286	441	483
Total Management and Advisory Fees	6,283	6,817	7,802	8,617
Fee Related Performance Revenues	1,449	1,211	1,923	2,206
Fee Related Compensation	(2,331)	(2,313)	(2,901)	(3,230)
Other operating expense	(989)	(1,050)	(1,128)	(1,196)
Fee Related Earnings	4,412.65	4,665.15	5,695.96	6,397.80
Realized Performance Revenues	4,461	1,997	3,156	3,864
Realized Performance Compensation	(1,814)	(903)	(1,222)	(1,489)
Performance Fees	2,647	1,094	1,934	2,375
Principal Investment Income	396	149	344	404
Total Net Realizations	3,043	1,243	2,277	2,779
Segment Distributable Earnings	7,456	5,909	7,973	9,177
Net Interest Income	1	66	100	100
Taxes	(792)	(762)	(1,112)	(1,370)
Distributable Earnings	6,665	5,212	6,962	7,907
Net Attributable Earnings	3,828	3,137	4,460	5,209
Core EPS	$5.17	$4.15	$5.79	$6.63
Shares outstanding	742.65	759.53	774.46	789.40
Key Ratios	**2022A**	**2023E**	**2024E**	**2025E**
AUM growth	10.6%	5.4%	11.2%	10.3%
Net Flows / Opening AUM	10.5%	2.2%	6.8%	6.1%
Total Fee Rate	0.92%	0.92%	0.96%	0.95%
FRE Margin	57.1%	58.1%	58.6%	59.1%
Balance Sheet	**2022A**	**2023E**	**2024E**	**2025E**

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

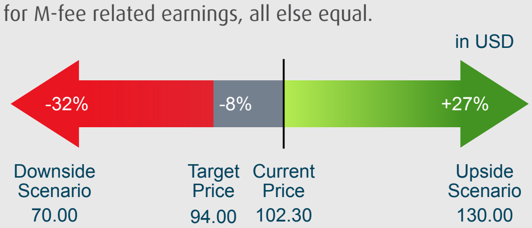
Our target price is predicated on our rolling one-year-forward target P/E for M-fee-related income, which is derived from the historical linear relationship between net flows and P/E; our rolling one-year-forward target P/E for P-fee-related income, which is based on the reliability of P-fees; and our estimate of the intrinsic value of one-year-forward excess capital per share.

Upside Scenario $130.00

Assumes 2024E organic net flows increase by 10%, affecting both M-fee-related earnings and target multiple for M-fee-related earnings, all else equal.

Downside Scenario $70.00

Assumes 2024E organic net flows decrease by 10%, affecting both M-fee-related earnings and target multiple for M-fee related earnings, all else equal.



Key Catalysts

BX is not a catalyst stock; however, its value should prove most sensitive to changes in expectations regarding the pace of fundraising, investment performance, realizations, and P-fees.

Company Description

Blackstone is a leading global alternative asset manager, with AUM of more than $1 trillion as of September 30, 2023. Blackstone's businesses include investment vehicles focused on real estate, private equity, hedge fund solutions, credit, secondary funds of funds, multi-asset class strategies, and capital markets services.

BX-NYSE Research

Glossary

Company Models

PPG Industries

PPG-NYSE	Rating	Price: Oct-18	Target	Total Rtn
	Outperform	$127.78	$165.00	31%

PPG to OP With Raws Tailwinds, Vols to Rise & Multiple at Low End of 10-Yr Range

Bottom Line:

PPG delivered another solid set of results coming in better than expected with resilient pricing and improved raw mat tailwinds that offset weakness on the volume front. With lower raws to further benefit 4Q and 1H24 and management pointing to modest volume growth in 2024 along with lower interest expense, we see upside to the consensus and double-digit EPS growth ahead. While PPG may have been a bit crowded into the print, we see EPS growth and valuation (near 10-year lows) as attractive—reiterate OP to our $165 target price.

Key Points

Raws Continue to Trend Favorably: PPG indicated raws were down HSD Y/Y in Q3 and will be down HSD in Q4. In clarifying the trends with them, they see raws down Q/Q modestly in 4Q with the improvement muted somewhat by PPG working down their own higher cost inventory (and PPG's use of FIFO for 80% of the business). As such, there should be another drop to come in at least 1Q24 and, most likely 2Q, as raws that are 200-300bp lower in cost work through the P&L. As such, we expect to see considerable margin improvement on a Y/Y basis with Industrials margins up ~140bps Y/Y in 2024 and Performance up ~90bps Y/Y in 2024—with risk to the upside.

Volumes Should be Up in 2024: In line with our expectations, management believes PPG will see at least modest volume growth in 2024. This will be driven by commercial growth opportunities tied to their technologically advantaged products such as aerospace, refinish, power coatings (which has grown ~15% YTD). Additionally, management expects to see EV growth in China where PPG is partnered with the leading players and continued expansion of COMEX as their 5.1k concessionaires are expanding from the architectural market into refinish, industrial etc. Geographically, management indicated they expect to see growth in China in 2024 (albeit modest) and Europe has finally bottomed which management believes positions PPG well should anything inflect (and at a minimum it shouldn't be a sequential drag). In the U.S., management remains optimistic for their US Arch business as pro backlogs remain solid (at 13 weeks vs 14 weeks the prior quarter) and PPG has continued to growth their pro network.

Solid FCF Expected To Last: We believe PPG will deliver solid FCF in the coming quarters driven by continued working capital....

Continued Inside...

Key Changes			
Estimates	Q4 / 23E	2023E	2024E
Revenue (mm)	$4,138	$18,034	$18,415
Previous	*$4,168*	*$18,031*	*$18,414*
EPS	$1.48	$7.63	$8.61
Previous	*$1.41*	*$7.40*	*$8.58*
CFPS	$4.34	$12.53	$12.64
Previous	*$4.47*	*$13.47*	*$13.01*

BMO Capital Markets

IN Fact

US Chemicals

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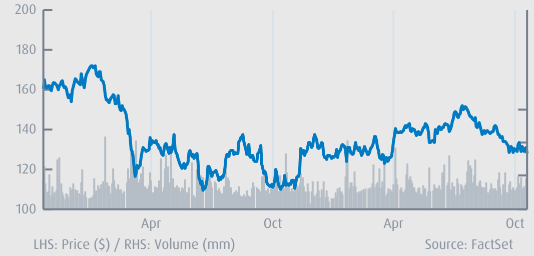
Legal Entity: BMO Capital Markets Corp.

2YR Price Volume Chart



Company Data			in $
Dividend	$2.60	Shares O/S (mm)	235.5
Yield	2.0%	Market Cap (mm)	$30,093

BMO Estimates				in $
(FY-Dec.)	2022A	2023E	2024E	2025E
Revenue (mm)	$17,652	$18,034↑	$18,415↑	$19,166↑
EPS	$6.06	$7.63↑	$8.61↑	$9.49↓
CFPS	$6.01	$12.53↓	$12.64↓	$13.43↑

Consensus Estimates				
	2022A	2023E	2024E	2025E
EPS		$7.50	$8.39	$9.30

Valuation				
	2022A	2023E	2024E	2025E
P/E	21.1x	16.7x	14.8x	13.5x
P/CFPS	21.3x	10.2x	10.1x	9.5x

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$1.37	$1.81	$1.66	$1.22
2023E	$1.82a	$2.25a	$2.07a	$1.48
2024E	$1.96	$2.54	$2.33	$1.77
2025E	$2.17	$2.82	$2.55	$1.95

Our Thesis

PPG's growth appears poised to accelerate owing to a host of trends (a multi-year housing cycle, growth in EVs for which it has greater content, increased can packaging owing to sustainability trends, etc). This, as well as financial flexibility that will facilitate bolt-on M&A, should drive an acceleration of earnings as well as multiple lift.

PPG Industries - Block Summary Model

Income Statement	2022A	2023E	2024E	2025E
Revenue	$17,652	$18,034	$18,415	$19,166
Consolidated EBITDA	2,378	2,873	3,156	3,334
Depreciation	388	383	384	380
Consolidated EBIT	1,990	2,490	2,772	2,954
Net Interest	113	120	99	98
Tax	413	524	615	657
Adjusted Net Earnings	1,436	1,807	2,021	2,159
EPS	$6.06	$7.63	$8.61	$9.49
Cash Flow Statement	**2022A**	**2023E**	**2024E**	**2025E**
CFO	963	2,343	2,455	2,540
Capex	518	576	515	515
Free Cash Flow (CFO - Capex)	445	1,767	1,940	2,025
FCF/Share	1.88	7.46	8.26	8.90
Net Change in Cash	94	44	(137)	(402)
Balance Sheet	**2022A**	**2023E**	**2024E**	**2025E**
Cash & Equivalents	1,099	1,143	1,006	604
Short-term debt	313	606	606	606
Long-Term Debt	6,503	5,396	4,996	4,996
Net Debt	5,717	4,859	4,596	4,998
Net Debt/Equity	0.9x	0.6x	0.6x	0.6x
ND/EBITDA	2.4x	1.7x	1.5x	1.5x
Interest Coverage Ratio (%)	1,761%	2,071%	2,809%	3,021%

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

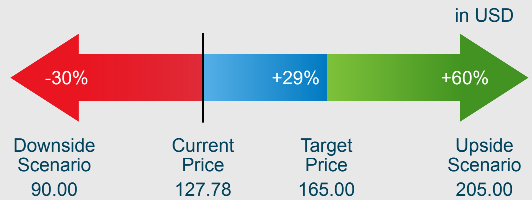
We arrive at our $165 target price by applying a 14.0x EV/EBITDA multiple to our 2024E EBITDA. This is higher than PPG's historical average; however, we believe it is warranted given the run-up in multiples of PPG's peers and considering PPG is taking real actions to structurally improve margins over the long term.

Upside Scenario $205.00

In the event that PPG continues to see better-than-expected end-market recovery through 2023, bolstered by bolt-on M&A, we could see PPG's 2023E EBITDA approach $3.4 billion, which, along with a slightly higher target multiple of 16.0x, could push the stock price to $205.

Downside Scenario $90.00

If PPG did not see Refinish recover much at all in 2023, paired with rising raws and/or hits to the auto market, we could see earnings and multiple compression, resulting in a $90 stock price.



Key Catalysts

Continued recovery in the auto OEM end market. Raw material relief, which could be significant. Added benefit in auto OEM segment from EV adoption. Bolt-on or larger-scale M&A, with PPG management already vocal on its desire to be acquisitive. Longer-term margin improvements.

Company Description

PPG is a global coatings producer. The company serves a wide array of end markets including housing, industrial equipment, packaging material, aircraft and marine equipment, automotive original equipment (OEM), and other industrial and consumer products. PPG reports its operations in two segments: Performance Coatings and Industrial Coatings.

PPG-NYSE Research

Glossary

Company Models

Beam Therapeutics

BMO Capital Markets

IN Fact

BEAM-NSDQ	Rating	Price: Oct-18	Target	Total Rtn
	Outperform	$20.80	$66.00	217%

Biotechnology

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Cutting Cost & Increasing Focus Raises Concerns NT, but It's a Positive LT

Bottom Line:
BEAM's OpEx (~$315M in 2022) is the highest among peers, while the execution efficiency has been relatively low, driving investor concerns. Today's announcement on cost cutting and program prioritization raises concerns around the promise/success of BEAM's platform/pipeline (having also a readthrough to VERV that uses BEAM's platform), but we believe this strategy will improve BEAM's efficiency in the long-term. We see the AATD program (potential data in ~2024) as the major value driver and investor focus, while the ESCAPE program can also offer a significant opportunity in SCD. Remaining OP.

Key Points

Management is prioritizing key programs and reducing the headcount by 20%. Key changes include: **(1)** Prioritization of BEAM-101/ESCAPE/*In vivo* for SCD; **(2)** Prioritization of BEAM-302 for AATD; **(3)** Seeking partnerships for (i) BEAM-201 (T-ALL) and other allogeneic cell therapies with multiplex editing; (ii) HBV program (currently paused). With these changes, the cash runway is extended to 2026 (from 2025).

Key 2H23 events from VERV/CRSP can potentially improve investor sentiment: (1) Recall that VERVE-101 is using BEAM's base editing technology. Therefore, a positive data readout for VERVE-101 on 11/12 (expectations here) will provide validation for BEAM's technology and a positive readthrough to BEAM and BEAM-302. Recall that (i) BEAM-302 bar for editing/commercial success is lower than VERVE-101; (ii) AATD patients have intact LDL-R for LNP uptake, unlike in HeFH patient studies with VERVE-101 (details here); **(2)** Exa-cel AdCom (10/31), wherein favorable panel comments around gene editing (in SCD), and potential improvements that future (SCD) gene editing therapies may offer, will have a positive readthrough to BEAM and BEAM-101. See here BEAM management expectations for the two key events above.

Key 2024 pipeline catalysts in AATD/SCD can provide inflection points. (1) The biggest pipeline catalyst for investors includes the trial initiation (1Q24) and data readout (~2024) for BEAM-302/AATD, given the high unmet need and promising preclinical data which suggest that BEAM-302 can potentially address the lung and liver disease with a single-course treatment. See BEAM's AATD data and the AATD competitive landscape here; **(2)** Although we think that, with the current preconditioning, it will be challenging for BEAM-101 to gain significant market share in SCD (given Exa-cel's favorable profile and first-mover advantage, here), we believe that developing a milder preconditioning (ESCAPE) or an *in vivo* therapy can offer a significant uptake in SCD.

Company Data			in $
Dividend	$0.00	Shares O/S (mm)	79.2
Yield	0.0%	Market Cap (mm)	$1,647
52-Week High	$54	52-Week Low	$21

BMO Estimates			in $
(FY-Dec.)	2022A	2023E	2024E
EPS	$(2.56)	$(4.06)	$(4.65)
Revenue	$61	$67	$74

Valuation	2022A	2023E	2024E
P/E	NM	NM	NM

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$(0.74)	$(0.72)	$(0.88)	$(0.22)
2023E	$(1.00)a	$(0.77)a	$(1.18)	$(1.13)

Our Thesis

Our Outperform thesis is based on: (1) Two key catalysts from Beam's partner Verve to drive upside in BEAM: (i) Potential response of Verve management to FDA on the IND hold of VERVE-101 in 2H23; and (ii) PhI data readout from VERVE-101 in 2H23; and (2) Incremental updates from Beam's pipeline programs in 2H23 and potentially new partnership announcementsOctober 20, 2023

Beam Therapeutics - Block Summary Model

Income Statement	2022A	2023E	2024E
Total Revenues	61	67	74
R&D	260	324	341
SG&A	55	57	59
Operating Income	(254)	(315)	(326)
Net Income (non-GAAP)	(179)	(293)	(326)
Diluted EPS (non-GAAP)	$(2.56)	$(4.06)	$(4.65)
Diluted Shares Outstanding	70	72	70
Cash Flow Statement	**2022A**	**2023E**	**2024E**
Cash From Operating Activities	23	(175)	(259)
Cash Flow From Investments	(461)	349	(54)
Cash Flow From Financing	112	0	0
Starting Cash Balance	560	233	407
Ending Cash Balance	233	407	94
Balance Sheet	**2022A**	**2023E**	**2024E**
Total Current Assets	1,093	863	551
Total Assets	1,342	1,053	730
Total Current Liabilities	224	227	230
Total Liabilities	608	612	615
Total Shareholders' Equity	733	441	115
Total Liabilities and Share Equity	1,342	1,053	730
Total Cash	233	407	94
Total Debt	0	0	0

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

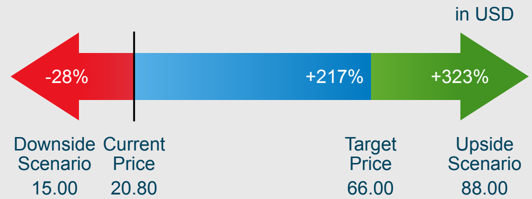
We value Beam at $66/share. Our target for Beam is based on our SOTP DCF analysis driven by NPV of BEAM-101, BEAM-201, VERVE-101, BEAM-302 assets through 2035. We use a WACC of 15% based on the methodology we use for our biotech coverage (15% for companies with preclinical/ Phase I data). We assign a terminal value to Beam revenues with a growth rate of 1%.

Upside Scenario $88.00

Our upside case assumes positive BEAM-101 data. Under this scenario, the PoS for the program increases to 35% (from 30%), while the discount rate is reduced to 13% (from 15%), leading to a share price of $88, which represents ~33% upside. For the upside scenario to materialize, we would expect results equal to competition efficacy and that no safety issues or manufacturing-related issues come up.

Downside Scenario $15.00

Our downside case assumes that BEAM-101 and BEAM-201 fail in clinical trials due to low efficacy and/or major safety signals, thereby Beam's base editing platform cannot be derisked in clinic. Under this scenario, the PoS for all programs reduces to 0%, and BEAM trades at cash value. This leads to a share price of $15, which represents ~77% downside.



Key Catalysts

We see the key updates for Beam in the next 6-12 months as: (1) Potential first patient dosing in BEAM-101 PhI/II trial in 2H23; (2) Potential response of Verve management to FDA on the IND hold of VERVE-101 (partnered program) in 2H23; and (3) Initial data readout from VERVE-101 PhI trial in 2H23.

Company Description

Beam is a biotech company developing gene editing therapies to provide life-long cures to patients suffering from serious diseases.

BEAM-NSDQ Research

Glossary

Company Models

CCL Industries

CCL.B-TSX 15	Rating	Price: Oct-18	Target	Total Rtn
	Outperform	$55.20	$77.00	41%

Takeaways From TLMI Annual Meeting

Bottom Line:

We attended and presented at the Tag and Label Manufacturers Institute (TLMI) Annual Meeting. With macro headwinds well underway, industry participants were encouraged to prepare for mild recession. On M&A, sector multiples have contracted from recent highs, but buyer & seller expectations remain disconnected; M&A activity to re-accelerate once conditions normalize. We believe CCL is well-positioned in the industry to weather headwinds, invest internally, and pursue M&A. CCL is a best-in-class packaging company (top-quartile returns, leverage, margins) deserving of a premium relative valuation; we see attractive risk-reward (7.7x 2024E EV/EBITDA).

Key Points

TLMI (Tag & Label Manufacturers Institute) is the premier label industry association. TLMI supports its label converter and supplier members across many verticals, including regulatory affairs, sustainability, HR, and technical innovation. Our presence at the event included participation in a panel presentation, "The Paper Sector & Pressure-Sensitive Labeling: The Future."

Key takeaways from the presentations and our conversations with attendees.

- **Macroeconomic headwinds expected to weigh; winners will be those who invest in their business and gain market share.** Industry participants were encouraged to prepare for mild recession, expected to end late-2024, followed by several years of economic growth beginning in 2025. We believe CCL is well-positioned to weather macro headwinds while continuing to invest internally, positioning the company well to participate in the macro rebound; performance through the 08/09 recession and the pandemic highlight the resiliency & diversity of CCL's business model.

- **Label industry growth over the last 20 years has been impressive, fueling growth at CCL and increased private equity participation.** Accelerated M&A has been driven by the fragmentation of the label industry, low rates, and increased PE investment. This drove public (6.6x to 10.7x) and private market (~6.5x to ~11.5x) valuations to all-time highs in late-2022.

- **More recently, sector multiples have contracted (to ~8.1x) on the back of inflation, rising rates, and industry headwinds.** We have seen lower PE deal activity, as buyer & seller expectations remain disconnected. Despite this backdrop, CCL has been able to transact, completing eight acquisitions YTD 2023 (~$200mm revenues; ~6.0x multiple), highlighting the strength of its platform.

- **Expect M&A activity to re-accelerate once macro conditions normalize.** While we are likely to see PE activity pick-up, we believe CCL remains well-positioned to build on its industry-leading label platform. We estimate CCL has ~$1.9B in acquisition capacity, which could fund ~20% growth in acquired EBITDA.

IN Fact

BMO Capital Markets

Canadian Packaging

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2YR Price Volume Chart

LHS: Price (C$) / RHS: Volume (mm) Source: FactSet

Company Data			in C$
Dividend	$1.06	Shares O/S (mm)	177.7
Yield	1.9%	Market Cap (mm)	$9,807
Net Debt (mm)	$1,561	P/BV	2.2x

BMO Estimates				in C$
(FY-Dec.)	**2021A**	**2022A**	**2023E**	**2024E**
Revenue (mm)	$5,733	$6,382	$6,683	$7,011
EBITDA (mm)	$1,173	$1,231	$1,326	$1,393
EPS	$3.35	$3.57	$3.71	$3.95
EV (mm)	$13,061	$12,485	$11,201↓	$10,755↓
ND/EBITDA	1.1x	1.2x	1.1x	0.7x

Consensus Estimates	**2021A**	**2022A**	**2023E**	**2024E**
EPS			$3.74	$3.94

Valuation	**2021A**	**2022A**	**2023E**	**2024E**
P/E	16.5x	15.5x	14.9x	14.0x
EV/EBITDA	11.1x	10.1x	8.5x	7.7x

QTR. EPS	Q1	Q2	Q3	Q4
2021A	$0.82	$0.89	$0.85	$0.80
2022A	$0.85	$0.94	$0.95	$0.83
2023E	$0.94a	$0.89a	$0.94	$0.94
2024E	$1.01	$0.96	$0.99	$0.99

Our Thesis

We rate CCL shares Outperform, based on the stock's valuation, the company's exposure to the fastest-growing segments of the global label industry, its solid competitive position as the world's largest label converter with a global network of plants, and profitable expansion into materials science. We view CCL as a best-in-class packaging company and see attractive risk-reward.

CCL Industries - Block Summary Model

Income Statement	2021A	2022A	2023E	2024E
Revenues	$5,733	$6,382	$6,683	$7,011
Total CoGS & SG&A	4,902	5,520	5,728	5,969
Adj. EBITDA	1,173	1,231	1,326	1,393
Adj. EBITDA Margin (%)	20.5%	19.3%	19.8%	19.9%
Corporate Expenses	(61)	(72)	(83)	(85)
Depreciation & Amortization	303	323	345	351
Adjusted EBIT (ex. Corp. Expenses)	891	934	1,014	1,078
Adj. EBIT Margin (%)	15.5%	14.6%	15.2%	15.4%
Adjusted Net Income	603	635	658	700
Adjusted EPS (diluted)	$3.35	$3.57	$3.71	$3.95
Wtd. Avg. Shares O/S (mm)	180	178	177	177
Cash Flow Statement	**2021A**	**2022A**	**2023E**	**2024E**
Cash Flow From Operations	1,197	1,247	1,339	1,365
Change in Non-Cash WC	(114)	9	(9)	(29)
CFO (after W/C)	839	993	1,065	1,068
Free Cash Flow	532	573	637	661
Dividends	(151)	(170)	(188)	(213)
Free Cash Flow (after Dividends)	381	403	449	448
Dividends as a % of FCF	28.4%	29.7%	29.6%	32.2%
Dividends as a % of Adj. NI	25.1%	26.8%	28.7%	30.4%
Balance Sheet	**2021A**	**2022A**	**2023E**	**2024E**
Total Current Assets	2,448	2,820	2,846	3,382
Total Assets	7,628	8,664	9,060	9,619
Total Current Liabilities	1,418	1,501	1,503	1,562
Total Liabilities	3,881	4,399	4,344	4,403
Share Capital	462	468	507	507
Retained Earnings	3,423	3,730	4,206	4,705
Total Shareholders' Equity	3,747	4,265	4,717	5,216
Total Liabilities and Share Equity	7,628	8,664	9,060	9,619
ND/EBITDA	1.1x	1.2x	1.1x	0.7x

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

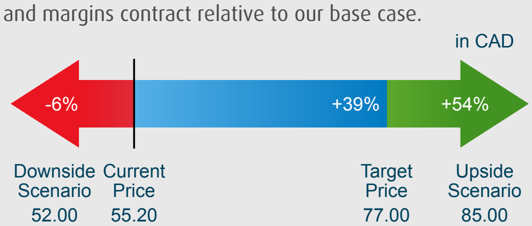
We value CCL using a 10.5x 2024 EV/EBITDA multiple. Our target multiple reflects a premium to CCL's historical average and packaging peers, which we believe is warranted by CCL's attractive return metrics, leverage, margin, and earnings growth profile.

Upside Scenario $85.00

Our upside scenario could lead to 2024E EBITDA growth of 5% and a target multiple of 11.5x 2024E EV/EBITDA. This scenario assumes that demand for CCL's products is above forecast levels, organic growth exceeds expectations, and margins expand relative to our base case.

Downside Scenario $52.00

Our downside scenario could lead to 2024E EBITDA growth of -3% and a target multiple of 8.0x 2024E EV/EBITDA. This scenario assumes that demand for CCL's products is below forecast levels, organic growth falls short of expectations, and margins contract relative to our base case.



Key Catalysts

SKU proliferation at CPG companies drives label demand. Strong performance/realization of synergies at Innovia. Acquisitions (tuck-ins and transformational deals). International expansion of CCL Design. Success with Printable Media may drive sales growth at Avery. Continued margin expansion and/or RFID adoption at Checkpoint. Increased adoption of polymer banknotes may drive growth at CCL Secure.

Company Description

CCL Industries operates 4 segments. CCL is a converter of pressure-sensitive & film materials for label/security applications & an extender of plastic tubes, aluminum aerosols, & specialty bottles. Avery supplies labels, converted media, & software solutions. Checkpoint manufactures loss prevention, inventory management, & label solutions. Innovia produces specialty films.

BMO Top 15 List

BMO Top 15 List Member

Cdn Large Cap

CCL.B-TSX Research

Glossary

Company Models

Regeneron Pharmaceuticals

REGN-NSDQ 15	Rating	Price: Oct-18	Target	Total Rtn
	Outperform	$826.03	$985.00	19%

BMO Capital Markets

IN Fact

BioPharma

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Vabysmo Launch Progressing as Investors Eye Rev Stabilization From Eylea HD

Bottom Line:

Roche 3Q results read-through as a modest negative for 3Q Eylea sales in a similar story to what we saw in 2Q. With Eylea HD's approval in 3Q we view 4Q as a potential inflection point for Regeneron's business, looking to see aflibercept revenue stabilization as Eylea HD starts to lower share erosion to Vabysmo**.** Overall, Roche pharma sales grew 1% y/y in 3Q at CER, partially driven by Vabysmo outperformance, sales growing to CHF 656M in 3Q (FactSet consensus of CHF 606M) vs. CHF525M in 2Q +25% q/q.

Key Points

Commentary from Roche: Vabsymo growth continues to be driven by patient switches from Eylea, with growing penetration into the naive patient population. Dynamics seen in the second quarter remain unchanged in 3Q with 37% of new Vabysmo patients naive to treatment (vs. the 30% noted in 2Q) and the remaining 63% coming primarily from Eylea switches (vs. 70% in 2Q). Vabsymo now capturing 19% of the US nAMD market and 12% of the US DME market vs. 15% and 9%, respectively, on the 2Q call. Dynamics at play well-understood by investors, with HD Eylea's recent approval a potential saving grace for Regeneron. Likely not enough time between approval and the end of 3Q to meaningfully impact this quarter's results, but we look to 4Q as a potential inflection point for Regeneron's aflibercept business.

Recall Regeneron was awarded full approval for Eylea HD in August (note here) following a CRL issued in June related to issues with a third-party fill finish facility (note here). Approval of Eylea HD not fully diminishing concerns, but potentially minimizes Vabysmo's impact on market share. Aflibercept's well-understood drug profile and now Eylea HD's favorable dosing regiment potentially driving patient switches from Eylea to Eylea HD vs. Vabysmo. Looking for commentary around early launch dynamics for Eylea HD on Regeneron's 3Q call with a more thorough progress update coming in 4Q.

Company Data			in $
Dividend	$0.00	Shares O/S (mm)	108.6
Yield	0.0%	Market Cap (mm)	$89,674
52-Week High	$854	AD Vol. (mm)	0.38

BMO Estimates			in $
(FY-Dec.)	2022A	2023E	2024E
EPS	$44.98	$43.77	$47.65
Revenue	$12,173	$12,980	$13,870

Consensus Estimates	2022A	2023E	2024E
EPS		$41.97	$43.59

Valuation	2022A	2023E	2024E
P/E	18.4x	18.9x	17.3x

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$11.49	$9.77	$11.14	$12.56
2023E	$10.09a	$10.24a	$11.30	$12.14

Our Thesis

Our Outperform rating on REGN shares is supported by our analysis of the current base business, our positive view of the oncology franchise, and cautious optimism for the earlier-stage pipeline. We believe that Regeneron's ability to translate R&D spend to EV growth should not be underestimated, as this productivity is the basis for long-term success in biotech

BMO Capital Markets

Regeneron Pharmaceuticals - Block Summary Model

Income Statement	2022A	2023E	2024E
Total Revenues	12,173	12,980	13,870
R&D	3,457	4,190	4,572
SG&A	3,132	3,366	3,434
Operating Income	5,719	5,260	5,693
Net Income (non-GAAP)	5,164	5,038	5,488
Diluted EPS (non-GAAP)	$44.98	$43.77	$47.65
Diluted Shares Outstanding	115	115	115
Cash Flow Statement	**2022A**	**2023E**	**2024E**
Cash From Operating Activities	5,015	8,176	5,870
Cash Flow From Investments	(3,785)	(649)	(714)
Cash Flow From Financing	(1,009)	0	0
Starting Cash Balance	2,886	3,106	10,633
Ending Cash Balance	3,119	10,645	15,801
Balance Sheet	**2022A**	**2023E**	**2024E**
Total Current Assets	15,884	19,587	24,921
Total Assets	29,215	33,175	38,802
Total Current Liabilities	3,141	2,408	2,522
Total Liabilities	6,551	5,567	5,705
Total Shareholders' Equity	22,664	27,609	33,097
Total Liabilities and Share Equity	29,215	33,175	38,802
Total Cash	3,106	10,633	15,789
Total Debt	1,981	1,983	1,984

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

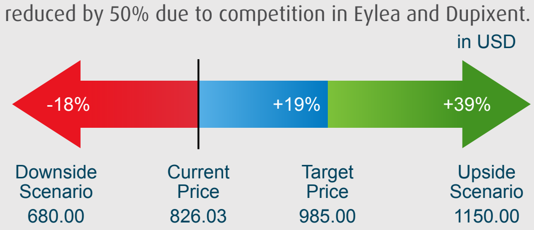
Our target price of $985 is based on a sum-of-the-parts DCF analysis using a 0% terminal value growth rate and an 8% WACC.

Upside Scenario $1,150.00

Our upside scenario assumes 15% higher growth for the Bayer and Sanofi collaboration revenue and U.S. Eylea sales. This could be possible if the introduction of 8mg aflibercept captures more of the biosimilar market than originally anticipated.

Downside Scenario $680.00

Our downside scenario could come from a failure to approve 8mg aflibercept followed by heavy (>50%) erosion of Eylea and the Bayer and Sanofi collaboration revenue is reduced by 50% due to competition in Eylea and Dupixent.



Key Catalysts

1) aflibercept biosimilars Ph 3 data (2023); 2) Linvoseltamab 3L+ MM BLA submission (2H23); 3) Dupixent FDA PDUFA in CSU (10/22/2023)

Company Description

Regeneron is a biotechnology company focused on the development and commercialization of antibodies. Regeneron has five approved drugs: 1) Eylea for ocular disease; 2) Praluent for high cholesterol; 3) Dupixent for atopic dermatitis and asthma; 4) Kevzara for rheumatoid arthritis; and 5) Libtayo, an anti-PD1 for BCC and NSCLC.

BMO Top 15 List

BMO Top 15 List Member

U.S. Large Cap Stock

REGN-NSDQ Research

Glossary

Company Models

October 19, 2023 | 10:03 ET~

Altius Minerals

ALS-TSX	Rating	Price: Oct-18	Target ↓	Total Rtn
	Market Perform	$21.08	$22.00	6%

Q3/23 Attributable Royalty Revenue Short of Expectations

Bottom Line:

Altius delivered weaker-than-expected Q3/23 attributable royalty revenue relative to our estimates. In our view, the miss in the results was mainly driven by the potash division and to a lesser extent base and battery metals and thermal coal. In the quarter, Altius received its first lithium royalty revenue. SEDI filings show Altius was active on share repurchases and cancelations during the quarter. Altius plans to release its full Q3/23 results after market close on November 8. Our target price slightly lowers to $22.00 (from $23.00) after incorporating the results.

Key Points

Altius announced Q3/23 attributable royalty revenue of ~$17.9M, below our estimate for $20.6M. The weaker-than-expected results were primarily driven by performance in the potash division and to a lesser extent base and battery metals and thermal coal, partially offset by other revenue. Iron ore and renewables were in line.

On potash, Altius reported attributable royalty revenue of $3.9M, below our forecast for $6.4M. Although not fully detailed, we expect volumes were well short of our expectations, and we will be looking for greater detail with the quarterly results. We continue to model potash pricing on a lagged basis for Altius. As reflected in this note by Joel Jackson, fob U.S. Midwest gMOP average spot pricing is ~US$385/st; prices are down ~US$295/st YoY, flat MoM, and up ~US$3/st WoW.

The base and battery metals division was a slight miss, reporting $4.2M versus our expectation of $4.8M. Given the other assumed portfolio revenues, we estimate performance at Chapada was lower than expected, and given new disclosure on preliminary cost of sales of $1.1M. Altius indicated a small royalty from the ramp up of Groto do Cirilo marking its first lithium royalty revenue.

In other divisions, attributable royalty revenue for iron ore was in line at $3.6M. Alexander Pearce recently commented lower Labrador Iron Ore Royalty dividend expectations on the back of a weaker production outlook. Thermal coal was below our expectations, coming in at $2.0M versus our $2.7M. Renewable royalties of $2.6M were in line with our $2.7M, which we expected following the pre-released results of ARR, and with ARR reiterating guidance for US$11.5-13.5M. The other revenue category was higher at $1.6M versus our $0.5M.

Altius plans to release its full financial results after market close on November 8, 2023, with a conference call the following day at 9:00a.m. ET; Tel: 1-(888)-396-8049.

Key Changes

Target	Estimates	Q3 / 23E	2023E	2024E
$22.00↓	Revenue	$15	$72	$52
$23.00	*Previous*	*$18*	*$75*	*$54*
	EPS	$0.10	$0.34	$0.48
	Previous	*$0.15*	*$0.40*	*$0.50*
	CFPS	$0.22	$0.81	$0.67
	Previous	*$0.26*	*$0.86*	*$0.70*

BMO Capital Markets

IN Fact

Metals & Mining

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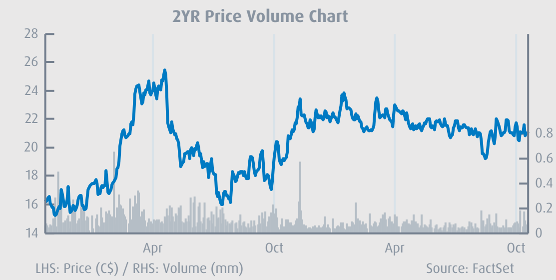


Company Data			in C$
Dividend	$0.32	Shares O/S (mm)	47.5
Yield	1.5%	Market Cap (mm)	$1,001
NAV	$19.34	P/NAV	1.1x

BMO Estimates (FY-Dec.) in C$	2022A	2023E	2024E
Revenue	$102	$72↓	$52↓
EPS	$0.75	$0.34↓	$0.48↓
CFPS	$1.62	$0.81↓	$0.67↓

Consensus Estimates	2022A	2023E	2024E
EPS		$0.38	$0.48

Valuation	2022A	2023E	2024E
P/E	28.3x	NA	44.1x
P/CFPS	13.0x	26.1x	31.3x
EV/EBITDA	13.3x	20.7x	27.1x

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$0.21	$0.23	$0.21	$0.10
2023E	$0.07a	$0.06a	$0.10	$0.11
2024E	$0.16	$0.14	$0.09	$0.09

Our Thesis

Altius offers investors diversified risk exposure centered around base metals and bulk commodities via the royalty and streaming model. However, in our view, the company has already shown a meaningful re-rating and is trading towards the average of its historical multiple trading ranges and at a premium to peers.

Altius Minerals - Block Summary Model

Income Statement	2022A	2023E	2024E
Revenue	102	72	52
Operating Costs	6	5	5
G&A	11	11	11
Depreciation	24	16	6
EBITDA	90	58	42
Tax	12	8	4
Adjusted Net Earnings	37	18	23
EPS	$0.75	$0.34	$0.48
Cash Flow Statement	**2022A**	**2023E**	**2024E**
CFO	74	38	32
CFI	(86)	(3)	6
CFF	(11)	(37)	(31)
Free Cash Flow	17	37	31
FCF/Share	$0.38	$0.78	$0.66
Balance Sheet	**2022A**	**2023E**	**2024E**
Cash & Equivalents	82	80	87
Long-Term Debt	121	112	104
Total Assets	781	783	785
Total Liabilities	172	158	150
Total Shareholders' Equity	609	625	634
Price Assumptions	**2022A**	**2023E**	**2024E**
Gold Price (US$/oz)	1,802	1,911	1,725
Silver Price (US$/oz)	21.78	23.02	21.63
Copper Price (US$/lb)	4.00	3.87	3.65
USD:CAD	0.775	0.747	0.777

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

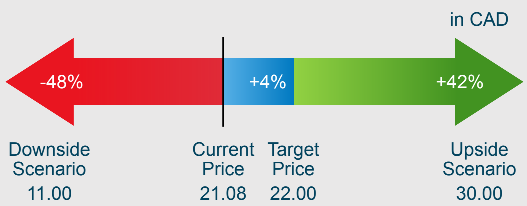
ALS trades at 1.1x the NAV estimate at 5% and BMO metal price assumptions, versus the royalty/streaming average of 1.9x. Our target price reflects 1.6x the 5% NAV/sh and 18x our forward CFPS estimate at BMO metal price assumptions.

Upside Scenario $30.00

Our upside scenario share price is based on a 30% increase to our multiples. This scenario could play out if new accretive transactions are made, existing portfolio assets enter production earlier than expected, on improving clarity on material development assets in the existing portfolio, or if metal prices are materially above BMO forecasts.

Downside Scenario $11.00

Our downside scenario share price is based on a 50% decrease to our multiples. This scenario could play out if existing portfolio assets experience interruptions or operational challenges, timelines of development assets are delayed, or if metal prices are materially below BMO forecasts.



Key Catalysts

Ongoing exploration at portfolio assets and the extension of mine life; New royalties and streams entering production; Additional royalty/stream opportunities; Clarity on Kami royalty; Ramp-up of production and creation of new royalties at Altius Renewable Royalties; Potential recovery from coal litigation; Gold royalty spin-out; New Project Generation opportunities.

Company Description

The Altius strategy is to create per share growth through a diversified portfolio of royalty assets that relate to long life, high-margin operations. In addition, Altius runs a Project Generation business that originates mineral projects for sale to developers in exchange for equity positions and royalties.

ALS-TSX Research

Glossary

Company Models

Marsh & McLennan

MMC-NYSE	Rating	Price: Oct-18	Target	Total Rtn
	Market Perform	$189.65	$192.00	3%

BMO Capital Markets

IN Fact

Insurance Property & Casualty

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Legal Entity: BMO Capital Markets Corp.

3Q23 MMC EPS First Blush and Truist Insurance Brokerage KPI's

Bottom Line:

MMC reported $1.57 operating EPS vs. $1.39 consensus. MMC beat on both underlying growth and adjusted operating margin. However, the Risk and Insurance segment missed both consensus and BMOe on adjusted operating margins. See Ex.1 for variance details vs. consensus. Listen to the webcast replay: HERE. See p.4 for Truist Insurance earnings details/read-throughs.

Key Points

Marsh & McLennan (MMC) Details:

Underlying revenue (organic) growth: On a consolidated basis, MMC reported 10%, beating BMO 8% and consensus 8%.

Risk & Insurance Services: Organic growth was 11% y/y, beating consensus 9.5% and down from 13% last quarter

- **Marsh** organic growth 8% vs. consensus 8% and 10% last quarter.
- **Guy Carpenter** organic growth 8% vs. consensus 9% and 11% last quarter.
- **EMEA** organic growth 9% vs. consensus 8% and 11% last quarter.
- **Asia Pac** organic growth 10% vs. consensus 7% and 6% last quarter.
- **Latin America** organic growth 14% vs. consensus 10% and 17% last quarter.
- **International** organic growth 10% vs. consensus 8% and 10% last quarter.
- **US Canada** organic growth 6% vs. consensus 8% and 9% last quarter

Consulting: Organic growth of 9% y/y, beat 6% consensus and vs. 8% last quarter

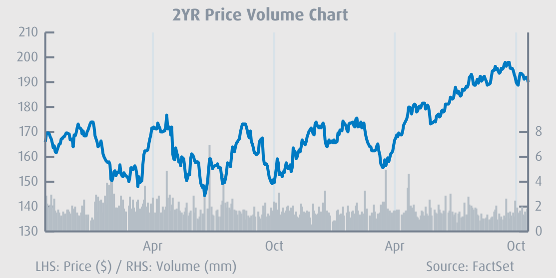
- **Mercer** organic growth 8% vs. consensus 5% and 6% last quarter.
- **Oliver Wyman** organic growth 12% vs. consensus 7% and 11% last quarter.
- **Wealth** organic growth 7% vs. consensus 3% and 3% last quarter.
- **Health** organic growth 8% vs. consensus 8% and 10% last quarter.
- **Career** organic growth 7% vs. consensus 7% and 6% last quarter.

Adjusted Operating Margins: Consolidated margins of 21.3%% (+170ps y/y).

Risk & Insurance Services: Adj operating margin was 23.4% (+94 bps y/y), missing consensus of 24.1%.

Consulting: Adj operating margin was 20.8% (+170 y/y), beating consensus of 19.3%.

Other Notable items:Risk and Insurance fiduciary interest income was $131M (+228% y/y), in line with BMO at $131.8M



Company Data			in $
Dividend	$2.84	Shares O/S (mm)	494.0
Yield	1.5%	Market Cap (mm)	$93,678
		Wkly $Vol (000s)	3,014,011

BMO Estimates (FY-Dec.)	2022A	2023E	2024E	2025E
Adj. EPS	$6.85	$7.79	$8.81	$9.79
Adj. EBITDA	$5,485	$6,214	$6,874	$7,392
Adj. EBITDA Margin	26.5%	27.5%	28.1%	28.4%
Organic Rev Growth	8.5%	8.9%	6.9%	6.2%
Rev Growth	4.5%	9.2%	8.0%	6.6%
Consensus Estimates	**2022A**	**2023E**	**2024E**	**2025E**
EPS		$7.74	$8.59	$9.51
Valuation	**2022A**	**2023E**	**2024E**	**2025E**
P/E	31.4x	25.6x	22.4x	20.1x

QTR. Adj. EPS	Q1	Q2	Q3	Q4
2022A	$2.30	$1.90	$1.18	$1.47
2023E	$2.53a	$2.20a	$1.39	$1.66
2024E	$2.86	$2.47	$1.59	$1.88
2025E	$3.20	$2.73	$1.76	$2.08

Our Thesis

We think that MMC can benefit from industry-wide technological changes — certain brokers are performing additional underwriting functions at the incremental cost of insurance carriers and less sophisticated peer brokers. MMC's recent hiring spree should boost organic growth and be partially paid for with structural expense savings. We note that MMC's revenues quickly reverted higher post the GFC.

BMO Capital Markets

Marsh & McLennan - Block Summary Model

Operating Metrics	2022A	2023E	2024E	2025E
Total Revenues	20,720	22,625	24,429	26,036
Total expenses	17,263	18,753	20,130	21,351
Net Income	3,050	3,689	4,128	4,513
Adjusted Net Income	3,457	3,873	4,300	4,685
EPS	$6.04	$7.42	$8.46	$9.43
Adjusted EPS	$6.85	$7.79	$8.81	$9.79

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

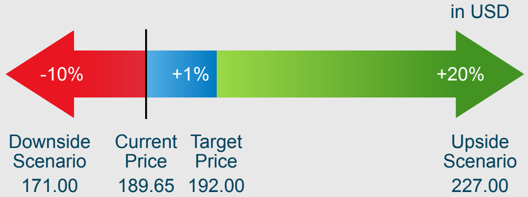
2024 P/E Basis: Our target represents a 21.8x multiple to our 2024E operating EPS. This multiple is ~15% above MMC's historical average multiple relative to the S&P 500, and ~7% above its historical absolute P/E multiple. 2024 EV/EBITDA Basis: Our target represents a ~15.5x EV multiple on our 2024E adjusted EBITDA. This represents a ~10% premium to MMC's historical average EV/EBITDA multiple.

Upside Scenario $227.00

(1) GDP accelerating beyond current levels, which would cause growth and margins to increase above our expectation. (2) A re-acceleration in insurance pricing, which would drive stronger-than-expected top-line and margins.

Downside Scenario $171.00

(1) Decelerating insurance rates could hinder top-line growth and/or margins. (2) Internal investments in technology could pressure margins more than expected. (3) Increased competition for M&A, which could cause its total earnings growth to slow.



Key Catalysts

Catalysts include: 1) above-anticipated organic growth; 2) large broker M&A; 3) upcoming earnings beats

Company Description

Marsh & McLennan, a professional services company, operates with two primary arms: Risk and Insurance (RIS) and Consulting. Through its RIS arm it offers insurance brokerage services as well as risk mitigation services. MMC's Consulting division services corporations offering health, wealth, and career consultation, alongside other general consultative products.

MMC-NYSE Research

Glossary

Company Models

Freeport-McMoRan

BMO Capital Markets — IN Fact

FCX-NYSE	Rating	Price: Oct-18	Target	Total Rtn
	Outperform	$35.61	$47.00	34%

Metals & Mining - US

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Legal Entity: BMO Capital Markets Corp.

First Look: 3Q'23 Beat on Higher Copper Volume

Bottom Line:

FCX reported 3Q'23 adjusted EBITDA of $2.2bn, above our/FactSet consensus of $2.06bn/ $2.13bn (vs. our estimates the beat can primarily be attributed to higher copper volume and better realized prices). Looking ahead, minor changes to 2023 outlook, with 2024/2025 volume targets unchanged, but 2024 capex up slightly. The cost guide now includes the Indonesian export duty, although discussions on applicability remain (see below). Overall a well-executed quarter. Call at 10:00 a.m. ET.

Key Points

3Q'23 Operating Highlights: Sales volumes: Copper/gold 1,109mlbs/399koz, vs. our estimate of 1,030mlbs/423koz, with the higher copper volume attributed to the timing of shipments and higher mining rates, while the gold shortfall is attributed to pending approval for anode slimes. Realized prices: Copper/gold $3.80/$1,898, vs. our estimate of $3.77/$1,930; Cash costs: $1.73/lb (including $0.13 in export duty), vs. our estimate of $1.72/lb.

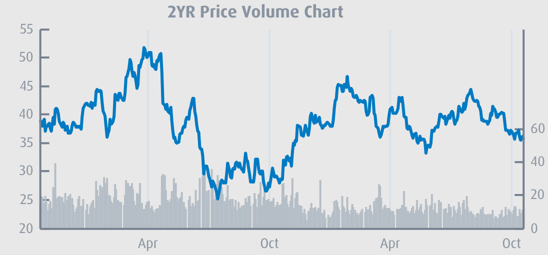
4Q'23 Operating Targets: Sales volumes: Copper/gold 1,085mlbs/580koz, vs. our estimate of 1,125mlbs/565koz, with the copper reduction likely attributed to timing of shipments. Cash costs: $1.58/lb (includes $0.13/lb of export duty).

2023/2024/2025 Consolidated Copper/Gold Volume Targets: 2023 copper/gold: 4.1blbs/1.74moz, vs. 4.0blbs/1.76moz previously, with the copper increase in our view mainly attributed to strong 3Q'23 shipments. 2023 copper cash costs: $1.63/lb (includes $0.07/lb of export duty), vs. our estimate of $1.60/lb. 2024 copper/gold: 4.2blbs/1.8moz, unchanged. 2025 copper/gold: 4.2blbs/1.6moz, unchanged.

Export Duty Update: Freeport's cost guidance now includes the 7.5% export duty, although Freeport indicated it remains in discussions with the Indonesian government about the applicability of the revised regulation as under the FCX's 2018 agreement duties are eliminated after smelter reached 50% completion (vs. 84% complete as of 3Q'23).

Organic Development Pipeline Update: 2023 capex maintained at $3.2bn, while 2024 increased slightly to $3.9bn, vs. $3.8bn previously. Overall, near-term (~400mlbs from leaching and NA productivity improvements), medium-term (600mlbs leaching, 550mlbs Kucing Liar project, 200mlbs Bagdad expansion, 650mlbs El Abra expansion) and long-term organic growth pipeline unchanged.

2YR Price Volume Chart



LHS: Price ($) / RHS: Volume (mm) — Source: FactSet

Company Data			in $
Dividend	$0.60	Shares O/S (mm)	1,433.6
Yield	1.7%	Market Cap (mm)	$51,052
Cash (mm)	$4,217	Total Debt (mm)	$11,127

BMO Estimates			in $
(FY-Dec.)	2022A	2023E	2024E
Revenue	$22,780	$22,681	$24,133
EBITDA	$9,522	$8,922	$9,775
EPS	$2.44	$1.74	$2.14
FCFPS	$1.13	$1.02	$0.85
ND/EBITDA	0.3x	0.4x	0.4x

Consensus Estimates	2022A	2023E	2024E
EPS		$1.59	$2.10

Valuation	2022A	2023E	2024E
EV/EBITDA	0.0x	7.3x	6.7x
P/E	14.6x	20.5x	16.6x

QTR. EBITDA	Q1	Q2	Q3	Q4
2022A	$3,431	$2,315	$1,525	$2,251
2023E	$2,165a	$2,141a	$2,057	$2,559
2024E	$2,591	$2,511	$2,332	$2,341

Our Thesis

In our view, FCX shares represent a favorable risk/ reward for those seeking copper exposure, a commodity with a favorable secular supply/demand outlook.

October 20, 2023

Freeport-McMoRan - Block Summary Model

Income Statement	2022A	2023E	2024E
Total Revenues	22,780	22,681	24,133
Cost of Sales	13,084	13,262	13,970
DD&A	2,019	1,945	1,937
SG&A	420	473	516
Interest Expense	(560)	(593)	(512)
Net Income	3,468	2,264	3,093
Adjusted EPS	$2.44	$1.74	$2.14
EBITDA	9,522	8,922	9,775
EBIT	7,503	6,977	7,838
Diluted Shares Outstanding	1,451	1,442	1,442
Cash Flow Statement	**2022A**	**2023E**	**2024E**
Operating Cash Flow	5,139	5,934	6,853
Investing Cash Flow	(3,440)	(4,985)	(4,700)
Financing Cash Flow	(1,623)	(3,199)	(2,257)
Change in Cash	76	(2,250)	(103)
Beg Cash Balance	8,070	8,137	5,887
Ending Cash Balance	8,146	5,887	5,784
Free Cash Flow	1,636	1,473	1,229
Balance Sheet	**2022A**	**2023E**	**2024E**
Cash & Equivalents	8,146	5,887	5,784
Other Total Current Assets	7,467	7,374	7,374
Total Assets	51,093	51,733	54,393
Total Current Liabilities	6,345	4,788	4,788
Total Liabilities	26,222	24,880	24,880
Shareholders' Equity	15,555	17,028	19,688
Total Liabilities and Share Equity	51,093	51,733	54,393
Net Debt	2,474	3,608	3,711

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

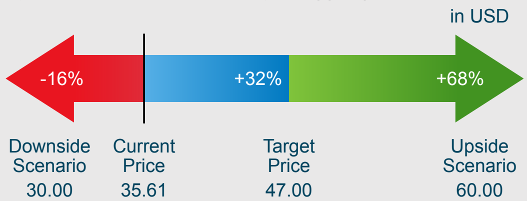
Our $47 target price represents 9.0x/8.6x 2023E/2024E EBITDA at the BMO 2H'23/2024 copper price forecasts of $3.80/$3.63 per pound, at the higher end of a reasonable valuation range, FCX of today is significantly de-risked vs. 5-10 years ago, indicating higher-than-historical multiples are warranted in our opinion.

Upside Scenario $60.00

Our upside scenario share price of $60 is based on ~7.0x EV/EBITDA in a $4.50/lb copper price scenario.

Downside Scenario $30.00

Our downside scenario share price of $30 is based on ~8.0x EV/EBITDA, based on a ~$3.00/lb copper price scenario.



Key Catalysts

Underlying copper price changes.

Company Description

Freeport is a major copper producer with assets that include the Grasberg mine in Indonesia, the Morenci mine in North America, and the Cerro Verde operation in South America. Through its ownership in Grasberg, FCX is also a major gold producer.

FCX-NYSE Research

Glossary

Company Models

Allstate

ALL-NYSE	Rating	Price: Oct-18	Target	Total Rtn
	Market Perform	$127.41	$115.00	-7%

Lowering Estimates After 3Q23 Catastrophe + Reserve Development Pre-Announcement

Bottom Line:

We lower our 3Q23 EPS estimate to $0.68 (from $1.00), reflecting worse-than-expected prior-year reserve development, partly offset by better-than-expected September catastrophe losses. Our 2024-2025 estimates fall by ~1% each, reflecting more unfavorable reserve development in third quarters from ALL's seasonal Run-Off (asbestos+environmental) reserve review.

We estimate that ALL is just under $1 billion away from hitting its aggregate catastrophe reinsurance retention across April 2023-March 2024. BMOe CATs over the next six months imply applicable CAT losses falling just shy of the aggregate retention (details below).

Key Points

Auto rate increases were 0.9% in September (~11% annualized). This brings 3Q23 rate increases to ~8% annualized and YTD rate increases to ~13% annualized.

Reminder About Allstate's Aggregate Reinsurance Program: We estimate that out of ALL's reported $4.2 billion of gross catastrophe losses across the past six months, about $2.4 billion (~57%) are from events greater than $50 million, and thus apply to ALL's aggregate reinsurance treaty, which attaches at $3.4 billion. This means that ALL would have just under $1 billion of aggregate losses left before attaching under this treaty, which runs through March 2024.

- BMO estimated CAT losses are ~$1.5 billion over the next six months. If 57% were from >$50 million events, it would imply losses applicable to the aggregate program of ~$870 million. This would put 12-month applicable losses at ~$3.3 billion, just shy of the $3.4 billion retention, suggesting there is a reasonable chance the aggregate retention gets tripped if CAT losses are modestly greater than expected.

Exhibit 1 - ALL Catastrophe Losses, April-September 2023

Month	Gross Losses	Net Losses (of PPD)	BMOe Losses Hitting Agg Treaty	Commentary
April	$872	$799	$523	12 events, 60% of losses related to 2
May	$893	$885	$625	12 events, 70% of losses related to 2
June	$1,130	$1,010	$678	18 events, 60% of losses related to 4
July	$349	$313	$0	18 events, primarily "widespread wind + hail"
August	$641	$551	$321	18 events, ~50% of losses from Maui wildfires
September	$357	$317	$286	17 events, 80% of losses related to 2
Total	$4,242	$3,875	$2,432	
BMOe % of Gross Losses Hitting Agg.			57%	

Source: BMO Capital Markets, Company Filings

Key Changes

Estimates	Q3 / 23E	2023E	2024E
EPS	$0.68	$(1.87)	$11.77
Previous	*$1.00*	*$(1.56)*	*$11.90*

BMO Capital Markets

IN Fact

Insurance Property & Casualty

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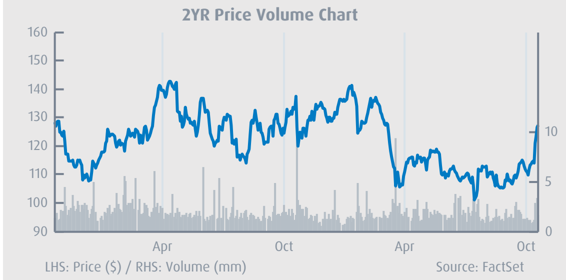
Legal Entity: BMO Capital Markets Corp.



Company Data			in $
Dividend	$3.56	Shares O/S (mm)	261.6
Yield	2.8%	Market Cap (mm)	$33,327
P/BV	0.0x	Book Value	$15,713.00

BMO Estimates (FY-Dec.) in $	2022A	2023E	2024E	2025E
EPS	$(1.11)	$(1.87)↓	$11.77↓	$15.89↓
Net Premiums Written	45,774	49,852	55,613	60,922
BVPS	$58.12	$53.05↓	$60.45↓	$70.04↓
tBVPS x AOCI	$66.56	$60.04↓	$67.40↓	$77.16↓

Consensus Estimates	2022A	2023E	2024E	2025E
EPS		$(2.64)	$11.76	$16.43

Valuation	2022A	2023E	2024E	2025E
P/E	NM	NM	10.8x	8.0x
P/BVPS	2.2x	2.4x	2.1x	1.8x
P/tBVPS ex AOCI	1.9x	2.1x	1.9x	1.7x

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$2.58	$(0.76)	$(1.56)	$(1.36)
2023E	$(1.30)a	$(4.42)a	$0.68	$3.18
2024E	$3.46	$1.75	$2.30	$4.27
2025E	$4.51	$2.37	$3.47	$5.53

Our Thesis

An appreciation for pricing power; pricing has accelerated to ~+20% annualized levels aided by industry-wide profit turmoil. Loss picks on newer business look conservative post recent reserve additions, leading us to forecast better margins in 2024. Our positive margin thesis is offset by our view that ALL will rebuild capital with lower buybacks and potentially expensive additional reinsuranceOctober 20, 2023

Allstate - Block Summary Model

Operating Metrics	2022A	2023E	2024E	2025E
Net Premiums Written	45,774	49,852	55,613	60,922
Net Investment Income	2,403	2,511	2,878	3,099
Loss and Loss Adjustment Expense Ratio	83.7%	85.5%	76.2%	74.4%
Underwriting Expense Ratio	23.0%	20.5%	20.9%	21.2%
Combined Ratio	106.6%	106.0%	97.1%	95.6%
Catastrophe Loss Ratio	7%	13%	8%	8%
Prior Year Reserve Development Ratio	3.9%	0.8%	0.2%	0.2%
Underlying Loss Ratio	72.6%	71.6%	68.1%	66.3%
Operating EPS	$(1.11)	$(1.87)	$11.77	$15.89

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

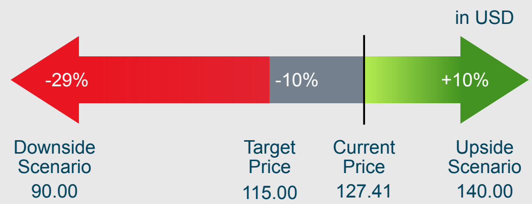
Our $115 target price represents ~9.8x our 2024E EPS (-6% vs. ALL's 6-year absolute average and -7% vs. its average relative to the S&P 500), and ~2.0x adjusted book value excluding AOCI (+21% vs. ALL's 6-year average).

Upside Scenario $140.00

Medical inflation falling from current levels and/or social inflation levels staying low could positively impact ALL's EPS trajectory. And, if used car prices fall by 20%+ and/or wage inflation falls to low-single-digit levels (both more than expected), there would be upside risk to ALL's EPS estimate run rate.

Downside Scenario $90.00

Medical inflation rising from current levels and/or social inflation levels increasing materially, as the courts are now fully reopened, could negatively impact ALL's EPS trajectory. If return to office levels rise materially from current levels, it would also likely have a negative impact on accident frequencies.



Key Catalysts

Property replacement cost inflation figures are very important given labor and input cost inflation has been causing insurers to increase prices in order to get ahead of rising costs. This includes the price of used vehicles. Another important catalyst we are watching is whether work-from-home levels fall materially in 2023.

Company Description

Allstate engages primarily in auto and home insurance sold through agencies and directly through call centers and the internet. It operates through the following business segments: Allstate Protection, Protection Services, Allstate Health and Benefits, Run-off Property Liability, and Corporate and Other. Allstate was founded in 1931 and is headquartered in Northbrook, IL.

ALL-NYSE Research

Glossary

Company Models

October 19, 2023 | 09:12 ET~

Surge Energy

BMO Capital Markets

IN Fact

SGY-TSX	Rating	Price: Oct-18	Target ↑	Total Rtn
	Market Perform	$9.18	$10.50	20%

E&P - Canada

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Resuming Coverage: Convertible Debenture Financing and Redemption

Bottom Line:

Surge previously announced a public offering of $42 million of convertible debentures with an interest rate of 8.50% per annum, payable semi-annually commencing on June 30, 2024. The debentures will mature on December 31, 2028, and the net proceeds are intended to be used to fund the redemption of Surge's 6.75% convertible debentures due June 30, 2024, as well as for general corporate purposes. We maintain our Market Perform rating and are increasing our target price to $10.50 on the back of our updated price deck.

Key Points

Debenture Offering. Surge previously announced a public offering on a bought deal basis of $42 million of convertible debentures with an interest rate of 8.50% per annum, payable semi-annually commencing on June 30, 2024. The underwriters have the option to purchase up to $6.3 million of additional debentures to cover over-allotments, exercisable up to 30 days following closing of the offering. In addition, the debentures will be convertible at the holder's option at a conversion price of $13.25/share and will not be redeemable before December 31, 2026. The debentures will mature on December 31, 2028, and the net proceeds are intended to be used to fund the redemption of Surge's 6.75% convertible debentures due June 30, 2024, as well as for general corporate purposes.

Debenture Redemption. The company plans to redeem the $34.5 million principal amount of Surge's 2019 debentures, no later than 60 days after the closing of the offering. The 2019 debentures are redeemable prior to maturity at the option of Surge for an amount equal to $1,000 for each $1,000 principal amount of the 2019 debentures plus accrued and unpaid interest. The company plans to provide a formal notice of redemption to the holders of the 2019 debentures, which will include the redemption price and date.

Valuation & Recommendation. SGY trades at a 2024E FCF yield of 23% (BMO Deck) and 2024E EV/EBITDA of 3.5x compared to its peers at 3.7x. The dividend is currently yielding 5.2% and we estimate a 2024E all-in payout ratio of 53%. The balance sheet is improving, with leverage of 0.1x 2024E D/CF relative to the group average at -0.1x. We maintain our Market Perform rating and are raising our target price to $10.50 from $9.00 on the back of our updated price deck.

Company Data			in C$
Dividend	$0.48	Shares O/S (mm)	98.3
Yield	5.2%	Market Cap (mm)	$903
EV (mm)	$1,127	Net Debt (mm)	$312

BMO Estimates (FY-Dec.)	2022A	2023E	2024E
CFPS	$3.39	$2.99↑	$4.42↓
EPS	$2.68	$1.10↑	$2.56↓
Total (Mboe/d)	21.3	24.6	25.7↑
Oil & Liq (b/d)	18,121	21,335↓	22,365↑
NGas (MMcf/d)	18.8	19.3↓	20.1↑

Consensus Estimates	2022A	2023E	2024E
CFPS		$3.00	$3.18

Valuation	2022A	2023E	2024E
EV/EBITDA	3.4x	2.4x	
P/E	3.4x	8.3x	3.6x
D/CF	1.1x	0.9x	0.1x

QTR. CFPS	Q1	Q2	Q3	Q4
2022A	$0.75	$0.91	$0.93	$0.80
2023E	$0.64a	$0.64a	$0.88	$0.83
2024E	$0.94	$1.06	$1.21	$1.21

Key Changes

Target	Estimates	Q3 / 23E	2023E	2024E
$10.50↑	CFPS	$0.88	$2.99	$4.42
$9.00	*Previous*	*$0.73*	*$2.87*	*$4.46*
	EPS	$0.44	$1.10	$2.56
	Previous	*$0.29*	*$0.98*	*$2.61*
	Total (Mboe/d)			25.7
	Previous			*25.6*

Our Thesis

With debt-reduction targets in sight, we view the company as having the ability to accelerate returns to shareholders while also achieving modest growth through accretive acquisitions or development of its core areas.

BMO Capital Markets

Surge Energy - Block Summary Model

Commodity Assumptions	2022A	2023E	2024E
WTI Oil (US$/bbl)	94.30	78.80	92.20
WCS (C$/bbl)	98.54	81.14	101.89
US$/C$ FX Rate	0.77	0.75	0.78
Henry Hub (US$/Mcf)	6.51	2.74	3.25
Production	**2022A**	**2023E**	**2024E**
Oil Production (mbbl/d)	17.4	20.6	21.6
Y/Y Change	*21.9%*	*18.4%*	*4.7%*
Gas Production (MMcf/d)	18.8	19.3	20.1
Y/Y Change	*13.7%*	*2.6%*	*3.7%*
NGL Production (mbbl/d)	0.7	0.7	0.8
Y/Y Change	*18.0%*	*0.3%*	*8.6%*
Total Production (mboe/d)	21.3	24.6	25.7
Y/Y Change	*20.5%*	*15.5%*	*4.7%*
Per Unit Metrics ($/Boe)	**2022A**	**2023E**	**2024E**
Pre Hedge Realization	93.71	77.05	91.60
Royalties	(16.44)	(13.62)	(17.86)
Operating	(20.63)	(22.69)	(21.00)
Transportation	(1.45)	(1.72)	(1.75)
DD&A	(18.34)	(19.87)	(19.50)
G&A	(2.14)	(2.12)	(2.04)
Interest	(3.50)	(4.06)	(2.14)
Income Statement	**2022A**	**2023E**	**2024E**
Total Revenues	498	558	684
Operating Income	232	111	259
Operating EPS	$2.68	$1.10	$2.56
EBITDA	321	335	468
Cash Flow Statement	**2022A**	**2023E**	**2024E**
Discretionary Cash Flow	294	301	448
Cash Flow From Operations	288	301	448
Capex	(170)	(175)	(190)
Free Cash Flow	124	126	258
Cash Flow From Investments	(332)	(175)	(190)
Reinvestment Rate (Capex/DCF)	58%	58%	42%
Balance Sheet	**2022A**	**2023E**	**2024E**
Cash	0	0	0
PP&E	1,408	1,393	1,400
Total Assets	1,550	1,522	1,529
Debt	319	242	42
Equity/Minority Interest	838	928	1,145
Total Liabilities and Equity	1,550	1,522	1,529
D/CF	1.1x	0.9x	0.1x

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

Our target price of $10.50 is based on 2024E EV/EBITDA of 2.4x and is supported by our NAV of $22. We believe that Surge shares offer potential longer-term value as the company deleverages its balance sheet and increases shareholder returns over time.

Upside Scenario $14.00

Significant deleveraging, improved capital efficiencies, increasing shareholder returns, and rising oil prices could lead to a multiple expansion equivalent to $14.

Downside Scenario $5.00

Worsening operating performance, poor capital allocation, increased leverage, and falling oil prices could cause a multiple contraction equivalent to $5.

Key Catalysts

Continued net debt reduction should allow Surge to expand shareholder returns above current levels.

Company Description

Surge Energy is a mid-cap oil-weighted producer focused on the Sparky and SE Saskatchewan core areas.

SGY-TSX Research

Glossary

Company Models

ManpowerGroup

MAN-NYSE	Rating	Price: Oct-19	Target ↓	Total Rtn
	Market Perform	$69.50	$79.00	18%

3Q23 Takeaways: Macro Still Weakening, Lowering Estimates/Target

Bottom Line:

MAN reported an adj. EPS beat from slightly better-than-expected margins, though 4Q23 guidance was worse than expected. Geographically, Northern Europe was the largest miss compared to prior forecast, with other countries relatively in line on a CC basis. Management indicated further weakening through 3Q23, and some European Manpower brand weakening into 4Q23, though some of this may have been baked-in given intra-quarter macro data. Lowering estimates and target price to $79 (from $88).

Key Points

Adjusted EPS beat. Adjusted EPS of $1.38 (excluding $0.78 restructuring in several one-time items) beat consensus of $1.35, and guidance of ($1.32-1.42). The beat was attributable to slightly better-than-expected margins and other below-the-line items (taxes, interest).

Constant currency trends by geography. Americas -7% (vs. -7-11% guided), Southern Europe -3% (vs. flat/down 4% guided), Northern Europe -10% (vs. down 4-8% guided), and APME -2% (vs. -3%/+1% guided). Northern Europe most negative vs. guide alongside negative margins given exposure to bench model countries.

Margins and restructuring. SG&A in $ fell 2.2% sequentially in 3Q23, concentrated in weaker performing countries. Management noted it will not shy away from decisive actions to preserve margin though using a "fine-point pen vs. a broad brush."

Macro commentary. Since the last quarter, management noted pressures in North America and Europe had worsened including hiring slowdowns, cost reduction initiatives and employers having less visibility. Heading into 4Q23, management sees some further softening in Europe primarily within the Manpower brand, which fared less worse than Experis and Talent Solutions in 3Q23. Overall, macro commentary not overly surprising given some of the deterioration we saw in indicators intra-quarter (BLS, Prism, Manufacturing PMIs.)

4Q23 guidance worse than expected. Revenue guidance of down 3% to down 7% in USD (down 4-8% in C/C) compared with consensus of down -4.0% y/y. Adjusted EPS guidance of $1.17-1.27 was ~12% below $1.39 consensus at the midpoint.

We reduce our estimates and target price using our revised estimates. It's still tough for us to recommend this name with trends deteriorating. This may also bode poorly for other companies with IT staffing exposure (ASGN, RHI) because of the Experis weakness, though maybe not "apples to apples."

Key Changes

Target	Estimates	Q4 / 23E	2023E	2024E
$79.00↓	Revenue	$4,567	$18,851	$18,234
$88.00	*Previous*	*$4,751*	*$19,160*	*$19,236*
	EPS	$1.20	$5.78	$5.19
	Previous	*$1.35*	*$5.92*	*$6.12*
	EBITDA	$125	$543	$502
	Previous	*$131*	*$552*	*$571*

BMO Capital Markets

IN Fact

Business Services

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Company Data			in $
Dividend	$2.94	Shares O/S (mm)	49.6
Yield	4.2%	Market Cap (mm)	$3,446
AD Vol. (mm)	0.87	Net Debt (mm)	$226

BMO Estimates				in $
(FY-Dec.)	2022A	2023E	2024E	2025E
Revenue	$19,828	$18,851↓	$18,234↓	$19,145
EPS	$8.52	$5.78↓	$5.19↓	$6.50
EBITDA	$748	$543↓	$502↓	$594
EBIT	$663	$457↓	$410↓	$498
CFPS	$6.59	$6.94↑	$6.42↑	$6.49

Consensus Estimates	2022A	2023E	2024E	2025E
EPS		$5.91	$6.86	$9.42

Valuation	2022A	2023E	2024E	2025E
P/E	8.2x	12.0x	13.4x	10.7x
P/CFPS	10.6x	10.0x	10.8x	10.7x
EV/EBITDA	5.1x	7.1x	7.6x	6.5x

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$1.88	$2.33	$2.21	$2.08
2023E	$1.61a	$1.58a	$1.38a	$1.20
2024E	$1.10	$1.25	$1.34	$1.49
2025E	$1.42	$1.57	$1.67	$1.84

Our Thesis

We believe MAN's valuation historically has been negatively impacted by its European exposure. Given greater recessionary fears in Europe, it's tough for us to recommend this name. October 20, 2023

ManpowerGroup - Block Summary Model

Income Statement ($mm except EPS and Shares OS)	2022A	2023E	2024E	2025E
Revenue	$19,828	$18,851	$18,234	$19,145
EBIT	663	457	410	498
Net Interest Expense (Income)	25	48	30	23
Income Before Taxes	557	349	381	474
Provision (Benefit) for Inc. Tax	183	116	122	150
Net Income (Continuing Ops.)	374	233	259	324
Diluted EPS	$8.52	$5.78	$5.19	$6.50
Diluted Shares Outstanding	52.8	50.6	49.9	49.9
Dividend per Share ($)	$2.65	$2.90	$3.09	$3.24
Cash Flow Statement	**2022A**	**2023E**	**2024E**	**2025E**
Net Income (Reported)	374	233	259	324
Depreciation & Amortization	85	86	92	97
Change in Working Capital	(140)	61	22	(43)
Operating Cash Flow	423	426	396	404
Capex	(76)	(75)	(76)	(80)
Dividends	(140)	(146)	(154)	(162)
Free Cash Flow	348	351	320	324
FCF/Share	6.59	6.94	6.42	6.49
Balance Sheet	**2022A**	**2023E**	**2024E**	**2025E**
Cash & Equivalents	639	669	835	997
Total Assets	9,130	8,827	9,094	9,549
Short and Long-Term Debt	987	962	962	962
Total Liabilities	6,672	6,428	6,589	6,881
Shareholders' Equity	2,458	2,400	2,505	2,667
Net Debt/(Cash)	(348)	(293)	(127)	35
Growth and Margin Data	**2022A**	**2023E**	**2024E**	**2025E**
EPS Growth	17.7%	-32.2%	-10.1%	25.2%
EBITDA Margin	3.8%	2.9%	2.8%	3.1%
Incremental EBITDA Margin	7.7%	12.5%	23.1%	5.6%
EBIT Margin	3.3%	2.4%	2.3%	2.6%
Net Income Margin	1.9%	1.2%	1.4%	1.7%

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

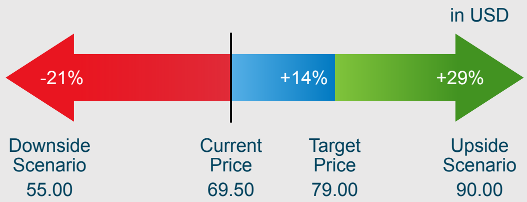
Average of P/E, EV/EBITDA, EV/revenues, and discounted cash flow based on forward-looking estimates.

Upside Scenario $90.00

Upside assuming multiple expansion and forward-looking EPS estimate is 10% higher.

Downside Scenario $55.00

Downside assuming multiple contraction and forward-looking EPS estimate is 10% lower.



Key Catalysts

Economic cyclicality. Political environment in Europe/U.K.

Company Description

ManpowerGroup, through its family of brands — Manpower®, Experis®, Right Management®, and ManpowerGroup® Solutions — helps clients in roughly 80 countries and territories address their critical talent needs, providing comprehensive solutions to resource, manage, and develop talent.

MAN-NYSE Research

Glossary

Company Models

October 20, 2023 | 05:55 ET~

Microsoft

BMO Capital Markets | IN Depth

MSFT-NSDQ 15	Rating	Price: Oct-18	Target	Total Rtn
	Outperform	$330.11	$400.00	22%

Software

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Potential Azure Stabilization

Bottom Line:
Broadly, we believe MSFT's upcoming September quarter report will have modest upside. Further, as we outlined in our Office comments, we think MSFT will deliver more generative AI growth potential in CY24 vs. near-term quarters, and thus we think Microsoft will be a good stock in CY24. For Azure, we/consensus project growth to be 25.5% y/y CC in the September quarter, and ~24.5% y/y CC in the December quarter, and we believe such estimates are reasonable. We are not changing our estimates and maintain our Outperform rating and $400 target price.

Key Points

Azure Stabilization in the Near/Medium Term

We believe that Azure growth can stabilize in the near and medium term. According to FactSet, consensus estimates are for Azure to grow about 25.5% y/y CC in the September quarter, and ~24.5% y/y CC growth in the December quarter, which is roughly in line with our estimates. We believe that our/Street estimates are reasonable, though we think management could guide conservatively for the December quarter, consistent with historical trends.

- Management commented that Azure growth included 1pt of AI benefits in the June quarter, which are predominantly from generative AI services, as more legacy AI services are not additive to total Azure growth.
- Management stated that AI growth benefits were immaterial prior to the June 2023 quarter, so zero benefit in the March 2023 quarter or prior.
- The September quarter Azure guide called for growth of 25-26% y/y CC growth, including about 2pts of AI benefits.
- If we exclude all AI benefits from each quarter, Azure growth decelerated, in CC, by 7pts in the March quarter, 5pts in the June quarter, and guidance implies a 2.5pt deceleration for the September quarter.
- If we assume Azure CC growth is ~25% y/y in the December quarter, and genAI contributes 3pts to growth, then the balance of the business would grow 22% y/y CC in the December quarter, compared to 23.5% estimated y/y CC growth in the September quarter, ex genAI contribution. We note the December quarter compare is ~4pts easier.
- If we assume Azure CC growth is ~26% y/y in the December quarter (more aggressive growth assumption), and genAI contributes 3pts to growth, then the balance of the business would need to grow 23% y/y CC in the December quarter, compared to 23.5% estimated y/y CC growth in the September quarter, ex-genAI contribution.

Company Data			in $
Dividend	$3.00	Shares O/S (mm)	7,429.8
Yield	0.9%	Market Cap (mm)	$2,452,638
EV (mm)	$2,449,942	AD Vol. (mm)	23.15

BMO Estimates (FY-Jun.) in $	2022A	2023A	2024E	2025E
Revenue (mm)	$198,270	$211,915	$233,554	$260,202
EPS	$9.65	$9.68	$10.82	$12.11
CFPS	$8.64	$7.96	$8.65	$10.03

Consensus Estimates	2022A	2023A	2024E	2025E
EPS			$11.02	$12.69

Valuation	2022A	2023A	2024E	2025E
P/E	34.2x	34.1x	30.5x	27.3x
EV/FCF	37.6x	41.2x	38.0x	32.9x
EV/Revenue	12.4x	11.6x	10.5x	9.4x

QTR. EPS	Q1	Q2	Q3	Q4
2022A	$2.71	$2.48	$2.22	$2.23
2023A	$2.35	$2.20	$2.45	$2.69
2024E	$2.66	$2.61	$2.68	$2.87
2025E	$2.84	$3.01	$3.03	$3.23

Our Thesis

We rate MSFT shares Outperform. We believe that MSFT's valuation is reasonable on an EV/FCF and P/E basis, but not inexpensive. We think AI can help support longer-term growth, and we think the durable growth opportunities warrant a premium valuation.

Microsoft - Block Summary Model

Income Statement	2022A	2023A	2024E	2025E
Revenue	$198,270	$211,915	$233,554	$260,202
Cost of Revenues	62,650	65,863	75,380	86,607
Gross Profit	135,620	146,052	158,175	173,596
Operating Expenses	52,237	57,529	60,000	63,800
Operating profit (Non-GAAP)	83,383	88,523	98,175	109,796
Other income (expense)	333	788	1,200	1,000
Earnings Before Taxes	83,716	89,311	99,375	110,796
Taxes	10,978	16,950	18,881	21,051
Net Income (Non-GAAP)	72,738	72,361	80,494	89,744
EPS (Non-GAAP)	$9.65	$9.68	$10.82	$12.11
Diluted Shares Outstanding	7,541	7,472	7,442	7,411
Cash Flow Statement	**2022A**	**2023A**	**2024E**	**2025E**
Depreciation & Amortization	14,460	13,861	16,000	17,100
Stock-based Compensation	7,502	9,611	9,500	9,800
Change in Working Capital	(5,259)	(6,884)	(2,586)	(5,308)
Cash From Operating	89,035	87,582	102,357	118,006
Capex	(23,886)	(28,107)	(37,950)	(43,650)
Cash From Investing	(30,311)	(22,680)	(39,200)	(44,900)
Dividends paid	(18,135)	(19,800)	(20,148)	(20,064)
Cash Flow From Financing	(58,876)	(43,935)	(59,098)	(59,164)
Net Change in Cash	(293)	20,773	4,059	13,943
Free Cash Flow	65,149	59,475	64,407	74,356
Balance Sheet	**2022A**	**2023A**	**2024E**	**2025E**
Cash and Cash Equivalents	111,648	121,141	125,200	139,142
Total Current Assets	169,684	184,257	191,220	211,412
Total Assets	364,840	411,976	439,942	464,260
Current Liabilities	95,082	104,149	106,668	115,691
Deferred revenues (ST & LT)	48,408	53,813	55,463	62,133
Total debt (ST & LT)	49,781	47,237	47,237	47,237
Total Liabilities	198,298	205,753	206,773	217,385
Total Shareholders' Equity	166,542	206,223	233,168	246,875

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

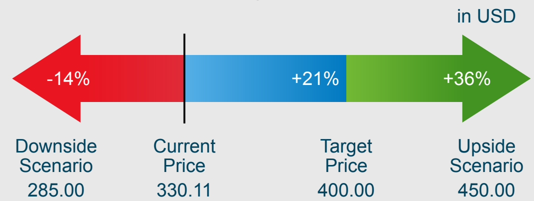
Our target price is based on an EV/FCF of 39-40x our FY2025 FCF estimate.

Upside Scenario $450.00

Our upside case is based on EV/FCF of 51x our FY2024 FCF estimate. Our upside case includes an additional 100 bps of revenue growth and an additional 80 bps of margin expansion versus our base-case assumption.

Downside Scenario $285.00

Our downside case is based on EV/FCF of 31-32x our FY2024 FCF estimate. Our downside case reduces revenue growth by 150 bps and an additional 100 bps of margin declines versus our base-case assumption.



Key Catalysts

We believe improving revenue and operating income growth, particularly for Azure and Office, could drive MSFT shares higher. Further, we think increased confidence in Azure's glide path is needed for shares to move higher.

Company Description

Microsoft develops, licenses, and supports software and hardware products. The company's reporting segments include Productivity and Business Processes, Intelligent Cloud, and More Personal Computing. Microsoft's products include the Windows operating system, Windows Server, Microsoft SQL Server, Azure, Microsoft Office, Xbox gaming, LinkedIn, and Search among others.

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Hold	Market Perform	49.5 %	17.1 %	49.4 %	44.6 %	40.6 %	37.5%
Sell	Underperform	2.6 %	16.7 %	2.5 %	1.5 %	1.0 %	4.8%

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