sive experienceand expertise in social, digital, and mobile strategy and execution, which is relevant to Torstar as it: firstly struggles to transition its business model from print to digital and secondly has made significant investments in Vertical Scope and Star Touch. At the AGM, Mr. Boynton stated that Torstar will undergo a multi-year, well thought out "transformation," not turnaround, where the company "will need to think differently and make some bold decisions" and "everything is on the table."

In terms of forecasts, the analyst projects that Torstar will achieve an EBITDA gain this year due to cost relief from reduced net investments in Star Touch and restructuring, and will experience EBITDA erosion the following year.

Torstar is a newspaper company that owns daily newspapers, community newspapers and related web properties.

iAnthus Capital Holdings

BEACON SECURITIES

Cannabis holding company approaches potentially transformative deal

Digested from a May 3 report by analyst Vahan Ajamian

Given this is only the first full quarter that **iAnthus Capital Holdings Inc.** (IAN-CSE, $2.72) went public and given its holding company structure, reported results whilst not overly meaningful were in line with Mr. Ajamian's expectations. The analyst's "buy" rating remains unchanged and his 12-month target share price for the company remains at $3.75 as well.

iAnthus has provided Mayflower Medicinals Inc. with debt, with the intention of converting it into a 79 per cent equity stake in the future. Construction on Mayflower's cultivation facility began in the first quarter of fiscal 2017.

The company expects dispensary sales to start in the fourth quarter of fiscal 2017; the analysts are modelling the first quarter of 2018. While management projects that Mayflower's production capacity should support over US$35 million in annual revenue, we are modelling a US$32.1-million peak run rate starting in the first quarter of fiscal 2019.

TGS is another company to which iAnthus has provided a loan. TGS generated over US$50 million in revenue in 2016.

March 2017 was a record month for the company. It reported US$5.1 million in sales, translating to a US$61.2-million annual run rate. Between same store sales and opening new stores, Mr. Ajamian says the company can do US$70 million of sales this year. iAnthus' US$7.5-million loan to TGS was described as being "an initial financing".

As a reminder, the interest rate on this loan jumps from 14 per cent to 23 per cent on June 7, 2017, and iAnthus is not in the business of lending money for interest.

According to the analyst ,iAnthus may look to acquire TGS, which would instantly make it one of the largest publicly traded cannabis companies.

Mr. Ajamian says, "We believe the U.S. marijuana sector is becoming more and more investable."

iAnthus is a holding company which delivers a comprehensive solution for financing licensed cannabis cultivators, processors and dispensaries throughout the United States. The company only operates in states where it is legal under state law - and currently has investments in Massachusetts, Colorado, New Mexico and Vermont.

Canyon Services Group

ALTACORP CAPITAL

Further forecasts pending acquisition

Digested from a May 5 report by analyst Aaron MacNeil

Mr. MacNeil maintains a "sector perform" rating for **Canyon Services Group Inc.** (FRC-TSX, $6.30) and increases its 12 month target price due to higher performance in the first quarter of 2017, outdoing its prospective buyer Trican in sequential pricing. The company beat expectations for its gross profit and activity level by servicing more oilfields in Western Canada than previously anticipated.

Canyon reported its first quarter of 2017 earnings before interest, taxes, depreciation, amortization and stock-based compensation (EBITDAS) of $23.4 million, significantly above the analyst's estimates from the previous quarter and on average Canyon was able to sequentially charge 20 per cent more to customers compared to previous estimates of 10 to 14 per cent.

Stronger gross margins were however, offset by higher general and administrative expenses, which the analyst attributes to the increase in sales during its first quarter of 2017.

After taking first-quarter results into consideration the analyst updated estimated EBITDAS for the 2017 year from $27.6 million to $53.3 million and from $50.7 million to $75.7 million for the 2018 year. The analyst used the sum of all parts valuation method with a discount rate of 11.5 per cent to increase Canyon's 12-month target price from $7 to $7.50.

With all that set aside, Canyon's management is noting the company's cost structure will see inflationary pressure in the coming year and is focusing on guiding its deal with Trican Well Service Ltd. to close as soon as the second half of 2017.

As of March 22, Canyon and Trican entered a friendly takeover deal where Trican shareholders own 56 per cent of the combined company. A consolidation with its rival is now pending shareholder votes on May 31 2017 after Canyon received a "no-action letter" from the Competition Bureau of Canada earlier this month.

By combining rivals the resulting company might be better positioned to handle the many risks in the oilfield servicing sector. The analyst advises that in any case Canyon still faces commodity pricing risks which greatly affect its customer base exploration and production spending levels.

The company faces foreign exchange rate risks, geopolitical instability and risks related to regulations tightening.

Canyon Services Group provides stimulation and fluid management services to oil and gas exploration and production companies operating in the Western Canadian Sedimentary Basin.

SNC-Lavalin Group

DESJARDINS CAPITAL MARKETS

WS Atkins acquisition a winner of a deal

Digested from an April 28 report by analyst Benoit Poirier

Desjardins opts to resume coverage of Montreal-based **SNC-Lavalin Group Inc.** (SNC-TSX, $54.45) after it reached a $4.2-billion deal to acquire WS Atkins PLC.

Mr. Poirier, who keeps his "buy" recommendation with "average" risk, says that the acquisition was a homerun for the engineering and construction company that hails from Quebec.

In fact, SNC's acquisition was a great fit both financially and strategically since it will enable the company to bolster its footprint in Europe and Asia, obtain exposure to important markets, and lessen its risk profile – all at a reasonable takeover price.

The analyst boosts his one-year target price to $70 per share from $65 per share after employing a sum-of-the parts model. This model is based on a 14 times multiple – compared to 13.5 times previously – on Desjardins' 2018 adjusted core to engineering and construction earnings per share (EPS) projection of approximately $39; a capital portfolio value for SNC of $29.06 – compared to $33.98 previously; and a cash balance tally of $1.44 – compared to $1.37 previously.

He adds that Desjardins' move to boost the company's price to earnings multiple is sensible given SNC's loftier and more stable margin profile stemming from its substantial exposure to engineering and construction services.

"WS Atkins represents an excellent strategic fit for SNC given its strong presence in the U.K. and Europe, the U.S. and Asia, which will allow SNC to diversify its revenue outside of Canada," says Mr. Poirier. "We also like WS Atkin's sizeable exposure to end markets with strong fundamentals such as roads and rail transit as well as nuclear, allowing SNC to diversify away from oil and gas."

According to the analyst, Desjardins projects that the deal will result in value creation to the tune of approximately $5 per share. He adds that Desjardins derives $0.61 in adjusted earnings per share (EPS) accretion owing to the deal, minus the amortization of intangibles, for SNC's engineering and construction operations next year.

"Using a 14 times price-to-earnings multiple, this impacts our valuation by just less than$10 per share," says Mr. Poirier.

"However, this value is partially offset by the negative impact of the equity issuance on the capital portfolio and excess cash. On a pro forma basis, we estimate

Continued on next page

'Best Buys' from leading analysts

Analysts follow as many as 20 stocks, most of which are rated "buys". Of those buys, an analyst has one or two special favourites seen as most suitable for new buying. This column is devoted to those one or two favourite "best buys".

Since the global financial crisis began late last decade, more and more customers and clients have made supporting the domestic economy and shopping locally a priority. North American businesses responded accordingly by emphasizing the local provenance of their raw materials, labour, products and services. More recently, politicians have touted the merits of economic isolationism and self-sufficiency, in some cases building successful platforms based on these values. This has resulted in businesses fearing that not only will they be rewarded for their local bona fides, they will also be punished for whatever dirty secrets they harbour abroad (for example, through higher taxes on companies that use foreign labour).

Selective Asset Management president and founder Robert McWhirter says that in the current economic and political climate, "Industrials, generally speaking, are a favoured section in part because a lot of companies are looking at onshore production as opposed to offshore."

However, he adds that his "best buy" picks, both industrial firms, have more than promising sector trends in their favour. Mr. McWhirter is a longtime financial professional and Chartered Financial Analyst who has worked in the securities industry for more than 30 years. Before he founded Toronto-based Selective, he served as a vice-president and portfolio manager at RBC Global Management, managing technology stock holdings in Royal Bank's Canadian equity mutual funds. Aside from the general potential for more domestic manufacturing activity, both of his "best buys", **Cymat Technologies Ltd.** (CYM-TSX/VEN, $0.30) and **Robix Environmental Technologies Inc.** (RZX-CSE, $0.26), have put years of time and energy into major paths to growth that are on the cusp of breakthroughs, the analyst says.

To help visualize Cymat Technologies' flagship product line, Mr. McWhirter suggests imagining an Aero chocolate bar, made of milk chocolate injected with air bubbles. "Imagine that chocolate bar is now made of aluminum," he says. Cymat is a materials technology company that manufactures "stabilized aluminum foam" by adding a specific silica component that allows air bubbles in the metal to hold their shape. It can manufacture foam across a wide range of thicknesses and densities.

"The bubbles themselves provide qualities of impact absorption," the analyst explains, resulting in a lightweight and durable product. The company's three main intended markets are automobile manufacturers (who would use foam to protect vehicles from crashes), construction firms (using foam as a building material), and the military (using foam as armour against explosives).

At present, about 80 per cent of its business is architectural and the remainder is military. In the trailing 12 months to late May 2017, the company racked up sales of about $2.5 million while its net income over the same period amounted to a loss of about -$750,000.

However, Mr. McWhirter points out that the company effectively trades at a tenth of a typical TSX company based on its high growth prospects. Cymat had previously raised $2.5 million in three financing rounds. Large blocks of convertible debentures and warrants, 13 million of each, connected to that financing will mature at the end of June.The analyst says there are about 19.5 million shares outstanding at the moment. If all of the debentures are converted to stock and all of the warrants are exercised, the number of outstanding shares would more than double to 45.5 million shares, which is likely to boost liquidity.

In addition, the company has spent about three years working with an original equipment manufacturer (OEM) to one of the Big Three U.S. automakers to use foam for crash protection. Cymat has also spent five years trying to secure an additional military contract, to include foam in beach landing vehicles. Mr. McWhirter says it should find out whether that project will ramp up by September. The dual catalysts of a visible order backlog and higher liquidity without having to pay much more in operating costs could combine to lift Cymat upward like a balloon (perhaps even one made of aluminum), the analyst predicts.

The analyst's second "best buy", Robix, developed a simple method for removing oil from water in wells by using two large-diametre, slow-moving steel drums.

The company has made a deal with PEMEX, Mexico1s state-owned oil-and-gas company to supply massive machines, which it hopes to deliver by September. In the meantime, it is exploring opportunities to provide smaller versions of its machines to the Mexican Navy to rapidly respond to oil spills. Mr. McWhirter praises Robix for its high-margin, recurring revenue business model.

(Disclosure: Mr. McWhirter and his clients own or intend to own shares of both Robix and Cymat.)