

Morning Research Summary

Quick Look

| Symbol | Rating | | Est. | Target Price | |
|--------------------------|--------|---------|------|--------------|-----------|
| | Prior | Current | | Prior | Current |
| TARGET PRICE CHANGES | | | | | |
| BTE-TSX | H | H | ▲▼ | C\$1.75 | C\$2.00 |
| CYBN-NEO | SB | SB | | C\$5.00 | C\$11.00 |
| LUN-TSX | H | H | ▲▼ | C\$12.50 | C\$15.00 |
| WCP-TSX | B | B | ▲▼ | C\$7.50 | C\$7.75 |
| COMPANY UPDATES | | | | | |
| AEX-TSXV | B | B | | C\$1.35 | C\$1.35 |
| AEM-TSX | B | B | | C\$115.75 | C\$115.75 |
| CFW-TSX | H | H | ▲▼ | C\$4.00 | C\$4.00 |
| DIV-TSX | B | B | ▲▼ | C\$2.85 | C\$2.85 |
| ERO-TSX | B | B | | C\$30.00 | C\$30.00 |
| LPS-TSXV | B | B | | C\$1.50 | |
| PSI-TSX | H | H | | C\$9.75 | C\$9.75 |
| YRI-TSX | B | B | ▲▼ | C\$10.00 | C\$10.00 |

INDUSTRY UPDATES

Canada - Energy Infrastructure

[Canada - Energy Infrastructure - Energy Infrastructure Estimates](#)

Canada - Oil & Gas

[Canada - Oil & Gas - Oil & Gas Producer Estimates at Futures Pricing](#)

Canada - Oilfield Services

[Canada - Oilfield Services - Oilfield Services Estimates](#)

Morning Meeting Highlights

Agnico Eagle Mines (AEM-TSX, C\$78.07, Buy; Target C\$115.75) - AEM posts an operating beat on record quarterly production - **Ingrid Rico** - Agnico Eagle released Q1 results which were a beat driven by stronger than expected production and better costs. Adj EPS of \$0.67 beat our estimate of \$0.57 and consensus of \$0.60. Pre-WC operating CFPS came in at \$1.42, in line with consensus but above our \$1.29. AEM generated FCF of \$175m, ahead of our \$136m. Production set a new quarterly record at 517koz (including production from Hope Bay), higher than our ~505k oz estimate. Total cash cost / AISC of \$734 / \$1,007/oz came in ~\$25/oz lower than our model. While peers have shown production lower QoQ, AEM started off the year with a sequential increase in production of 3% (or flat if we excluded production from Hope Bay). Amaruq and Meliadine stood out and drove the outperformance against our numbers. Construction continues for Malartic UG with promising step-out drilling results from East Gouldie. FY 2021 guidance was maintained.

Baytex Energy (BTE-TSX, C\$1.50, Hold; Target C\$2.00) - Baytex Surprises with Strong FFO in 1Q21, Increased 2021 Plans, Exciting Clearwater Test - **Cody Kwong** - Baytex's 1Q21 results were chock-full of exciting data points, led by posting a FFO figure that was 17% higher than consensus estimates. The Company also took the time to outline a 5-year plan (which included elevated 2021 guidance) that carried a headline figure of \$1.0 billion of cumulative FCF (at flat US\$55/bbl oil). The operational update was highlighted by a new Clearwater well, on a new 60 section parcel of land, that generated a solid IP30 rate of 175 bbl/d (2 legged well). Based on our forward outlook moving higher and some exciting catalysts on the come for Baytex, we are increasing our target price to \$2.00/sh.

Cybin Inc. (CYBN-NEO, C\$2.22, Speculative Buy; Target C\$11.00) - CYBN is a true multi-molecule company that's not being reflected in its valuation - **Andrew Partheniou** - POSITIVE — CYBN has been progressing rapidly along its path of developing a pipeline of novel psychedelic molecules, transforming the company from a single molecule strategy to a more diversified one with stronger IP opportunities. CYB003, a novel 2nd generation tryptamine that is designed for a shorter, more scalable duration of action, has already undergone proof-of-concept studies. In addition, the company is targeting Alcohol Use Disorder, a relapsing disease with high unmet needs, a large addressable market and low competition. With CMPS recently providing a goalpost for valuation, we believe CYBN's shares have a direct pathway for over ~3.5x upside near term as neither its primary candidate nor its first novel candidate—expected to enter clinical trials in 2021—is fully accounted for in its valuation, offering investors with an attractive entry point. Hence, we increase our target to \$11 from \$5 to reflect CYB003 and its strong potential to create shareholder value.

Ero Copper (ERO-TSX, C\$24.78, Buy; Target C\$30.00) - Greenfields discoveries represent a proof of concept for future discovery - **Ian Parkinson** - ERO's quarterly exploration update hit the wire this morning. We are most excited about two aspects, 1) Near mine Vermehlos 'grade bank' continually being added at depth, and 2) Regional exploration success at the newly discovered Terra do Sal System & C4 System. The discoveries represent a proof of concept for ERO's exploration process employed across the MCSA land package. They also provide good margin rock to maximize mill throughput.

Pason Systems (PSI-TSX, C\$9.42, Hold; Target C\$9.75) - In-line 1Q21 results - **Cole Pereira** - Pason reported 1Q21 results that were largely in line with Stifel and consensus estimates. Revenue of was \$43 mm, in line with Stifel's \$42 mm and the Street at \$41 mm, while EBITDAS of \$13 mm matched both our estimate and consensus. The company did not repurchase any shares in the quarter, but

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did reaffirm its 2021e capital plan of \$15 mm. We expect the stock to trade in line tomorrow.

Other Focus Items Today

AEX Gold Inc. (AEX-TSXV, C\$0.46, Buy; Target C\$1.35) - Undertaking strategic review of Nalunaq strategy, shifting to exploration for 2021 season - **Stephen Soock** - Following the 1-year delay in the start of construction, AEX is conducting a strategic review of its development plan for Nalunaq. The company will complete an internal Feasibility-level study, aiming to de-risk the project, enter into a fixed price construction agreement and secure alternative (non-equity) financing. For the 2021 field season, AEX is pivoting to exploration, planning a 20-30,000m infill drill program at Nalunaq, building an all-year construction/exploration camp and conducting regional exploration on its large, multi-element prospective land package across southern Greenland. The company expects to spend C\$10m on site early work/exploration/project evaluation, C\$10m on receipt of long lead time items and C\$2m on regional exploration (AEX currently has C\$54m in cash).

Calfrac Well Services (CFW-TSX, C\$3.50, Hold; Target C\$4.00) - 1Q21 results update - **Cole Pereira** - CFW reported 1Q21 results slightly behind Stifel and consensus estimates with EBITDAS of \$12 mm behind our estimate of \$13 mm and the Street at \$14 mm. Our estimates are largely unchanged with this update, as are our Hold rating and \$4.00/sh target price. We continue to take a cautious view on CFW given its negative FCF profile, dilution from its restructuring, and potential legal risk. The stock also screens expensively at 5.3x 2022e EV/EBITDAS vs. both TCW and STEP at 4.6x.

Diversified Royalty Corp. (DIV-TSX, C\$2.49, Buy; Target C\$2.85) - DIV reports in-line Q1/21 operating results - **Anoop Prihar** - DIV reported preliminary Q1/21 operating metrics for its portfolio partners, which were essentially in line with our expectations. For Q1/21, we expect DIV will generate revenue of \$8.7mm, normalized EBITDA of \$8.0mm and DCPS of \$0.05 (107% payout ratio). Our FY21 and FY22 DCPS estimates of \$0.21 (96% payout ratio) and \$0.23 (88% payout ratio) respectively remain unchanged. Our target price of \$2.85/sh is derived by applying a 7% target yield to current distribution of \$0.20/sh. We continue to rate DIV a BUY.

Legend Power Systems Inc. (LPS-TSXV, C\$0.83, Buy; Target C\$1.50) - A new ESCO partnership and subsequent Insights engagement - **Ian Gillies** - LPS has announced a partnership with a second energy service company (ESCO) that is in the Fortune 500. Recall, the U.S. ESCO market is US\$10-15 bn per annum. This is an important announcement because 1) it provides LPS with a new ESCO sales channel which will help it meet our revenue forecasts; 2) creates a new sales vertical for helping property managers with acquisition due diligence, which would allow for SmartGATE installs after closing; and 3) proves the prior ESCO relationship was not a one-off. This is a positive announcement.

Lundin Mining (LUN-TSX, C\$15.80, Hold; Target C\$15.00) - 1Q21 misses street expectations; operations lag on mine sequencing and weather challenges - **Ian Parkinson** - LUN hit our 1Q21 financials estimates but missed the street's expectations. Clean EPS of \$0.20/sh in line with our estimate of \$0.19/sh but behind consensus at \$0.24/sh, CFPS xWC of \$0.38/sh was closer to expectations, slightly off our estimate of \$0.39/sh and consensus at \$0.40/sh. The delta was driven by softer production (Attributable copper production of 50.5kt behind our estimate of 60.1kt Cu and consensus at 59.1kt Cu) in the quarter. Lower production at Candelaria, Chapada, and Neves-Corvo was all grade driven.

Whitecap Resources (WCP-TSX, C\$5.43, Buy; Target C\$7.75) - Busy 1Q21 Yields Better than Expected Operational and Financial Performance - **Cody Kwong** - Whitecap's 1Q21 was busy with the closing of the NAL Resources and TORC Oil & Gas transactions, along with carrying out its largest quarterly capital program slated for 2021. With all these moving parts we were impressed with production and cash flow figures that came in ahead of expectations while its capital investments were more efficient than anticipated.

Yamana Gold (YRI-TSX, C\$5.63, Buy; Target C\$10.00) - Yamana reports in-line Q1 results, provides update on growth projects - **Ingrid Rico** - Yamana reported

Q1 operating and financial results with production and cost broadly in line with our expectations for the quarter. CFPS of \$0.19 was slightly ahead of our expectations, but marginally below consensus; EPS of \$0.07 was in line. Production of 232k GEOs was in line and results are consistent with the expectation of back-half loaded production - anticipating sequential production increases in the remaining quarters. The company provided updates for construction and exploration at Odyssey, progress on the Jacobina Phase 2 expansion, and MARA study optimization work.

Note: Prices are as of the close of April 29, 2021, unless otherwise noted.

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