



THE FAMILY ADVANTAGE

Canadian Family
Business Leaders
Shaping the
Green Economy:
The Road to Net-Zero

National Bank of Canada

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Cover page

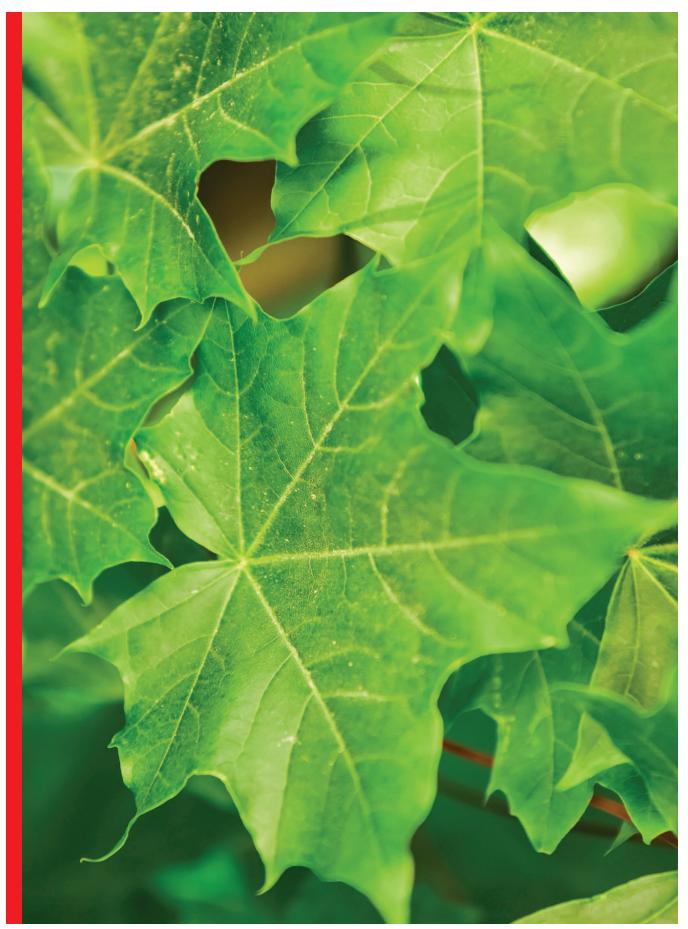
Mount Robson Provincial Park, British Columbia, Canada (picture: Unsplash)

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Toronto, Ontario (picture: Unsplash)

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(Picture: Unsplash)

Forewords



Vincent Joli-Coeur Vice Chairman, Financial Markets National Bank of Canada

The 43 Canadian companies currently included in the NBC Canadian Family Index (ticker: NBCFAMTR), calculated by S&P Dow Jones Indices, account for about one quarter of the market capitalization of Canada's flagship equity index, the S&P/TSX Composite. Combined, they represent nearly \$700 billion in market capitalization and employ more than 1 million people. Family firms are a cornerstone of Canada's economy.

While our previous NBC Family Advantage report high-lighted examples of the international success of Canadian family businesses such as Canada Goose, Alimentation Couche-Tard and Lallemand, our 2023 report highlights the long-term focus of Canadian family-controlled companies in their path to a net-zero and decarbonized world.

Over the past 12 months, we have seen substantial changes in the Canadian family-business landscape, including increased consolidation in the Canadian marketplace and an evolution of governance.

Increased consolidation in the Canadian marketplace

The \$20-billion takeover of Shaw Communications Inc. by Rogers Communications Inc., two companies each under multi-generational family control, was clearly the biggest market-mover of the past year. The Government of Canada's Minister of Innovation, Science and Industry, François-Philippe Champagne, confirmed approval of the deal on March 31, 2023 ending a two-year saga to merge two of Canada's largest cable and telecom companies. As part of the transaction, Shaw sold its Freedom Mobile cellphone business to Quebecor Inc. for \$2.85 billion, a move that helped win the federal approval by creating a fourth national cellphone company. Until the Rogers-Shaw transaction closed and Shaw shares were delisted from the Toronto Stock Exchange on April 3rd, 2023, Rogers, Shaw and Quebecor were all constituents of the NBC Canadian Family Index.

Evolution of governance at family-controlled firms

In the past months, two of Canada's largest companies controlled by families via dual-class shares have voluntarily proposed changes to the sunset provisions for their multiple voting rights. This evolving model for family governance will clearly be of strategic importance, since 25 of the 43 NBC Canadian Family Index constituents have multiple voting share structures. Last May, Onex Corporation, founded in 1984 by Canadian private-equity pioneer Gerry Schwartz, handed its CEO responsibilities to then-president Bobby Le Blanc. Under the plan approved by Onex shareholders, Mr. Schwartz, now 81, will give up his voting control of the company after three years. Mr. Schwartz is sole holder of the company's multiple-voting shares. Similarly, the Board of Teck Resources, one of Canada's largest diversified mining companies – market capitalization about \$28 billion – has, under the control of the Keevil family, voluntarily introduced a six-year sunset clause that will lead to dissolution of the company's multiple voting shares. Previously, in December 2020, Montreal-based point-of-sale and payments company Lightspeed POS' multiple voting shares all converted automatically into subordinate voting shares due to an event-based sunset clause being triggered. Similarly, a sunset clause was also automatically triggered at Alimentation Couche-Tard in December 2021 when the youngest of its four company founders, Jacques D'Amours turned 65 years of age resulting in the company only having one class of shares.

Family businesses on the road to net-zero

In light of these market trends, one great challenge lies ahead: to deliver more long-term value with a smaller carbon footprint. Control by a family makes a firm uniquely capable of adopting a long-term focus, thinking ahead and proposing, along with governments, regulators and the broader community, creative solutions for Canada to reposition itself from a resourcebased economy to a renewable-energy superpower. It may find an interesting case study in Norway, a resource-rich country that is ahead of the curve in moving to a green economy. For example, 80% of its new-car sales are of electric vehicles. NBC Canadian Family Index member Alimentation Couche-Tard sees Norway as a laboratory. Under its Circle K banner, it operates a network of more than 1,000 electric vehicle chargers through 230 stores in the region.

The road to a decarbonized world will require massive investment as well as that all-important long view. Many leaders of Canada's family-held flagship companies, among them Nancy C. Southern (ATCO / Canadian Utilities), Lino A. Saputo (Saputo) and Olivier Desmarais (Power Sustainable) interviewed for this report, are clearly motivated to be part of the solution for Canada's journey to net-zero.

Forewords (Continued)



Dominic Barton
Chair of Rio Tinto,
Former member of Canada's Advisory
Committee on the Public Service and
Advisory Council on Economic Growth,
Former Global Managing Partner of
McKinsey & Company,
Former Ambassador of
Canada to China, and
Honorary Chair Emeritus of the Asia
Business Leaders Advisory Council

We are living in some of the most volatile and challenging times in history. At the center of the many shifts underway is climate change. Climate change and the necessary energy transition to ensure we are net-zero by 2050, will lead to the single largest re-allocation of capital in human history — on the order of 3-4 trillion US dollars a year for the next 25 years. Existing businesses will need to transform themselves and many new businesses will be created.

In my 35-year experience at McKinsey, advising companies around the world on strategy and performance, and in my experiences leading Advisory Boards for two governments in Canada and three governments in Asia, it is clear to me that businesses with a long-term mindset and perspective are the most successful businesses. They take into account shareholder returns and stakeholder returns — employees, the environment, the community among others. Shareholder and stakeholder returns go together and reinforce each other over the long term. Adam Smith wrote about the importance of the entrepreneur "taking care of the society in which they operate" as a core part of being a successful company.

Unfortunately, over the past 50 years, capitalism has become more short term, narrower in focus (e.g., shareholder returns only), and with less of an "owner's mindset". I have written a lot about this in the Harvard Business Review* and in several books (e.g., Reimagining Capitalism**). Conversely, most family-owned businesses are very much at the core of long-term capitalism and long-term businesses with a broader focus and very much an "owner's mindset". Fortunately, in Canada, family-controlled businesses represent a core pillar of Canada's economy now and in our history. They, by definition, think in "multiple generations". They often exert a significant degree of influence in shaping their companies' long-term vision and objectives and are most often effective at being able to shield their business managers from short term, narrow pressures.

Addressing climate change challenges through carbon reduction and biodiversity protection is a common global challenge that should transcend geopolitics — though it is at times difficult. This is an area where we need to cooperate across the world.

My experience in China as Canadian Ambassador, allowed me to see huge investments being made by all companies, where decarbonization often became core elements of long-term performance targets, and by government, at national and local levels, in the energy transition (e.g., EVs, development of renewable energy, decarbonization and greater biodiversity).

At Rio Tinto, which is the largest mining company in Canada and operates across 35 countries around the world, we are trying to ensure we follow a 20-30year time frame in our strategy, objectives and performance targets. Climate related actions to decarbonize and improve our biodiversity across our network are core to our performance objectives short and long term and are reinforcing of our shareholder objectives. We are investing billions of dollars in reducing our carbon footprint through shifting to renewable energy in our core operations and working with suppliers and customers to decarbonize our supply chain and value chain. We are investing billions of dollars in Canada and Australia and the US in this whole area. And we are trying to learn from China on what companies are doing there.

I think that there is a lot we can learn from successful family-controlled businesses - like those interviewed in the NBC Family Advantage 2023 report.

I want to thank the National Bank of Canada team for sponsoring this important work.

Forewords (Continued)



Prof. Karl Moore Ph.D.
Associate Professor, Desautels Faculty of Management, McGill University, and Associate Fellow, Green Templeton College, Oxford University

y undergraduate students at McGill University almost unanimously believe the biggest concern facing their generation and the world is climate change. But this concern is not just for GenZs. Other generations from my fellow Boomers to Xers and Millennials, also are very considerably concerned; it now a much more broadly held concern.

For over 12 years, I have had a *CEO Insights* course for MBAs at McGill. Each Wednesday evening, in the Fall semester, we have 3 CEOs come to class. As result of teaching this course, I have also hosted a weekly *CEO Insights* radio show, heard nationally on the Bell Media radio network. I am therefore privileged to spend an hour in conversation with about 80 CEOs every year.

In the last few years, a recurring question has been asked to CEOs by my MBA students: "what you are doing to help with environmental issues"? Environment is on the minds of the CEOs of virtually all firms: big companies but also medium-sized firms and indeed startups. Almost all organizations are giving very considerable thought to this issue across the board. This is partly driven by the desire of GenZ and younger Millennials particularly to have a sense of purpose at work, not just making money but also being part of something bigger and meaningful.

Just a few weeks ago, I spoke at a family business conference, a pan-Canadian get-together that attracts more than 200 family members every year. Among the issues discussed was the role of G2, G3 and G4, that is generations 2, 3 and 4 as decades passed by. What is special about this audience is that you have people from 6 generations in the room: Seniors, Boomers, Xers, millennials, GenZ and Gen Alphas. Events are attended by young children, Alphas, who sit with their Senior grandparents, who are typically the founders of the firms. As noted in this report, family firms are more apt to take the long-term view. When you see representatives of multi-generational firms in a room you can see the reality of that idea.

One of the key conclusions from this year's conference was that, in the past, the environment has been discussed as a critical issue facing the world, but, this year, we noticed that it was also seen as a critical business opportunity. Many speakers observed that businesses also have a very important place in helping the world develop solutions to reduce our carbon footprint and minimize humanity's impact on biodiversity.

Governments also clearly have a huge role, as do NGOs, but we do see that business' long-term strategies will be key to help reach the 2050 UN net-zero goal. My sense is that family firms, with their hardwired long-term view passed on from a generation to the next, will be critical players for business to make a big contribution.

This view was reinforced by the conversations we had in preparing this report. After moderating this series of interviews, I came away with a greater sense of hope for the world's future.

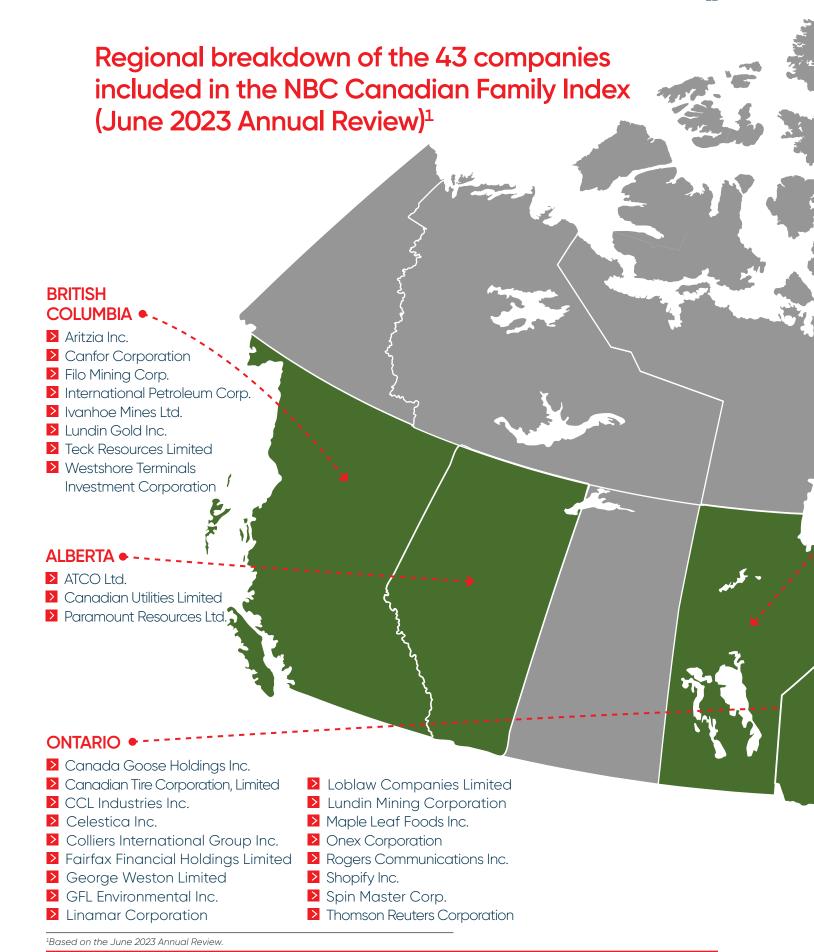


(Picture courtesy of Power Sustainable)

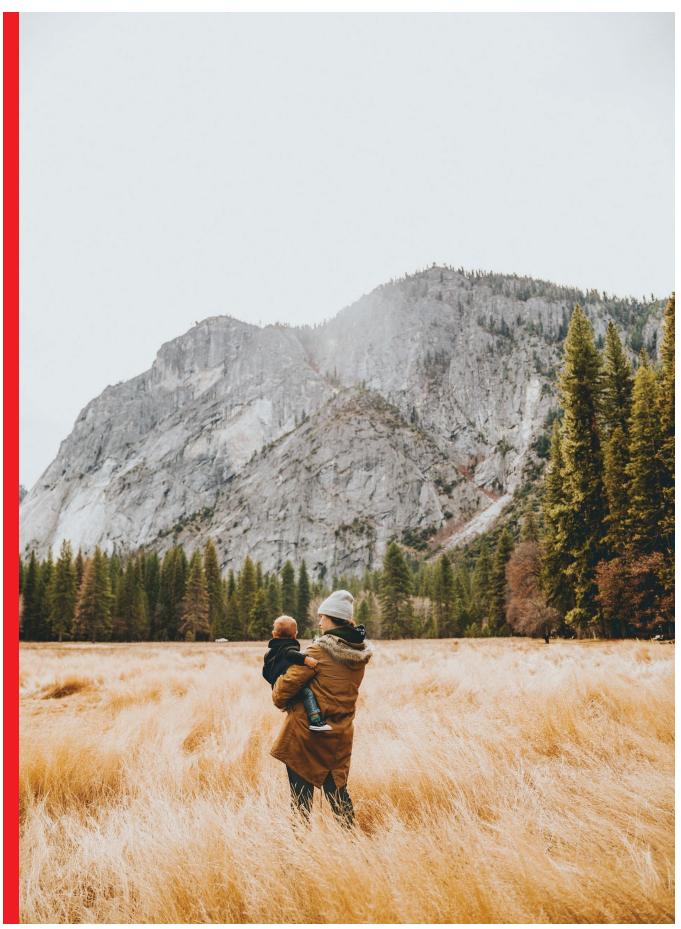
1. Introduction

anada has joined over 120 countries, including all other G7 nations, in committing to be net-zero emissions by 2050. To achieve net-zero emissions means the Canadian economy will have to emit no greenhouse gas emissions or offset its emissions, for example, through actions such as tree planting or employing technologies that can capture carbon before it is released into the air. The Canadian Net-Zero Emissions Accountability Act, which became law in June 2021, enshrines in legislation Canada's commitment to achieve net-zero emissions by 2050. Furthermore, building on the actions in Canada's strengthened climate plan (2020), and the Pan-Canadian Framework (2016), the 2030 Emissions Reduction Plan (2022) provides a roadmap to how Canada will meet its enhanced Paris Agreement target to reduce emissions by 40-45% from 2005 levels by 2030. Meeting 2030 and 2050 targets will require businesses be part of the solution and make long-term transformative decisions contribute to Canada's successful path to net-zero.*

In previous NBC Family Advantage reports we highlighted, through studies, empirical evidence and interviews with key Canadian family firm leaders that family-controlled businesses benefit from a greater ability to define and take action with respect to long-term business objectives. Businesses find themselves at a critical juncture. They evolve in an era where short-term profit growth remains a key requirement from stakeholders while facing unprecedented environmental challenges which call for long term solutions. For many, a heightened awareness of the need for sustainable practices has emerged through the imperative to address climate change, reduce carbon footprints, and adopt eco-friendly practices. To navigate this evolving landscape successfully, businesses must transcend short-term profit-oriented strategies and embrace a visionary approach. Setting long-term objectives to meet environmental targets is not merely a choice; it is an essential step towards long-term prosperity in a world where environmental sustainability has become a key driver of economic competitiveness and corporate responsibility. This report attempts to shed light on these structural contemporary challenges though the experience of three key Canadian family business leaders, Nancy C. Southern, Lino A. Saputo and Olivier Desmarais.







(Picture: Unsplash)

2. The NBC Canadian Family Index **Outperformance**

Index Selection Rules

The NBC Canadian Family Index, calculated by S&P Dow Jones Indices (ticker: NBCFAMTR), tracks and measures the performance of publicly listed Canadian family-controlled businesses against the performance of the S&P/TSX Composite Index, Canada's benchmark equity index. It currently includes family-controlled businesses meeting predefined criteria, from across the country and from various industries. The results highlighted by the Index demonstrate the outperformance of Canadian familycontrolled companies versus widely held Canadian public companies.





Definition of "Family-controlled Business"

A family-controlled business is a business whose long-term strategy, planning, and decisions are under significant influence from its founders and/or their family members. The NBC Canadian Family Index Selection Criteria sets out that a company is deemed to be "family-controlled" if it respects either criterion set out in Table 1 below.

Table 1 - NBC Canadian Family Index — Selection Criteria²

Founding family or founder(s)		Individual(s) and/or related entities	
Directly or indirectly hold at least 10% of the company's voting rights	OR	Directly or indirectly hold at least 33.3% of the company's voting rights	

To be included in the NBC Canadian Family Index a company must thus controlled by either its founder(s), who may intend to keep control in the hands of future generations, or by an individual or individuals who have significant influence over management by reason of their large ownership stake. Controlling shareholders may, in some cases, hold management positions themselves.

From the 43 family-controlled companies currently included the NBC Canadian Family Index, 30 are controlled by a "Founding family or founder(s)" versus 13 by "Individual(s) and/or related entities" per our Selection Criteria. Interestingly, among the 30 companies being controlled by a "Founding family or founder(s)" all have seen at least 2 generations of family owners and half (15) have reached the 3rd generation mark.

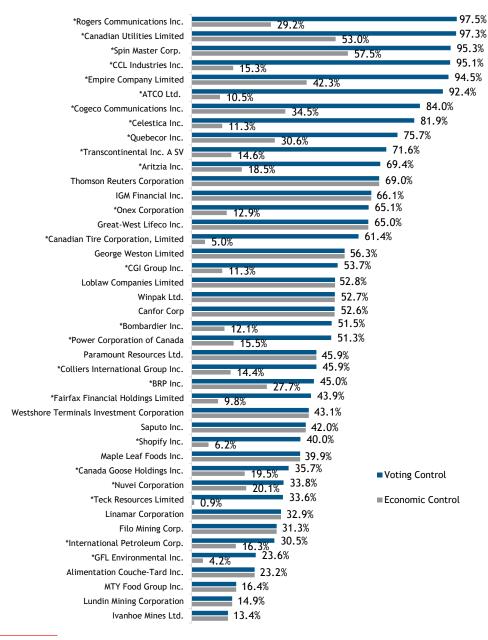
Controlled Companies in Canada: Governance Safeguards

Family-controlled companies share one common denominator: they are guided by long-term value creation which can extend over one or more generations. To implement their vision through strategic actions, controlling shareholders exert influence over their respective companies by owning a significant percentage of the company's equity. To finance their expansion, many growing corporations decide to

²Please refer to the NBC Family Advantage webpage under "NBC Canadian Family Index – Documentation" for more information on Index Methodology and Index Committee Guidelines: https://nbfm.ca/nbc-family-advantage"

conduct an initial public offering (IPO) and list their shares on a stock exchange to raise equity capital with third party investors. However, raising equity capital often dilutes original owners' stake unless the latter participate in the issuance proportionately alongside third party investors. To avoid losing control and to maintain influence over their companies, some controlling shareholders opt for a multiple voting share (MVS) structure which confers a greater number of voting rights to a given class of shares, typically held by company founders, family shareholders or trusted cornerstone investors, as opposed to subordinate voting shares (SVS) which carry inferior voting rights per share. SVS trade freely³ and are commonly available to the broader investment community. Some controlling shareholders argue that MVS structures provide an additional layer of protection against short-term activists and hostile take-overs as they may boost voting ownership control beyond their relative economic participation. For illustrative purposes, Figure 2 segments control voting and economic control for NBC Canadian Family Index constituents:

Figure 2 - NBC Canadian Family Index (June 30, 2023) - Family controlling shareholders ownership⁴



³"Free float" in financial jargon.

⁴Source: NBF database, publicly available filings.

^{*}Denotes a multiple voting share structure.

However, with respect to certain companies' greater voting control relative to economic power, as illustrated in the previous chart, corporations that have IPOed in the last three decades, are no longer fully insulated from hostile takeover bids even if they have adopted a multiple voting share structure. Companies that have conducted their IPO prior to 1987 are dispensed from enacting a Coattail provision (see Table 2).

Table 2 – Protection of minority shareholders in Canada

Coattail Provision on Multiple Voting Shares

A coattail provision is a mechanism by which holders of subordinate voting or non-voting shares can participate in a formal takeover bid on par with the holders of superior voting shares, ensuring equitable treatment for all shareholders. In August 1987, the Toronto, Montreal, Vancouver and Alberta stock exchanges jointly signed a policy instrument requiring that any takeover bid made to the holders of multiple voting shares must thenceforward be extended on equal terms to other classes of shareholders, a provision known as a coattails clause⁵. In other words, minority investors in Canada were given the right to determine whether a takeover offer suited their interests, with the single caveat that all public companies that concluded their IPO before August 1, 1987 were exempt from the new rule, a so-called grandfather clause.

Sunset Provision on Multiple Voting Shares

A sunset provision is the automatic expiry of multiple voting shares whereby such category of shares is eliminated, and multiple voting shares now carry the same voting rights as subordinate voting shares. Sunset provisions can be event based (e.g., breach of a company founder(s) minimum ownership threshold, an age limit of company founder(s) is reached, company founder(s) no longer serve in management or on the board of directors, etc.) or time based (e.g., expiration of a pre-defined period of time after an even such as 5 years after IPO).

Board Independence

In Canada, regulators expect publicly traded companies to have a majority of independent directors. Furthermore, regulators require issuers to disclose the identities of directors who are independent and those who are not, along with the basis for those determinations. A director is deemed independent if he or she has no direct or indirect relationship with the issuer, which could be reasonably expected to interfere with his or her independent judgment. These types of relationships may include, for example, a commercial, charitable, industrial, banking, consulting, legal, accounting, or familial relationship, or any other relationship that the board considers to be material. Notwithstanding any determination made by an issuer's board, an individual is deemed (bright line test) to have a material relationship with the issuer if the individual is or has been within the last three years, an employee or executive officer of the public issuer, any of its subsidiaries or any controlling shareholder of the issuer. Furthermore, in Canada, should the Chair of the Board not be deemed independent, the Board must have a lead independent director. Public companies must also have a minimum of three directors on their audit committees, all of whom must be independent.

In Canada, upholding minority shareholder rights has been a key focus of market regulators. In the last two decades, the financial-market regulators of Canadian provinces have agreed, under the leadership of the Canadian Securities Administrators ("CSA"), to adopt harmonized rules for Canadian reporting issuers, aiming to further protect the rights of minority shareholders of controlled companies. In 2004, Canadian regulators enacted a new set of rules for corporate governance disclosures within a "comply or explain" framework.⁶ Such rules provide, among other requirements, that a majority of directors of a reporting issuer must be "independent," that either the chair or a lead board member be independent and that the audit committee be independent. Publicly traded companies must identify their independent directors in their annual corporate governance disclosures and must provide an explanation if a majority of its directors are not independent. The coattail requirements for dual-class share structures imposed by the Toronto Stock Exchange, the independent-director majority required by regulators and the growing voluntary adoption

⁵Stephanie Ben-Ishai, Poonam Puri, Dalhousie Law Journal, "Dual Class Shares in Canada: An Historical Analysis", 29.1, 2006. ⁶National Instruments 58-201 (Corporate Governance Guidelines), 58-101 (Disclosure of Corporate Governance Practices) and 52-102 (Continuous Disclosure Obligations) among others.

⁷Autorité des marchés financiers, « Projet d'Instruction générale 58-201 relative à la gouvernance », Jun. 30, 2005.

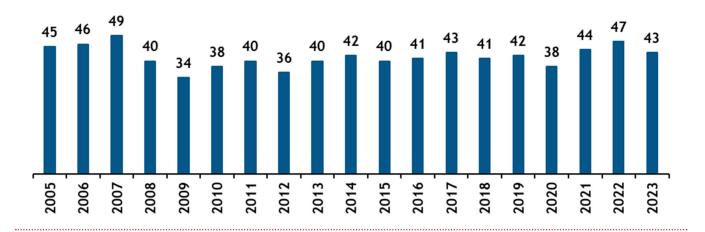
of "sunset provisions" by many Canadian public companies represent an evolution of the Canadian model. By way of comparison, in the U.S. there are no coattail requirements or stated rules on board independence.

With respect to the NBC Canadian Family Index, 58% (25/43) of constituents have opted for an MVS structure among which 76% (19/25) have Coattail provisions and 40% (10/25) have voluntary Sunset clauses in place.

Additional Quantitative Selection Criteria

The NBC Canadian Family Index is constituted by systematic application of quantitative filters to an Index Universe provided by S&P Dow Jones Indices, the Index Calculator. Safeguarded by an independent Index Committee composed of members of the National Bank of Canada Research Team and of a top-tier Canadian law firm, the Index screening is based on transparent and objective criteria applied once a year on the Annual Review Date as detailed in the Index Rules Book accessible on NBC's website. The set of constituent companies resulting from application of the screening filters is relatively stable over time.

Figure 3 - NBC Canadian Family Index - A stable number of eligible member companies over time⁹



To be included in the Index, a family-controlled company must meet the following minimum thresholds:

- Listing of common shares on the Toronto Stock Exchange:
 - For at least 12 months as of the month end prior to the Annual Review Date.
- ▶ Float-adjusted market capitalization of at least C\$1 billion:
 - The free-float criterion excludes locked-in shares such as those held by insiders. It has been adopted by most of the world's major indices.
 - In the case of multiple classes, the float shares of each class are combined in determining a company's float-adjusted market cap.
- For the 180 trading days preceding the Annual Review Date, an average daily trading volume of C\$500,000 or more and a minimum of 90 days of trading volume of \$500,000 or more:
 - In the case of multiple classes, trading volume is the combined volume of Canadian-listed shares in all classes.

Figure 4 - NBC Canadian Family Index screening process (June 2023 Annual Review)

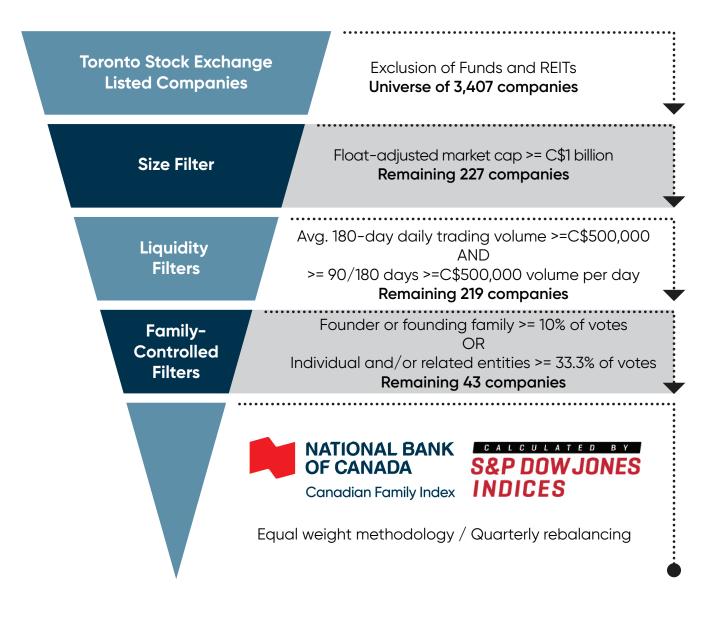


Table 3 - NBC Canadian Family Index Constituents (June 2023 Annual Review)

Symbol	Company Name	Controlling Shareholder(s)*	Province
ATD	Alimentation-Couche Tard Inc.	Bouchard, D'Amours, Fortin, Plourde	Quebec
ATZ	Aritzia Inc.	Hill	British Columbia
ACO/X	ATCO LTD.	Southern	Alberta
BBD/B	Bombardier Inc.	Beaudoin, Bombardier, Fontaine	Quebec
DOO	BRP Inc.	Beaudoin, Bombardier, Fontaine	Quebec
GOOS	Canada Goose Holdings Inc.	Reiss	Ontario
CTC/A	Canadian Tire Corporation, Limited	Billes	Ontario
CU	Canadian Utilities Limited	Southern	Alberta
CFP	Canfor Corp.	Pattison	British Columbia
CCL/B	CCL Industries Inc.	Lang	Ontario
CLS	Celestica Inc.	Schwartz	Ontario
GIB/A	CGI Inc.	Godin, Imbeau	Quebec
CCA	Cogeco Communications Inc.	Audet	Quebec
CIGI	Colliers International Group Inc.	Hennick	Ontario
EMP/A	Empire Company Limited	Sobey	Nova Scotia
FFH	Fairfax Financial Holdings Limited	Watsa	Ontario
FIL	Filo Mining Corp.	Lundin	British Columbia
WN	George Weston Limited	Weston	Ontario
GFL	GFL Environmental Inc.	Dovigi	Ontario
GWO	Great-West Lifeco Inc.	Desmarais	Manitoba
IGM	IGM Financial Inc.	Desmarais	Manitoba
IPCO	International Petroleum Corp.	Lundin	British Columbia
IVN	Ivanhoe Mines Ltd.	Friedland	British Columbia
LNR	Linamar Corporation	Hasenfratz	Ontario
L	Loblaw Companies Limited	Weston	Ontario
LUG	Lundin Gold Inc.	Lundin	British Columbia
LUN	Lundin Mining Corporation	Lundin	Ontario
MFI	Maple Leaf Foods Inc.	McCain	Ontario
MTY	MTY Food Group Inc.	Ма	Quebec
NVEI	Nuvei Corporation	Fayer	Quebec
ONEX	Onex Corporation	Schwartz	Ontario
POU	Paramount Resources Ltd.	Riddell	Alberta
POW	Power Corporation of Canada	Desmarais	Quebec
QBR/B	Quebecor Inc.	Péladeau	Quebec
RCI/B	Rogers Communications Inc.	Rogers	Ontario
SAP	Saputo Inc.	Saputo	Quebec
SHOP	Shopify Inc.	Lütke	Ontario
TOY	Spin Master Corp.	Harary, Rabie	Quebec
TECK/B	Teck Resources Limited	Keevil	British Columbia
TRI	Thomson Reuters Corporation	Thomson	Ontario
TCL/A	Transcontinental Inc.	Marcoux	Quebec
WTE	Westshore Terminals Investment Corporation	Pattison	British Columbia
WPK	Winpak Ltd.	Wihuri	Manitoba

^{*}Note: Investment funds excluded.

Following the June 2023 annual rebalancing, the NBC Canadian Family Index welcomed one new constituent: mining company Lundin Gold Inc. controlled by the Lundin Family Trust.

At the same time, the quantitative screening process led to the dropping of five companies from the Index, three of them, Canopy Growth Corporation, dentalcorp Holdings and Kelt Corporation, because float market capitalization fell below the Index \$1 billion quantitative threshold. One of them, Shaw Communications, was delisted from the Toronto Stock Exchange following the company's acquisition by Rogers Communications, another NBC Canadian Family Index constituent, and, lastly, Lightspeed Commerce, as company founder Dax DaSilva's ownership level fell below 10%.

Table 4 – NBC Canadian Family Index Recent Inclusions and Exclusions

	Inclusions (+)	Exclusions (-)
2018	Canada GooseKinder Morgan CanadaSpin Master Corp.	 Cascades Corus Entertainment Jean Coutu Group Knight Therapeutics Molson Coors Canada
2019	AritziaCanopy Growth Corp.Corus EntertainmentMTY Food Group	Canfor Corp.Kinder Morgan CanadaParamount Resources
2020	Cascades Lightspeed Commerce	 Bombardier Corus Entertainment MTY Food Group Power Financial Corp. Spin Master Corp. Transcontinental
2021	 Bombardier MTY Food Group Paramount Resources Canfor Corp. Corus Entertainment Galaxy Digital Holdings GFL Environmental Spin Master Corp. Transcontinental 	CascadesNorthland PowerWest Fraser
2022	 dentalcorp Holdings Ltd. Filo Mining Corp. International Petroleum Corp. Kelt Exploration Ltd. Nuvei Corporation Westshore Terminals Investment Corp. 	 Corus Entertainment Inc. FirstService Corporation Galaxy Digital Holdings Ltd.
2023	› Lundin Gold Inc.	 Canopy Growth Corporation dentalcorp Holdings Ltd. Kelt Exploration Ltd. Lightspeed POS, Inc. Shaw Communications Inc.

Continued Long-Term Outperformance

From June 2005¹⁰ to June 2023, the NBC Canadian Family Index generated a cumulative total return¹¹ of 324% versus 242% for the S&P TSX Composite. The compounded average annual return over the period was 8.3% for the Family Index versus 7.0% for the S&P/TSX.

Figure 5 - NBC Canadian Family Index Cumulative Performance¹²

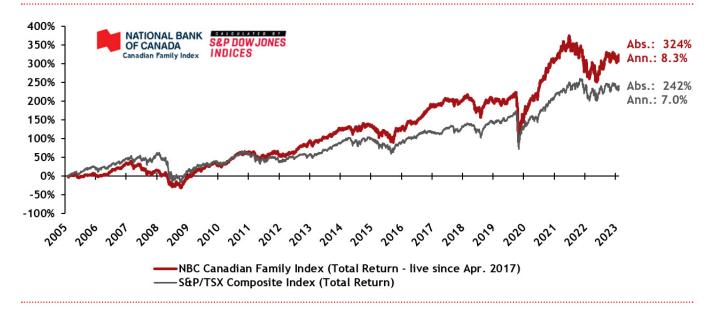
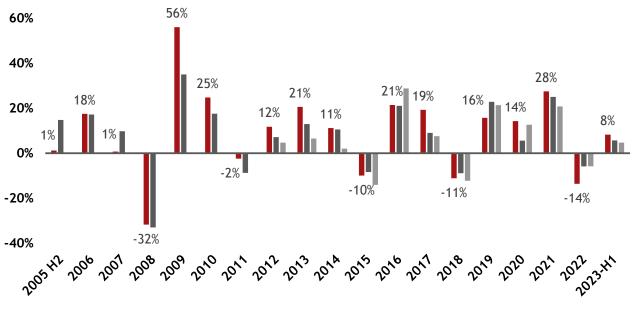


Figure 6 - NBC Canadian Family Index Annual Total Return Performance¹³



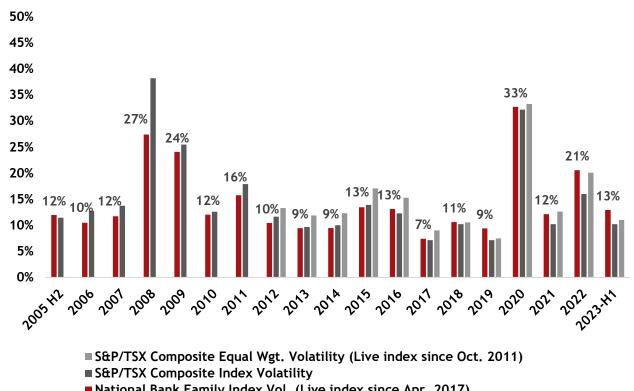
- S&P/TSX Composite Equal Wgt. Return (Live index since Oct. 2011)
- S&P/TSX Composite Index Return
- National Bank Family Index Return (Live index since Apr. 2017)

NBC Canadian Family Index calculation reference year is 2005.
 Total return includes reinvested dividends on top of price returns.
 Source: NBF, SPDJI, Bloomberg; data as of Jun. 30, 2023.

¹³Source: NBF database, SPDJI, Bloomberg (Note: S&P Composite Equal Weight Index data not available prior to 2012).

The long-run volatility of the Family Index has been similar to that of the S&P/TSX Composite. Interestingly, as the chart below shows, the lesser exposure of the Family Index to the financial sector meant that in the extreme market conditions of the 2008 financial crisis its volatility rose much less than that of the S&P/TSX. However, during COVID-19 Index volatility has been largely in-line with its benchmark.





National Bank Family Index Vol. (Live index since Apr. 2017)

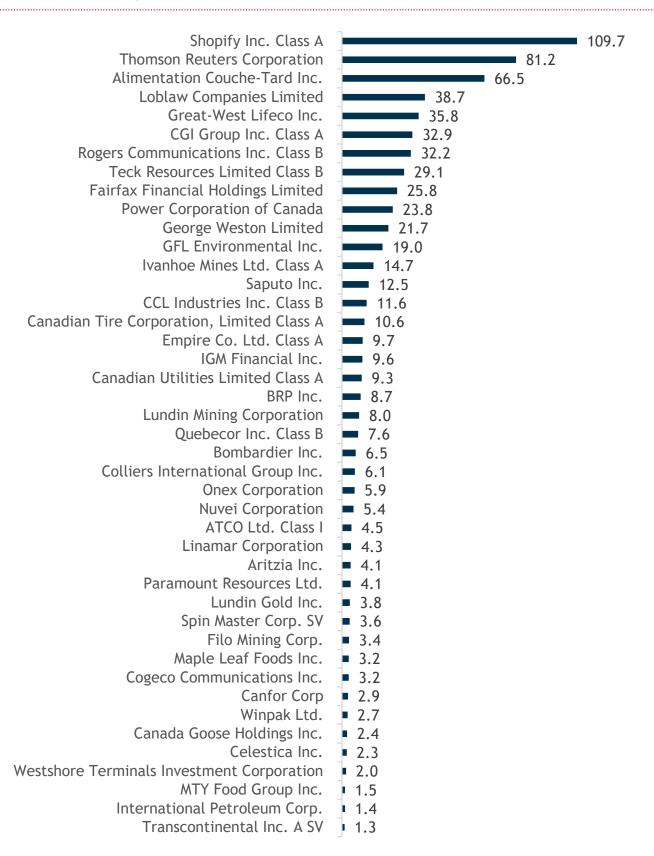
Weights and Allocations

The NBC Canadian Family Index uses an equal-weighting methodology. Each company in the Index is assigned the same weight (1/43) regardless of its market capitalization. Market cap weighting would give disproportionate influence on larger-cap constituents such as Shopify, Thomson Reuters and Alimentation Couche-Tard. The market cap of Family Index companies ranges from \$1.264 billion¹⁵ (Transcontinental) to \$109.7 billion (Shopify). The median market capitalization of companies included in the Index is \$7.6 billion. Interestingly, the total market capitalization of the companies in the current NBC Canadian Family Index amounts to 21% of total S&P/TSX capitalization, a figure which remained roughly unchanged since our previous publication.

¹⁴Source: NBF database, SPDJI, Bloomberg Data; data as of Jun. 30, 2023.

¹⁵To be included in the Index, companies must have at least \$1 billion in free float market capitalization.

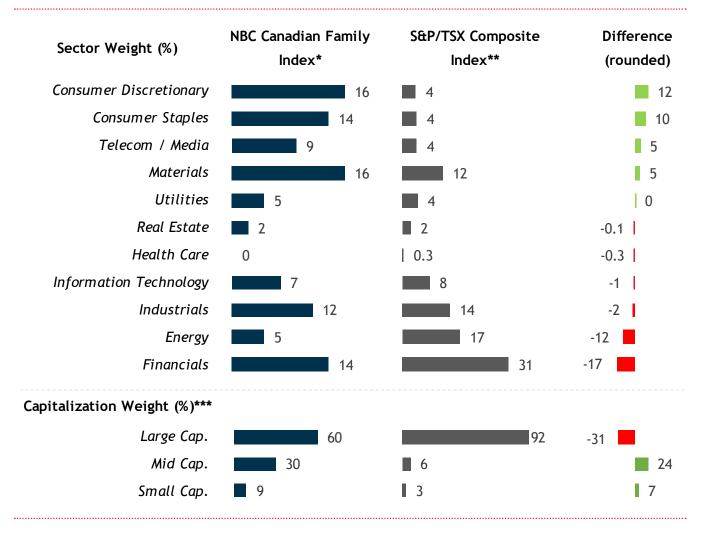
Figure 8 - Companies Included in the NBC Canadian Family Index by Market Capitalization (in C\$ billions)¹⁶



In addition to calculating the daily performance of the NBC Canadian Family Index and making all data available on the *S&P DJI Custom Indices* website and through third-party Index providers such as Bloomberg, S&P Dow Jones Indices executes quarterly equal weight rebalances. The NBC Canadian Family Index is currently overweight in Consumer Discretionary, Consumer Staples and Telecoms/Media and underweight in Financials and Energy. Its top sector exposures are 30% in Consumers (Discretionary and Staples combined), 16% in Materials and 14% in Financials. Its sector exposures have been steady over the past 10 years.

Significant underweighting of the NBC Canadian Family Index in Financials is due to regulations preventing any single owner from owning more than 10% of any class of shares of a bank¹⁷ unless having obtained an express authorization from the Minister of Finance of Canada. Thus, banks cannot be controlled companies as defined by the NBC Canadian Family Index.

Figure 9 - Sectorial / Capitalization Weight Allocations¹⁸



The greater diversification among large-, mid- and small-caps shown for the NBC Canadian Family Index – large-caps 60% compared to 92% for the S&P/TSX Composite – is due to its equal-weight methodology.

¹⁷Charles Freedman (Bank of Canada website), "The Canadian Banking System", March 1998.

¹⁸Source: NBF database, SPDJI, Bloomberg; data as of Jun. 30, 2023 (equal weight basis).

^{*}Equal Weight Index

^{**}Market Cap Weighted Index

^{***}Large Cap Weight > \$5B, Mid Cap Weight between \$2Bn and \$5Bn, Small Cap Weight < \$2Bn



(Picture: Unsplash)

3. Interviews with Leaders of Flagship Canadian Family Businesses



Jointly owned by ATCO and Aamjiwnaang First Nation, the Adelaide wind power project is located near Strathroy, in the Municipality of Adelaide Metcalfe, Ontario (picture courtesy of ATCO)



Copyright: roth&ramberg

Interview with Nancy C. Southern

Chair and Chief Executive Officer, ATCO LTD.
Chair and Chief Executive Officer, Canadian Utilities Limited
June 9, 2023 in Calgary

Nancy Southern is Chair & Chief Executive Officer of ATCO Ltd. Reporting to the Board of Directors, she is responsible for the leadership, strategic direction, and operations of the company. She also serves as Executive Vice President of Spruce Meadows Ltd. and is a founding Director of AKITA Drilling Ltd., a Director of Sentgraf Enterprises Limited and a Director Emeritus of the Rideau Hall Foundation. Over the course of

her career, Ms. Southern has served with many respected business and academic organizations. She is a member of the Business Council of Canada, the U.S. Business Council, the American Society of Corporate Executives, and is a Canadian member of the Trilateral Commission. She is also a member of the University of Calgary School of Public Policy Advisory Council. In 2023. Ms. Southern received the Lifetime Business Achievement in the Americas Award from the Canadian Council for the Americas. In 2022, the Canadian Chamber of Commerce honoured Ms. Southern with the Canadian Business Leader Lifetime Achievement Award, in recognition of her corporate and community leadership. Also in 2022, she was honoured with the Queen Elizabeth II's Platinum Jubilee Medal amona other distinctions. She was inducted as a Companion into the Canadian Business Hall of Fame in 2017. Ms. Southern has been recognized by Fortune on its list of the "50 Most Powerful Women Outside of the U.S." as well as its list of the "50 Most Powerful Women in Business: The Global 50." She has been named one of the "50 Most Important People in Canada" by Maclean's. Born and raised in Calgary, Alberta, Ms. Southern studied economics and commerce at the University of Calgary.

ATCO

ATCO Ltd. and its subsidiary and affiliate companies have approximately 19,000 employees and assets of \$25 billion. ATCO is a diversified global corporation with investments in the essential services of Structures & Logistics (workforce and residential housing, innovative modular facilities, construction, site support services, workforce lodging services, facility operations and maintenance, defence operations services, and disaster and emergency management services); Utilities (electricity and natural gas transmission and distribution, and international operations); Energy Infrastructure (energy storage, energy generation, industrial water solutions, and clean fuels); Retail Energy (electricity and natural gas retail sales, and whole-home solutions); Transportation (ports and transportation logistics); and Commercial Real Estate.



Canadian Utilities Limited and its subsidiary and affiliate companies have approximately 8,000 employees and assets of \$23 billion. Canadian Utilities, an ATCO company, is a diversified global energy infrastructure corporation delivering essential services and innovative business solutions in Utilities (electricity and natural gas transmission and distribution, and international operations); Energy Infrastructure (energy storage, energy generation, industrial water solutions, and clean fuels); and Retail Energy (electricity and natural gas retail sales, and whole-home solutions).

Dr. Karl Moore: You were raised near ATCO's first factory. You heard your parents speak business at the dinner table every day. You were with ATCO for more than 45 years, 20 as CEO — about four times the average tenure of a North American CEO. ATCO and Canadian Utilities are undeniably part of your DNA. What would you say was the biggest business challenge/opportunity your father faced/seized when he was at the helm of ATCO and what do you think has been yours?

Nancy Southern: Taking on too much debt to acquire Canadian Utilities was certainly the biggest challenge my dad faced. This was after he recognized that our founding business was too cyclical to move beyond the economic cycles. Our workforce housing and our drilling business at the time or gas drilling business were subject to commodity-price cyclicality and he wanted to find something that would provide us with steady, stable earnings, and he looked out and looked at the airlines industry. He almost bought Pacific Western Airlines, looked at exploration production, at the cement business and several other businesses, but landed on what he believed was basically an essential service that would continue to evolve as a requirement and that was Canadian Utilities. Coincidentally, at the time, Canadian Utilities was owned by a U.S. company. Alberta was at the time the only province with utilities owned privately rather than by government. My dad pursued acquiring Canadian Utilities. In the 1980s, gas and electricity were fully integrated utilities. There were power generation and natural gas production, midstream storage and then full retail - from the molecule and electron to the distribution to houses. For my dad, acquiring Canadian Utilities was like a minnow swallowing a whale.

"For my dad, acquiring Canadian Utilities was like a minnow swallowing a whale. The biggest challenge was taking on too much debt to acquire Canadian Utilities. That was the hardest challenge our family and the company ever faced. It was a frightening time."

Until then, at ATCO, he had been supplying modular housing products all over the world for construction and mining projects as well as for the military. My dad and his executives were terrific and fearless, they had never actually participated in the complex and sophisticated world of finance. They conducted scenario planning, but their scenarios were banking on all the cash flow that was coming from the drilling and modularhousing industries and were assuming the likes of 9% in interest rates. Of course, a lot of things came along in the 1980s - Canada's National Energy Program, a global commodity-price collapse and globally rampant inflation. First, cash flow dried up. Then inflation exceeded the worstcase rate they had projected. Their \$500-million debt turned out to bear interest of 22%. That was the hardest challenge our family and the company ever faced. It was a frightening time. But,



The Deerfoot and Barlow solar projects generate enough renewable electricity to power 16,500 homes and are jointly owned by the Chiniki and Goodstoney First Nations and ATCO (picture courtesy of ATCO)

as I said, he was a very fierce individual and he was not going to break a promise and he was going to make sure we never missed a payment to the banks. We started having to sell off very good assets to make the payments. We had to sell all our Australian operations, which were particularly profitable, and a big factory in Montreal that served mining projects at Frobisher Bay (now Igaluit) in Nunavut, the James Bay hydroelectric projects in Quebec and projects in Northern Africa. We sold those assets against our will but the sales nevertheless helped us gradually bring down our debt. We finally got to a point where the cash flow from the utilities was enough to sustain them. So we became a smaller, Canadafocused business. By 1988, we still had a strong Canadian footprint in structures, but we really focused on understanding and running the utilities in Canada and we did quite well. That was the most challenging time that I ever recall. By 1988, when the Winter Olympics came to Calgary, we had turned the corner.

"My most challenging time as a CEO is right now. I am faced with two key challenges. The first challenge is to continue to renew and maintain a strong entrepreneurial spirit with heavily regulated businesses and not just rely on the way a regulated company continues to run, but challenge the status quo and take advantage. Which takes me to my second main challenge: energy transition."

Dr. Karl Moore: And how about your main challenge in your time as a CEO?

Nancy Southern: My most challenging time as a CEO is right now. I am faced with two key challenges. My first is to continue to renew and maintain a strong entrepreneurial spirit with heavily regulated businesses and not just rely on the way a regulated company continues to run, but challenge the status quo and take advantage. Which takes me to my second main challenge: energy

transition. That is something that we must do. Climate change is a fact. We must do it in a fashion that is deliberate and that protects affordability as well as reliability as we move down the chain to a net-zero future. And that's a really hard thing to do. First, we have policymakers that are not creating mandates for regulators. We have consumers who want choice but don't want to face a premium to make the right choice for the environment. The industry — companies like ours — is stuck in the middle.

"Energy transition is something that we must do.
Climate change is a fact. We must do it in a
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affordability as well as reliability as we move
down the chain to a net-zero future."

When we look at the technologies available to us today, we need to think about reliability. Electricity is one of the main costs for some businesses. Affordable and reliable energy is a key competitive advantage for any country wanting to provide a stable environment for economic development. For example, here in Canada, we're facing a policy coming out this summer called the Clean Electricity Regulation. It requires the electric grid to be net-zero by 2035, only 12 years away. A second government proposal, the Green Building Strategy, calls for an aggressive transition away from natural gas heating systems in buildings, which is part of the federal government's plan to bring down 2030 building sector emissions by nearly 40% compared to 2005which would necessitate hundreds of thousands of costly home retrofits annually right across the country to achieve.

It is unfortunate that Canadians don't often talk about the Government of Canada's Green Building Strategy. It will be a real challenge for businesses and communities to meet the policy's objectives, especially in Alberta, whose electrical grid produces 12 GW at peak seasonal demand, while energy generated from natural gas for heating homes and businesses is the equivalent of more than 50 GW. To replace the equivalent of 50 GW of natural gas for building heat with intermittent renewable sources to meet 2030 and 2050 GHG reduction targets will be a huge expense—to say nothing of the reliability impacts—and will require industry, government, and consumers to

understand what the pragmatic and cost-effective path is. We can't just snap our fingers to make it happen. We're under immense pressure, as some federal policies — such as the Clean Electricity Regulation — will fall under the Canadian Environmental Protection Act, which carries criminal liability. For our company, we are not afraid to compete and comply, as we have already taken important steps in adopting energy from renewable sources, but it's hard to see a clear path that replaces the equivalent of 50 GW worth of natural gas in a short period of time. And the total amount of energy consumed will continue to increase as Canada's population is set to grow quickly over the coming decades.

"We will need nuclear, hydro, hydrogen, battery storage, probably some backup natural gas, synthetic natural gas, clean fuels, bio digesters, the gamut! We're going to need to explore solutions from a wide array of energy sources and figure it out as a nation, get aligned, and not fight amongst the provinces."

The problem today is that we don't have enough electricity as a nation – the Canadian provinces as a whole - to be able to meet our energytransition and GHG-reduction targets. Until we get more clarity on regulation, we need as an industry to work hard with policymakers to develop a pathway of recognition that various regions are different and that we will require all technologies currently available to achieve a successful energy transition and meet our country's net-zero objectives. We will need nuclear, hydro, hydrogen, battery storage, probably some backup natural gas, synthetic natural gas, clean fuels, bio digesters, the gamut! We're going to need to explore solutions from a wide array of energy sources and figure it out as a nation, get aligned, and not fight amongst the provinces.

Dr. Karl Moore: ATCO Group is also present is Australia. Is your experience there similar or different from that in Canada with respect to the country's GHG reduction policy?

Nancy Southern: Australia has a clearer roadmap to net-zero. To match Australia, Canadian regulators, policymakers and the industry as a whole need to open up to new solutions. A regulator's mandate is to protect customers from increased



In Western Australia, ATCO has begun blending up to five per cent renewable hydrogen made at its Clean Energy Innovation Hub (CEIH) to supply 2,700 homes (picture courtesy of ATCO)

costs, but unfortunately the only way to get netzero is for energy costs to increase to finance transition meeting GHG reduction policies. We must build some new infrastructure to transition and that will be reflected in the cost of energy.

"At ATCO, we're making a big bet on hydrogen. You can store hydrogen just like a battery, you can call on it for generation. Almost all the turbines now and in the future will be made for switching fuels for hydrogen generation. (...) There are hundreds of billions of dollars of pipelines in our ground in Canada. Are we just going to walk away from them? Let's use them for hydrogen."

In Canada, we need to cheer on and support our own businesses including those in the energy sector to successfully meet our nationwide targets. We have enough Canadian businesses willing to take the lead in the global energy transition challenge. At times it feels like we're not

good enough, but the answer to the problems lies with Canadian businesses. For example, we need to work toward agreeing to the basis for a carbon marketplace. Carbon tax and credits are big incentives to alter behaviour. However, the problem is the jurisdictional fighting between provincial and federal legislation. Each province has a different approach to carbon regulation and in Alberta, it is hard to see a clear path forward to meet our province's objectives.

Dr. Karl Moore: Can you explain how climate change represents a day-to-day managerial challenge?

Nancy Southern: The challenge for me with respect to climate change is, where do we deploy capital to successfully meet our energy-transition and ESG targets and make sure that our shareholders and our company maintain prosperity and opportunity and grow the business for the decades to come. In the absence of a clear roadmap in Canada, it is easier for businesses like ours to look more to the U.S. and elsewhere to invest

rather than invest in Canada, which is heartbreaking as ATCO is a proud Canadian corporation. And I think that many at the government of Canada understand that we need constructive dialogue. For example, in addition to promoting electrification projects to decarbonize, our government should leverage existing energy sources like natural gas to generate and blend into hydrogen. We see natural gas as a business complementary to hydrogen. We can use existing gas infrastructure to produce and transport hydrogen, and hydrogen can be blended into existing natural gas networks. We're blending hydrogen into our gas network in Jandakot, near Perth in Western Australia, where we have a running Clean Energy Innovation Hub. At that Hub we generate hydrogen through solar-powered electrolysis and blend hydrogen into local natural gas distribution networks. We will leverage this skill set here in Fort Saskatchewan, Alberta to eventually produce more than 300,000 tonnes per year of hydrogen. Hydrogen can be produced either through capture and sequestration of carbon from natural gas, preventing GHG from being released into the atmosphere, or through electrolysis of water. Furthermore, we are already blending up to 5% of hydrogen into our natural gas networks both in Australia and in Fort Saskatchewan, offering our customers cleaner energy. Our project in Fort Saskatchewan is our stepping stone into the Canadian hydrogen market.

"We need to cheer on and support our own businesses including those in the energy sector to successfully meet our nationwide targets. We have enough Canadian businesses willing to take the lead in the global energy transition challenge. At times it feels like we're not good enough, but the answer to the problems lies with Canadian businesses."

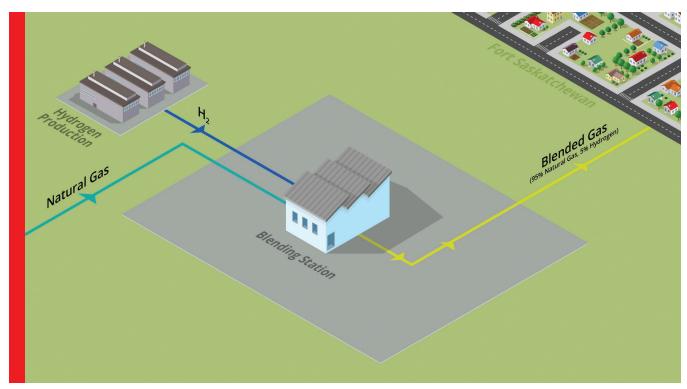
At ATCO, we're making a big bet on hydrogen. You can keep hydrogen in backup storage, whether in silos or in caverns, and call on it for generation just as you would a battery. You can intermittently complement other energy sources when you have no wind or no sunshine. Any carbon emitted in the process would be captured. I believe carbon capture will be able to get us to almost 80% reduction of emissions from natural gas. Almost all turbines now

and in the future will be capable of switching fuels for hydrogen generation. In fact, for our big hydrogen project we have sourced four purely hydrogen-driven turbines that would produce 240 MW of electricity while still serving the demand of blending and refining. There are hundreds of billions of dollars of pipelines in our ground in Canada. Are we just going to walk away from them? Let's use them for hydrogen. All these are pragmatic long-term ideas to get to net-zero. I have no doubt we'll get there.

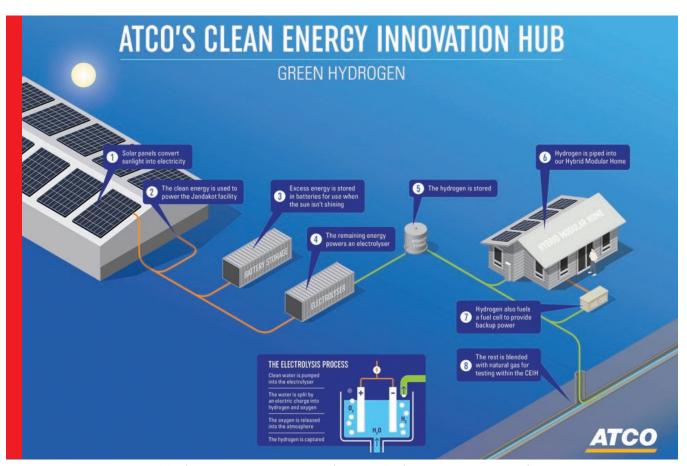
Dr. Karl Moore: ATCO has been at the forefront of the transition. In 2019, ATCO sold off energy production from coal. That must have been a difficult decision, but an important one. What led to that strategy shift?

"ESG is intertwined with my family's values. It's part of our DNA. (...) Our stand in ATCO is to build prosperity and opportunity for future generations and that means we must be strategic in what we invest in."

Nancy Southern: ESG is part of our DNA. Climate change is as important for my family as for anyone's family. We all have in common that we want a better future for our kids. Our stand at ATCO is to build prosperity and opportunity for future generations. That means we must be strategic in what we invest in. Prosperity isn't just for the people working at ATCO. It's also for our customers, for the communities we serve, and for our country. For example, in remote communities across the Arctic, whether in the Northwest Territories, the Yukon or Nunavut, we provide an essential service and get communities off polluting and unreliable coal- and oil-fired generation, replacing it with cleaner and more affordable renewable power from sources such as natural gas, wind or sunshine. For these communities, we provide an even more meaningful essential service. We enable communities to reliably turn on lights so kids can study even in their winter's darkness. They can wash their clothes in a washing machine and heat their houses and water in a reliable and affordable manner. And while we talk mostly about urbanized Canada, along or below the 49th parallel, we often lose sight of what it takes to turn a community like Tuck, Rainbow Lake or Igaluit into a thriving centre that can attract economic development. My belief is that those communities deserve as much of an opportunity for prosperity as we do



ATCO's hydrogen blending process in Fort Saskatchewan in Alberta Canada



ATCO's leading research and development facility in Jandakot, Australia, called the Clean Energy Innovation Hub (charts courtesy of ATCO)

here. We just did a ground-breaking announcement at a remote indigenous community in northern Alberta where there was no natural gas or electricity grid. We linked their community to our natural gas network. They are ecstatic about it. They've gotten rid of their diesel generators and cut their emissions by 65%. This story is replicated at a larger scale in the rest of our province.

"For the remote communities that we serve across the Arctic, we provide an essential service and get communities off polluting and unreliable coal and oil-fired generation, replacing it with cleaner and more affordable renewable power."

Dr. Karl Moore: ATCO's acquisition of Suncor's renewable energy assets in January 2023 was a key step in ATCO's transition to renewable energy sources. Transition is likely to come at a large cost for development or acquisition of assets for clean power generation meeting net-zero targets. How do you see the share of natural gas in your energy mix in the near term?

Nancy Southern: Luckily, I think that we have the confidence of our shareholders in doing the right thing – making ATCO a leader in driving the transition to cleaner fuels and electricity. I believe that in the medium term, natural gas will continue to play a critical role. As I said, our big bet is on hydrogen. That is both our offensive and our defensive strategy.

Dr. Karl Moore: Is Alberta, against all expectations, set to become Canada's leader in renewable energy production and distribution?

"Luckily, I think that we have the confidence of our shareholders in doing the right thing making ATCO a leader in driving the transition to cleaner fuels and electricity."

Nancy Southern: Alberta has achieved 45% GHG-emission savings in the "electricity and heating" sectors between 2015 and 2021 by means, among others, of reduction in the use of coal for electricity production, compared to 31% GHG-emission savings in the same sectors in Canada as a whole. While we're not at zero emissions, there are certainly good things going on in Alberta. As a country we have this wonderful abundance of

natural resources. Why would we not try to export more abroad and prosper as a country to further invest in our energy transition? We currently import lots of oil and gas from regimes in the world that are not as friendly to or as conscious about ESG as Canadian corporations are. We have the most stringent rules available to allow our natural resources to be developed.



NBC Family Advantage report authors with Mrs. Nancy Southern

Dr. Karl Moore: What do you believe is Canadians' greatest misconception about Western Canada's effort in shifting to a green economy?

Nancy Southern: I'm a big believer in communication and I believe that the perceived divide between Eastern/Central Canada and Western Canada should be solved by fostering opportunities to understand each other much better, through either more dialogue or constructive debate.

"One advantage of a family-controlled company is the fact that our returns are based on the health and robustness of our customers' view of us and not always about the margin, it's about the long-term relationship with all our stakeholders and our reputation.

Our stakeholder's trust in us is as important, if not more important, to us as our earnings."

Dr. Karl Moore: Will family-controlled corporations have a greater ability than their widely held peers to deliver on long-term transformative strategies? The road to net-zero may be unpopular among short-term investors. Can widely held firms deliver on their GHG emission-reduction targets as effectively as family-controlled firms?

"For me, managing is not about control but about stewardship and managing the belief that we can offer prosperity and opportunity for all of the communities that we touch and people we serve. We are now four generations serving ATCO. It is intergenerational. And it is not just my family: many employees have parents that have worked at the company too."

Nancy Southern: I do believe family-controlled companies can take a longer view. I wouldn't say that widely held companies don't believe in ESG. Some do and some don't, and probably some family companies believe in ESG more strongly than others. One advantage of a family-controlled company is the fact that our returns are based on the health and robustness of our customers' view of us and not always about the margin. It's about the long-term relationship with all our stakeholders and our reputation. Our stakeholder's trust in us is at least as important to us as our earnings. I'm very proud of what my grandfather and my father accomplished. I'm proud of what we've accomplished in my tenure. For me, managing is not about control but about stewardship and managing the belief that we can offer prosperity and opportunity for all of the communities that we touch and people we serve. We are now four generations serving ATCO. It is intergenerational. And it is not just my family: many employees have parents that have worked at the company too. I have great, great role models in my mom and dad who have given everything back to this community. And even here in our headquarters, we wanted it to be a place for community. Seniors living in this area come in and have bridge tournaments, organize book club meetings and have lunch get-togethers. The intangible connection of our company with the community is really special and I don't want us to lose that. It could be hard for directors to get their head around that at first, but then they don't want to lose it either. So we must be very creative and very sure about our partnerships and how we how we move into the new world and grow.

Dr. Karl Moore: What would be a key challenge of managing a family-controlled company?

Nancy Southern: I would also add that the challenge family-owned companies face often is restrictions in access to equity capital. It's been 40 years since we

issued equity capital. When I started, our asset base was about \$7 billion and now we're at \$22 billion. Our growth was financed mostly by debt and reinvested earnings and there comes a point in time in every business, whether it's publicly traded, widely held or controlled by principals, where, if you don't want to stay the same, the next threshold is to raise equity. It's a very hard decision for a family. Widely held companies don't have that same restriction or same consideration. All companies want to make sure they are accretive when issuing equity, but if you're issuing equity in a publicly-listed family-controlled business, your bets have to be thoroughly thought through. You don't want to bet the farm if you are building on intergenerational prosperity. For instance, at ATCO, our big bet is on hydrogen production and distribution and we don't want this to be just a one-trick pony.

Dr. Karl Moore: To what degree does the next generation motivate or inspire you in defining corporation's strategy?

Nancy Southern: My daughter Kelly [Koss-Brix], who's the oldest of the G4s, joined Canadian Utilities' Board of directors at the May 2023 AGM. Both my sister Linda and I have had the five of our kids involved. With the grace and blessing of our Lead Director and directors they have been invited to various Board committee meetings as observers and have toured our facilities. Management also is very gracious in giving us the time for family members to get a real understanding of each of ATCO Group's businesses. We organize a yearly family outing where each family member presents a specific business idea or project from which we can learn from the ground up.

Dr. Karl Moore: As you said, your daughter Kelly recently joined the Canadian Utilities Board of directors. Do you expect a member of the fourth generation taking the reins of ATCO in due time?

Nancy Southern: So far, nobody has expressed the desire to take my job yet; they're all still relatively young. Three of them are still under 30 years old. They're going to have to compete with some very talented people to get my job, but I don't rule out the possibility that they will go into operations. The opportunity would be there if they wanted to. In all cases, Linda and I want to make sure that they understand their role in governance. There is a larger responsibility that goes with the ownership of a company like ATCO. You could go spend \$100 million and build a gas system in the North or build a solar plant and simply think in terms of incremental returns,

"What motivates me is sense of purpose and fulfillment of that purpose is through doing good business. That's what brings me satisfaction. If you create economic development and help people know what it means to work hard to earn a dollar and create more opportunity. It becomes constant giving. Those are the values that Linda and I hope to pass on our next generation."

but for me, it's also about having the community participate in developing such projects. It's the job opportunities, the ability to work hard, to own and give your family a better life. It's more than just capital expenditure. What motivates me is sense of purpose and fulfillment of that purpose is through doing good business. That's what brings me satisfaction — creating economic development and helping people know what it means to work hard to earn a dollar and create more opportunity. It becomes constant giving. Those are the values that Linda and I hope to pass on to our next generation. It's certainly the values that our parents gave us, not a sense of entitlement. If you work hard, you will get a return and you will feel great satisfaction in having brought a return to somebody else as well. One thing is clear to my sister and me: we don't want this company to be for sale. We want to live up to our responsibility to all the people that have committed their careers to this company. We want to

be able to bring opportunity to other communities and to constituents other than just ourselves. That's what Linda and I have worked very hard to convey and embed: that social responsibility and contribution is as important as good business.

Dr. Karl Moore: What is the purpose of a modern-day corporation like ATCO?

Nancy Southern: It is key for corporations to constantly tackle the status auo and intervene in the drift. Business as usual doesn't work. When you are a 75-yearold organization like ATCO, you get caught in a lot of drift at times. It is easy to follow a predictable trajectory and think what your business plan is going to be in a year or two, but how do you break out of that? How do you create the extraordinary? You must intervene in the drift. We can't hide behind shields. For example, I cannot complain about regulators not having a clear mandate on climate change, I must take ownership. I must spend the time in Ottawa, in the legislature here in Alberta. I must spend the time in Australia. You must own what it is you want to do. I want everybody here working at ATCO to start asking themselves, is what I'm doing today in service of where we want to be in 2030 or 2035? I want to take us back to 1947 when my grandfather started the Alberta Trailer Hire Company and there were no limits, and you didn't know what you couldn't do. The art of possibility is right there for us.



NBC Family Advantage report authors with Mrs. Nancy Southern



(Picture courtesy of Saputo)



Interview with Lino A. Saputo

Chair of the Board, President and Chief Executive Officer, Saputo Inc. July 4, 2023 in Montreal

A graduate of Concordia University with a B.A. in Political Science, Lino A. Saputo joined Saputo in 1988 as an Administrative Assistant. Over the next few years, he started rising through the ranks, managing a plant in Ontario and holding various administrative and marketing positions. In 1993, he became Vice President, Operations, and in 1998, Executive Vice President, Operations. From July 2001 to January 2004, he was President and Chief

Operating Officer of the Company's Dairy Products Division (USA). Since March 2004, he has served as Chief Executive Officer of the Company, and in January 2022, he added the role of President to his responsibilities. Also, he has served as Chair of the Board since August 2017, having been previously appointed Vice Chair in 2011. In 2019, he was recognized as Canada's Outstanding CEO of the Year.



(Picture courtesy of Saputo)

Saputo

Saputo, one of the top ten dairy processors in the world, produces, markets, and distributes a wide array of dairy products of the utmost quality, including cheese, fluid milk, extended shelf-life milk and cream products, cultured products, and dairy ingredients. Saputo is a leading cheese manufacturer and fluid milk and cream processor in Canada, a leading dairy processor in Australia and the top dairy processor in Argentina. In the USA, Saputo ranks among the top three cheese producers and is one of the top producers of extended shelf-life and cultured dairy products. In the United Kingdom, Saputo is the leading manufacturer of branded cheese and dairy spreads. In addition to its dairy portfolio, Saputo produces, markets, and distributes a range of dairy alternative cheeses and beverages. Saputo products are sold in several countries under market-leading brands, as well as private label brands. Saputo Inc. is a publicly traded company and its shares are listed on the Toronto Stock Exchange under the symbol "SAP".

Dr. Karl Moore: Can you tell us about your early days at the firm before you formally joined the company in 1988, and about your rise to the top, ultimately becoming CEO in 2004?

Lino A. Saputo: I was 13 years old and working summertime jobs at Saputo. I had the pleasure and the luxury of being able to follow my father to work and when I'd go to the plant I would help out. I remember wrapping the ricotta in cellophane or in parchment paper by hand. On the way home from work, my dad would ask: "Did they pay you"? I'd say: "No, they didn't pay me." He'd pull out a little envelope from his pocket with \$10 in it. He'd go: "Here's your pay." That was my first interaction with the company. Labour laws were not what they are today! The next year, when I was 14, I got my social insurance number because I really wanted to go to work. I wanted to punch the clock and I really wanted to be immersed in the plant. I started with sweeping the floors and washing the milk vats. Then as I got older and stronger they had me making some of the cheeses. I knew then that it was an environment I felt very comfortable in, for two reasons. First, because I love manual work and physical activity, and second, I loved the people I was working with as well as the culture and the environment. When my dad would come down from the office everybody would light up and go: "Oh, Mr. Saputo is walking through the plant." They were excited to see him be interested in the operations. I said to myself, well, this is really the environment that I want to be in. So, from ages 14 to 22, while I was in school, most of my weekends and school breaks were spent working for the organization. I started off in manufacturing and then took a position at the warehouse. Once I was in university, in 1988, I started working full time in the Saputo offices. I knew the business from the ground up. I had already been with the business for a decade in a way. At that time, we had only two plants in our system. Today we've got 66 plants in five different countries around the world.

"I was 13 years old and working summertime jobs at Saputo. (...). Once I was in university, in 1988, I started working full time in the Saputo offices. I knew the business from the ground up. I had already been with the business for a decade in a way. At that time, we had only two plants in our system. Today we've got 66 plants in five different countries around the world."

Dr. Karl Moore: Employees all knew who you were. Did that change dynamics?

Lino A. Saputo: They all knew who I was, but I never expected to get a free ride. I always wanted to work harder than anybody else and I loved to do that. If my boss the plant manager told me: "This is what you are doing," I would make sure to learn the ropes and get it done. I never had special privileges. In fact, my father would walk to the plant floor and tell my supervisor: "Make sure my son works harder than anybody else." In our family, you didn't get any privileges because your name was on the company's door. I loved that environment, and I felt great contributing along with the rest of the team. My first boss Mr. Borelli was a plant manager. He made me who I am in terms of understanding how to run a manufacturing facility. Once, he gave me a stopwatch and a pad of paper, and he said: "I want you to go down to the packaging department and I want you for the next hour, every minute you write down how many cycles the machine is running." I went downstairs with my note pad and



Saputo's Davidstow, UK plant (picture courtesy of Saputo)

started counting: "This time it's nine cycles, ten cycles, eight cycles, nine cycles." I'd write it all down for an hour. When I presented him with my work he would say: "No, you're not done, come here and sit down. How many employees were on the line? Three. This is what they earn per hour. Calculate the average profit of your cycles. For each cycle you had three blocks of cheese, and every block is 5 pounds. It's 15 pounds in total. Calculate our cost per pound." That's how I learned to do a budget. When I ran my first plant in 1990 in Cookstown, Ontario, our smallest mozzarella plant, it was clear to me how to do my budget, I went into the plant with a stopwatch and a pad of paper. There were people like Mr. Borelli who took me under their wing. I recall him saying to me: "You know, one day you're going to be up there. You need to know what's happening down here." However, I never had the pretention to think that one day I'm going to be up there. I would think that I'd rather want to be with the boys in the plant. That's what I wanted to do. He taught me a lot.

"I never expected to get a free ride.
I always wanted to work harder than anybody else and I loved to do that (...) my father would walk to the plant floor and tell my supervisor 'Make sure my son works harder than anybody else'. In our family you didn't get any privileges because your name is on the company's door."

Dr. Karl Moore: You are the only Saputo family member remaining on the Board of directors and in management. You could have had pretty much any other career with much less pressure but chose to take on the challenge of bringing Saputo to new heights. Today, Saputo is a top-10 global dairy processor, and you are executing on a Global Strategic Plan in a challenging macroeconomic backdrop. You expanded the business to Australia, Argentina and the U.K. What keeps you motivated to be and remain President and CEO as well as Chair of the Board?

Lino A. Saputo: I love cheese! I love the dairy industry and its value chain and I understand it well. I respect the hard work of dairy farmers that supply us. I often remind all our stakeholders that without dairy farmers we don't have an industry. It's always important to find out what's going on at the farm level first. Once we do that, we can collect raw materials and process it. In my first trips to Australia ahead of expanding into the country, I insisted we organize town halls with dairy farmers because I believed they needed to get to know us first and then we could buy the company. Just like knowing how a plant floor works, it's also important to be in the fields. For me doing business is all about authenticity, people and their passion and operational excellence. I've been invited to so many farms to present what we do at Saputo. You don't know how many scones I've eaten at Australian farm kitchen tables. This is what connects you to the industry.

Dr. Karl Moore: Can you briefly tell us about Saputo's origins?

Lino A. Saputo: In the 1940s my grandfather was a trained cheesemaker in Sicily. It was a very challenging environment in Italy after the Second World War. My grandfather had eight kids, four boys and four girls, and he didn't think Sicily was the place for his kids. He had a brother that

emigrated to New York City. His brother kept telling him: "You know, if you are a hardworking family you need to come to the land of opportunity." My grandfather applied for a U.S. immigration visa, and he couldn't get one. After a couple of years, he heard that the best way to get to the United States was from Canada. He decided to leave for Montreal in 1950 along with my uncle Frank who was the oldest boy. At first, they went to work on a farm in Ontario. They later ended up in Montreal where they applied again for a U.S. visa. They were still denied entry. Two years had passed and my father, who was now 15 years old was still in Sicily. He asked his mom: "Look, we've been separated for two years, let's go to Canada and let's reunite as a family and whatever happens, happens." My father was sure that his dad went to North America to remain an entrepreneur. However, most immigrants weren't entrepreneurs, they were labourers, and there's no shame in that, but my dad's idea for him was different.

"So, that Monday morning of 1954, my grandfather, my grandmother, and my father started in the business. Saputo started with \$500 and a bicycle. The bicycle was for deliveries!"



Employees participating in Saputo's "The Big Cook Up" (picture: Benoit Rousseau, 2019)

When my father arrived on December 8, 1952, he expected his dad to be well-dressed. My grandfather, who had become a labourer, picked them up at the port. He was a broken man. He was in his forties and for two years he had done physical labour that he hadn't done before. My father, in his teens, thought he could open a business for his father. He would tell people: "He's got to be an entrepreneur again." To reach this objective, he took on three jobs. He worked for a cured-meat company three days a week in the plant and two days on the road with the owner of the company selling the cured meats to mom-and-pop shops around Montreal. While making deliveries, he realized that nobody was servicing the Italian immigrant community with Italian specialty cheeses. He took on two other jobs: on Friday nights he delivered groceries for a grocery store by bike and on Saturdays and Sundays he'd play in a band. He kept the money he made on weekends for himself. It was his venture capital. The money he earned during the week he had to give to his father, the patriarch, to pay for all the requirements the family had. Two years later he had saved \$500 and wanted to open an Italian speciality cheese business for his dad. He wanted to buy equipment to produce cheese, but he needed a permit from the government. He met with an inspector who told him he would not hand him a permit as there were too many cheese manufacturers, but said: "Look, there's a guy who has a cheese plant. If you ask him to rent out a section of his plant, you can manufacture cheese under his permit." Now my dad, at 17 years old, is negotiating a contract to rent a 10-foot by 10-foot space. He bought some equipment behind my grandfather's back. He went home and gladly went: "Daddy, as of Monday morning, we are in business for ourselves." My grandfather was angry. In the Italian culture it is not the son who is going to tell the patriarch what they're going to do for a living and, most importantly, he was worried his son took on a commitment that he could not honour. He had rent to pay and had no business yet. My grandfather felt like he had no choice but to help his son honour his commitment. So, that Monday morning of 1954, my grandfather, my grandmother and my father started in the business. Saputo started with \$500 and a bicycle. The bicycle was for deliveries!



NBC Family Advantage report authors with Mr. Lino A. Saputo

Dr. Karl Moore: In January 2022, you added the "President" role to your functions as CEO and Chair. How did this addition change your day-to-day responsibilities?

Lino A. Saputo: Since taking on the President title, I've been working directly with Leanne Cutts, President and Chief Operating Officer of International and Europe and Carl Colizza, President and Chief Operating Officer of North America to execute on our Strategic Plan. I'm more invigorated than ever about being closer to our operations.

Dr. Karl Moore: During the Covid-19 pandemic, you didn't shut down, can you tell us about those challenging days?

Lino A. Saputo: During Covid-19, we didn't shut down. We were very fortunate that we were deemed an essential service by the government. I remember my son's birthday, March 12, 2020. The whole world shut down. It was a Thursday night, and we had no idea what it meant to our customers or the world. And we had no idea how long this would be. And there was so much uncertainty. And I started to sense what was going to happen from our employees. They were calling the Human Resources and Communications department asking what the pandemic meant for their jobs. I remember calling a Board meeting on a Sunday and I said: "Look, this is what I'd like to do Monday morning. I want to come out and I want to give some sort of certainty to our employees that no matter what happens, our employees will get their wages, whether they're coming to the office or not coming to the office, whether they're working at the plant or not. Our balance sheet is strong enough. We can do this because in a world

of uncertainty, I want to give them at least that comfort that they're going to have revenue coming in." The next day, we came out with a statement saying, "Until such time as there is a vaccine, such time that we know where the world is going, there will be no lay-offs related to the COVID-19 crisis throughout the Company." I had the support of the Board because culturally that's who we are. We take care of our people. I recall one of our Board members saying: "You know what Lino, you're putting purpose over profit, and I love it. That's why I'm a Board member." This is exactly what we did, we put purpose over profit during the pandemic. We were fortunate that we were in an industry where we were feeding people, so we didn't completely shut down, but we had no idea how long or how deep it was going to be. With clients in our foodservice segment shutting down, we had to pivot from servicing restaurant distributors to retail. People would not buy a five-pound mozzarella block designed for restaurants.

Dr. Karl Moore: How does your business model today compare to before the pandemic?

Lino A. Saputo: The world is different. When markets re-opened, we were faced with a series of challenges – labour shortages, logistics nightmares and high inflation, among others. You may think you're going to operate the same way you've operated for

the last 60 years and try to keep your heads above water, but it's not going to happen. We had to do things that were different while keeping our eye on the ball with respect to our Strategic Plan.

"One of our Board members said: 'You know what Lino, you're putting purpose over profit, and I love it. That's why I'm a Board member."

Dr. Karl Moore: We understand that Australia benefits from a deregulated dairy market and is uniquely positioned to cater to Asian markets, ¹⁹ where there is still fast-growing and untapped demand for dairy products. China's per-capita milk consumption is said to be about one tenth of that of developed countries and one third of world average. It is part of the strategy for Saputo's presence in Australia to look at Asia?

Lino A. Saputo: Let me tell you how we think about the dairy world. There are only five key regions in the world that are quality dairy-producing regions that can produce, process and export to every other region. Every other region is a net importer. If we want to feed consumers of the world, we must be in the world's milk-rich regions, which are

¹⁹Australia has eliminated support prices and quotas in 2000 and benefits from well-established free trade agreements with Asian countries, like China, Japan and South Korea.



Solar panels installed at Saputo's Davidstow plant in the UK (picture courtesy of Saputo)

Canada, the United States, parts of Latin America, Europe, and Oceania. We're dominant leaders in Canada, the U.S., Latin America through Argentina, and Oceania through Australia. In Europe, we're leaders in the U.K. I wouldn't say we're dominant, but we have the number-one cheddar-cheese retail brand with Cathedral City in the U.K. for example. From those five platforms, we can cater to the domestic markets as well as have surplus milk and solids that we can export into world markets. We do export from Australia to the Pacific Rim - not just China, but Japan and South Korea as well. Although China and Japan and Korea have a very good dairy community, their dairy producers don't have enough solids and enough expertise to be able to grow their dairy base from what it is. All excess solids must come from other countries. Pacific Rim countries have more confidence in imported products, especially those from countries like Australia that have a history and lineage of producing high-quality products. That's one of the reasons we went to Australia, to produce highquality dairy solids. They buy from countries like Australia, and in Asia they want to buy from companies that have a great reputation like Saputo. Saputo also exports to the Middle East through different platforms. We used to sell to Russia, but we paused our shipments after the war started in Ukraine. Saputo's expansion strategy is very basic. We're making strategic acquisitions in milk producing regions that are the right fit and that compliment our existing activities.

And to your point on increasing global demand for dairy products: it is founded on the fact that with more and more people joining the middle class, people can afford a fridge to store dairy products in their homes. Developing countries recognize that in the Western world, animal protein sources including dairy products have led populations to be healthier.

Dr. Karl Moore: Did your family's values and your long-term vision play a role in interweaving ESG into the company's long-term strategy? What was the main motivation for Saputo to take upon itself to become a leader in ESG?

Lino A. Saputo: When I think about ESG, I don't think just about the Environmental aspect within the acronym. The Social and Governance dimensions are also very important and go back to the very founding of Saputo. My parents have always been

involved in the Social dimension. They've always aiven back to the communities. In Governance we've always governed ourselves by very simple principles: "Do the right thing because it's the right thing to do." With respect to the Environmental portion, there are external influences, but be cognizant that external influences are not just investors but also our customers and our employees. Our employees want to feel good about working for a company that's not damaging the environment. We signed on to Pathways to Dairy Net Zero, an initiative to help accelerate climate efforts in the dairy industry, and pledged to accelerate our global climate, water, and waste performance targets by 2025. We set these objectives by listening to all our stakeholders, not just our key shareholders.

Among our first notable steps, we published our Saputo Promise Report in 2018. We have been tracking closely and disclosing our Scope 1 and 2 emissions for over 10 years and Scope 3 CO² emissions for the last five years. In 2021, we introduced a sustainability-linked loan structure to our credit facility with pricing linked to ESG targets. We increasingly supply our plants with renewable energy sources. We recently installed nearly ten thousand solar panels at our U.K. plant in Davidstow to save more than 1,000 tonnes of CO² annually and commenced a large-scale renewable power purchasing agreement which will offset our electricity consumption in Australia with renewable energy - saving 61,000 tons of CO², and support our 2025 objective to reduce CO² intensity by 20% from 2020 levels.

Dr. Karl Moore: But you're already ahead of the curve, so you have a good story to tell?

Lino A. Saputo: In Canada, I think we're ahead of the curve, but we still have a lot of work to do to convince consumers and investors that dairy is good for sustainability.

Dr. Karl Moore: In terms of diversity, equity and inclusion, while recognizing there is still plenty of room for improvement and that diversity is not only about gender, Saputo's Board of directors is 60% women, versus an average 28% for NBCFAM Index companies and 18% for the TSX. Has D&I always been important at Saputo?

Lino A. Saputo: Yes. We are continuously pushing for diversity. Whether in internal promotions or in external candidates for the Board, our aim is to widen the profile of diversity and inclusion. If we're

going through interview processes, we need to have interviewers from diverse backgrounds and to be fully inclusive internally and externally. Diversity for us is not only different cultural and minority-group backgrounds. It's also people who come from different environments so the influences and the discussions at the Board and management levels can be very different and enriching.

Dr. Karl Moore: Saputo often refers to the "Company's journey to create shared value for its stakeholders." Can you comment on Saputo's unique relationship with its stakeholders?

"We strive to create value for our shareholders, our employees, our suppliers and our customers. We constantly must make sure we're doing the right thing. But by the same token, you have to be mindful that you've got to grow the business. That's a tough balance sometimes, especially in the world where we're living today."

Lino A. Saputo: When I talk about stakeholders, it's all stakeholders. We strive to create value for our shareholders, our employees, our suppliers and our customers. We constantly must make sure we're doing the right thing. But by the same token, you have to be mindful that you've got to grow the business. That's a tough balance sometimes, especially in the world where we're living today. There are so many different requirements. When my father ran the business, he had to worry mainly about collecting the milk, making the best cheese, selling it to customers and collecting his profit. Today, I still have to worry about the fundamentals of our business, but I also have to worry about a bunch of other things. We ensure our third-party suppliers and our dairy farmers abide by a strict code of conduct and that we source key ingredients like palm oil and such from producers which abide by recognized sustainability standards.

"Not only I must think about the operational excellence and financial performance, I also have to think about how our suppliers are milking cows at 4:00 AM."

One night in 2014, I was lying in bed watching the CBC National News with Peter Mansbridge. There

was a report of animal cruelty at a farm in Chilliwack, British Columbia, and they had videos of farm workers abusing cows like - it was horrendous. And I remember saying to myself that this would be terrible for the dairy industry. I hoped the Dairy Farmers of Canada were going to do something about this. When I get into the office the next morning, our head of communications came to my office and she goes: "We're in crisis. Milk from that farm in Chilliwack B.C. is being shipped to Saputo and the animal cruelty organization is taking an aim at us. They're petitioning to boycott our products." We tried to reach the Canadian Dairy Commission on this matter. We called Ottawa, the B.C. Milk Marketing Board. Nobody was stepping up and I was mad. In Canada, purchasers of milk must go through the provincial milk marketing boards. One cannot know which farm the milk comes from. So, we had no idea where our milk was coming from and this could have a severe impact on our reputation. We decided to stand up for our values and we refused the milk that we believed came from the Chilliwack farm at the Saputo plant's receiving bay. Suddenly, everyone was calling us - the milk marketing board, the government, the Dairy Farmers of Canada – and they told me: "You know, you cannot refuse the milk because of animal cruelty, you can only refuse it on the basis of poor quality, you're obliged to unload that milk." I replied: "You want to sue me, sue me, but that milk is not coming into our factory." Then, we decided we needed to draft an animal welfare policy that would give us the right to refuse milk on the basis of animal cruelty. That policy is now included in one of our Saputo Promise Pillars.²⁰ So that's just one example. Not only must I think about the operational excellence and financial performance, I also have to think about how our suppliers are milking cows at 4:00 AM.

Dr. Karl Moore: Are family-controlled corporations inherently creating value for all stakeholders? In other words, in the context of family businesses, should we be talking about stakeholder returns instead of shareholder returns?

Lino A. Saputo: As a family firm we have the luxury, and it's not always easy, to look at the long term. I know our business is stronger today than it was a year ago, than it was two years ago, than it was three years ago. Bay Street is not always giving us credit for that. And that's okay because they are

²⁰More information on Saputo's Promise reports and objectives: https://saputo.com/en/our-promise.

often focused on Saputo beating short-term quarterly guidance. We faced some headwinds in the last two years. In our Strategic Plan, we're spending capital to optimize our dairy processing network and invest in production efficiency and quality. That takes time to execute, and we know it's the right thing for the business. I will tell you that we are a stronger, better business today with more engaged talent because of the decisions we took at the onset of Covid. When the world will come back to some sort of normality, and we're not there yet, we're going to be able to reap the benefits of our long-term decisions.

"If our company were a widely held company and not a family-controlled firm with a strong family base, I am not sure that protecting our employees' salaries in the way we did during the pandemic would have been prioritized. Employees are our most important assets. Recognizing that is where more than 70 years of family experience serves you well."

If our company were a widely held company and not a family-controlled firm with a strong family base, I am not sure that protecting our employees' salaries in the way we did during the pandemic would have been prioritized. Employees are our most important assets. Recognizing that is where more than 70 years of family experience serves you well. When we talk about the seven Pillars of the Saputo Promise, it's not stuff we just pulled off a wall, it is all based in our history. Every single one of those Pillars are important for us. Having that strong family shareholding allows us to make important decisions and implement them.

Dr. Karl Moore: As in most public companies, Saputo's Board must have determined a long-term succession plan for the days after your tenure as President and CEO. Given their youth, we understand that it may be difficult at this stage to foresee whether a fourth generation of Saputos might follow in your footsteps. What would be the prerequisites for any willing G4s to make it to management or Board roles?

"I see our family's fourth generation of shareholders to represent our family's continuity at the Board level. Continuity doesn't have to mean being involved in day-to-day management." Lino A. Saputo: My father has nine grandkids. They are all shareholders. My brother Joey's sons are all in sports management. My brother owns an Italian soccer team, Bologna FC, and the CF Montreal in Major League Soccer. My sister Nadia has a daughter and two sons. One son is artistically inclined, he is in California, the other is still young, and the daughter is now a mom. With my wife Amelia, we have two sons, Emanuele, who is a musician in Nashville, and Gio, who runs our sports management agency. I do not foresee a Saputo replacing me as a President and CEO down the road. Instead, I see our family's fourth generation of shareholders representing our family's continuity at the Board level. Continuity doesn't have to mean being involved in day-to-day management. They've all done "stages"21 within the organization, so they understand it, but at a different level. I started working at two plants and, back then, manufacturing cheese was very manual. Today, making cheese is about pushing buttons on machines and computers. They would rather need to understand the Company's values, its culture, its history and where we're coming from. For us, it's all about treating our people with care and humility. My sons employ those principles in their respective ventures, and that is important to my wife and I.

Dr. Karl Moore: Is it safe to say that, in the long run, there will still be Saputo family members on the Board?



(Picture courtesy of Saputo)

²¹French term for "internships."

Lino A. Saputo: Our large stake ensures that our family has a strong voice at the Board level. My father is still the patriarch, he still has influence on the family's ownership, but the fate of our family ownership is already defined for my brother, my sister and me and our collective nine grandkids. We're all attached to the Company.

"My father was ready for me becoming CEO, but he was reminded by some of the Board members to give me some space and let me do my thing. And he was very good at giving me the freedom to make my own decisions. I was 37 when I took the CEO role."

Dr. Karl Moore: Your father ran the business before you did. Do you talk to your dad from time to time about business? In what context did you take over his responsibilities – was that a challenging moment for both of you?

Lino A. Saputo: Although my dad is no longer involved with the day-to-day business of Saputo, his perspective is very valuable to me, and I enjoy talking to him. It is important to me to have a coffee with him when we're in the same city. We speak at least once a week, typically on Saturday afternoons. We don't talk just about business, we talk about so many other things as well. I would tell you the most difficult hump my father had to get through was not when he left as Chairman, but when he left me the role of CEO in 2004. Like some other Board members, André Bérard. an advisor to my father,²² told him "You've got to give your son a chance and let him make his mistakes." My father was ready for me becoming CEO, but he was reminded by some of the Board members to give me some space and let me do my thing. And he was very good at giving me the freedom to make my own decisions. I was 37 when I took on the CEO role.

Dr. Karl Moore: What is your current priority as President and CEO and does Saputo have a long-term succession plan?

Lino A. Saputo: My current priority is to make sure our team delivers on our Global Strategic Plan. For me to even consider that, I need to cross a few checkpoints still. Putting health aside, I could get hit by a car, or a puck!²³ Just as in any other business, sound succession plans require that the Board have these discussions on a regular basis. This is part of what the Board does.

"Although we gained a lot of scale since IPO, we most importantly went public not because we needed the money, but we needed the governance structure to move away from a family Board and become a professionalized Board that had more independence."

Dr. Karl Moore: Can you tell us about the decision to make Saputo a public company?

Lino A. Saputo: We've been operating in the dairy industry for more than 70 years. When we went public in October 1997, we were at \$450 million in sales and \$40 million in net profit, as compared to \$17.9 billion in sales and \$622 million in net profit last year (fiscal 2023). Although we gained a lot of scale since the IPO, we went public most importantly because we needed not the money but the governance structure to pivot from a family-dominated Board structure to a professionalized Board with more independence. Before going public, we had a whole series of discussions about succession planning, like "Whose son, whose daughter." Some pulled their weight and others did not and it became a very emotional conversation that pulled us away from the strategic priorities of our business.

Dr. Karl Moore: Had it not been for family control, would Saputo have headed down the same growth trajectory as it has under your tenure?

"Our growth story would have been very different had it not be for our family's ownership. The level of risk that we took was always calculated; one that our shareholders, namely our family, was comfortable with. (...) Saputo had been public for three months, we wanted to buy a company in the United States that was twice our size. The market had to give us the benefit of the doubt because all our family's net worth was in Saputo's stock."

Lino A. Saputo: Our growth story would have been very different had it not been for our family's ownership. The level of risk that we took was always calculated; one that our shareholders, namely our family, was comfortable with. For example, before our IPO in 1997, we had already been operating for about a decade in the United States with two very

²²President and CEO of National Bank of Canada from 1989 to 2002 and a Board member of Saputo at the time.

²³Lino plays ice hockey in the position of goaltender. It is one of his passions



Lino A. Saputo and wife Amelia (right) with NBC Family Advantage authors (left) (picture courtesy of Saputo)

small plants, one in Vermont and one in Maryland. We had an opportunity to buy Stella Foods, a business that was twice our size. The market's going: "Guys, what the hell are you doing? You're going to get eaten alive if you acquire Stella." We knew the U.S. dairy market very well and we were comfortable with the risk we were taking. We knew that Stella was a poorly managed company and saw the potential. In our business, it's all about operations. The cost of raw materials is about 85% of our cost of goods sold. If you don't manage your raw materials well, you will be out of business. They were going out of business and my father and I saw the opportunity to acquire the company. We did the due diligence together and decided to go through with the acquisition. Stella had 19 plants and we visited every single one of them. We took on some leverage, took our IPO proceeds and bought Stella. It was a leveraged buyout transaction. This acquisition, transformative for Saputo, would not have happened without our family's ownership. Saputo had been public for three months, we wanted to buy a company in the United States that was twice our size. The market had to give us the benefit of the doubt because all our family's net worth was in Saputo's stock. We were not going to put that at risk in an uncalculated manner.

Dr. Karl Moore: Some of the companies you acquired through time were family firms, how did the cultural fit play out?

Lino A. Saputo: Since Saputo became public, we have acquired more than 36 businesses totalling more than \$9 billion. Many of those were indeed family firms. They knew that, like most of them, I came myself from a long track record of family ownership with clear business values. In the context of M&A, we are not seen as corporate raiders, we rather have entrepreneurto-entrepreneur conversations. We do talk about the valuation of the business, but we leave that to the bankers and focus on exchanging with target-company owners on what we intend to do with their business and how we're going to treat their employees. We speak to the future they're going to have with us under the Saputo banner, and with a lot of entrepreneurs that resonates. And to make sure our approach is right, we often seek feedback from some of the folks that have been bought out by Saputo through the

years. As in any acquisition, we would expect some skepticism with respect to an acquirer delivering on its promises and walking the talk, but in that feedback we have heard really nice things about how staff were treated and how smoothly the merger process went. That gives comfort to our executive team and to any other entrepreneur that might want to join the Saputo family by selling their business to a company like ours.

Dr. Karl Moore: If we were to ask your 19,200 employees what they think about Saputo's business culture, what would they say?

Lino A. Saputo: Our employees often tell me that, when they joined Saputo, they felt as they were part of the family. This always makes me very proud as our entire management team is committed to being the greatest ambassadors of our culture and ensuring our values are widely experienced throughout the organization. The same approach prevails in our other family businesses, where my wife is a key contributor in fostering a culture aligned with our values and making sure that everyone feels like they're an extension of our family. We create an environment where employees are respected, and they often feel comfortable sharing their ideas. Even if we have a conversation with employees and the answer must be "no," our managers must take the time to listen to their concerns and give them a reasoning why we can do certain things or not. It is more a family relationship than a boss-to-employee discussion. That level of respect goes a long way. We preach that every day.

Dr. Karl Moore: What is or should be the purpose of a modern-day publicly listed corporation?

"The purpose of a publicly traded company is first and foremost to generate value for your shareholders, but to me, it goes beyond that. (...) A company shall not derive profits at any cost. It needs to consider ethics in doing business with all its stakeholders. Because our family name is attached to our business' reputation, it's even a greater motivator to do good."

Lino A. Saputo: The purpose of a publicly traded company is first and foremost to create value for your shareholders, but to me, it goes beyond that. You must be good corporate citizens for the communities that your business is involved in, your employees, your suppliers — our dairy farmers — and your customers. It's a whole ecosystem.

A company shall not derive profits at any cost. It needs to consider ethics in doing business with all its stakeholders. Because our family name is attached to our business' reputation. It's an even greater motivator to do good.

Dr. Karl Moore: Are non-dairy products a promising growth segment for Saputo?

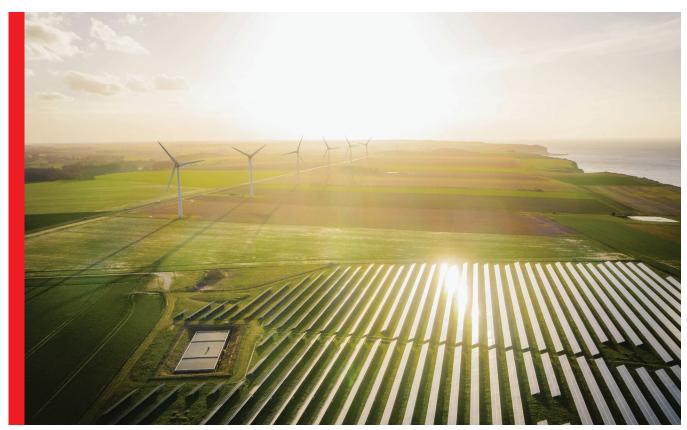
Lino A. Saputo: There is a market for non-dairy products. Some consumers have certain preferences - intolerances to casein or lactose, or just a preference. Saputo has a team that is focused on plant-based alternatives to cow milk. In 2021, we acquired Bute Island Foods in Scotland, which has innovative intellectual property to manufacture, market and distribute a variety of dairy-alternative cheese products for both the retail and foodservice market segments. They had the intellectual property to deliver a product whose taste and performance are close to those of a natural product. Their leading brand is the vegan Sheese brand, along with private-label brands. This acquisition made sense to complement our current offering. It's a very small percentage of our overall volume and sales, but it continues to grow.

Dr. Karl Moore: What is your favourite cheese?

Lino A. Saputo: My favourite cheese is ricotta. When I was 13 years old, working at the plant, the Cantor Bakery was right across the street. For my lunch I would often go to that bakery and buy a foot-long baguette for 10 cents. I would go to the lunchroom, cut it open, then walk over to the Ricotta Department and ask my colleagues to give me a container of warm ricotta. I would put the hot ricotta in my baguette and eat that as my lunch. That has become like my go-to comfort food.



(Picture courtesy of Saputo)



(Picture courtesy of Power Sustainable)



Interview with Olivier Desmarais

Chairman and Chief Executive Officer, Power Sustainable Senior Vice-President, Power Corporation of Canada August 11, 2023 in Montreal

Mr. Desmarais is the Chairman and CEO of Power Sustainable and has been Senior Vice-President of Power Corporation since 2017. He is also the driving force behind Power Sustainable, an alternative asset management company focused on responsible growth, as Chairman and CEO. Building upon his experience at Power Energy Corporation, where he led the Company's transformation in 2019, the

business, now known as Power Sustainable, has grown rapidly through aclimate-first approach focused on creating long-term value. In addition to these roles. Mr. Desmarais chairs the Canada China Business Council (CCBC) and sits on the Canada Institute Advisory Board of the Wilson Center and the Asia Business Leaders Advisory Council (ABLAC). He sat on the boards of directors of Canada Life. of IG Wealth Management, of Mackenzie and of LMPG until 2023. Mr. Desmarais is also deeply invested in his community and actively engages in philanthropic activities. As a founding member of McGill University's Sustainable Growth Institute through Power Sustainable, he brings together academics, students, industry, and policy leaders to develop practical solutions for businesses transitioning to a sustainable economy. Furthermore, he supports the Montreal Heart Institute Foundation and initiatives by the Montreal Museum of Contemporary Arts. Mr. Desmarais holds a Bachelor of Civil Law from the University of Ottawa and a Bachelor of Arts in Sociology and Political Science from McGill University. A member of the Québec Bar since 2009, he also sits on the University of Ottawa's Advisory Board of the Civil Law Section.



POWER CORPORATION DU CANADA

Power Corporation is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms.

POWER SUSTAINABLE

Power Sustainable is a climate-focused alternative asset manager that seeks to invest in companies and projects that create long-term value, accelerate decarbonization and build sustainable communities. Power Sustainable catalyzes capital in infrastructure, private equity, and public equities. Power Sustainable is a wholly-owned subsidiary of Power Corporation of Canada (TSX: POW).

Dr. Karl Moore: Your family legacy is impressive. Take your grandfathers for example. On your paternal side, Paul Desmarais Sr. acquired Power Corporation of Canada in the 1960s and took the company to new heights. On your maternal side, Jean Chrétien served as 20th prime minister of Canada from 1993 to 2003. Can you tell us about any pieces of wisdom that may have been transmitted to you that serve you today as a company manager?

Olivier Desmarais: I recall plenty of stories. For example, my grandfather Chrétien would say very simply, and I now better understand: "Being prime minister is the easiest job in the world." He would find ministers who had good judgement and skills. He would then give them their mandate and let them execute it their way. If they made an error, he would help fix it and if they repeated the error he would replace or shuffle them. To him, hard problems were for his ministers to solve; impossible problems were for the prime minister to solve. The same goes in business: the CEO must carefully pick his management team. I always make sure the people working with me are smarter than me. When faced with a complex problem, they are of areat help in solving it. The smarter they are, the more well-thoughtthrough the solutions will be. You sometimes hear

about CEOs who do not strive to surround themselves with smarter people; I think the main culprit for this is the competitive nature of life. But if you remind yourself that there's always somebody better, richer, faster, prettier, or younger than you, then it is easy to surround yourself with good people – and have faith in yourself and your goals.

As another piece of wisdom, both my grandfathers would agree that judgment is the only thing you should be hiring for aside from expertise. A lot of people can learn quickly and get that expertise, but not judgment and how to apply it. When you think about it, what drives us at Power Sustainable is investing in projects which will eventually help enable avoided emissions, which are extremely complicated to measure. One's sound judgment is therefore key in determining what counts as a real avoided emission, and that you are adding to the practical solution.

"I always make sure the people working with me are smarter than me (...) if you remind yourself that there's always somebody better, richer, faster, prettier, or younger than you, then it is easy to surround yourself with good people – and have faith in yourself and your goals."

Dr. Karl Moore: Can you give us an example of an investment by Power Sustainable that highlights an opportunity to reduce emissions?

Olivier Desmarais: Yes, GoodLeaf, a portfolio company under the Power Sustainable Agri-Food strategy. They produce nutrient-dense leafy salad greens and micro greens in Canadian vertical farms, which offer a number of sustainability benefits for these crops over traditional open-air farming – things like less water usage, production without pesticides, herbicides or fungicides, and a much higher output per square foot. In Canada, given our climate, we largely have to import greens, usually from California and Arizona. GoodLeaf produces these products locally, regardless of weather conditions, which should lead the reduction of emissions because GoodLeaf products travel far fewer miles to reach the end consumer. Not only does the product reduce transit-related emissions, but it is much fresher when it reaches the consumer, leading to less spoilage and decreased food waste versus



GoodLeaf Farms' 4,000-square-metre indoor vertical farm in Guelph, Ontario (pictures courtesy of Power Sustainable)

the imported alternative. Of course, it helps that GoodLeaf is in Canada with its much greener grid, but the longer-term benefits of this business to me are exciting. We're really proud of the work GoodLeaf is doing and that it is Canada's only national network of vertical farms with locations in Ontario, Quebec and Alberta.

"From that moment on, my focus was to continue to generate shareholder returns and, at the same time, generate positive outcomes for the environment and society.

Dr. Karl Moore: Can you tell us more about how Power Sustainable was established?

Olivier Desmarais: Let me start with a brief overview of company history. My grandfather Paul Desmarais Sr. was an entrepreneur at heart. He ran an inter-metropolitan bus line and had investments in insurance and newspapers, and



in 1968 seized the opportunity to acquire Power Corporation of Canada. Until then Power Corporation had owned and operated power-generation assets, hence its name, but in the 1960s, prior to my grandfather entering the scene, Power Corporation had to sell its energy assets to provincial government operators when Quebec nationalized electricity. Following the acquisition of Power Corporation, my father and uncle continued streamlining the business into a finance-focused holding company, specializing mainly in mutual funds through IGM Financial and life insurance through Canada Life, formerly Great-West Life, and its affiliates.



NBC Family Advantage report authors with Mr. Olivier Desmarais (second from right)

When I joined Power Corporation of Canada, Pierre Larochelle was heading a division called Power Energy Corporation. He had a \$7-million book of business investing in Ontario rooftop solar panels. It was a very small part of Power Corporation. I joined him and I got to understand the business. We were contemplating doing a hydro deal. We calculated risk-rewards of that deal and subsequently grew that business. As I got involved with Pierre, I was thrilled to learn about the energy sector. I learned a lot about the energy grid, and since we were involved in clean-energy assets, I inevitably learned about the environment. From that moment on, my focus was to continue to generate shareholder returns and, at the same time, generate positive outcomes for the environment and society. I learned how challenging generating positive outcomes for the environment and society in the investment context is and how impactful we could be. Over the past decades, Power Corporation was

becoming even more finance-focused, and by 2020 we had created Power Sustainable as an alternative-investments division of Power Corporation of Canada along with Sagard, the multistrategy alternative-asset manager managed by my cousin Paul III. Power Sustainable converted from a pure-play into an asset manager.

Dr. Karl Moore: Can you tell us more about your responsibilities at Power Sustainable?

Olivier Desmarais: Today, I am CEO of Power Sustainable, which is a multi-platform sustainabilityled alternative-asset manager. Power Sustainable invests in companies and projects that contribute to decarbonization, social progress and quality growth, which are priorities shared by its global network of clients, asset owners, partners and employees. We focus on North American energy infrastructure – on the development, construction, financing and operation of renewable energy assets such as wind, community solar, and batteries - and we've started looking at things like renewable natural gas. We also have a Global High-Yield Infrastructure Credit division that focuses on structured, bespoke, direct lending opportunities across the infrastructure asset class. We also invest in Agri-Food Private Equity, where we look at the whole supply chain and stick to the mid-market which is ripe for opportunities to evolve, of which GoodLeaf vertical farming is a good example. Finally, we are looking to launch an Industrial Decarbonization platform which would eventually develop into a true one-stop shop to help people invest intelligently and responsibly behind decarbonization.

Dr. Karl Moore: Can you mention examples of key investments Power Sustainable has in the Canadian clean tech sector?

Olivier Desmarais: One notable investment is our participation in Lion Electric, based in Saint-Jérôme, Quebec, a manufacturer of zero-emission vehicles, namely e-trucks and buses.

"From a business perspective, if something is inevitable like climate change, steer into it. That is what my grandfathers [Desmarais and Chrétien] always did."

Another key investment is Lumenpulse, a leading manufacturer of high-performance, specification-



GoodLeaf Farms' 4,000-square-metre indoor vertical farm in Guelph, Ontario (pictures courtesy of Power Sustainable)

grade LED lighting solutions based on the south shore of Montreal. Power Sustainable's investments in both companies acted as a catalyst for these businesses to scale and make a difference for the environment. Lion Electric is set to decarbonize the trucking industry while Lumenpulse is offering beautiful energy-efficient lighting technologies.

Dr. Karl Moore: Is the transition to a sustainable economy something that you see as a business opportunity or is it more of a moral calling that you've had for a while, or is it some combination thereof?

"Soon enough, the public and shareholders will look to companies' management actions and their judgment in solving climate-change issues and they will vote with their wallets. Some companies will have a wake-up call."

Olivier Desmarais: If we step back only a decade, there were many climate-change skeptics. Today I think those same people would rather think: "Climate change exists, but it's not happening today. We've got time." Nevertheless, it is important we all agree that our world economy needs to change in a way that is going to address and solve climate change. Time is of the essence, and businesses need to be part of the solution. Power Sustainable is certainly a proactive contributor to the solution. We're building into climate change because it's not only coming, it's already here. From a business perspective, if something is inevitable like climate change, steer into it. That is what my grandfathers always did. In embracing change, we must hold ourselves to high standards and do our best to meet them. A lot of people are jumping on the climate bandwagon and companies need to be held accountable if they do not meet the long-term objectives they set today. Soon enough, the public and shareholders will look to companies' management actions and their judgment in solving climate-change issues and they will vote with their wallets. Some companies will have a wake-up call. They will have trouble raising capital. We have to put forward effective measures now: we're already behind the curve for staying below warming of 1.5 degrees Celsius.

In 2030, we will look at each country and their track records in reaching their respective targets. We will measure how everyone is doing with respect to the Paris Accord.²⁴ If we don't take action, Canadian companies are going to have a bit of a problem because our economy is mainly resource-based and is largely focused on metals and mining, oil and gas, some utilities, and financial services, which in turn naturally cater largely to metals and mining and oil and gas companies. We're going to have to work extra hard to get out of the current paradiam. To meet our national GHG-reduction targets, the government of Canada will need to sit with provinces to harmonize climate regulation and develop a clear energy-transition roadmap for businesses to follow. That said, business leaders and entrepreneurs should not wait on government. There are more ways than you can imagine to go green and deliver the bottom line.

²⁴The Paris Accord was signed in 2015 by 196 countries with the goal of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Following the Paris Accord, most countries and companies started adopting net-zero objectives.

Dr. Karl Moore: Power Sustainable has an honourable mission of acting as a catalyst in climate change by investing in transformative companies and projects. What do Power Sustainable employees think of its business culture?



NBC Family Advantage report authors with Mr. Olivier Desmarais (right)

Olivier Desmarais: At Power Sustainable, we are on a journey. We've been in operation in our current structure for a couple of years now, so we're still growing and developing it. One key aspect of our culture is teamwork, developing good judgment and being humble. We challenge each other, make sure to test our ideas, and then we take full ownership and responsibility for our decisions. Something my grandfather Desmarais used to do was go to the most junior employee in the firm and ask them for their opinion on the business. He would gain valuable information by doing so; he leveraged his employees at all levels as sounding boards.

"My underlying motivation is to make sure my grandfather Chrétien's saying that Canada is the 'best country in the world' remains true for generations to come. I would like to give future generations of Canadians the same experience that we had growing up (...)"

Dr. Karl Moore: Does your business story also fit with the Desmarais tradition to be at the right place at the right time?

Olivier Desmarais: Yes. I see my own business story fitting in a Desmarais tradition in that we strive to understand where the economy is going and determine our company's vision. In a family-controlled

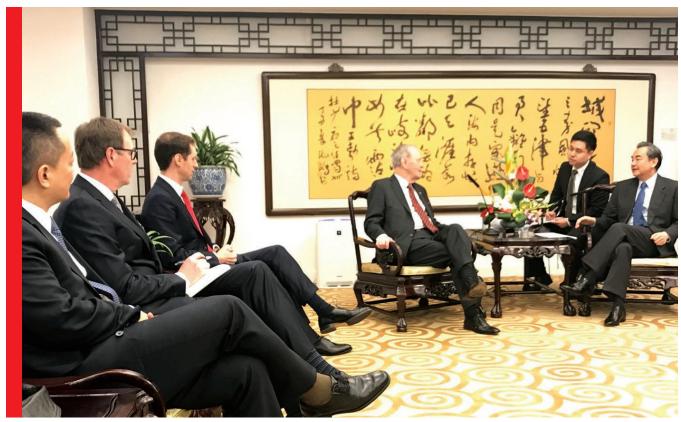
company, the family shareholder's duty is, in a way, to shape the vision. Vision is how you attract talented people to the company. However, much of the credit should go to management for delivering results. People love to think that family business leaders are one-person armies. Let me tell you I am not working alone. As Honorary Colonel of the Voltigeurs de Québec, I learned that in an army everyone has their place, everyone's important, everyone focuses on doing their jobs well and if all members of an organization push in the same direction you will reach your objectives. One key aspect of my family's way of conducting business is to work closely with our leadership to make our vision happen. For example, Robert Gratton, Jeffrey Orr, Ray McFeeters, Michel Plessis-Belair, John Rae, Gregory Tretiak, Claude Généreux, Henri-Paul Rousseau and many others have all been key in their times in working toward our common vision at Power Corporation.



Olivier Desmarais delivering a speech as Honorary Colonel of the Voltigeurs de Québec (picture courtesy of Olivier Desmarais)

Dr. Karl Moore: You have served as SVP of Power Corporation since 2017 and as Chairman and CEO of Power Sustainable since 2020. You also chair the Canada China Business Council (CCBC) and are a member of the Asia Business Leaders Advisory Council (ABLAC) as well as an honorary colonel of the Voltigeurs de Québec. That makes for a busy schedule. Which personal goals keep you motivated to tackle all these parallel responsibilities?

Olivier Desmarais: One can have multiple senses of purpose in life. I think mine is larger than Power Sustainable, but Power Sustainable hits 100% into it. My underlying motivation is to make sure my grandfather Chrétien's saying that Canada is the



Chinese Foreign Minister Wang Yi (right) hosts the Right Honorable Jean Chrétien (left) in February 2017. Seated to the left of Mr. Chrétien: Olivier Desmarais, Peter Kruyt and Yuhong (Henry) Liu of Power Corporation of Canada (picture courtesy of the Right Honorable Jean Chrétien)

"best country in the world" remains true for generations to come. I would like to give future generations of Canadians the same experience that we had growing up, irrespective of our socioeconomic background. Travel and you'll understand. Being able to walk down the street and not be worried about being mugged, having access to great education, free health care, free speech and the rule of law, being a friendlier and compassionate nation, among other things, are elements we often take for granted as Canadians. However, a series of social challenges such as climate change might dramatically change the quality of life for future generations. I can already notice the difference in seasons between my youth and today. We don't get the same snowfalls in the winter and summers are full of surprises with major storms and wildfires. I think my greater goal is to contribute to solving how we can ensure a good quality of life for the next generations. I often ask myself how we can continue growing our economy and creating well-paying jobs while successfully transitioning as a society to a net-zero economy.

"If we refrain from doing business with China, we're going to be left behind on key innovations and trade, which is going to create more social issues back home. China is already a silent leader in sustainability in the sense that the green revolution we are starting to see today is made possible only by windmills, solar panels and batteries manufactured in China."

Dr. Karl Moore: I think we can all agree that Canada is a great country to grow up and live in. Some say the global economic balance is shifting eastwards. Power Sustainable is present in China. Can you tell us about your family's connection with China and how Power Sustainable is seeking to benefit from China's decarbonization through investment in the country's public equities?

Olivier Desmarais: As you mentioned I am involved with both the Canada China Business Council and the Asia Business Leaders Advisory Council. Right now, from a Canadian standpoint, China seems far from us, but if Canada doesn't

establish and maintain business relationships with China, I believe we will become disadvantaged and less competitive in the near term. While nations may differ from one another, their people all have the same needs and challenges, and we must understand that to bridge our nations and do business. If we refrain from doing business with China, we're going to be left behind on key innovations and trade, which is going to create more social issues back home. China is already a silent leader in sustainability in the sense that the green revolution we are starting to see today is made possible only by windmills, solar panels and batteries manufactured in China. China is by a large margin the world's largest producer of electric batteries and solar panels. The New York Times estimates that China makes about 75% of all electric vehicle battery cells and does more refining of the major raw inputs required to make batteries than all the rest of the world taken together. China is in the lead in investing in its green economy. Its installed capacity of renewable energy reached 1.3 billion kilowatts this year. China has 16.2 million electric cars, half of the world's total. Another example: at the beginning of this century, China had not a single kilometer of high-speed rail. Today it has built and operates a high-speed rail network of 37,900 kilometers. The United States is attempting to catch up with its Inflation Reduction Act, essentially accelerating U.S. investments in clean energy and transition and infrastructure. That competition is important for progress: I believe that if we get to a world where East and West do more and more business together, we can help each other meet our respective national GHG-reduction targets. Climate change is a global issue, it must be solved by internationally concerted actions.

Dr. Karl Moore: Power Sustainable is a subsidiary of Power Corporation of Canada, which is included in the NBC Canadian Family Business Index. Does being a family-controlled company support you in creating long-term value?

Olivier Desmarais: Market forces tend to push a company to make decisions in response to short-term events. Families are in the game for the long term. Therefore, when you marry the ideals of doing the best for the long term with the reality of having to show something for the next quarter, I think you get to a better outcome than just focusing on quarterly results over a five-year period, which I think is the average CEO tenure in a widely held company.

At Power Corporation, our average CEO tenure through the years has been more than 10 years. Therefore, we're able to go through economic cycles and adapt our business accordingly and we get to build solid foundation blocks to execute on our strategic vision.

"Families are in the game for the long term. (...)
At Power Corporation, our average CEO tenure
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10 years. Therefore, we're able to go through
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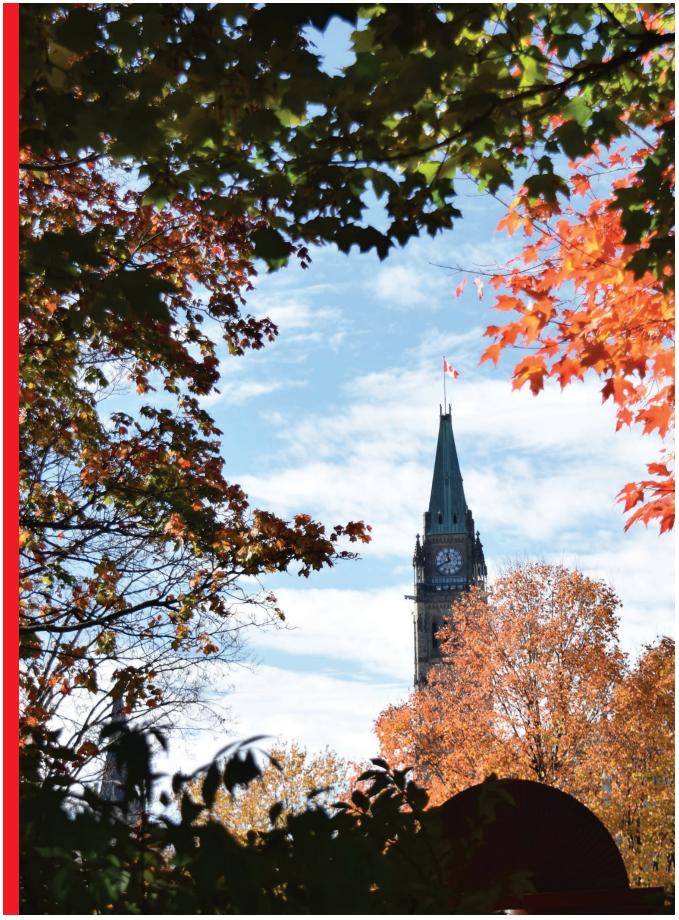


(Picture courtesy of Power Sustainable)





(Pictures courtesy of Power Sustainable)



Ottawa, Canada (picture: Unsplash)

4. Perspective: On the Road to Net-Zero with Canada's Minister of Environment and Climate Change



Steven Guilbeault (picture courtesy of Environment and Climate Change Canada)

Closing Interview with Hon. Steven Guilbeault, MP

Minister of Environment and Climate Change of Canada November 29, 2023 in Ottawa

The Honourable Steven Guilbeault was first elected as the Member of Parliament for Laurier—Sainte-Marie in 2019. He has previously served as Minister of Canadian Heritage. Minister Guilbeault is a prominent advocate in the fight against the climate crisis, and has been leading the charge from Laurier—Sainte-Marie for years.

Minister Guilbeault's commitment to environmental issues started at the age of five, when he climbed a tree to protect it from real estate developers who were about to cut down the woods behind his home in La Tuque. Twenty-five years later, he scaled the CN Tower in Toronto to call for Canada to ratify the Kyoto Protocol. In 1993, Minister Guilbeault co-founded Équiterre, the largest environmental organization in Que-

bec, and served as its Senior Director from 2008 to 2018. He also worked as a Director and Campaign Manager for Greenpeace, and was a Strategic Advisor for more than 10 years at Cycle Capital Management, a Canadian fund dedicated to the development of clean technologies. Minister Guilbeault also worked for Deloitte & Touche as well as Copticom, a consulting firm specializing in the green and social economy, and transportation.

As an activist and strategic advisor for dozens of governments and businesses in Canada and abroad, Minister Guilbeault is a pragmatist who works to make a difference by building bridges and relationships. An avid cyclist and sportsman, he has been riding his bike 12 months a year for the last 30 years. Minister Guilbeault is a father of four and stepfather of two.

Dr. Karl Moore: Meeting net-zero targets will lead to considerable investments being made by the private and public sectors. It will also require long-term strategy. Family-controlled companies think of strategy over generations rather than only quarters. Do you think businesses are sufficiently incentivized to make long-term strategic investments to shift their business models towards a green economy?

"One thing that fascinated me as I read the interviews in this report is the ability for family-led companies to adopt a long-term view and focus of the structural changes our economy will face in the next decade (...)."

Minister Steven Guilbeault: One thing that fascinated me as I read the interviews in this report is the ability for family-led companies to adopt a long-term view and focus on the structural changes our economy will face in the next decade. Too many public companies are still driven by quarterly result expectations and the next investor meeting. Mrs. Southern, Mr. Saputo and Mr. Desmarais are clearly thinking about potential solutions to get to net-zero. Net-zero objectives should be top of mind for all companies and the private sector is intrinsically incentivized to pivot. There is a global race against the clock to get to net-zero and clear driving forces in both the public and private sectors are currently defining the economy and the jobs of the 21st century.

Dr. Karl Moore: Could you share any examples of such driving forces?

Minister Steven Guilbeault: Certainly the U.S. Inflation Reduction Act²⁵, signed by President Biden in August 2022, was a game changer and a good example of such a moving force. Here in Canada, you saw our response largely in the Government of Canada's 2022 Budget and in the 2023 Fall Economic Statement. Since 2021, the Government of Canada has invested about \$130 billion of committed funds that we could largely be labelled as for a "transition to a green economy, which is about equal to the IRA if you account for the relative size of our economies. It was clear to us that we could not compete dollar for dollar with the U.S., so we had to make some choices. I think these choices are becoming very apparent certainly

around electrification, the battery supply chain and hydrogen. We figured that we would not be able to compete in every sector, let alone support the development of every sector, so we chose to invest in our strengths. This is also true for the Europeans, the Indians, the Japanese, the Australians and everybody out there.

"We needed to come up with a strategic response to the IRA. (...) We figured that we would not be able to compete in every sector, (...). All countries must figure out their niches and focus on sectors where they think our countries can have competitive advantages in the green economy to support our economies while reducing our carbon footprint."

All countries must figure out their niches and focus on sectors where they think their countries can have competitive advantages in the green economy while reducing our carbon footprint. Would we have incentivized transition as much as we did have it not been for the American's policy? That's a good question. In Canada, I have to say that we had to come up with a strategy in response to the IRA, even with a challenging fiscal context coming out of a period of stimulus to support Canadian companies during the pandemic. We needed to come up with a strategic response to the IRA. If we had not unveiled measures to transition to a green economy, like our Clean Investment Tax Credits or select subsidies to green projects, our country would not only have had a hard time meeting its environmental commitments, but would have lagged in tomorrow's green economy. Although, I think we are reaching the limit of what we can do in terms of directly incentivizing transition through grants, subsidies, and tax credits. However, the measures we unveiled will be in place for years to come to support the emergence of new economic sectors in Canada.

Dr. Karl Moore: You are leaving later today to attend the 2023 UN Climate Change Conference (COP 28) in Dubai, U.A.E. Since you were appointed Minister of Environment and Climate Change of Canada, you demonstrated leadership in raising awareness on the urgency to tackle climate change related issues. Can you briefly describe Canada's efforts in terms of international diplomacy with respect to

meeting international greenhouse gas emissions reduction and biodiversity protection targets?

"Attending the climate conference in China was important for me. I contacted the Chinese government not to go lecture them on what we are doing for the environment or to hear about the great things they are doing to reduce their carbon footprint, but to work together on joint challenges to find solutions for the greater good. Fighting climate change needs all-hands-on-deck."

Minister Steven Guilbeault: When Canada stands for climate or to protect nature, we remain humble. All countries are facing challenges to get to netzero. When it comes to climate change, Canada is a large oil and gas producer, and we have our own set of challenges. Being a global oil and gas producer enables us to have those hard conversations with other oil producing countries to collectively bring down our emissions. We're talking with the Norwegians, with the Americans, and the U.A.E. and other countries to work together solutions that can make a difference internationally for the next decades. At the upcoming COP 28 I will be attending soon in Dubai, there will be pressure from certain countries and groups to stop producing oil altogether. It is easy for countries that have never produced oil to make such pledges, but I think there's some virtue signaling that climate change is a global challenge rather than a country per country issue. All countries must work together to implement solutions to tackle climate change and reduce global carbon footprint. Nobody can claim they have it all figured out. I was in China this summer to attend the China Council for International Cooperation on Environment and Development (CCICED) Annual General Meeting. Attending the climate event in China was important for me. I contacted the Chinese government not to go lecture them on what we are doing for the environment or to hear about the great things they are doing to reduce their carbon footprint, but to work together on joint challenges to find solutions for the greater good. Fighting climate change needs "all hands-on deck".

Dr. Karl Moore: I'm impressed that you attended the CCICED in China against all odds being the first Government of Canada senior representative to go to the country in about four years. It was it was very nice to see you did that.

Minister Steven Guilbeault: Thank you. This meeting came as a follow-up to the productive talks I had during the COP 15 held in Montreal in December 2022, presided by Huang Runqiu, Minister of Ecology and Environment of China. Our discussions led to the Kunming-Montréal Global Biodiversity Framework to be established. This was a major win for our planet charting a new course away from the relentless destruction of habitats and species.

Dr. Karl Moore: The business leaders featured in this report believe that the private and public sectors should find ways to better join forces to innovate and find solutions to ensure we meet Canada's climate goals.

"(...) It is very important to me and to the government that, when we do move ahead with any new regulation, we have as much input from stakeholders as possible – whether they are from the public sector or private sector. They can start seeing where any new regulatory frameworks' landing zone will be before it becomes effective."

Minister Steven Guilbeault: I agree collaboration and communication is key and we create plenty of occasions for informal conversations with all stakeholders. However, I think there is sometimes a misconception that the Federal government works on its own and then all the sudden introduces new regulations upon businesses and provinces. The reality is that, before we present draft regulations, we will have had dozens, if not hundreds of meetings and informal conversations with companies, experts, provinces and territories, indigenous leaders and other stakeholders to get their input and hopefully their support before we implement such regulations. For the Clean Electricity Regulation²⁶ we held about 120 meetings and for the Oil and Gas Emissions Cap²⁷ it was in the order of 160 meetings with companies, provinces, territories, experts and businesses before we even presented a draft of these regulations. Businesses traditionally don't particularly like new regulations because it often means more administrative burden for them. As we introduce new

²⁶To read more on the Clean Electricity Regulation: https://www.canada.ca/en/services/environment/weather/ climatechange/climate-plan/clean-electricity-regulation.html

²⁷To read more on the Oil and Gas Emissions Cap: https://www.canada.ca/en/services/environment/weather/ climatechange/climate-plan/oil-gas-emissions-cap.html

regulations, we ensure we create a fair level playing field among players and that we do not ask for unreasonable administrative work from businesses to become compliant. We don't want to pile up things on companies or ask them to do things that don't make practical sense. To meet our national net-zero by 2050 objective we must create the right regulatory frameworks to create the right incentives for all companies to transition. Therefore, it is very important to me and the government that, when we do move ahead with any new regulation, we have as much input from stakeholders as possible – whether they are from the public sector or private sector. They can start seeing where any new regulatory frameworks' landing zone will be before it becomes effective.

Dr. Karl Moore: Since 2019, every jurisdiction in Canada has had a price on carbon emissions with provinces and territories having the ability to design their own pricing systems, whether tax-based systems or carbon marketplaces, or to adopt the federal pricing system which sets a minimum "Federal Benchmark" to be met by all provinces that have not already adopted a carbon pricing system. Are there any roadblocks preventing alignment between climate legislation and regulation across the country?

Minister Steven Guilbeault: It's a tough question because as an environmental activist, I was one of the persons who argued with the Federal Government at the time not to impose a national carbon pricing system, or at least leave the door open to provincial and territorial jurisdictions to have their own system. As a Federal Minister of Environment and Climate Change, I can tell you that it is a whole lot more complicated to have a Federal system along with individual provincial systems. The Federal Benchmark we proposed in 2019 was an important measure because it created a level playing field across the country for carbon emissions. However, it did create some challenges for us at the beginning. If we would have gone into 2019 with a unilateral Federal system, it would have certainly been much easier to have a uniform price of carbon from coast to coast. However, we are a Federation and natural resources are of provincial jurisdiction and we have to walk a fine line sometimes to achieve our objectives. The courts sometimes lean in our favor allowing us to go forward with new rules to fight climate change, as they did on carbon pricing deeming the

Greenhouse Gas Pollution Pricing Act as constitutional²⁸, sometimes they rule against us deeming our intention to label all plastics as toxic under the Canadian Environmental Protection Act as unconstitutional²⁹. It is a balancing act.

Dr. Karl Moore: Climate change is a global challenge. The Prime Minister of Australia, Anthony Albanese, claims that Australia is a "renewable energy superpower."³⁰ Can Canada claim to be a renewable energy superpower today as well?

"We see Canada supplying the world with EV batteries and battery components as we have the required resources and skilled workers to gain competitive advantages in that sector. These products will be essential for at least the next century."

Minister Steven Guilbeault: I guess it depends how you look at it. In terms of our global energy grid, Canada's electricity production is already 84 % non-emitting, compared to only 40 % in the United States which puts Canada in an enviable position internationally. Non-emitting does not necessarily mean renewable as we have considerable nuclear energy generation in Ontario and to a lesser degree in New Brunswick. However, we don't produce mass-scale wind turbines or solar panels. We're not a superpower from that point of view. I don't think we will become large producers of solar panels and wind turbines like it is the case in Scandinavia, Spain, or China. That ship has largely sailed as there are a few wellestablished companies in other countries that have taken the lead on that, but I think we can surely become a leader in the EV battery supply chain. We're setting the foundations to become a superpower in that space. We see Canada supplying the world with EV batteries and battery components as we have the required resources and skilled workers to gain competitive advantages in that sector. These products will be essential for at least the next century.

²⁸Read more on the Supreme Court's decision: https://www.canada.ca/en/environment-climate-change/ news/2021/03/supreme-court-of-canada-rules-on-theconstitutionality-of-the-greenhouse-gas-pollution-pricing-act.html.

²⁹Read more on the Supreme Court's decision :

https://www.theglobeandmail.com/canada/article-federal-court-judge-rules-that-ottawas-labelling-of-all-plastics-as/.

³⁰Read more on Australia's claim to be a "renewable energy superpower": https://www.globalaustralia.gov.au/sites/default/files/2023-08/ATIC_ Renewable_Energy_Superpower.pdf

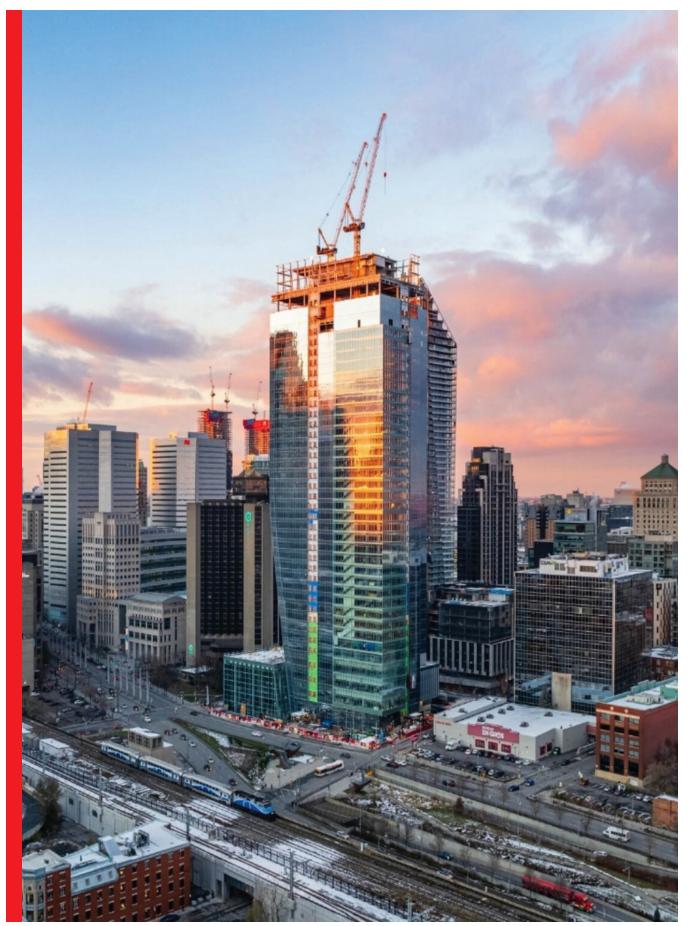
I think many of our key trading partners, including the United States, want to be dependent on Canada as a reliable go-to supplier of EV batteries and components and diversify away their current supply away from other jurisdictions. Nevertheless, companies from around the world are already capitalizing on the Canadian advantage. According to the OECD, Canada ranks third in the world for the most foreign direct investment in the first half of 2023 after the U.S. and I think very close after Brazil. We're seeing that the world's investors are responding favourably to what they're doing in Canada to transition to a green economy. It is proof our strategy is working.

Dr. Karl Moore: Can Canada deploy enough renewable energy capacity in time to meet national environmental targets such as the *Clean Electricity Regulation* which sets to maximize greenhouse gas reductions to achieve net-zero emissions from the electricity grid by 2035?

Minister Steven Guilbeault: Our Clean Electricity Regulation introduced earlier in August aims to support the achievement of a net-zero grid by 2035, but not a fossil fuel free grid. This doesn't mean that fossil fuels will be eliminated in Canada in 2035. What we are trying to achieve with this new regulation is to minimize fossil fuels and maximize non-emitting energy production in the grid. This could be achieved by increasing renewable energy output, clean energy storage, hydrogen that will jointly play a role to achieve sufficient carbon emission savings by 2035. Nuclear will also be continuing to play a role as there is an increased interest for small modular reactors (SMRs) carrying about 350 MW per unit which is relatively small quantum, but they are non-emitting and can contribute to our objectives if a few are built.

"According to the OECD, Canada ranks third in the world for the most foreign direct investment in the first half of 2023 after the U.S. and I think very close after Brazil. We're seeing that the world's investors are responding favourably to what they're doing in Canada to transition to a green economy. It is proof our strategy is working."

To Mrs. Nancy Southern's comments earlier in the report on the importance to deploy enough clean energy in time to meet the Clean Electricity Regulation - and I salute her foresight when a few years back she decided to start transitioning ATCO Group's energy offering to renewable energy sources - natural gas will continue to play a role in our energy mix beyond 2035. Certain jurisdictions like Alberta have a higher reliance on natural gas for residential, commercial, and industrial power. We anticipated to include a grandfather clause in our draft Clean Electricity Regulation whereby if you operate a natural gas plant before 2025, you can continue to run it without emissions abatement for 20 years from the entry into service date. Clean Electricity Regulation is a good example where we listened to key economic actors and adapted our draft regulation to consider jurisdictional particularities. It is important we set such goals for Canada to achieve net-zero in 2050 and lead the green economy of tomorrow.



New NBC Head Office (under construction) in Montreal, Canada. Project aiming for a LEED v4 Gold and WELL certification (picture: Unsplash)

Appendix NBC Canadian Family Index Research



Food & Staples Retailing Industry Rating: Overweight (NBF Economics & Strategy Group) September 11, 2023

Alimentation Couche-Tard Inc.

ATD (TSX) STOCK RATING TARGET EST. TOTAL RETURN C\$71.50 Outperform C\$81.00 14.1%

Company Profile

Alimentation Couche-Tard is the leader in the Canadian c-store industry, the largest independent c-store operator in the U.S. (based on company-operated stores) and a leader in c-store / road transportation fuel retail in the Scandinavian countries. As of F2022, ATD's network included >9,000 c-stores in North America, >2,700 locations in Europe and >360 locations in Hong Kong, primarily operating under the Circle K brand. Historically, ATD has grown both organically and via acquisitions.

Investment Highlights

Numerous initiatives in place to drive growth

(1) U.S. fuel margins continue to show notable strength versus industry data, which we believe is largely sustainable given numerous supply improvement initiatives. (2) In Europe, fuel margin weakness is transient (structurally higher inventory accentuates volatility). (3) Merchandising performance across regions benefited from beverages (new launches in North America and iced coffee in Europe), the Fresh Food, Fast program (double-digit growth y/y; profitability improved 750 bps over the last two quarters) and private label (continued trade down in the U.S.). Tobacco is a headwind, although there are initiatives with supply partners to maintain market share. (4) The new InnerCircle loyalty program saw 2.7 mln enrollments since launch this summer with more rollouts planned across North America. (5) ATD will reveal a new multi-year strategy at an investor day on Oct. 11.

Reiterating our favourable thesis

(1) We believe that ATD will benefit from: (i) Robust fuel margins, which will continue to show strength, particularly in the U.S. (ii) Value-enhancing acquisitions, and (iii) Numerous efficiency and merchandising improvement programs. (2) The M&A backdrop remains favourable. ATD's leverage ratio is below the 2.25x threshold (we calculate ~2.1x, including proforma estimates for TotalEnergies and MAPCO acquisitions).

Risk Factors

The key risks to our outlook include volatility in gasoline margins, foreign exchange (Canadian dollar, European currencies), acquisition integration and regional economic conditions.

Valuation

We value ATD at 17.0x our F25/26 EPS (adj. for FX).

STOCK DATA

52-Week High and Low (\$)	72.98-54.12
Dividend per Share (\$)	0.56
Dividend Yield (%)	0.8
Shares Outstanding (Mln)	980.0
Market Capitalization (\$MIn)	69,148.8
Enterprise Value (\$MIn)	80,170.9
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All stock data in C\$

NBCFM ESTIMATES & VALUATION

Fiscal Y/E April	2023A	2024E	2025E
Revenue (\$MIn)	71,856.7	68,499.1	66,928.3
Adj. EBITDA (\$MIn)	5,775.4	5,717.5	6,171.4
Adj. EBIT (\$MIn)	4,269.6	4,086.5	4,444.0
Net Income (\$MIn)	3,152.0	2,940.9	3,171.6
Adj. EPS (\$)	3.12	3.04	3.42
Dividend / Share (C\$)	0.50	0.58	0.64
P/E (x)	16.5	17.0	15.1
EV/EBITDA (x)	10.1	10.2	9.5

All figures in US\$ unless otherwise noted

Source: Refinitiv, NBF and Company Reports



Utilities Industry Rating: Market Weight (NBF Economics & Strategy Group) July 31, 2023

ATCO Ltd.

ACO.X / ACO.Y STOCK RATING TARGET EST. TOTAL RETURN (TSX; TSX) Sector Perform C\$44.00 22.2% C\$37.57; C\$38.50

Company Profile

ATCO business includes Utilities (natural gas and electricity distribution and transmission), Structures & Logistics (workforce housing, innovative modular facilities, construction, site support services, and logistics and operations management), Transportation (ports and transportation logistics) and Commercial Real Estate.

Investment Highlights

ATCO operates under a two-tier common share structure with non-voting and voting shares that are entitled to share equally in the earnings and dividends of the company. ATCO's common share structure consists of Class I (non-voting; TSX: ACO'X) and Class II (voting; ACO'Y: TSX) common shares representing ~88% and ~12% of aggregate common shares outstanding. We estimate ~88% of ATCO's 2024e adjusted EBITDA stems from its Utilities segment, ~6% from Energy Infrastructure, ~5% from Structures & Logistics and <1% from Neltume Ports.

Growth Profile

ATCO's \$3.5 bln Utility capital program for the 2022-2024 period, reflects a ~2% rate base CAGR, supporting its focus on regulated utilities and long-term contracted assets (~88%) in select global markets. ATCO is executing its three-pronged Clean Energy Strategy, targeting long-term contracted growth via renewable generation, clean fuels and energy storage with the target of owning, developing or managing >1,000 MW of renewable energy by 2030.

Risk Factors

There is no assurance that regulators will allow higher ROEs or rate bases at any of the company's regulated utilities. Declining long-term interest rates may negatively impact the allowed rate of return in setting customer rates. Unfavourable macroeconomic conditions may decrease the rate of growth. There is no guarantee that ATCO will have access to the equity or debt capital markets on favourable terms to fund future growth prospects. Cash flows are subject to foreign exchange risk.

Valuation

Our \$44.00 target is based on a risk-adjusted dividend yield of 4.5% applied to our 2024e dividend of \$1.92/sh, a 12.5x multiple of our 2024e Free-EBITDA and our DCF/sh valuation of \$43.50.

STOCK DATA

52-Week High and Low (\$)	54.97-27.72
Dividend per Share (\$)	1.90
Dividend Yield (%)	5.1
Shares Outstanding (Mln)	114.7
Shares Outstanding - FD (Mln)	114.7
Market Capitalization (\$MIn)	4,307.5
Enterprise Value (\$MIn)	25,350.1

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
EBITDA (\$MIn)	2,103.0	2,092.1	2,170.6
EV/EBITDA (x)	11.3	11.6	11.7
Maintenance Capex (\$MIn)	480.0	480.0	480.0
Free-EBITDA (\$MIn)	1,623.0	1,612.1	1,690.6
EV/Free-EBITDA (x)	14.9	15.7	15.0
P/E (x)	11.5	10.7	10.1
AFFO/sh (\$)	4.49	3.28	2.99
P/AFFO (x)	9.4	11.5	12.6
Dividend / Share (\$)	1.85	1.90	1.92
Dividend Yield (%)	4.4	5.1	5.1
Adj. Payout Ratio (%)	41	58	64
Net Debt / EBITDA (x)	4.4	4.9	4.7

All figures in C\$ unless otherwise noted

Source: Refinitiv, Company Reports and NBF Estimates





Aerospace & Defense Industry Rating: Market Weight (NBF Economics & Strategy Group) August 3, 2023

Bombardier Inc.

BBD,B / BBD,A (TSX; TSX) C\$66.68; C\$66.00 STOCK RATING Outperform TARGET C\$93.00 **EST. TOTAL RETURN** 39.5%

STOCK DATA

52-Week High and Low (\$)	74.43-18.30
Shares Outstanding (Mln)	95.3
Market Capitalization (\$MIn)	6,357.1
Enterprise Value (US\$MIn)	9,808.4

All figures above in C\$ unless otherwise noted

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Revenue (\$MIn)	6,913.0	7,875.9	8,188.5
EBITDA (\$MIn)	927.0	1,199.2	1,364.4
Net Income (\$MIn)	(148.0)	513.8	516.9
Adj. EPS (\$)	(1.67)	4.22	5.13
Free Cash Flow (\$MIn)	735.0	247.8	477.8
Net Debt (Cash) (\$MIn)	4,689	3,994	3,537
Net Debt / EBITDA (x)	5.4	3.6	2.8
EV/EBITDA (x)	10.6	8.2	7.2
P/E (x)	NA	11.8	9.7

All figures in US\$ unless otherwise noted

Source: Bombardier, Refinitiv and NBF

Company Profile

Bombardier is a leading manufacturer of business jets and provider of aftermarket services for business aviation.

Investment Highlights

Path to improving margins: Bombardier is targeting 2025 EBITDA of \$1.6+ billion (~18% margin) with progressive margin improvement from a cost reduction program, better realized pricing on new jets and from a higher percentage of revenue from the higher-margin aftermarket business. The company made progress toward its 2025 margin target in the most recent quarter as the adjusted EBITDA margin came in at 16.4% compared to 12.9% in the same quarter last year. Our forecast for 2025 is more conservative, but we see solid profitability improvement ahead. For fullyear 2023, Bombardier is expecting revenue of \$7.6+ billion and EBITDA of \$1.1+ billion.

Backlog provides strong visibility on jet deliveries. Bombardier's backlog sits at \$14.9 billion, which supports 2+ years of production at the current run rate. With this strong visibility, Bombardier expects to deliver 138+ jets in 2023, up from 123 in 2022. Business jet industry trends remain generally positive with utilization rates above 2019 levels and used jet inventory for sale low. Book-to-bill in the most recent guarter came in at 1.1x, slightly above Bombardier's expectation of ~1.0x in 2023.

Balance sheet and cash flow improving: Bombardier's financial position has improved significantly with liquidity sitting at \$1.2 billion and no debt maturities until 2025. The company's 2025 target for \$900+ million in free cash flow looks achievable.

Risk Factors

Cyclical end market: Demand for business jets has historically been tied to the broader economic cycle.

Competitive end market: Bombardier faces strong and better-capitalized competitors in the business jet market.

High leverage: Leverage for the company remains high.

Valuation

Our target is based on a 7.0x EV/EBITDA multiple on our 2025 estimate which we discount back at 10%/year to 2023.





Consumer Durables & Apparel Industry Rating: Underweight (NBF Economics & Strategy Group) October 4, 2023

BRP Inc.

DOO / DOOO (TSX; NASDAQ) C\$101.59; US \$74.16

STOCK RATING Outperform TARGET **EST. TOTAL RETURN** C\$143.00 41.5%

Company Profile

BRP Inc. is a global leader in the design, manufacturing and marketing of powersports vehicles. The company has leading market positions in the snowmobile, personal watercraft (PWC), all-terrain vehicle (ATV), sideby-side vehicle (SSV), boat market and the on-road three-wheeled vehicle segment.

Investment Highlights

New product introductions driving market share gains: Management estimates that it gained ~5% market share in the broader powersports industry last year as it rolled out innovative new products. Market share gains have continued this year and, given the large number of expected new product introductions from the company in the coming years, we expect share gains to continue.

Retail remains resilient: BRP's North American powersports retail sales have been strong so far in F2024 as demand has remained resilient in the face of economic uncertainty. The company's product range skews towards the premium segments of the industry, which is less susceptible to macroeconomic factors. We also highlight that inventory at the dealer level is still healthy, up 24% versus pre-pandemic levels compared to BRP's retail sales up 49% over the same timeframe.

Track record of returning cash to shareholders. BRP has a successful track record of returning cash to shareholders through dividend increases and share buybacks. We expect BRP to generate strong free cash flow over the next two years, so we anticipate shareholder returns to continue.

Risk Factors

Cyclicality of business: BRP's products are discretionary items so in a broader economic slowdown, demand for powersports vehicles will undoubtedly be negatively impacted. Competitive markets: BRP faces intense competition across all of its product lines including from some larger and better-capitalized players. Supply chain and commodity costs: BRP's vehicle production and costs can be impacted by supply chain challenges and fluctuations in commodity prices.

Valuation

We value the stock by applying a 6.5x EV/EBITDA multiple to our F2025 forecast.

STOCK DATA

52-Week High and Low (\$)	122.41-80.87
Dividend per Share (\$)	0.72
Dividend Yield (%)	0.7
Shares Outstanding (Mln)	79.3
Market Capitalization (\$MIn)	8,051.6
Enterprise Value (\$MIn)	10,613.5

NBCFM ESTIMATES & VALUATION

Fiscal Y/E January	2023A	2024E	2025E
Revenue (\$MIn)	10,033.4	10,939.3	11,612.0
EBITDA (\$MIn)	1,706.3	1,870.2	1,935.4
Net Income (\$MIn)	865.4	1,045.5	1,025.7
Adj. EPS (\$)	12.05	12.65	13.12
Free Cash Flow (\$MIn)	(96.4)	1,047.5	697.3
Net Debt (Cash) (\$MIn)	2,814	1,983	1,335
Net Debt / EBITDA (x)	1.6	1.1	0.7
EV/EBITDA (x)	6.2	5.7	5.5
P/E (x)	8.4	8.0	7.7

All figures in C\$ unless otherwise noted

Source: Refinitiv. BRP and NBF



Retailing
Industry Rating: Market Weight (NBF Economics & Strategy Group)
August 13, 2023

Canadian Tire Corporation, Limited

CTC.A (TSX) C\$156.82 STOCK RATING TARGET

Sector Perform C\$184.00

EST. TOTAL RETURN 21.5%

Company Profile

Canadian Tire is one of the largest retailers in Canada with more than 1,700 retail and gasoline outlets. Canadian Tire's primary retail business categories include Automotive, Living, Fixing, Sports, Playing and Apparel. The company also has a Financial Services division, which offers products and services such as credit cards, retail deposits and insurance.

Investment Highlights

Withdrawing financial aspirations

(1) CTC withdrew its 2025 financial aspirations citing a weaker consumer backdrop (a noticeable slowdown in retail sales was reported in June that continued in July). CTC's credit card spending declined in Q2/23 for the first time since Q4/20. The weakness was more pronounced in Ontario and B.C. due to relatively higher household debt levels. (2) By category, essentials grew >6% y/y, while discretionary declined >3% y/y (two thirds of business mix); traffic was stable. (3) We believe that the suspension of financial aspirations was largely expected (aspiration of 2025 EPS was \$26+). Similarly, the consumer weakness noted in Q2/23 does not come entirely as a surprise. (4) Corporate inventory normalized further (from 22% growth y/y in Q1/23 to 6% growth y/y in Q2/23). CTC expects lower 3PL and freight costs to positively impact in H2/23.

Risk Factors

Like most Canadian retailers, Canadian Tire remains highly susceptible to sales volatility as a result of unexpected weather patterns and regional economic strength. The company is also susceptible to increasing competition, primarily from foreign retailers.

Valuation

We value CTC using a sum-of-the-parts methodology, reflecting 11.0x our 2024/25 Retail EPS, 7.5x our 2024/25 Financial EPS, and CTC's ownership in CT REIT less a 15% discount.

STOCK DATA

52-Week High and Low (\$)	189.82-139.24
Dividend per Share (\$)	6.90
Dividend Yield (%)	4.2
Shares Outstanding (Mln)	56.5
Market Capitalization (\$MIn)	9,387.6
Enterprise Value (\$MIn)	16,771.7

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Revenue (\$MIn)	17,810.6	17,641.2	18,483.3
Adj. EBITDA (\$MIn)	2,642.0	2,499.6	2,693.9
Adj. EBIT (\$MIn)	1,898.5	1,664.9	1,797.2
Net Income (\$MIn)	1,112.2	849.5	945.7
Adj. EPS (\$)	18.75	15.20	17.43
Dividend / Share (\$)	6.28	6.90	6.90
P/E (x)	8.9	10.9	9.5
EV/EBITDA (x)	6.3	6.7	6.2

All figures in C\$ unless otherwise noted

Source: Company Reports, Refinitiv and NBF



Utilities
Industry Rating: Overweight (NBF Economics & Strategy Group)
July 31, 2023

Canadian Utilities Limited

CU / CU.X STOCK RATING TARGET EST. TOTAL RETURN (TSX; TSX) Sector Perform C\$36.00 14.9% C\$32.90; C\$33.20

Company Profile

Canadian Utilities Limited (owned ~53% by ATCO Ltd.) owns and operates ~\$21 bln of energy infrastructure assets including Utilities (electricity and natural gas transmission and distribution), Energy Infrastructure (electricity generation, energy storage and industrial water solutions) and Retail Energy (electricity and natural gas retail sales).

Investment Highlights

CU's common share structure consists of Class A (non-voting; TSX: CU) and Class B (voting; TSX: CU'X) common shares representing ~70% and ~30% of aggregate common shares outstanding. As at December 31, 2022, ATCO Ltd. (TSX: ACO'X / ACO'Y) held 37.9% of CU's Class A non-voting shares and 96.7% of Class B voting shares.

Growth Profile

Canadian Utilities is executing a \$3.5 bln capital plan for 2022-2024 geared towards regulated utilities, supporting rate base growth towards ~\$15.4 bln from a 2021 base of \$14.5 bln, representing a ~2% three-year CAGR. Meanwhile, 2023 marks the cost-of-service rebasing year until PBR 3.0 kicks off in 2024. Elsewhere, the company recently closed a \$713 mln acquisition of a portfolio of wind and solar assets and projects located in Alberta and Ontario, with 232 MW (net) of operating wind projects. Further, CU recently entered into a 15-year renewable energy purchase agreements with Microsoft for 150 MW.

Risk Factors

There is no assurance regulators will allow higher ROEs or rate bases at any of its regulated utilities. Declining long-term interest rates may negatively impact the allowed rate of return in setting customer rates. There is no guarantee that CU will have access to the equity capital markets or debt markets on favourable terms to fund future growth prospects. Cash flows from CU's international operations are subject to foreign exchange risk.

Valuation

Our \$36.00 target is based on a risk-adjusted dividend yield of 4.5% applied to our 2024e dividend of \$1.81/sh, a 14.0x multiple of our 2024e Free-EBITDA and our DCF/sh valuation of \$35.50. We currently rate CU Sector Perform.

STOCK DATA

52-Week High and Low (\$)	42.97-25.25
Dividend per Share (\$)	1.79
Dividend Yield (%)	5.5
Shares Outstanding (Mln)	275.2
Shares Outstanding - FD (Mln)	273.1
Market Capitalization (\$MIn)	9,054.1
Enterprise Value (\$MIn)	20,804.6

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
EBITDA (\$MIn)	1,842.0	1,956.5	2,001.3
EV/EBITDA (x)	11.2	10.6	10.4
Maintenance Capex (\$MIn)	480.0	480.0	480.0
Free-EBITDA (\$MIn)	1,362.0	1,476.5	1,521.3
EV/Free-EBITDA (x)	15.2	14.1	13.7
P/E (x)	15.1	15.0	13.2
AFFO/sh (\$)	4.27	3.68	3.55
P/AFFO (x)	8.6	8.9	9.3
Dividend / Share (\$)	1.78	1.79	1.81
Dividend Yield (%)	4.8	5.5	5.5
Adj. Payout Ratio (%)	41	49	51
Net Debt / EBITDA (x)	5.3	5.5	5.4

All figures in C\$ unless otherwise noted

Source: Refinitiv, Company Reports and NBF Estimates





Containers & Packaging Industry Rating: Market Weight (NBF Economics & Strategy Group) August 15, 2023

CCL Industries Inc.

CCL.B (TSX) STOCK RATING TARGET EST. TOTAL RETURN
C\$60.83 Outperform C\$79.00 31.6%

Company Profile

With corporate offices in Toronto, Ontario and Framingham, Massachusetts, CCL Industries employs ~25,100 people and has 204 production facilities spread across 43 countries. The Company has four segments, 1) CCL (61% of 2021 revenue), 2) Avery (12%), 3) Checkpoint (14%), and 4) Innovia (13%). Donald Lang, Executive Chairman, and Stuart Lang, Director, hold ~95% of Class A voting shares and 17% of equity.

Investment Highlights

Above GDP organic growth boosted by M&A & with high margins.

The Company's long-term organic growth profile can be characterized as above global GDP by a fluctuating margin (average of 0.8% above GDP over the last decade). Since 2013, CCL Industries has spent just over \$4.3 billion on roughly 61 transactions. These include its larger acquisitions of Avery (~\$500 million, 2013), Checkpoint (~\$532 million, 2016), and Innovia (~\$1.1 billion, 2017) in addition to tuck-ins of different sizes. The Company generates an Adjusted EBITDA margin (~19% 2022) above peers and has an Adjusted EBITDA to FCF conversion rate at ~47%.

Steady dividend raises recently complemented by NCIB.

Dividend raised in each of last 30 years, sometimes more than once a year (last increased 14.3% with 4Q21). With low leverage and strong FCF generation, share repurchases could also be pursued, as seen in 2022, and ahead of larger acquisitions ultimately getting done.

Risk Factors

General economic downturns may have an adverse effect on consumer demand levels, client orders, and the operational & financial standing of the Company. Impact from other exogenous shocks could have a more pronounced effect on the business and its financial condition. The Company's financial performance partly depends on its ability to pass on rising costs of needed raw materials and component parts.

Valuation

CCL Industries is rated Outperform with a \$79 target. Our target is based on average of 2024E NAV & 2023E DCF with implied EV/EBITDA of 11.6x 2023E & 10.7x 2024E.

STOCK DATA

52-Week High and Low (\$)	71.58-57.16
Dividend per Share (\$)	1.06
Dividend Yield (%)	1.7
Shares Outstanding (Mln)	177.5
Market Capitalization (\$MIn)	10,795.9
Enterprise Value (\$MIn)	12,356.8

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Revenue (\$MIn)	6,382.2	6,725.5	7,126.9
Adj. EBITDA (\$Mln)	1,231.4	1,336.1	1,411.7
Adj. EPS (\$)	3.57	3.75	3.94
P/E (x)	17.0	16.2	15.4
EV/EBITDA (x)	10.0	9.2	8.4
Free Cash Flow (\$MIn)	573.5	555.0	649.9
FCF / Share (\$)	3.24	3.13	3.66
FCF Yield (%)	5.3	5.1	6.0
Payout Ratio (on FCF) (%)	30	34	32

All figures in C\$ unless otherwise noted

Source: NBF Estimates, Company Reports, and Refinitiv





Information Technology Industry Rating: Market Weight (NBF Economics & Strategy Group) October 4, 2023

CGI Inc.

GIB.A / GIB (TSX; NYSE) C\$132.51; US \$96.67

STOCK RATING Outperform TARGET C\$175.00 **EST. TOTAL RETURN**

32.1%

Company Profile

CGI is Canada's largest technology company. Headquartered in Montreal, Quebec, CGI has grown its employee base from about 250 in 1982 to about 88,000 today. CGI delivers IT consulting and systems integration services, and outsourcing solutions onsite at client premises and/or remotely through the company's global delivery centres located in North America, Europe and India.

Investment Highlights

What's our Investment Thesis?

In our view, CGI is once again in the midst of another transition one that's moving the Company up the value chain with an increasing proportion of revenue from intellectual property (IP) - organically built and acquired. We see that driving outsized earnings growth and a premium valuation to its peers. The gravy – opportunistic acquisitions which have historically been a catalyst for this stock.

Here are the following key catalysts to note:

Organic growth momentum,

The prospects for acquisitions with ~\$2.8 bln in available liquidity; and

IP and Digital — structural change in the market.

We see those multiple growth drivers positively impacting GIB.a / GIB's valuation. We continue to like CGI for its defensive (recurring cash flow and deleveraging) characteristics and optionality attributes (M&A, expanding margins via IP), particularly given a consistent record of execution.

Risk Factors

1. Execution: Management may fail to increase IP revenue mix; 2. Acquisition / Integration Management may be unable to realize synergies;

3. Threat of "new" digital entrants.

Valuation

We reiterate our Outperform rating and C\$175 DCF-based target, which implies a 14.4x EV/EBITDA on our F2024 estimates. This remains a core holding in Canadian Tech.

STOCK DATA

52-Week High and Low (\$)	142.31-100.74
Dividend per Share (\$)	0.00
Dividend Yield (%)	0.0
Shares Outstanding (Mln)	233.1
Shares Outstanding - FD (Mln)	236.9
Market Capitalization (\$MIn)	31,389.4
Net Debt (\$MIn)	1,643.6
Enterprise Value (\$MIn)	33,033.0

NBCFM ESTIMATES & VALUATION

Fiscal Y/E September	2022A	2023E	2024E
Revenue (\$MIn)	12,867.2	14,340.0	14,693.5
EBITDA (\$MIn)	2,561.3	2,832.6	2,997.5
Adj. EPS (\$)	6.12	7.05	7.62
CFO (\$MIn)	1,865	2,210	2,438
Free Cash Flow (\$MIn)	1,490.7	1,806.2	2,150.5
FCF / Share (\$)	6.29	7.63	9.08
EV/Sales (x)	2.6	2.3	2.2
EV/EBITDA (x)	12.9	11.7	11.0
P/E (x)	21.6	18.8	17.4
P/CF (x)	21.1	17.4	14.6

All figures in C\$ unless otherwise noted

Source: NBF, Company Reports and Refinitiv





Communication Services Industry Rating: Overweight (NBF Economics & Strategy Group) October 4, 2023

Cogeco Communications Inc.

CCA (TSX) STOCK RATING TARGET EST. TOTAL RETURN
C\$60.31 Sector Perform C\$75.00 28.8%

Company Profile

Cogeco provides TV, Internet and telephony services. After buying Atlantic Broadband, MetroCast Connecticut and the remainder of MetroCast, the company also offers cable services in the United States. Parent COGECO Inc. owns 35% of CCA's equity with 85% of the votes. The Audet Family owns 10.0% of COGECO Inc.'s equity with 69% of the votes. Rogers Communications owns 43% of CGO and 37% of CCA subordinate shares.

Investment Highlights

Canadian Cable faces lower growth amid evolving fibre competition.

Cogeco Connexion is the second-largest cable operator in Ontario and Quebec with its subscribers and financial metrics split about 75/25 between the two provinces. Unlike most of its larger Canadian telecom peers, the company doesn't own content assets, but acquired spectrum in 2021 and is exploring its entry into wireless as a hybrid MVNO/facilities-based operator which is something that could happen in calendar 2024. Despite pressure from Bell's fibre rollout and bundling efforts as well as wireless substitution and TV cord-cutting/shaving, margins remain near 54% after rising amidst cost-saving efforts and taking advantage of its scalable hybrid fibre-coaxial architecture.

U.S. Cable has grown via acquisitions but faces greater competitive intensity. Atlantic Broadband marked its first purchase in the United States in 2012, with this followed by the acquisitions of Connecticut-based MetroCast in two transactions (8/8/15 & 1/4/18) and WideOpenWest's Ohio Assets (9/1/21). The U.S. business was rebranded as Breezeline in early 2022. While cable overbuilding has added to competition, fixed wireless access (FWA) has further elevated related intensity which has impacted the company's U.S. subscriber loading and growth.

Risk Factors

Economic growth could soften, Wireless substitution continues to impact telephony, and secular pressures persist in addition to intense competition from telecom providers. Cord-cutting may intensify as demographics shift. Regulation & other government intervention are also key risks.

Valuation

CCA is rated Sector Perform with a target of \$75. Our target's based on the average of our f2023E/f2024 DCF & f2024E/f2025E NAV, with implied EV/EBITDA of 5.8x f2023E, 5.6x f2024E, and 5.3x f2025E.

STOCK DATA

52-Week High and Low (\$)	89.25-60.00
Dividend per Share (\$)	3.10
Dividend Yield (%)	4.5
Shares Outstanding (Mln)	44.5
Shares Outstanding - FD (Mln)	49.0
Market Capitalization (\$MIn)	3,081.2
Enterprise Value (\$MIn)	7,916.9

NBCFM ESTIMATES & VALUATION

Fiscal Y/E August	2022A	2023E	2024E
Revenue (\$MIn)	2,900.7	3,000.0	3,035.3
EBITDA (\$MIn)	1,393.1	1,422.1	1,440.9
EBITDA Margin (%)	48.0	47.4	47.5
Adj. EPS (\$)	9.20	9.09	8.67
P/E (x)	7.5	7.6	8.0
EV/EBITDA (x)	5.6	5.6	5.4
Free Cash Flow (\$MIn)	424.4	379.6	382.9
FCF / Share (\$)	9.16	8.50	8.61
FCF Yield (%)	13.2	12.3	12.4
Capex (\$MIn)	689	737	727
Capex Intensity (%)	23.8	24.6	23.9
Net Debt / EBITDA (x)	3.2	3.4	3.2

All figures in C\$ unless otherwise noted

Source: Company reports, Refinitiv, and NBF estimates





Commercial & Professional Services Industry Rating: Underweight (NBF Economics & Strategy Group) October 4, 2023

Colliers International Group Inc.

CIGI (NASDAQ; TSX) US\$93.26; C \$127.69

STOCK RATING Outperform TARGET US\$131.00 **EST. TOTAL RETURN**

40.7%

Company Profile

Colliers International is a Commercial Real Estate (CRE) service provider with more than 18,000 professionals worldwide. The company operates under four segments: 1) Outsourcing & Advisory (O&A), 2) Investment Management (IM), 3) Leasing, and 4) Capital Markets. Directors and executive officers own over 12% of the publicly-traded shares and almost 46% of voting rights. We also view Colliers as having stayed true to its core, very WSP-like, another growth juggernaut in our coverage, while being agile and ready to act when it matters.

Investment Highlights

In 2022, CIGI shares dropped -34% as the 10-year U.S. Treasury yield doubled from under 2% to almost 4%. Nevertheless, CIGI is currently executing on its 2025 Strategic plan that imputes a LOT of growth (52% / 36% increase in EBITDA / EPS vs. 2021A). 2022 was a record year for capital deployment at over US\$1 bln. Getting closer to the company's EBITDA target emanating from 65% of recurring revenue will further bolster the impetus for multiple expansion. Our in-depth due diligence on Colliers suggests that the company sports a unique culture that leads to superior capital allocation and returns. Investment Management (at \$98 bln AUM pro-forma) should continue to enjoy structural growth; U.S. infra stimulus (an estimated +11% lift vs. pre-pandemic run-rate) provides strong visibility for the company's O&A vertical.

Risk Factors

Including: 1) CIGI's exposure to economic cycles; and 2) integration of acquired companies and synergy realization; 3) competitive pressures.

Valuation

While the transactional parts of the business represent 38% of TTM EBITDA (includes Leasing), recovery in the Capital Markets business (21% of top line) in H2/23E appears tenuous to us. Lack of capital funding and concerns around the structural outlook in office will likely push the commencement of a price clearing mechanism into 2024; IM and engineering consulting businesses continue to do well, but the company's US\$670+ mln EBITDA target could be at risk. Lastly, our CIGI target price moves down to US\$131.00 (from US\$133.00) on ongoing softness in Leasing and CM, based on a 12.0x EV/EBITDA multiple on our 2024E forecasts.

STOCK DATA

52-Week High and Low (\$)	133.03-84.16
Dividend per Share (\$)	0.30
Dividend Yield (%)	0.3
Shares Outstanding (Mln)	45.4
Shares Outstanding - FD (Mln)	47.4
Market Capitalization (\$MIn)	4,913.2
Net Debt (\$MIn)	1,496.1
Enterprise Value (\$MIn)	7,507.5

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Revenue (\$MIn)	4,459.5	4,446.9	4,759.5
EBITDA (\$MIn)	618.8	657.0	711.0
EPS - Diluted (\$)	7.04	6.72	7.97
EV/EBITDA (x)	12.5	11.8	10.9
P/E (x)	15.4	16.1	13.6

All figures in US\$ unless otherwise noted

Source: NBF, Company Reports and Refinitiv



Food & Staples Retailing Industry Rating: Overweight (NBF Economics & Strategy Group) September 26, 2023

Empire Company Ltd.

EMP.A (TSX) STOCK RATING TARGET EST. TOTAL RETURN C\$36.99 Outperform C\$44.00 21.0%

Company Profile

Empire Company Limited, headquartered in Stellarton, Nova Scotia, operates the second-largest grocer in Canada through its wholly-owned subsidiary Sobeys Inc. Empire also holds real estate-related investments through its equity interests in Crombie REIT and Genstar, a residential property developer.

Investment Highlights

Improvement initiatives remain in focus

(1) Management maintains focus on a broad agenda of improvement initiatives (store renovation, discount expansion, promotional optimization/data analytics, private label and sourcing/supply chain efficiencies, etc.). (2) Empire believes inflation is moderating, which is favourable for demand in conventional banners. Specifically, supplier price increase requests are trending down (peaked in Q3/F23). (3) Empire established a long-term financial framework which contemplates 8-11% in EPS growth driven by net earnings growth and share repurchases. We believe that Empire will meet or exceed this target in F2024. (4) Voilà sales grew 7.2% y/y and continued to increase national market share in the e-Commerce channel. An associated EPS drain of ~\$0.28 was noted in F2023, which we believe will gradually improve over time.

Trends inflecting

(1) Empire delivered solid results amid low investor expectations. Still, investors may look for repeated quarters of strong execution given an ongoing shift to discount formats (where Empire under-indexes). (2) Given inexpensive valuation (vs. history and peers) and expectations of improvement, we maintain our constructive stance.

Risk Factors

The primary risks are related to slowing e-Commerce growth, inflationary cost pressures, underpenetration in discount/RX, wage increases, and heightened competitive intensity.

Valuation

We continue to value Empire using a sum-of-the-parts approach. Our price target is based on 6.5x our F25/F26 Food Retailing EBITDA plus the value of Empire's investments (less a 10% discount).

STOCK DATA

52-Week High and Low (\$)	38.51-33.09
Dividend per Share (\$)	0.73
Dividend Yield (%)	2.0
Shares Outstanding (Mln)	252.2
Market Capitalization (\$MIn)	9,147.3
Enterprise Value (\$MIn)	16,014.8

NBCFM ESTIMATES & VALUATION

Fiscal Y/E May	2023A	2024E	2025E
Revenue (\$MIn)	30,478.1	31,485.0	32,272.2
Adj. EBITDA (\$MIn)	2,322.1	2,456.3	2,529.6
Adj. EBIT (\$MIn)	1,291.5	1,400.4	1,462.0
Net Income (\$MIn)	727.1	782.9	840.8
Adj. EPS (\$)	2.80	3.15	3.51
Dividend / Share (\$)	0.66	0.73	0.79
P/E (x)	12.9	11.5	10.3
EV/EBITDA (x)	6.9	6.5	6.3

All figures in C\$ unless otherwise noted

Source: Refinitiv, NBF and Company Reports



Insurance
Industry Rating: Market Weight (NBF Economics & Strategy Group)
August 16, 2023

Fairfax Financial Holdings Ltd.

FFH / FFH.U STOCK RATING TARGET EST. TOTAL RETURN (TSX; TSX) Outperform C\$1,700.00 50.5% C\$1,138.62; US \$796.84

Company Profile

Headquartered in Toronto, Canada and founded in 1985, FFH is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management.

Investment Highlights

Solid underwriting performance. We forecast ~10% BVPS annual growth over the long term through solid underwriting performance and FFH's focus on generating total returns on its asset portfolio - the latter a differentiator versus P&C insurance peers.

We believe FFH's **diversified operations and decentralized management approach** support stable premiums growth and consistent combined ratio performance.

Conservative investment portfolio. The FFH investment philosophy emphasizes total returns over the long term using a conservative, value-oriented approach. FFH generated an average annual total return on investments of 8% since inception to 2022. Though the timing of net gains is uncertain, we believe FFH holds meaningful upside on several "atcost" investments. Moreover, continued deployment of cash into other investments as well as declining interest expenses will further support stronger investment profitability.

Risk Factors

Upside Risk: i) higher reinsurance renewal pricing; ii) favourable emerging market trends; iii) strong growth in specialty lines; iv) new growth initiatives through acquisitions; v) upside from unrealized investment gains. **Downside Risk:** i) influx of alternative capital increasing competition; ii) persistently soft U.S. Commercial markets; iii) investments in associates lose significant value; iv) underwriting risk through claims/premium acquisition expenses exceeding premiums received; v) catastrophes; vi) market risk through volatile interest rate and equity price performance; vii) material deterioration in economies of operating countries; viii) foreign currency risk.

Valuation

We apply a \sim 1.25x P/B multiple on our Q2-24 estimate (plus 1.0x AOCI) to arrive at our PT.

STOCK DATA

52-Week High and Low (\$)	1,146.68-612.00
Dividend per Share (\$)	10.00
Dividend Yield (%)	1.2
Shares Outstanding (Mln)	23.2
Market Capitalization (\$MIn)	26,418.3

All data in US\$ except 52-week high/low.

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
EPS - Diluted (\$)	43.49	157.18	136.47
P/E (x)	19.4	5.4	6.2
Underwriting Income (\$MIn)	1,105.3	1,050.4	959.5
Operating Income (\$MIn)	2,572.9	3,206.6	3,314.1
Pre-tax Income (\$MIn)	3,319.1	5,434.7	4,499.0
Income Tax (\$MIn)	(812.6)	(1,024.8)	(899.8)
Net Earnings (\$Mln)	2,352.2	3,981.8	3,453.7
Book Value / Share (\$)	762.42	919.04	1,055.90
ROE (%)1	7.2	17.3	14.7

All figures in US\$ unless otherwise noted

Source: Refinitiv, Company Reports and NBF

1. LTM ROE





Diversified Metals & Mining Industry Rating: Market Weight (NBF Economics & Strategy Group) October 3, 2023

Filo Corp.

STOCK RATING TARGET **EST. TOTAL RETURN** FIL (TSX) C\$19.19 C\$35.00 82.4% Outperform

Company Profile

Filo Mining is a Canadian-based copper developer focused on its 100%owned flagship Filo del Sol copper-gold-silver deposit located on the border of San Juan Province, Argentina, and Region III, Chile.

Investment Highlights

A 2019 PFS, for which costs were updated in 2023, outlined a 60,000 tpd heap-leach operation. Based on NBF Estimates, Filo del Sol is expected to produce 60,000 tonnes of copper annually at a C1 cash cost of US \$0.55/lb (net of gold/silver credits) over an estimated 16-year mine life beginning in 2032. We model US\$1.8 bln of initial capital costs for the project funded through project debt, sale of a gold/silver stream and equity financing.

Over the past two years, Filo Mining has reported significant drill results highlighting four distinct mineralized clusters (Aurora Zone, Oxide Zone (PFS), Porphyry and an Epithermal Au-Ag-Cu). These exploration results identify a resource target well in excess of its previously defined 1.2 - 1.6 bln tonnes with grades in the range of 0.7% - 1.0% CuEq.

There are many promising yet untested exploration targets at Filo del Sol over its ~9 km strike, of which all five kilometres that have been tested so far have been mineralized. We expect exploration drilling to continue to extend this mineralization.

Risk Factors

Filo is exposed to the typical risks associated with exploration and development stage companies, including regulatory risk, commodity price risk, the risk of rising input costs and labour disputes, as well as financing and/or dilution risk. We ascribe a Speculative risk rating given the company's status as an exploration/development company, where several de-risking initiatives including further exploration efforts, technical reports, permitting, funding and development milestones are to be achieved.

Valuation

Our target price is based on a 0.70x multiple to our fully-financed project NAV plus corporate adjustments.

STOCK DATA

52-Week High and Low (\$)	28.11-14.01
Dividend per Share (\$)	0.00
Dividend Yield (%)	0.0
Shares Outstanding (Mln)	130.1
Market Capitalization (\$MIn)	2,497.1
Enterprise Value (\$MIn)	2,309.9

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
NAVPS (C\$)		49.13	
P/NAV (x)		0.39	

All figures in C\$ unless otherwise noted

Source: Company Reports, NBF Estimates and Refinitiv

STOCK PERFORMANCE (Source: FactSet)



RISK RATING: Speculative



Commercial & Professional Services Industry Rating: Underweight (NBF Economics & Strategy Group) October 3, 2023

GFL Environmental Inc.

GFL STOCK RATING TARGET EST. TOTAL RETURN
(TSX; NYSE) Outperform C\$55.00 29.5%

C\$42.54; US\$31.03

Company Profile

GFL Environmental provides waste management services that include the collection, transportation, processing, recycling and disposal of solid and liquid waste as well as remediation of soils along with complementary services such as shoring, excavation and demolition. The company offers its services to a wide array of customers across the U.S. and Canada.

Investment Highlights

A diversified essential service provider: GFL is the fourth largest within the fragmented North American environmental services industry, with a diversified revenue stream spread across two countries and multiple segments. GFL generates >80% of its revenue in the \$75 bln solid waste segment. The top four waste players make up ~45% of industry revenues.

Non-core divestitures fuel deleveraging: GFL has completed its targeted non-core divestitures in its U.S. Solid Waste segment. The transactions resulted in gross proceeds of more than \$1.6 bln (~\$1.3 bln net of cash tax and deal costs), allowing the company to reduce net leverage to 4.18x and focus on densifying its existing footprint with M&A to complement organic growth. This, in conjunction with FCF guidance of ~\$700 mln this year, should help to bring net leverage below 4x by year-end, closer to the peer group average of 2.7x.

RNG pipeline grows, with more to come: GFL progressed on its RNG pipeline and is now evaluating 21 RNG project opportunities. Of the total, GFL now has agreements in place at five landfills with seven sites under active negotiation and nine projects in the request for proposal stage. As GFL's investments in RNG progress, we could see more upside to our forecasts.

Risk Factors

GFL faces risk from rising interest rates, changing government regulations and commodity prices, more specifically, diesel fuel and natural gas that power its fleet vehicles. GFL could retain cash flows to fund internal growth or acquire other businesses, as a result, returns from accretion may not materialize.

Valuation

Our target is based on a DCF with a 7.50% discount rate and a ~15x EV/EBITDA multiple on 2023E.

STOCK DATA

52-Week High and Low (\$)	50.56-31.57
Dividend per Share (\$)	0.07
Dividend Yield (%)	0.2
Market Capitalization (\$MIn)	17,431.1
Net Debt (\$MIn)	7,805.8
Enterprise Value (\$MIn)	25,236.9

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Revenue (\$MIn)	6,761.3	7,511.4	7,905.4
Revenue Growth Y/Y (%)	22	11	5
Adj. EBITDA (\$MIn)	1,722.0	1,998.9	2,200.2
Adj. EBITDA Margin (%)	25.5	26.6	27.8
Adj. EV/EBITDA (x)	14.7	12.9	11.7
Free Cash Flow (\$MIn)	691.3	688.4	893.9
FCF / Share (\$)	1.80	1.77	2.28

All figures in C\$ unless otherwise noted

Source: Company Reports, Refinitiv and NBF Estimates



Insurance
Industry Rating: Market Weight (NBF Economics & Strategy Group)
August 10, 2023

Great-West Lifeco Inc.

GWO (TSX) STOCK RATING TARGET EST. TOTAL RETURN
C\$40.27 Sector Perform C\$40.00 4.5%

Company Profile

GWO is a Canadian financial services holding company that is headquartered in Winnipeg, Manitoba. It is the third-largest Canadian lifeco by market capitalization and provides life insurance, wealth management and reinsurance products to clients in the United States, Canada and Europe. Power Financial Corporation — a Canadian financial services holding company — owns the majority of GWO (67% ownership of common shares), which, in turn, is majority-owned by the holding company, Power Corporation of Canada (66% ownership of common shares).

Investment Highlights

Investment performance drives the beat

GWO reported base EPS of \$0.99, ahead of our \$0.90 forecast and \$0.90 consensus. The beat was driven by investment income (+3c) and higher fee and spread income (+5c). Investment performance and spread income outperformance was largely in the U.S. segment.

U.S. segment boosted by higher spread income

In USD, earnings jumped 55%. The biggest driver was a nearly 70% jump in spread and fee income. Separately, run-rate synergies related to the Prudential acquisition have hit US\$57 mln, with the full US\$180 mln annualized run-rate expected by Q1/24.

Canadian performance suppressed by claims "normalization"

GWO's Canadian business reported a 17% Y/Y decline in profits. The hardest hit was the Group business, which saw profits fall 23%. The company cited "health claims returning to pre-COVID levels" as a primary factor, evidenced by \$11 mln of experience losses this quarter, compared to \$46 mln of gains in the prior year.

Risk Factors

Macroeconomic volatility, especially sharp declines in long bond yields or equity markets. Book value changes and/or actuarial reserve deficiencies that may negatively impact regulatory capital.

Valuation

Our \$40 target is derived via applying a 10x P/E and a 1.5x P/BV multiple on our 2024E estimates (equally weighted).

STOCK DATA

37.69-27.99
2.08
5.1
932.3
37,710.0

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Core EPS (\$)	3.56	3.79	4.15
% Growth (of Core EPS)		7	9
Previous Core EPS (\$)		3.60	4.03
% Change		4	3
Dividend / Share (\$)	1.96	2.08	2.20
Book Value / Share (\$)	23.27	24.03	25.76
Price / Book (x)	1.7	1.7	1.6
Price / Core Earnings (x)	11.4	10.7	9.7
Core Earnings (\$)	3,318	3,535	3,869

All figures in C\$ unless otherwise noted

Source: Refinitiv; Company financials; NBF analysis





Diversified Financials Industry Rating: Market Weight (NBF Economics & Strategy Group) August 16, 2023

IGM Financial Inc.

IGM (TSX) STOCK RATING TARGET EST. TOTAL RETURN C\$38.46 Outperform C\$47.00 28.1%

Company Profile

IGM Financial Inc. is a leading wealth and asset management company in Canada. Through its operating brands IG Wealth, Mackenzie and Investment Planning Counsel, IGM boasts over \$260 bln in AUM&A.

Investment Highlights

We believe IGM will deliver strong earnings growth and valuation upside. That said, we expect risks to AUM levels to remain elevated in the nearterm given the market uncertainty. Ultimately, we believe IGM's robust growth strategies will offset these headwinds in the longer-term.

Strong Industry Tailwinds: Investment fund AUM has more than doubled over the past 10 years, increasing at a CAGR of ~10%. Looking ahead, Investor Economics forecasts financial assets will grow from \$4.4 trillion in 2018 to \$7.7 trillion in 2028. A conservative CAGR of 6% in our opinion, particularly given results of the past decade. Long-term investment funds will increase at a 7% CAGR to \$3.3 trillion from \$1.7 trillion in 2018.

Wealth and Asset Management momentum: IG Wealth momentum is driven by a refocused strategy which has manifested in improved consultant productivity and growth in HNW assets and managed solutions. Asset Management momentum is driven by strong fund performance in top quartiles, improving advisor perception and product innovation. The acquisition of Greenchip (Sustainable, Responsible, and Impact Investing) and Northleaf (Private Investments) and ownership stakes in China AMC show IGM's ability to strategically deploy capital in growing trends.

Valuation and LT earnings upside from high-growth strategic investments: IGM holds ownership stakes in companies focused on rapidly growing areas of the investment world: China AMC (China AUM expected to triple by 2025), Wealthsimple (AUM to increase 4-5x by 2025) and Northleaf (private credit-focused AUM growing at a 16% CAGR).

Risk Factors

Liquidity/funding risk, credit risk, market risk, operational risk, regulatory risk, market corrections, household dissaving and investor sentiment.

Valuation

Our Price Target is based on a i) ~9.5x P/E multiple on IGM's Wealth Management business, ii) ~9.5x P/E multiple on IGM's Asset Management business, and iii) the carrying/fair value for holdings within the Strategic Investments vertical.

STOCK DATA

52-Week High and Low (\$)	43.97-33.45
Dividend per Share (\$)	2.25
Dividend Yield (%)	5.9
Shares Outstanding (Mln)	238.0
Market Capitalization (\$MIn)	9,154.9

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Revenue (\$MIn)	3,032.6	3,088.6	3,325.0
Net Earnings (\$MIn)	867.2	959.7	960.7
Adj. EBITDA (\$MIn)1	1,294.8	1,320.1	1,432.1
Y/Y growth (%)	(6)	2	8
Adj. EPS (\$)	3.63	3.57	4.03
EPS Y/Y Growth (%)	(10.28)	(1.55)	12.71
P/E (x)	10.6	10.8	9.6
ROE (%)2	14.3	13.6	14.6
Book Value / Share (\$)	25.50	26.69	28.49
Dividend / Share (\$)	2.25	2.25	2.25
Payout Ratio (%)	73	69	67

All figures in C\$ unless otherwise noted

Source: Refinitiv, Company Reports and NBF

- 1. Diluted
- 2. Adjusted



Food & Staples Retailing Industry Rating: Overweight (NBF Economics & Strategy Group) July 31, 2023

Loblaw Companies Limited

STOCK RATING TARGET EST. TOTAL RETURN L (TSX) C\$117.00 Outperform C\$142.00 22.9%

Company Profile

Loblaw is the largest food retailer in Canada. Loblaw has a multi-banner, multi-format strategy and operates conventional, superstore and discount stores. Loblaw also operates Shoppers Drug Mart, which is the largest drug retailer in Canada.

Investment Highlights

Financial framework intact though H2 trends will moderate

(1) Food Retailing (FR) tonnage was flattish overall (positive in discount and negative in conventional). Food store CPI of 9.1% implies real sssg of -3.0%, improving vs. -7.4% in Q1. (2) L expects sequential moderation in H2/23 Retail sssg as it cycles tough comparisons; we model H2/23 sssg of 3.3% in FR and 3.5% in Drug Retailing (DR; H1/23 was 4.6% in FR and 6.6% in DR). (3) Retail gross margin contracted 30 bps y/y to 31.1% vs. NBF at 31.4% primarily due to shrink and cost inflation. L noted over \$1 bln in price increase requests YTD (2x normal levels). (4) L is focussed on SG&A growth y/y to offset gross margin pressure; we model F23 SG&A growth 4.5% below sales growth of 5.0% y/y.

Maintaining our thesis

(1) Our estimates are largely unchanged. In our view, the backdrop is largely stable and conducive for L to achieve its financial framework (8%+ EPS growth). A key consideration is sector rotation into securities with more economic leverage. (2) We recommend L as our preferred grocer, supported by several key themes: (a) Anticipated continued strong execution; (b) Continued EPS growth (low double-digit expected in 2023 and 8%+ thereafter) supported by operational improvement and share repurchases; and (c) The ability to pass on elevated food inflation coupled with solid performance in drug store.

Risk Factors

We believe that the largest risks for Loblaw are industry conditions and execution. In particular, elevated industry competition, minimum wage increases and regulatory litigation are currently visible headwinds.

Valuation

We value L at 8.5x our 2024/25 Retail EBITDA and 8.0x our 2024/25 Financial EPS.

STOCK DATA

52-Week High and Low (\$) 127	.19-105.57
Dividend per Share (\$)	1.74
Dividend Yield (%)	1.5
Shares Outstanding (Mln)	322.5
Market Capitalization (\$MIn)	37,674.5
Enterprise Value (\$MIn)	53,957.5

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Revenue (\$MIn)	56,504.0	59,325.1	60,828.0
Adj. EBITDA (\$MIn)	6,181.0	6,612.3	6,804.4
Adj. EBIT (\$MIn)	3,883.0	4,218.2	4,363.1
Adj. Net Income (\$MIn)	2,263.0	2,408.7	2,523.7
Adj. EPS (\$)	6.82	7.52	8.14
Dividend / Share (\$)	1.58	1.74	1.90
P/E (x)	17.1	15.5	14.4
EV/EBITDA (x)	8.7	8.2	7.9

All figures in C\$ unless otherwise noted

Source: Company Reports, Refinitiv and NBF



Gold Industry Rating: Overweight (NBF Economics & Strategy Group) July 24, 2023

Lundin Gold Inc.

LUG (TSX) STOCK RATING TARGET EST. TOTAL RETURN
C\$18.24 Sector Perform C\$21.00 18.4%

Company Profile

Lundin Gold is a single-asset gold producer with a head office in Vancouver. It owns 100% of the Fruta Del Norte gold-silver mine, located in southern Ecuador.

Investment Highlights

Following commercial production declared in February 2020, the Fruta Del Norte Mine has been delivering sound operations and throwing off elevated FCF, offering quick deleveraging. The Fruta Del Norte mine is a world-class asset with a sizable ~10 mln oz resource endowment and ~14-year mine life based on reserves. In 2021, throughput was expanded from 3,500 tpd to 4,200 tpd.

Risk Factors

The company is exposed to normal risks associated with any mining company. These include permitting, commodity price, technical, exchange rate, political and financial risk.

Valuation

Our target is based on 7.0x EV/EBITDA NTM.

STOCK DATA

52-Week High and Low (\$)	17.63-7.80
Dividend per Share (\$)	0.54
Dividend Yield (%)	3.3
Shares Outstanding (Mln)	236.1
Market Capitalization (\$MIn)	4,306.0
Enterprise Value (\$MIn)	4,368.0

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Gold Price (\$/oz)	1,780	1,975	2,015
Au Production (koz)	476	491	467
AISC (\$/oz)	805	865	812
Adj. EPS (\$)	0.62	1.04	1.10
CFPS (\$)	1.88	1.95	1.90
Free Cash Flow (\$MIn)	269.4	192.9	327.5

All figures in C\$ unless otherwise noted

Source: National Bank Financial, Refinitiv and Company Reports

STOCK PERFORMANCE (Source: FactSet)



RISK RATING: Speculative



Diversified Metals & Mining Industry Rating: Market Weight (NBF Economics & Strategy Group) August 3, 2023

Lundin Mining Corporation

LUN (TSX) STOCK RATING TARGET EST. TOTAL RETURN
C\$11.40 Sector Perform C\$11.50 4.0%

Company Profile

Lundin Mining is a Canadian-based mining company with operations in Europe (Neves-Corvo, Zinkgruvan), Chile (Candelaria), Argentina (Josemaria), Brazil (Chapada), and the United States (Eagle). Lundin offers investors leverage to copper and zinc prices from a stable operating base and growth via brownfield expansion opportunities at its existing operations.

Investment Highlights

With the acquisition of 51% of the Caserones project in Chile, copper production is set to grow ahead of a development decision at Josemaria anticipated later this year. Upcoming catalysts include exploration updates at Chapada and completion of the Neves-Corvo ZEP. We ultimately expect Lundin to leverage its expertise to advance exploration /expansion at Chapada similar to Candelaria.

With these expansion plans, we see leverage increasing to ~1.0x EBITDA by year-end, before the majority of Josemaria spending starting in 2025. Lundin has implemented a base dividend of C\$0.09/share quarterly as well as a semi-annual performance dividend (C\$0.11/share for H1/22, with no performance dividend in H2) determined by a minimum of 40% of available cash flow less regular dividend payments.

Risk Factors

Lundin is exposed to the typical risks associated with mining companies, including commodity price risk, currency risk, input costs/labour dispute risk as well as technical and financial risk.

Valuation

Our Sector Perform rating stems from recent negative news regarding softer three-year operating outlook which has been reflected in the share price. Going forward, we do not anticipate any material catalysts until an updated technical report on Josemaria in Q4. LUN has a deteriorated near-term FCF outlook and risks associated with advancing Josemaria in the current inflationary environment, as precedent projects have all seen capital cost increases of ~20-30% throughout development. Where our cautious outlook could be wrong is continued support from elevated copper prices throughout 2023, and/or a significant transaction/partnership agreement at Josemaria; however, we wouldn't anticipate any transaction ahead of the updated technical report in H2/23. Our target price is based on multiples of 0.95x NAV (50%) + 6.0x EV/2024E CF (50%).

STOCK DATA

52-Week High and Low (\$)	11.93-6.24
Dividend per Share (\$)	0.36
Dividend Yield (%)	3.2
Shares Outstanding (Mln)	772.8
Market Capitalization (\$Mln)	8,810.4
Net Debt (\$MIn)	224.8
Enterprise Value (\$MIn)	6,518.6

52-week High/Low, Dividend, and Market Capitalization are in C\$

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Cu Production (t)	219,250	250,435	298,511
Zinc Production (t)	158,938	183,866	217,166
Gold Production (k oz)	141	132	140
Revenue (\$MIn)	3,041.2	3,040.4	3,546.7
EBITDA (\$MIn)	1,292.5	1,162.0	1,352.7
Adj. Net Income (\$MIn)	482.8	337.7	396.2
Operating CF - Before W/C (\$MIn)	869	929	1,175
Adj. EPS (\$)	0.63	0.44	0.51

All figures in C\$ unless otherwise noted

Source: NBF, Company Reports and Refinitiv





Consumer Services Industry Rating: Underweight (NBF Economics & Strategy Group)
October 3, 2023

MTY Food Group Inc.

MTY (TSX) STOCK RATING TARGET EST. TOTAL RETURN C\$56.54 Outperform C\$70.00 25.5%

Company Profile

MTY Food Group Inc. is among North America's leading franchisors in the restaurant industry; activities consist of franchising and operating corporate locations in the quick service and casual dining segments.

Investment Highlights

Industry data incrementally more challenging

(1) Our review of select indicators points to moderation of trends in Canada and in the U.S. (2) Canada real restaurant growth outpaces real food store growth, although this gap has narrowed since Q1/F21; the gap has closed in the U.S. (3) Traffic trends suggest cautious behaviour (industry data), more so in the U.S. (4) In June/July 2023, U.S. food inflation at home continued to lag restaurant menu inflation, which we consider to be incrementally negative. (5) QSR, which represents 80% of MTY's store count, is expected to remain more resilient than casual dining.

Network stability, sssg in focus; QSR peers report good trends

(1) We expect the market to be focused on MTY's store footprint. We model net neutral organic store openings. (2) We model consolidated sssg of 3.0%, a sequential slowdown versus 4.7% in Q2/F23. (3) Our analysis of peer commentary indicates: (i) a continuation of trade down; (ii) expectations of food inflation to moderate further; (iii) a focus on a digital strategy to drive profitable growth and enhance the customer experience; and, (iv) expectations of a negative impact from a resumption in student loan repayments.

Risk Factors

The largest risks, in our view, are potential deterioration in organic performance, poor execution at the corporate/franchise level, changes in consumer tastes/preferences, a strategic evolution that may not deliver intended results (a gradual shift towards casual dining and new markets), potential escalating acquisition prices and possible poor acquisition integration/adherence to brand values. In addition, given the discretionary nature of the restaurant segment, we would anticipate pressure on MTY's performance if the economic backdrop weakens.

Valuation

We value MTY at 9.25x our F24/F25 EBITDA.

STOCK DATA

52-Week High and Low (\$)	73.50-49.50
Dividend per Share (\$)	1.00
Dividend Yield (%)	1.7
Shares Outstanding (Mln)	24.5
Market Capitalization (\$MIn)	1,432.3
Enterprise Value (\$MIn)	2,335.6

NBCFM ESTIMATES & VALUATION

Fiscal Y/E November	2022A	2023E	2024E
Revenue (\$MIn)	716.5	1,206.3	1,254.6
Adj. EBITDA (\$MIn)	187.4	267.2	275.3
Adj. EBIT (\$MIn)	151.9	208.5	214.5
Adj. Net Income (\$MIn)	74.8	79.8	78.5
EPS - Diluted (\$)	3.06	3.26	3.21
Dividend / Share (\$)	0.84	1.00	0.98
EV/EBITDA (x)	12.5	8.7	8.5

All figures in C\$ unless otherwise noted

Source: Company Reports, Refinitiv and NBF





Information Technology Industry Rating: Market Weight (NBF Economics & Strategy Group) August 9, 2023

Nuvei Corporation

NVEI STOCK RATING TARGET EST. TOTAL RETURN (NASDAQ; TSX) Outperform US\$27.00 46.5% US\$18.70; C\$25.12

Company Profile

Nuvei Corporation is a Canada-based global provider of payment technology solutions to merchants and partners in North America, Europe, Asia Pacific and Latin America. Nuvei differentiates itself through its proprietary technology platform, which is purpose-built for high-growth mobile commerce and eCommerce markets. Nuvei's solutions span the entire payments stack and include a fully integrated payments engine with global processing capabilities, a turnkey solution for frictionless checkout experiences and a broad suite of data-driven business intelligence tools and risk management services.

Investment Highlights

Nuvei targets high-growth markets from eCommerce to Gaming. At its core, Nuvei enables checkout that's surrounded by a broad suite of related payment solutions from analytics to risk management. With 50,000 customers, a key success factor in the payments market is breadth and from this perspective, Nuvei accepts payments in over 204 global markets and nearly 150 currencies while allowing its merchants' customers to transact across 571 alternative payment methods ("APMs").

What's our Investment Thesis?

In our opinion, Nuvei's edge comes from its ability to make the payment process simple and frictionless for its customers. That comes from the technology prowess built into its proprietary platform that's supported by a high level of customer support service that was prominently noted in our discussions with customers. It's the combination of the above and targeted growth markets that suggests a long-growth runway. In short:

- 1. Secular Shift in Payment Is a Tailwind
- 2. Disruptive Player in Payments;
- 3. Outsized Growth relative to the Sector

Risk Factors

1. Competitive Threat; 2. Technical / Infrastructure Risk; 3. Confidentiality Breach Risk; 4. Acquisition / Integration Risk.

Valuation

Our DCF-based target of US\$27 implies an EV/EBITDA of 10.2x on F2024E.

STOCK DATA

52-Week High and Low (\$)	43.81-23.71
Dividend per Share (\$)	0.40
Dividend Yield (%)	2.1
Shares Outstanding (Mln)	138.8
Shares Outstanding - FD (Mln)	143.5
Market Capitalization (\$MIn)	2,684.2
Net Debt (\$MIn)	1,157.1
Enterprise Value (\$MIn)	3,841.3

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Revenue (\$MIn)	843.3	1,194.5	1,405.3
Adj. EBITDA (\$Mln)	351.3	424.2	492.5
Adj. EPS (\$)	1.86	1.60	2.08
CFO (\$MIn)	268	312	400
Free Cash Flow (\$MIn)	219.3	259.1	335.5
FCF / Share (\$)	1.53	1.81	2.34
EV/Sales (x)	4.6	3.2	2.7
EV/EBITDA (x)	10.9	9.1	7.8
P/E (x)	10.0	11.7	9.0
P/FCF Per Share (x)	12.2	10.4	8.0

All figures in US\$ unless otherwise noted

Source: NBF, Company Reports and Refinitiv





Oil, Gas & Consumable Fuels Industry Rating: Market Weight (NBF Economics & Strategy Group) August 2, 2023

Paramount Resources Ltd.

POU (TSX) STOCK RATING TARGET EST. TOTAL RETURN C\$31.12 Outperform C\$40.00 33.4%

Company Profile

Paramount Resources is an intermediate-sized, E&P company primarily focused on liquids-rich natural gas opportunities in the Montney and Duvernay across the Deep Basin in Alberta. The company is led by an accomplished Board of Directors and seasoned management team, which includes industry veteran President & CEO, James Riddell.

Investment Highlights

POU has a portfolio of liquids-rich resource plays through the development of its high-quality Montney and Duvernay assets, including its Wapiti and Karr flagship assets, which backstop corporate sustainability. In addition, the company pursues long-term exploration and pre-development plays and holds a portfolio of investments in other oil and gas companies, including a wholly-owned drilling company.

Asset Highlights

POU's operating assets are concentrated across the Alberta Deep Basin and categorized into the Grande Prairie, Kaybob, Central Alberta and Other.

Grande Prairie: POU's Grande Prairie play is located south of Grande Prairie within the liquids-rich Deep Basin Montney trend, with a primary focus at the Karr and Wapiti regions. Near-term focus is harvesting the maturing asset base through realizing significant free cash.

Kaybob: POU's Kaybob play is located near Grande Prairie and includes a material land position that is increasingly being de-risked. Near-term focus remains on operational excellence and improving the cost structure to that of its Wapiti/Karr asset.

Central Alberta/Other: These assets encompass the Willesden Green and shale gas holdings in the Horn River Basin in NEBC.

Risk Factors

Commodity price fluctuations, sourcing adequate labour and services, reserve estimates, regulatory, financing and key employee risk are the major risk factors applicable to Oil & Gas companies.

Valuation

Our \$40/sh target price is predicated on a methodology that solely reflects a cash flow multiple and is correlated to an asset value perspective. For Paramount, our target price is based on a 2024e EV/DACF multiple of 4.5x.

STOCK DATA

52-Week High and Low (\$)	33.47-21.46
Dividend per Share (\$)	1.50
Dividend Yield (%)	4.8
Shares Outstanding (Mln)	143.1
Shares Outstanding - FD (Mln)	149.6
Market Capitalization (\$MIn)	4,655.9
Enterprise Value (\$MIn)	4,708.1

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Total Boe/d (6:1) boe/d	88,672	96,500	115,000
% Nat Gas	55	54	52
WTI (\$/bbI)	94.43	77.50	75.00
CF Netback (\$/boe)	36.18	27.59	30.39
CFPS (\$)	7.97	6.51	8.55
Cash Flow (\$MIn)	1,171	972	1,279
Capex (\$MIn)	684	467	797
Net Payout (%)	70	118	80
FCF Yield (%)	8.1	(3.8)	5.5
EV/DACF (x)	3.9	4.8	3.5
D/CF (x)	0.1	0.1	(0.2)

All figures in C\$ unless otherwise noted

Source: NBF Estimates, Company Reports and Refinitiv



Insurance
Industry Rating: Market Weight (NBF Economics & Strategy Group)
August 17, 2023

Power Corporation of Canada

POW (TSX) STOCK RATING TARGET EST. TOTAL RETURN C\$37.84 Sector Perform C\$42.00 16.5%

Company Profile

Power Corporation of Canada is a holding company that focuses on financial services. The company owns leading insurance, retirement, wealth management and investment franchises in North America, Europe and Asia. Over 80% of POW's gross asset value is in publicly traded companies, including Great-West Lifeco Inc., IGM Financial Inc. and Groupe Bruxelles Lambert NV. Pansolo Holding Inc., a holding company controlled by the Desmarais Family Residuary Trust, owns shares that control over 50% of the voting interest in POW.

Investment Highlights

Discount to NAV Appears Attractive Historically: As a holding company, we are primarily focused on POW's discount to NAV. POW currently trades at a \sim 24% discount to NAV vs. the one and five-year averages of \sim 22% and \sim 27%, respectively. The discount to NAV narrowed to a low of \sim 16% in mid-2022.

Opportunities to Increase NAV and Narrow the Discount: we believe POW will deliver NAV upside and ultimately a narrowing of the discount. In our view, further simplification of the business model, a re-rate of operating company valuations, and realizing value on standalone businesses and other investments (e.g., Wealthsimple, Lion Electric) will drive near-term NAV upside. Longer term, we see upside from growth in the alternative asset management platform.

Outperformance hinges on GWO: We recognize that POW upside remains heavily dependent on a re-rate of GWO shares (~60% of POW's GAV); however, consensus is largely muted on the GWO outlook with eight "Hold" ratings against only one "Buy" rating.

Risk Factors

Main risks include i) a widening discount to NAV; ii) concentration in financial services, which could lead to more volatility related to macro factors, regulatory changes, and overall competitive markets (particularly in Canada); and iii) controlling ownership structure.

Valuation

Our price target is based on a 21% discount to our estimate of net asset value, one year forward. We rate POW shares Sector Perform given that stronger total returns exist elsewhere in our coverage universe.

STOCK DATA

52-Week High and Low (\$)	38.98-29.76
Dividend per Share (\$)	2.10
Dividend Yield (%)	5.5
Shares Outstanding (Mln)	664.0
Market Capitalization (\$MIn)	25,127.4

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022E	2023E	2024E
Net Earnings (\$MIn)1	1,836.5	2,778.1	2,999.5
Adj. EPS (\$)2	2.73	4.17	4.52
EPS Y/Y Growth (%)	(42.54)	53.07	8.39
ROE (%)3	8.3	13.1	13.5
Book Value / Share (\$)	31.37	32.48	34.83
Dividend / Share (\$)	1.98	2.10	2.10
Payout Ratio (%)4	73	50	46
Payout Ratio (on FCF)	104	107	97
(%)			

All figures in C\$ unless otherwise noted

Source: Refinitiv, Company Reports and NBF

- 1. Adjusted
- 2. Diluted
- 3. Adjusted ROE (LTM)
- 4. Payout on Adjusted EPS





Communication Services Industry Rating: Overweight (NBF Economics & Strategy Group) August 11, 2023

Quebecor Inc.

QBR.B (TSX) STOCK RATING TARGET EST. TOTAL RETURN C\$32.49 Outperform C\$41.00 29.9%

Company Profile

Quebecor Inc. (QBR) serves as the holding company for privately-held Quebecor Media (QMI). Quebecor Media comprises three segments: Telecom under which Vidéotron and Freedom operate, Media which contains TVA, and Quebecor's newspaper operations and Sports & Entertainment.

Investment Highlights

Leveraging cable asset which anchors story along with growing wireless unit. Quebecor is a media and telecom powerhouse in Quebec, dominating the cable, TV and publishing markets in the province. Capitalizing on its cable platform and broadcasting content from TVA, the company enjoys a market leadership position through its Vidéotron business unit which has been further complemented by its mobile network since late 2010. While secular challenges continue to impact its Media operations, diversification through acquisitions and restructuring help to mitigate top-line pressures.

Vidéotron remains the company's source of free cash flow. Vidéotron has expanded its product suite in recent years with Helix, X1-based IPTV platform, and Fizz Internet, a broadband complement to Fizz Mobile. Household ARPU had been moving up driven by Vidéotron's focus on selling the bundle and leveraging its unique French-language content, but a focus on Bring-Your-Own-Device subscribers has tempered ABPU growth. In 3Q18, Vidéotron launched Fizz Mobile, a self-serve wireless flanker brand that has been successful in stimulating subscriber loading and helped push Vidéotron's wireless gross add share over 30% each quarter since 1Q19 and its wireless market share in Quebec to ~23%. Wireless expansion outside of Quebec began after the purchase of Freedom which closed April 3, 2023.

Risk Factors

Customers may look to rationalize services or pursue less expensive options during economic downturns. The company has a high concentration in Quebec. Regulatory risk exists as the Canadian government looks to assist wholesalers & new entrants and reduce pricing in wireless and broadband. Bell continues its fibre rollout to improve its competitive positioning in wireline where it's been able to take share. Cord-cutting/shaving has increased in the face of streaming.

Valuation

QBR is rated Outperform with a \$41.00 target. Our target's based on the 2024E metric in our NAV, implying EV/EBITDA of 7.3x 23E and 6.7x 24E.

STOCK DATA

52-Week High and Low (\$)	35.61-23.85
Dividend per Share (\$)	1.20
Dividend Yield (%)	3.7
Shares Outstanding (Mln)	230.9
Market Capitalization (\$MIn)	7,510.0
Enterprise Value (\$MIn)	16,049.0

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Revenue (\$MIn)	4,531.9	5,484.1	5,995.6
EBITDA (\$MIn)	1,934.5	2,250.0	2,478.5
EBITDA Margin (%)	42.7	41.0	41.3
Adj. EPS (\$)	2.66	2.89	3.33
P/E (x)	12.2	11.3	9.8
EV/EBITDA (x)	7.2	6.5	5.9
Free Cash Flow (\$MIn)	783.2	952.5	989.1
FCF / Share (\$)	3.33	4.12	4.28
FCF Yield (%)	10.2	12.7	13.2
Capex (\$MIn)	487	638	746
Capex Intensity (%)	10.7	11.6	12.4
Net Debt / EBITDA (x)	3.3	3.4	2.8

All figures in C\$ unless otherwise noted

Source: Company reports, Refinitiv, and NBF estimates





Communication Services Industry Rating: Overweight (NBF Economics & Strategy Group) October 4, 2023

Rogers Communications Inc.

RCI.B / RCI STOCK RATING TARGET EST. TOTAL RETURN (TSX; NYSE) Outperform C\$80.00 61.3% C\$50.81; US\$38.39

Company Profile

Rogers is a Canadian communications and media company providing a wide range of services including wireless, cable TV, Internet, and telephony for residential and business customers, while owning conventional & specialty TV, radio, publishing, online and sports assets. It is the largest national wireless carrier and the largest cable operator in Canada.

Investment Highlights

Strong Wireless loading driving continued growth. While Rogers is capitalizing on growing smartphone penetration and immigration, it previously ceded industry-low churn to Telus. That said, postpaid churn improved steadily 2015-2021. Rogers led the industry move to Unlimited plans & EIPs in mid-2019, with faster adoption than anticipated. Metrics began improving in 2H21 after the J-curve had run its course.

Cable in Ontario is being impacted by Bell's fibre rollout but margins have been improving. Rogers has been ceding share to its telco rival amidst the latter's evolving fibre rollout. Steps are being taken to improve selling and distribution capabilities to resuscitate top-line growth, while efficiencies have been gained in recent quarters to drive better margins.

Media continues to leverage its sports properties. Despite secular challenges that prompted a shedding of some assets in prior years, the media platform appears to be on a stronger footing post-pandemic even if its full value is not being optimally surfaced.

Shaw integration progressing well. Since closing the \$26.2B deal on April 3, 2023, Rogers remains confident in achieving at least \$1B in synergies within two years, with at least 60% exiting 1Q24. As this occurs, leverage is expected to decline from 5.2x at closing toward 3.5x in 2026.

Risk Factors

Economic growth in Rogers' operating footprint could soften, competitive intensity in Wireless remains high, Cable faces secular issues as well as stronger telco bundles, while cord-cutting and cord-shaving of TV services are headwinds. Regulation and government intervention are also key risks.

Valuation

We rate Rogers an Outperform with a target of \$80. Our target's based on the average of our PF2023E/2024E DCF & 2024E/2025E NAV, with implied EV/EBITDA of 8.9x PF2023E, 8.5x 2024E, and 8.0x 2025E.

STOCK DATA

52-Week High and Low (\$)	67.67-50.53
Dividend per Share (\$)	2.00
Dividend Yield (%)	3.8
Shares Outstanding (Mln)	528.6
Shares Outstanding - FD (Mln)	506.0
Market Capitalization (\$MIn)	27,564.7
Enterprise Value (\$MIn)	71,838.7

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Revenue (\$MIn)	15,396.0	19,318.0	20,926.3
Adj. EBITDA (\$MIn)	6,393.0	8,560.1	9,916.5
Adj. EPS (\$)	3.78	4.14	4.34
P/E (x)	13.8	12.6	12.0
EV/EBITDA (x)	7.7	7.4	7.0
Free Cash Flow (\$MIn)	1,773.0	2,330.2	2,945.5
FCF / Share (\$)	3.51	4.61	5.57
FCF Yield (%)	6.7	8.8	10.7
Capex (\$MIn)	3,075	3,902	4,003
Capex Intensity (%)	20.0	20.2	19.1
Net Debt / EBITDA (x)	3.1	5.1	4.3

All figures in C\$ unless otherwise noted

Source: Company reports, Refinitiv and NBF estimates



Food Products Industry Rating: Overweight (NBF Economics & Strategy Group) August 16, 2023

Saputo Inc.

SAP (TSX) STOCK RATING TARGET EST. TOTAL RETURN C\$27.82 Outperform C\$36.00 32.0%

Company Profile

Saputo produces, markets and distributes food products, primarily dairy, including cheese, fluid milk, and dairy ingredients. The company has grown over 50 years from a family-run business to become a leading dairy processor in the world.

Investment Highlights

F2025 EBITDA target deferred; Growth expected in F2024

(1) Management deferred the timeline to achieve its previously indicated F2025 adjusted EBITDA target of \$2.125 billion, citing unprecedented volatility; we do not consider this information to be new for the market as it was suggested last quarter. (2) SAP continues to expect a year of organic growth in F2024. Market data suggests that USA sector trends have bottomed in Q1/F24, although we acknowledge heightened volatility.

Backdrop volatility overshadowing business improvement

(1) Fundamentally, we see significant operational improvement over the next 2+ years associated with continuous improvement and numerous network optimization initiatives (automation/ digital /rationalization) - this represents ~\$200 mln in F2024 and over \$200 mln in F2025, albeit partially offset by market conditions and volumes. (2) That said, we recognize that investor questions on SAP's ability to achieve targets and deliver relatively consistent growth have intensified, particularly given heightened commodity volatility. We believe that attractive valuation sufficiently compensates the investor.

Risk Factors

The dairy industry is subject to agriculture commodity and government regulatory risks. Saputo's growing international presence also exposes the company to risk related to foreign currency movements and integration risk related to the company's acquisition-driven growth strategy.

Valuation

We value Saputo at 17.0x our F25/F26 EPS estimate.

STOCK DATA

52-Week High and Low (\$)	37.50-27.19
Dividend per Share (\$)	0.72
Dividend Yield (%)	2.6
Shares Outstanding (Mln)	422.3
Market Capitalization (\$MIn)	11,968.3
Enterprise Value (\$MIn)	15,667.3

NBCFM ESTIMATES & VALUATION

Fiscal Y/E March	2023A	2024E	2025E
Revenue (\$MIn)	17,843.0	17,979.8	18,570.4
Adj. EBITDA (\$MIn)	1,553.0	1,650.6	1,867.7
Adj. EBIT (\$MIn)	1,057.4	1,135.4	1,313.8
Adj. Net Income (\$MIn)	711.0	736.3	881.1
Adj. EPS (\$)	1.70	1.74	2.07
Dividend / Share (\$)	0.72	0.74	0.80
P/E (x)	16.7	16.3	13.7
EV/EBITDA (x)	10.1	9.5	8.4

All figures in C\$ unless otherwise noted

EPS data excludes the amortization of intangible assets.

Source: Company Reports, Refinitiv and NBF





Information Technology Industry Rating: Market Weight (NBF Economics & Strategy Group) October 4, 2023

Shopify Inc.

SHOP STOCK RATING TARGET EST. TOTAL RETURN (NYSE; TSX) Outperform US\$80.00 55.7% US\$51.38; C\$70.44

Company Profile

Shopify Inc. (Shopify) provides a cloud-based, multi-channel commerce platform designed for small and medium-sized businesses. The Company offers subscription solutions and merchant solutions. The Company's software is used by merchants to run their business across all of their sales channels, including Web and mobile storefronts, physical retail locations, social media storefronts and marketplaces. The Shopify platform provides merchants with a single view of their business and customers across all of their sales channels and enables them to manage its business all from one integrated back office.

Investment Highlights

Who is Shopify?

Shopify is a leading technology platform company offering turn-key end-to-end eCommerce solutions. Shopify has more than 2 million merchants using its technology platform. As part of its platform, Shopify offers a comprehensive set of solutions that range anywhere from registering a domain name to a set of templates and tools to create virtual storefronts, all the way to payment processing of credit card transactions.

What's our Investment Thesis?

From a macro perspective, we believe eCommerce is in the early stages of a long growth trajectory as it continues to take share of overall retail sales - no doubt a positive for Shopify. On a more Company-specific level, we continue to see a number of growth avenues for Shopify; namely: 1) International expansion; 2) Increased take-rate with new services; 3) Larger enterprises (Shopify Plus); and 4) POS for SMB retail.

Risk Factors

1. Early stage business; 2. Potential for aggressive competitive response; and 3. Loss of significant customer(s).

Valuation

Our DCF-based target of US\$80 implies EV/Sales of 12.3x on F2024E.

STOCK DATA

52-Week High and Low (\$)	71.43-23.63
Dividend per Share (\$)	0.00
Dividend Yield (%)	0.0
Shares Outstanding (Mln)	1,280.4
Shares Outstanding - FD (Mln)	1,280.4
Market Capitalization (\$MIn)	65,787.3
Net Debt (\$MIn)	(3,860.0)
Enterprise Value (\$MIn)	61,556.3

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Revenue (\$MIn)	5,599.9	6,852.2	8,030.9
Adj. EBITDA (\$MIn)	(41.4)	596.6	809.6
Adj. EPS (\$)	0.04	0.53	0.64
CFO (\$MIn)	(136)	654	801
Free Cash Flow (\$MIn)	(186.5)	609.2	681.4
FCF / Share (\$)	(0.15)	0.48	0.53
EV/Sales (x)	11.0	9.0	7.7
EV/EBITDA (x)	NM	NM	NM
P/E (x)	NM	NM	NM
P/FCF Per Share (x)	NM	NM	NM

All figures in US\$ unless otherwise noted

Source: NBF, Company Reports and Refinitiv





Consumer Durables & Apparel Industry Rating: Underweight (NBF Economics & Strategy Group)
October 4, 2023

Spin Master Corp.

TOY (TSX) STOCK RATING TARGET EST. TOTAL RETURN C\$33.55 Outperform C\$44.00 31.9%

Company Profile

Headquartered in Toronto, Spin Master was founded in 1994 by Anton Rabie, Ronnen Harary, and Ben Varadi. Over the past years, the company's grown to become the fifth largest producer by sales in the toy industry in the United States and a Top 10 player globally. Operating out of 28 offices globally, and with sales in over 100 countries, Spin Master has over 2,000 employees. The Principal Group, made up of Spin Master's three founders, controls 67.2% of the equity and 95.3% of the votes.

Investment Highlights

2023 guidance. TOY's outlook is ex-distribution revs from second *PAW Patrol* movie. It expects GPS to be flat to slightly down, Total Revs to be flat, and Adj. EBITDA margin flat to slightly up. On its 4Q22 call, TOY said it expects \$17M of distribution revs from the movie in 3Q.

Three creative centres: Toy, Entertainment, and Digital Games. The company has been reorganized into three creative centres. The Toy Creative Centre will focus on strategic brand building and licensing efforts. TOY is steadily moving from item-based innovation to infusing innovation into all of its brands to help drive mid-to-high single digit long-term GPS growth. In the Entertainment Creative Centre, TOY strives to add 1-2 new animated series each year. The Digital Games Creative Centre is tapping into the growth of mobile gaming, as it seeks to build playgrounds for creation & play and facilitate community building.

M&A part of strategy, net cash, small dividend introduced 2Q22. Since its IPO in July 2015, 17 acquisitions done (latest HEXBUG Feb. 2023). Steadily rising net cash will help capitalize on bigger M&A opportunities.

Risk Factors

Customer concentration (>10% of GPS) may pose a risk as was the case with the bankruptcy of Toys R Us (~12% of 2017 GPS). Downturns in the economy may dampen toy sales, though COVID restrictions stimulated sales. The success of a single product line could drastically impact the fortunes of a toy company (material exposure to outperformance of *Paw Patrol*). Outsourced manufacturing to Asia (primarily China) may present some risks (e.g. tariffs, geopolitics).

Valuation

Outperform with a Cdn\$44 target. Target is based on 2023E DCF (FX 1.35), with implied EV/EBITDA of 6.5x 2023E & 6.0x 2024E.

STOCK DATA

52-Week High and Low (\$)	46.29-30.63
Dividend per Share (\$)	0.24
Dividend Yield (%)	0.7
Shares Outstanding (Mln)	103.6
Market Capitalization (\$MIn)	2,528.0
Enterprise Value (\$MIn)	1,973.1
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52-Week High and Low and Dividend in C\$.

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Gross Product Sales	1,978.8	1,953.1	1,988.5
(\$MIn)			
Revenue (\$MIn)	2,020.3	2,038.2	2,064.3
Adj. EBITDA (\$MIn)	389.4	415.5	410.5
Adj. EPS (\$)	2.29	1.69	2.36
P/E (x)	10.6	14.5	10.3
EV/EBITDA (x)	5.0	4.4	4.0
Free Cash Flow (\$MIn)	149.9	171.8	219.3
FCF / Share (\$)	1.46	1.66	2.12
FCF Yield (%)	6.0	6.8	8.7
Adj. FCF (\$MIn)	149.9	175.1	219.3
Adj. FCF / Share (\$)	1.46	1.69	2.12
Adj. FCF Yield (%)	6.0	6.9	8.7

All figures in US\$ unless otherwise noted

Source: Company reports, Refinitiv, and National Bank Financial estimates





Diversified Metals & Mining Industry Rating: Market Weight (NBF Economics & Strategy Group) July 28, 2023

Teck Resources Limited

TECK.B / TECK STOCK RATING TARGET EST. TOTAL RETURN (TSX; NYSE) Outperform C\$70.00 26.3% C\$55.81; US\$42.61

Company Profile

Teck Resources is the largest diversified mining company in Canada, with assets located in Canada, the United States, Chile and Peru. Teck is also the world's second-largest exporter of seaborne hard coking coal (HCC).

Investment Highlights

At Quebrada Blanca, first bulk concentrate was produced in March of this year and the project continues to advance, with Line 1 operating as expected and Line 2 in commissioning with full production rates expected by the end of 2023. Total construction capital cost guidance is in a range of US\$8.0 bln - US\$8.2 bln. Teck is advancing a feasibility study for the Quebrada Blanca Mill Expansion and has submitted a permit application in early 2023 with a feasibility study expected to be completed this year. The San Nicolás feasibility study initiated in early 2022 is expected to be completed in early 2024. The agreement with PolyMet creating NewRange Copper Nickel, a 50:50 JV to advance the NorthMet and Mesaba deposits, closed in February 2023. Updates to the NorthMet feasibility study are expected to be complete by H2/24.

After withdrawing a shareholder resolution on a split, Teck will pursue a more simple/direct separation of steelmaking coal from the metals business. We see an improved outlook for the divestiture of the steelmaking coal business given progress on discussions with multiple counter-parties and a softer metallurgical coal price, making a potential transaction more feasible.

Risk Factors

Teck is exposed to the typical risks associated with mining companies, including commodity price risk, currency risk, input costs/labour dispute risk, as well as technical and financial risk.

Valuation

Our Outperform rating takes into account Teck's strong financial performance, robust copper growth pipeline and an improved outlook for the divestiture of the steelmaking coal business given progress on discussions with multiple counter parties and a softer metallurgical coal price. Our target price is based on a multiple of 1.35x NAV (50%) + 7.0x EV/2024 CF (50%).

STOCK DATA

52-Week High and Low (\$)	66.04-33.09
Dividend per Share (\$)	0.50
Dividend Yield (%)	0.9
Shares Outstanding (Mln)	519.9
Market Capitalization (\$MIn)	29,666.1
Net Debt (\$MIn)	5,485.0
Enterprise Value (\$MIn)	34,372.1

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
HCC Production (000 t)	21,500	24,000	25,000
Cu Production (t)	270,400	355,200	570,800
Zinc Production (t)	899,400	932,400	929,300
Revenue (\$MIn)	18,628.0	15,063.4	16,637.8
EBITDA (\$MIn)	9,568.0	6,498.4	7,345.0
Adj. EPS (\$)	9.25	5.27	6.38
Operating CF - Before W/	7,911	5,078	6,098
C (\$MIn)			
CFPS (b/f W/C chgs) (\$)	15.02	9.82	11.73

All figures in C\$ unless otherwise noted

Source: NBF Estimates, Company Reports and Refinitiv





Commercial & Professional Services Industry Rating: Underweight (NBF Economics & Strategy Group) September 7, 2023

Thomson Reuters Corporation

TRI (TSX; NYSE) C\$175.10; US \$126.92

STOCK RATING TARGET Sector Perform C\$186.00 **EST. TOTAL RETURN** 7.8%

Company Profile

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals. Headquartered in Toronto, the company employs more than 24,000 people across the globe. Woodbridge Inc. (controlled by the Thomson Family) owns 325M shares (~69% of equity).

Investment Highlights

Multi-year transformation of company steadily evolving. The 2023 outlook calls for Big 3/Total organic growth 6.5%-7.0%/5.5%-6.0%, respective total growth of 3.5%-4.0%/3.0%-3.5%. Adj. EBITDA margin for Big 3 to ~44% and Total to ~39%. Capex intensity ~8%. FCF ~\$1.8B TRI 3.0 enters its third year with two-year Change Program completed and runrate savings exiting 2022 at \$540M of targeted \$600M, of which \$200M was to be reinvested in growth initiatives. The guidance excludes FX and future M&A. For Q3, organic revs growth is expected at high end of 5.5%-6.0% with margin ~36% (margin seasonality, normalizing of expense timing & higher SurePrep integration costs). Outlook is ex FX and future M&A. Leverage 1.2x (target 2.5x).

Divestiture of LSEG stake being accelerated, \$10B of liquidity by 2025. TRI has sold 55.1M LSEG shares and still owns just shy of 17M (can sell up to an extra ~9M in 2024, & ~8M in 2025). The company remains well positioned to explore further acquisitions, continue with its build/ partner/buy efforts in AI, and contemplate material cash returns to shareholders.

Risk Factors

The company's productivity tools enhance efficiencies of business and government customers; however, an economic downturn can create challenges for clients who are forced to curb spending. The functional currency is USD, so FX is something to keep track of. U.S. employment levels at lawyers' offices and accounting & bookkeeping services will need to be closely watched.

Valuation

Thomson Reuters is rated Sector Perform with a Cdn\$186 target price. Target's based on our 2025E NAV (we apply growth rate to tax-adjusted LSEG stake & 20x EBITDA for Big 3).

STOCK DATA

52-Week High and Low (\$)	185.12-136.02
Dividend per Share (\$)	1.96
Dividend Yield (%)	1.5
Shares Outstanding (Mln)	455.3
Market Capitalization (\$MIn)	58,335.3
Enterprise Value (\$MIn)	61,058.3
52 Wook High and Low in C¢	

52-Week High and Low in C\$

NBCFM ESTIMATES & VALUATION

Fiscal Y/E December	2022A	2023E	2024E
Revenue (\$MIn)	6,627.0	6,809.6	7,174.0
Adj. EBITDA (\$MIn)	2,329.0	2,657.7	2,832.7
Adj. EPS (\$)	2.56	3.30	3.64
P/E (x)	50.1	38.8	35.2
EV/EBITDA (x)	27.8	22.7	21.0
Free Cash Flow (\$MIn)	1,340.0	1,824.3	1,941.3
FCF / Share (\$)	2.83	4.01	4.26
FCF Yield (%)	2.2	3.1	3.3

All figures in US\$ unless otherwise noted

Source: Company reports, Refinitiv and National Bank Financial estimates





Containers & Packaging Industry Rating: Market Weight (NBF Economics & Strategy Group) October 4, 2023

Transcontinental Inc.

TCL.A (TSX) STOCK RATING TARGET EST. TOTAL RETURN
C\$11.23 Sector Perform C\$16.00 50.5%

Company Profile

Transcontinental is one of North America's largest printers, a leader in flyer distribution & becoming the seventh-largest flexible packaging company on the continent. It bought U.S.-based Capri Packaging on May 5, 2014 to add a third leg to its platform, Ultra Flex Packaging (Sept. 30, 2015), Robbie (June 30, 2016), Flexstar (Oct. 17, 2016), Flexipak (Nov. 1, 2017) & Multifilm (March 7, 2018). On May 1, 2018, it acquired Coveris Americas for US\$1.32B. Packaging has since moved to 56% of f2022 revenues & 42% of Adj. EBITDA. The Marcoux family controls 14.6% equity and 71.6% votes.

Investment Highlights

Mix evolving with rising share of segments that offer growth. In f2017, 30% of TCL's \$2.0B of revs were in growth segments. This figure jumped to 73% of \$3.0B in f2022, with Packaging at 56% and 17% or \$493M coming from in-store marketing (ISM), premedia, books & media. TCL believes the \$493M can grow to \$600M-\$700M over the following 3 years, with added help from M&A focused on Packaging, ISM & Media. TCL's objective is to get growth segments contributing >80% of a possibly bigger pie.

Printing volume drop, Packaging destocking/macro. Packaging Q3 Revs fell -9.6% (organic) driven 2/3 by acceleration in destocking and 1/3 by weaker demand due to economy. TCL notes that short-term demand may be impacted by macro conditions (some q/q improvement in early Q4), but Adj. EBITDA should still increase in f2023. As for Printing, Q3 Revs -5.1% (organic) due to lower volume (mostly book and retail flyers). TCL no longer expects that book will grow in f2023 but that ISM will, as it continues to note that cost pressures will drive lower Adj. EBITDA. Leverage at 2.5x (vs. target ~2x) with available liquidity of \$312M. Dividend increases were paused as focus shifted towards deleveraging.

Risk Factors

The key risk facing Transcontinental is evolving secular pressure in print and publishing, with material changes taking shape across the advertising landscape. As it gains critical mass in Packaging, it remains to be seen how quickly opportunities arise and at what valuations it will be able to transact. Environmental regulation could also pose a risk for the business.

Valuation

Sector Perform with a \$16 target: Target's based on f2024E NAV, with implied EV/EBITDA of 5.6x f2023E and 5.2x f2024E.

STOCK DATA

52-Week High and Low (\$)	17.38-11.08
Dividend per Share (\$)	0.90
Dividend Yield (%)	8.0
Shares Outstanding (Mln)	86.6
Market Capitalization (\$MIn)	972.8
Enterprise Value (\$MIn)	1,941.0

NBCFM ESTIMATES & VALUATION

Fiscal Y/E October	2022A	2023E	2024E
Revenue (\$MIn)	2,956.1	2,946.4	2,933.2
Adj. EBITDA (\$MIn)	446.7	429.7	443.6
Adj. EPS (\$)	2.19	1.81	1.88
P/E (x)	5.1	6.2	6.0
EV/EBITDA (x)	4.7	4.6	4.2
Free Cash Flow (\$MIn)1	26.0	119.2	180.8
FCF / Share (\$)	0.30	1.38	2.09
FCF Yield (%)	2.7	12.3	18.6
Payout Ratio (%)	300	65	43

All figures in C\$ unless otherwise noted

Source: Company reports, Refinitiv and National Bank Financial estimates

1. CFO - Net Capex - Interest - Lease Payments.





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- 191 A NBF analyst attended a tour of Empire's e-commerce fulfillment centre in Vaughan, Ontario on Jan. 31, 2023. None of the analyst's expenses was paid for by the issuer.
- 196 A NBF analyst attended a site visit of the Josemaria project in San Juan Province, Argentina and Candelaria mine in Atacama Region, Chile from January 16-18, 2023. A portion of the analyst's expenses was paid for by the issuer.
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- 202 A NBF analyst attended a site visit of Loblaw's new stores/formats in Montreal, QC on March 10, 2023. A portion of the analyst's expenses was paid for by the issuer.
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