



Canadian Research at a Glance

August 17, 2018

For Full Comments and Required Non-U.S. Analyst and Conflicts Disclosures, please click on the links below.

Price Target Revisions

ATS Automation Tooling Systems	Summary	F19 off to a solid start – FQ1 just ahead of guidance, with strong bookings/backlog
H&R REIT	Summary	Q2 recap; lack of FFO/unit growth should not be confused with lack of progress

Industry Comments

Forest Products	Summary	US housing starts: Improving July stats, but starts still below consensus
Precious Metals & Minerals Weekly	Summary	Chart of the Week: YTD performance and betas to gold
Valuation Tables		
RBC Compass	Summary	Weekly carload volumes
! RBC European Utilities Morning Lightbulb	Summary	
RBC International E&P and OFS Daily	Summary	FPM; SHLF; OPHR; CNE; WG; NOG; PMO

Investment Strategy Research

Commodity Comment: Caught in the Crossfire	Summary	Geopolitics, Oil, Natural Gas and Gold
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U.S. Research at a Glance

August 17, 2018

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Price Target Revisions

Accuray Incorporated	Summary	Mixed F4Q18 Results; FY19 Guidance Is Fine, but CFO Is Departing
Applied Materials, Inc.	Summary	Long-term Model Update a Positive, Enough to Offset Near-term Weakness?
Blueknight Energy Partners, LP	Summary	Taking the local before hopping on the Cimarron Express
Intuit Inc.	Summary	Deep Dive into FY19 Consumer Tax + F4Q18 Earnings Preview
LTC Properties, Inc.	Summary	Headwinds are still impacting tenants; raising PT to reflect external growth upside
Nordstrom, Inc.	Summary	Nice Comp Acceleration Coupled With Margin Boost from Timing Shift
Walmart Inc.	Summary	Impressive 2Q, but investments will continue and WMT has already re-rated

First Glance Notes

Celgene Corporation	Summary	Tidbits from Management Lunch With New CFO
Regeneron Pharmaceuticals, Inc.	Summary	"Rabbit from a hat" surprise Fasinumab ph3 OA pain win but safety remains focus

Earnings Preview

Coty Inc.	Summary	Is the Ugly Share Performance Justified?
The Estée Lauder Companies Inc.	Summary	F4Q'18 Preview & Cheat Sheet

Company Comments

EQT Midstream Partners, LP	Summary	Model update for MVP
HCP, Inc.	Summary	Investment activity has and will likely continue to trend higher; \$27/share target
Kimbell Royalty Partners, LP	Summary	Bigger and Better
NVIDIA Corporation	Summary	Pause in Growth Before Turing Ramps, We Think Investors Buy the Dip
Regency Centers Corporation	Summary	Steady organic growth with a healthy redevelopment pipeline

Industry Comments

Broadcast Advertracker	Summary	Core Trends Remain Challenging, but Political Strong
Global Oilfield Services	Summary	Sinking in Quicksand
Memory Monthly: DRAM Stable But NAND Price Declines Continue in July	Summary	
Picture of the Week Vol. 33	Summary	Getting in the 'Weeds' on Global Marijuana Law
RBC European Utilities Morning Lightbulb	Summary	
RBC International E&P and OFS Daily	Summary	FPM; SHLF; OPHR; CNE; WG; NOG; PMO
US E&P: Bakken Heat Map – June 2018	Summary	
US E&P: Permian M&A...Predator & Prey	Summary	Weekly Valuation Update: August 16, 2018
Video: "The Feedback Loop" – Ratings Change Edition	Summary	INCY Upgrade; ICPT Downgrade; GILD Mgmt Transitions



RBC Capital Markets

Investment Strategy Research

[Commodity Comment: Caught in the Crossfire](#) [Summary](#)

Geopolitics, Oil, Natural Gas and Gold

In-Depth Reports

[US Food Retail/Distributors: Much Ado About Amazon](#) [Summary](#)

Whole Foods under Amazon One Year Later



UK & European Research at a Glance

August 17, 2018

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Price Target Revisions

Kingfisher plc	Summary	Model update - Reducing EPS ests 4% post Q2 IMS, PT 330p to 300p
Travis Perkins plc	Summary	Awaiting some internal RMI in December

Earnings Preview

OneSavings Bank PLC	Summary	H1 preview
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Company Comments

Hannover Rueck SE	Summary	Model update post 1H18
Henkel AG & Co. KGaA	Summary	Model update: 1H results

Industry Comments

European Bank Deposit	Summary
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Investment Strategy Research

Commodity Comment: Caught in the Crossfire	Summary	Geopolitics, Oil, Natural Gas and Gold
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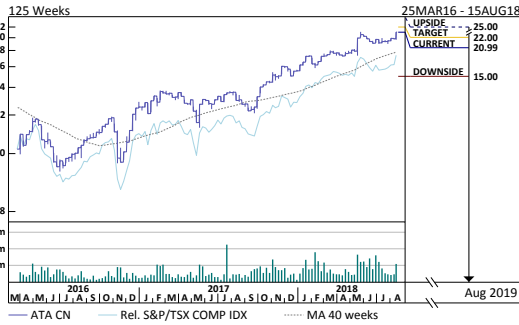
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Price Target Revisions

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	Revenue	Prev.
2017A	1,010.9	
2018A	1,114.9	
2019E	1,214.9↑	1,191.2
2020E	1,287.5↑	1,259.9

All values in CAD unless otherwise noted.

ATS Automation Tooling Systems(TSX: ATA; 20.99)

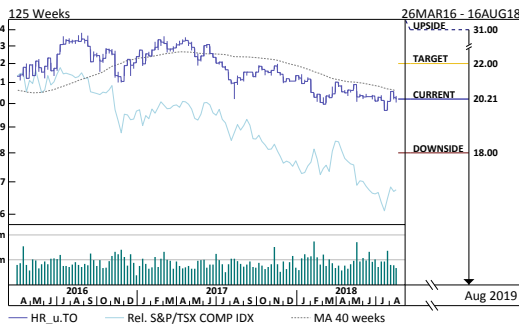
Rating: Sector Perform
 Price Target: 22.00 ▲ 20.00

F19 off to a solid start – FQ1 just ahead of guidance, with strong bookings/backlog

ATA delivered solid FQ1/19 results, ahead of guidance and our forecast. Perhaps more importantly, order flow remains elevated, yielding record backlog of \$789MM (+16% Y/Y). ATS has delivered growing operating momentum in recent quarters, though the shares have moved in tandem to reflect this. The shares now trade at 18.8x C2019E P/E, approaching fair value. Sector Perform, target to \$22 from \$20.

- **FQ1/19 results just ahead of expectations:** Revenue totaled \$300MM (+14% y/y), above our forecast of \$293.6MM and consensus \$295.4MM. This quarter saw strength in the Consumer Products (+81% Y/Y) and Energy (+70% Y/Y) segments. Life Sciences remains strong, up 5% Y/Y. This was partially offset by weakness in Transportation (-16% Y/Y), due to program timing.
- **Strong bookings in FQ1 yield record backlog; 2019E outlook remains positive:** ATS received an order from Bruce Power for \$60MM to design and deliver automated tools, and is working on two large contracts in warehouse automation (for a global customer’s fulfillment centers). Order backlog conversion is expected to be on the higher end of 35-40% of total backlog in FQ1/19, implying revenues in the range of \$276MM-\$316MM. Our revised forecast is near the top of this range at \$302.7MM for FQ2/19.
- **Balance Sheet strength and debt capacity provide room for growth:** ATS reported net cash of nil, down from \$12MM in net cash last quarter. The company has available credit facilities of \$631MM, and management has reiterated their disciplined interest in pursuing strategic acquisitions going forward.
- **Maintain Sector Perform rating; price target to \$22 from \$20:** Our forecast again moves higher, reflecting recent trends in order flow, backlog, margins – and confidence that the ABM strategy is taking hold and that these patterns should continue. ATA shares now trade at 18.8x C2019E P/E on revised estimates.

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	FFO/Unit	Prev.
2017A	1.82	
2018E	1.72↑	1.69
2019E	1.76↓	1.79
2020E	1.84	

All values in CAD unless otherwise noted.

H&R REIT(TSX: HR.UN; 20.21)

Rating: Sector Perform
 Price Target: 22.00 ▼ 24.00

Q2 recap; lack of FFO/unit growth should not be confused with lack of progress

H&R REIT’s (“HR”) recent Q2/18 results met our expectations. While H2/18 earnings will be subject to dilution from recent asset sales and JP lease-up losses, we believe it is important not to confuse the (short-term) impact with lack of progress on improving the business. Taking a more conservative view on valuation, our price target moves to \$22 (-\$2) and we reiterate our Sector Perform rating on HR’s units.

- **FFO/unit:** \$0.43; -6% YoY from Q2/18’s \$0.46; “in line” with our \$0.43E.
- **Jackson Park: Lease-up progressing well** – The 1,871-suite, high-rise resi development project in Long Island City is now ~90% complete. On budget (US \$581MM at HR’s 50% share) and despite the headlines about falling rents in nearby Manhattan, leasing is slightly ahead of plan with 646 leases on 1,158 units in receipt of occupancy certificates. JP lease-up losses will be a net drag on H2/18 FFO/unit and an incremental contributor in 2019-20.
- **Re-making the malls** – The common narrative about the mall business is negative. The Primaris portfolio (\$2.8B or ~20% of HR’s GAV) has its challenges and occupancy has dropped to 83%. But, sales are steady (\$560/sf) and SPNOI



growth has remained +ve in 2018. The red'vt of the former Target space is well-advanced and work on the former Sears space is getting into gear. As discussed herein, we see a mix of opportunities (Orchard Park, SRM, Dufferin Mall, Sunridge) and challenges (a number of smaller, secondary market malls) over the coming years.

- **Portfolio repo continues** – H&R continues to make headway in simplifying, strengthening and improving its business. Reviewed herein are updates on recent events within the context of \$1.4B of 2018 acq'n/disp'n activity.
- **FFO estimate revisions** – Fine-tuning for Q2 results and transactions, additional guidance on the Jackson Park lease-up and other factors, our 2018E-19E FFO/unit are +\$0.03/- \$0.03 to \$1.72/\$1.76, respectively. Our inaugural 2020E is \$1.84 (4% growth).
- **Target price reduced by \$2 to \$22; Sector Perform rating maintained.**

Industry Comments

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Forest Products

US housing starts: Improving July stats, but starts still below consensus

- **Slightly Negative – Disappointing SAAR numbers for July, partially offset by in-line permits** – The US Census Bureau released new residential construction statistics for July, with housing starts coming in below consensus (1.168MM SAAR vs. 1.260MM consensus). Multi starts were +3.1% m/m after being down -20.2% in June and were -9.6% y/y. Single-family starts looked relatively "okay" at 862K, up +2.7% y/y and +0.9% m/m. **Permits went back to the above 1.3M threshold and were slightly above consensus (1.311MM SAAR vs. 1.310MM consensus).** Overall, housing permits were stronger y/y and m/m. Despite below-consensus housing starts number, **YTD figures, on an actual basis, remain quite robust with overall housing starts up 6.2% y/y and single-family starts up 7.2% y/y** (as we have noted many times single-family home construction is the key delta driver for wood products demand).

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Precious Metals & Minerals Weekly Valuation Tables

Chart of the Week: YTD performance and betas to gold

- This week we highlight the year-to-date performance and betas to gold of North American gold and silver equities. With the current gold price of ~\$1,175/oz down 10% from YE2017, the GDX (index of large cap gold equities) and the GDXJ (smaller cap gold) are down 20% and 19% YTD, respectively. Of our North American coverage universe of gold/silver producers and royalty/streaming companies, the strongest equity performers YTD have been **KL, TGZ, OGC, PAAS** and **SSRM**, while **ALO, NGD, PG, TMR**, and **ROXG** have underperformed.
- Since the start of 2018 the companies that have exhibited the greatest beta to gold have been **AUY, TXG, ALO, PVG** and **NGD** due to elevated operating and financial leverage or company-specific factors. Conversely, **TMR, DPM, CG, EDV, GUY** and royalty/streaming companies have exhibited the lowest trading leverage to bullion.
- *We have updated our estimates for **AR, FNV, PAAS, PVG, RGLD** and **SSRM** following Q2/18 financial results. We increased our price target for FNV (+1%). No other targets and no ratings were changed. See pages 4-5 for details.*



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Weekly carload volumes

- **Low single-digit growth in week 32.** Total class 1 rails are up +2% Y/Y, with gains in 8 of 10 segments. On a quarter to date basis, total class 1 rails are showing steady volume growth in all but 2 segments, with Petroleum & Petroleum Products driving gains (+34% QTD). Canadian rails are up +1% Y/Y and +4% QTD. U.S. class 1 rails are showing volume gains of +3% Y/Y, with 8 of 10 segments positive. QTD, U.S. rails are up +5%.

RBC European Utilities Morning Lightbulb

- **Ofgem delays price cap publication**
- **Norway reassures over hydro levels**
- **UK should scrap Carbon floor price: Iain Duncan Smith**
- **Biffa acquires UK waste and recycling operation**

RBC International E&P and OFS Daily

FPM; SHLF; OPHR; CNE; WG; NOG; PMO

Faroe Petroleum (FPM.L): Preparing to repel boarders; Commodity Comment: Caught in the Crossfire; Shelf Drilling (SHLF.OL): Contract Extension on the Shelf Drilling Resourceful; Maersk Drilling targeting 2019 listing; SDX (SDX.TO): Energy Successful production test at SD-3X well, Egypt; US E&P: Bakken Heat Map – June 2018; Week Ahead;

Commodity Comment: Caught in the Crossfire

Geopolitics, Oil, Natural Gas and Gold

- The Tesla buyout news has propelled Saudi Arabia's PIF into the limelight at a time when its own funding strategy is undergoing some significant shifts, such as to diversify the economy away from dependence on oil revenue. While macro contagion fears continue to dominate the narrative, we anticipate oil prices will firm later this year due to support from the supply side. Of course, this is barring any further broad shocks to the global economy. Storage remains below last year's level, the five-year average, and the five-year historical range, which along with warmer than normal summer-to-date weather, has provided at least some support to US natural gas. Physically backed gold holdings have fallen dramatically in tonnage terms QTD and we simply are not yet at a point where that will turn around just yet... even if we are ready for a catalyst higher.



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