



Canaccord Genuity Wealth Management
Morning Coffee

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Wednesday April 5, 2017

S&P/TSX Composite	84.67	15669.07
Dow Jones	39.17	20689.38
S&P 500	1.25	2360.09
NASDAQ	-0.39	5894.29
S&P/TSX Venture	3.84	821.68
Crude Oil (US\$/brrl)	0.81	51.05
Gas (US\$/mmbtu)	0.16	3.28
Copper (US\$/lb)	0.01	2.62
Gold (US\$/oz)	4.20	1258.20
Nickel (US\$/lb)	-0.08	4.52
Palladium (US\$/oz)	4.40	806.95
Platinum (US\$/oz)	5.30	960.00
Silver (US\$/oz)	0.11	18.33
Uranium (US\$/lb)	0.00	23.50
Canadian Dollar	-0.0015	0.7458
10-Year Canada		1.36
10-Year U.S.		2.36
Volatility Index (VIX)	-0.59	11.79

Better than New Coke?



Coca-Cola (KO) is putting the likeness of Warren Buffett on Cherry Coke cans in China, hoping to benefit from its biggest shareholder's popularity in the country.

According to its website, Coca-Cola got permission from the billionaire investor to use his image on cans for a limited time, while supplies last. It launched Cherry Coke in China on March 10.

Buffett has many fans in China, which often sends a large contingent to watch him at Berkshire's annual meetings in Omaha, Nebraska. Last year, Berkshire webcast its meeting for the first time, and provided simultaneous translation only in Mandarin.

Buffett has often said he drinks five Cokes a day, and joked that he is "one quarter Coca-Cola" because the beverage accounts for 25% of his caloric intake.

CANADA

The S&P/TSX Composite advanced on Tuesday as gains in gold and oil prices helped boost the mining and energy sectors. Gold prices rose on a weaker dollar and sluggish U.S. economic data. Oil prices climbed due to expectations for a decline in U.S. crude inventories.

Mosaic Capital (M) reported disappointing Q4 earnings for its infrastructure, diversified and energy divisions. New competitors entering the province from Alberta are said to be putting pressure on the company's margins.

Solar Alliance (SAN) said it signed a letter of intent (LOI) for the acquisition of certain assets of a U.S. solar company. According to the LOI, SAN will acquire the seller's team of employees and acquire the seller's pipeline of in-process residential solar projects.

Pembina Pipeline (PPL) announced the approval of \$325M in new pipeline infrastructure projects, updated guidance for 2018 and a dividend increase. The two projects are both underpinned by long-term, take-or-pay contracts. **Xtreme Drilling (XDC)** provided an update on its plan to increase shareholder value. The company intends to undertake a substantial issuer bid to purchase up to an aggregate of \$25M in Xtreme shares through a Dutch Auction tender process.

UNITED STATES

Benchmark indexes were little-changed on Tuesday, as investors braced for a potentially tense meeting between President Donald Trump and his Chinese counterpart Xi Jinping.

Staples (SPLS) is considering selling itself, and is in talks with private-equity bidders, a source familiar with the situation said on Monday. The retailer last year called off a proposed merger with rival **Office Depot (ODP)** due to antitrust concerns.

Handbag and accessories maker **Kate Spade (KATE)** will spend a few more weeks negotiating a potential sale of the company after receiving an offer last week from **Coach (COH)**, three people said on condition of anonymity. **Ralph Lauren (RL)** said on it would cut jobs and shut its flagship Polo store on Fifth Avenue in New York City, among other office and store locations, as part of a cost-cutting plan.

Panera Bread (PNRA) is reportedly considering strategic options, including a sale, after receiving takeover interest. Bloomberg, citing people familiar with the matter, said the bakery café chain was working with advisers to study the options.

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ECON 101

CANADIAN Data Today: No scheduled releases.

U.S. Data Today: This morning, **ADP Employment** (Mar) is expected to rise by 189K, after gaining 298K the previous month.

MARKET MOVERS

Notable 52-Week Highs:

AltaGas Ltd.	ALA.PR.A	\$ 20.54	Harte Gold Corp.	HRT	\$ 0.67
AltaGas Ltd.	ALA.PR.K	\$ 25.80	HZN NASDAQ 100	HXQ	\$ 40.42
Brookfield Asset Management	BAM.PR.T	\$ 19.79	Integrated Asset Management	IAM	\$ 1.45
Brookfield Asset Management	BAM.PR.X	\$ 17.03	IBI Group Inc.	IBG	\$ 7.20
Brookfield Asset Management	BAM.PR.Z	\$ 23.92	Kew Media Group	KEW	\$ 11.24
Bombardier Inc.	BBD.PR.C	\$ 18.45	Kinaxis Inc.	KXS	\$ 77.36
Brookfield Renewable Partners	BEP.PR.I	\$ 26.44	Brompton Lifeco Split	LCS.PR.A	\$ 10.40
Boralex Inc.	BLX	\$ 21.80	Magellan Aerospace	MAL	\$ 20.47
Bank of Montreal	BMO.PR.B	\$ 26.63	Mackenzie Max. Diversif. Emerg	MEE	\$ 22.00
Bank of Montreal	BMO.PR.C	\$ 25.55	Manulife Financial	MFC.PR.P	\$ 15.25
Bank of Montreal	BMO.PR.S	\$ 23.07	Melcor Developments	MRD	\$ 16.50
Bank of Montreal	BMO.PR.Z	\$ 25.99	Mackenzie Max Divers WorldexNA	MXU	\$ 20.89
Bank of Nova Scotia	BNS.PR.F	\$ 21.83	National Bank of Canada	NA.PR.A	\$ 27.14
Brookfield Office Properties	BPO.PR.A	\$ 22.81	National Bank of Canada	NA.PR.X	\$ 27.29
Brookfield Office Properties	BPO.PR.N	\$ 20.55	New Flyer Industries Inc.	NFI	\$ 49.53
Brookfield Office Properties	BPO.PR.S	\$ 20.95	Northland Power Inc.	NPI.PR.A	\$ 19.49
Brookfield Office Properties	BPO.PR.T	\$ 22.55	Power Financial Corp.	PWF.PR.F	\$ 25.66
Brookfield Renew Power Pref Eq	BRF.PR.F	\$ 22.45	Power Financial Corp.	PWF.PR.G	\$ 26.15
Canfor Corporation	CFP	\$ 18.72	Power Financial Corp.	PWF.PR.L	\$ 25.41
iShares Glb Infrastructure Fd	CIF.A	\$ 27.07	RavenSource Fund	RAV.UN	\$ 14.50
Computer Modelling Group	CMG	\$ 10.63	Rogers Communications	RCI.B	\$ 59.73
Capital Power	CPX.PR.A	\$ 16.15	RBC Quant Global Infr. Leaders	RIG	\$ 20.93
Capital Power	CPX.PR.C	\$ 20.86	FA Europe Low Risk Weight ETF	RWE	\$ 24.92
Canadian Tire Corporation	CTC.A	\$ 161.05	ShawCor Ltd.	SCL	\$ 39.58
Canadian Utilities	CU.PR.H	\$ 25.90	Savaria Corp.	SIS	\$ 14.33
Clairvest Group	CVG	\$ 34.00	TransAlta Corp.	TA.PR.F	\$ 18.04
Desjardins Canadian Preferred	DCP	\$ 20.18	TransAlta Corp.	TA.PR.J	\$ 21.18
Dollarama Inc.	DOL	\$ 112.28	TD Bank	TD.PF.A	\$ 22.80
Dynamic iShares Active Pref.	DXP	\$ 21.85	TD Bank	TD.PF.B	\$ 22.80
ECN Capital Corp.	ECN	\$ 3.82	TD Bank	TD.PF.D	\$ 23.94
Excel India Growth & Income Fd	EGI.UN	\$ 12.13	TD Bank	TD.PF.H	\$ 26.50
WisTr. Europe Hedged Equity	EHE	\$ 24.73	TD Bank	TD.PR.Z	\$ 24.08
Canoe EIT Income Fund	EIT.PR.A	\$ 26.63	Talon Metals	TLO	\$ 0.15
Emera Inc.	EMA.PR.A	\$ 17.15	PowerShares Comp. Low Vol. ETF	TLV	\$ 28.16
Emera Inc.	EMA.PR.C	\$ 23.73	TransCanada Corp.	TRP.PR.D	\$ 22.45
Emera Inc.	EMA.PR.F	\$ 23.50	Vanguard Cdn. L-T Govt. Bond	VLB	\$ 25.84
Enbridge Inc.	ENB.PR.N	\$ 20.42	Veresen Inc.	VSN	\$ 14.90
First Asset Utility & Infras.	FAI	\$ 10.66	Veresen Inc.	VSN.PR.A	\$ 21.48
First National Financial	FN.PR.B	\$ 14.95	First Asset MS Cda Moment. ETF	WXM	\$ 15.61
FirstService Corp.	FSV	\$ 82.00	iShares India Index ETF	XID	\$ 33.58
Fiera Capital Corporation	FSZ	\$ 13.98	iShares S&P/TSX Capped IT	XIT	\$ 14.80
Genesis Land Development	GDC	\$ 3.18	iShares Edge MSCI Min Vol Gbl.	XMW	\$ 37.10
Granite REIT	GRT.UN	\$ 47.50	iShares S&P/TSX N.A. Preferred	XPF	\$ 18.48
goeasy Ltd.	GSY	\$ 34.85	ZCL Composites	ZCL	\$ 14.92
HZN ACT GLB FIX INC	HAF.A	\$ 8.08	BMO Short Term Corp Bd E.T.F.	ZCS.L	\$ 20.17

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BMO MSCI Europe High Quality	ZEQ	\$ 19.49	BMO Low Vol. Intl. Eq. Hedged	ZLD	\$ 21.79
BMO Global Infrastructure ETF	ZGI	\$ 36.74	BMO US Preferred Share Index	ZUP	\$ 26.17
BMO Low Volatil. Cdn Eqty ETF	ZLB	\$ 29.57			

Notable 52-Week Lows:

Acasta Enterprises	AEF	\$ 9.25	Mandalay Resources Corp	MND	\$ 0.56
HZN CDN DOLLAR	CAN	\$ 9.65	Aura Minerals	ORA	\$ 1.40
Chinook Energy	CKE	\$ 0.36	Primero Mining Corp.	P.WT.C	\$ 0.04
Cenovus Energy	CVE	\$ 14.69	NXT Energy Solutions	SFD	\$ 1.00
Dundee Corp.	DC.A	\$ 3.69	Valeant Pharmaceuticals Intl.	VRX	\$ 13.56
Lumenpulse Inc.	LMP	\$ 11.81			

CANADIAN EQUITIES OF INTEREST

Listed Alphabetically by Symbol

Marijuana

Horizons Medical Marijuana Life Sciences ETF (HMMJ : TSX : \$10.00)

ETF INVESTORS WILL GO TO POT TODAY. The Horizons Medical Marijuana Life Sciences ETF begins trading today - Wednesday, April 5, 2017. HMMJ is the first ETF that offers direct exposure to North American-listed stocks that are involved with medical marijuana bioengineering and production. HMMJ is an index (or passively managed) ETF, which seeks to replicate, to the extent possible, the performance of Solactive's North American Medical Marijuana Index. The Index is designed to be a liquid and investable index of equity securities of publicly listed life sciences companies, and other firms, with business activities in the marijuana industry. The Index selects from a current universe of publicly-listed North American companies that have operations that may include one or more of biopharmaceuticals, medical manufacturing, distribution, bioproducts and other ancillary businesses to the marijuana industry. Only stocks that meet minimum asset and liquidity thresholds are eligible for inclusion in the Index. Stocks in the Index are rebalanced quarterly on a market-capitalization basis, and capped so that no single stock can exceed 10% of the weight of the Index when rebalanced.

Agnico Eagle Mines* (AEM : TSX : \$59.44), Net Change: 1.14, % Change: 1.96%, Volume: 639,814

B2Gold* (BTO : TSX : \$3.81), Net Change: -0.03, % Change: -0.78%, Volume: 4,361,037

Barrick Gold* (ABX : TSX : \$26.10), Net Change: 0.25, % Change: 0.97%, Volume: 2,147,383

Goldcorp* (G : TSX : \$19.94), Net Change: 0.10, % Change: 0.50%, Volume: 3,367,250

IAMGOLD* (IMG : TSX : \$5.63), Net Change: 0.07, % Change: 1.26%, Volume: 2,355,816

Kinross Gold* (K : TSX : \$4.79), Net Change: 0.03, % Change: 0.63%, Volume: 2,609,933

Yamana Gold* (YRI : TSX : \$3.77), Net Change: 0.04, % Change: 1.07%, Volume: 2,250,967

iShares S&P/TSX Global Gold (XGD : TSX : \$13.44), Net Change: 0.16, % Change: 1.20%, Volume: 466,855

WE'RE OFF TO SEE THE WIZARD, THE WONDERFUL WIZARD OF OZ. Towards the end of last month, Canaccord Genuity North American Portfolio Strategist Martin Roberge lifted his weighting on gold producers back to overweight, positioning himself ahead of what he calls "Phase 2" of the bull market. Roberge believes this phase could begin in 2018. Roberge's long-time readers should know by now that if a bull market in gold is developing, history has shown that gold equities will have a second leg higher. While Phase 1 is driven by US\$ depreciation, Phase 2 is fuelled by inflation fears. Importantly, Roberge says Phase 2 begins from the peak in Phase 1, which was July 2016 in this cycle. For the S&P/TSX Gold Index, this is a 33% lift from current levels. The smallest Phase 2 over the last 45 years has been 14%. Roberge is looking for a minimum price appreciation of 47% before the bull market in golds ends. Gold stocks have yet to close the gap with real bond yields which have turned negative. Last, the gold-to-stock ratio has successfully rebounded from a key support level in March. Where does the yellow brick road lead to?

Mosaic Capital* (M : TSX-V : \$9.40), Net Change: -0.50, % Change: -5.05%, Volume: 49,701

WESTERN CANADIAN WEAKNESS. Mosaic Capital released Q4/16 results below expectations. The company reported Q4/16 revenue of \$50.9M, which compared with Canaccord Genuity Industrials Analyst Raveel Afzaal's and consensus estimates of \$49.4M and \$55.6M, respectively. Adj. EBITDA of \$3.3M (down 23% Y/Y) was well below Afzaal's and consensus forecasts of \$6.4M and \$7.3M, respectively. The infrastructure division reported EBITDA of \$2.0M (down 59%

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Y/Y) compared to Afzaal's forecast of \$3.3M. Afzaal believes Ambassador Mechanical, which provides HVAC services in Manitoba, is facing increased margin pressure due to new competitors entering the province from Alberta. The decline in growth capital in Saskatchewan's potash industry is adversely impacting SECON's performance, while the outlook for Place-Crete looks uncertain due to exposure to Alberta's softening construction environment. The company's diversified division reported EBITDA of \$2.1M (up 184% Y/Y due to Mackow acquisition in Q3/16) compared to Afzaal's forecast of \$3.5M. Afzaal believes Kendall Supply's (hardware store in Estevan, SK) exposure to the oil & gas (O&G) sector impacted divisional EBITDA in the quarter. Mosaic's energy services companies reported anemic EBITDA of \$0.1M compared to Afzaal's forecast of \$0.9M. Afzaal is forecasting EBITDA to improve to \$2.3M (\$3.2M, previously) in 2017, compared to \$1.2M in 2016. This is due to the anticipated recovery in O&G environment. Peak EBITDA for this division in 2014 was ~\$7M. Is there a silver lining to the weak results? Afzaal believes Mosaic's new potential acquisitions and the current performance of its portfolio companies is not representative of their performance in an improving O&G macro environment.

Metanor Resources* (MTO : TSX-V : \$0.09), Net Change: -0.01, % Change: -10.53%, Volume: 3,039,655

Kirkland Lake Gold* (KL : TSX : \$10.04), Net Change: -0.03, % Change: -0.30%, Volume: 823,455

THE BACHELOR. Metanor Resources announced plans to complete a private placement financing with Kirkland Lake Gold, whereby Kirkland Lake will acquire up to 103.6M units of Metanor on a pre-consolidated basis at a price of \$0.07 each, for gross proceeds in the amount of \$7.25M. Each unit will consist of one common share and one-half of one common share purchase warrant which will entitle the holder to purchase one share of the company at a price of \$0.09 for a period of 24 months following closing (on a pre-consolidation basis). In addition, funds managed by Wexford Capital LP will be subscribing for 18.75M units for gross proceeds in the amount of ~\$1.3M. Upon completion of the offering, Wexford will hold 14.2% of Metanor on a non-diluted basis. Last month, Metanor closed a \$11.5M private placement offering of units at \$0.06 per unit. On the financing, Eric Sprott acquired ~62.6M units. Prior to the Kirkland Lake financing, Sprott owned ~12.9% of the company. Metanor is focused the Bachelor Lake gold mine in Quebec and has development potential at the Barry open-pit mine.

Pembina Pipeline* (PPL : TSX : \$42.94), Net Change: 0.88, % Change: 2.09%, Volume: 1,852,024

ONLY USE CANADIAN STEEL? Pembina Pipeline announced the approval of \$325M in new pipeline infrastructure projects, updated guidance for 2018 and a dividend increase. PPL announced two projects which are both underpinned by long-term, take-or-pay contracts. **i) Phase IV Expansion** - The expansion is expected to increase capacity by ~180,000 bbl/d with the addition of two pump stations on the newly installed pipeline from Fox Creek to Namao, AB. The cost of the project is ~\$75M, subject to regulatory and environmental approvals. The project is expected to enter service in late 2018. **ii) Phase V Expansion** - The expansion is comprised of a new ~95km, ~260,000 bbl/d, 20" pipeline from Lator to Fox Creek, AB for an expected cost of ~\$250M. PPL has received regulatory and environmental approvals for the project and is 50% complete clearing the right-of-way. The pipeline is expected to enter service in late 2018. The company declared a monthly dividend of \$0.17 for the month of April 2017, which is a 6.25% increase to the previous monthly amount of \$0.16. With respect to guidance, PPL expects 2018 adj. EBITDA to be in the range of \$1.8-1.9B. Recall, PPL had previously provided EBITDA guidance indicating the ~\$5.3B of capital projects entering service in 2016 and 2017 could generate an incremental run-rate annual EBITDA ranging from \$600-950M in 2018 from the 2015 level. Canaccord Genuity Pipelines Analyst David Galison says the upper end of the range would depend on utilization above take-or-pay levels and commodity prices. PPL also increased its guidance on achieving capital cost estimates from its capital program to \$275M. Recall, the capital cost savings were previously estimated to be \$225M.

Solar Alliance Energy* (SAN : TSX-V : \$0.20), Net Change: 0.13, % Change: 178.57%, Volume: 26,404,072

TWO SOLAR PANELS WALKED INTO AN OUTDOOR BAR, AND GOT LIT. Shares of Solar Alliance heated up on Tuesday after the company signed a letter of intent (LOI) for the acquisition of certain assets of a U.S. solar company. According to the LOI, SAN will acquire the Seller's team of employees and acquire the seller's pipeline of in-process residential solar projects. In 2016, that team sold more than 7 MW of residential solar systems, generating US\$34,305,000 (unaudited) in revenue. SAN anticipates that this acquisition will materially increase revenues and net income for the company. "This proposed acquisition aligns perfectly with our expansion plans in the U.S. solar market," said CEO Jason Bak. "Our San Diego operation has shown strong progress over the last few months and adding this sales and marketing team will accelerate our growth. Combined with the project pipeline that is being acquired, this transaction will immediately drive significant value for Solar Alliance shareholders." In consideration for the assets, SAN will pay up to US\$2M in contingent payments. Further details regarding the acquisition will be announced when a definitive Transaction Agreement is reached.

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Teck Resources* (TECK'B : TSX : \$31.15), Net Change: 0.47, % Change: 1.53%, Volume: 3,827,172
Westshore Terminals* (WTE : TSX : \$26.29), Net Change: -0.05, % Change: -0.19%, Volume: 127,592

IN THE WAKE OF CYCLONE DEBBIE'S DESTRUCTION. Met coal prices rose 15% on Tuesday in Asia, an 11-week high of \$175.70/t, in response to the damage by Cyclone Debbie in the Australian state of Queensland. Wood Mackenzie, as reported by Bloomberg, says about 7% of Queensland's exports have been halted from the outage. Rail provider Aurizon Holdings said Monday that the damage from the cyclone will result in a 1-3 week closure for its rail lines. As a result, some of the big coal miners in the country are likely to see an interruption to their exports. There are also reports that the majors have roughly two weeks of inventory at the ports, so if the infrastructure isn't up and running in another week the market could see some panic buying of coal and some real spikes in the coal price until things settle down. Some speculate that given Cyclone Debbie, the Q2 benchmark could settle at \$170-180/t, higher than what Canaccord Genuity Base Metals Analyst Dalton Baretto's expectations of \$150-160/t. In 2011, met coal rallied to a record \$330/t after floods in Queensland. (h/t Huffman)

Xtreme Drilling* (XDC : TSX : \$2.30), Net Change: 0.15, % Change: 6.98%, Volume: 208,255

A DUTCH AUCTION AND PLANS TO ROLL IN THE DEEP. Xtreme Drilling provided an update on its plan to increase shareholder value. The company intends to undertake a substantial issuer bid to purchase up to an aggregate of \$25M in Xtreme shares through a Dutch Auction tender process. The company believes that its growth prospects, long-term strategy and associated cash flow are not accurately reflected by the Xtreme's current price. The company is also evaluating strategic options with respect to eight of its shallower capacity AC electric drilling rigs - four XDR 200 and four XDR 300 AC electric drilling rigs. These rigs were designed and built by Xtreme and have leading edge AC electric technology. Due to the shallower depth capacities (< 3,500 meters) of these rigs they are better suited for the Canadian or international drilling markets and do not align with Xtreme's focus on the deeper basins of the U.S. The company will continue to operate the existing three rig XDR 200 operation in Canada while strategic options are evaluated. The company is reviewing international opportunities to deploy the rigs alongside the potential for an outright sale. The recent increase in U.S. active drilling rigs has been dominated by high specification AC electric rigs. It is estimated by industry sources that since activity levels bottomed in Q2/16 that more than 80% of the increase in the rig count was in the high or super-spec segment of the market. The company believes that the demand for deep capacity high-spec AC electric rigs will continue in the future. By the end of 2017 Xtreme will have 13 rigs that fit this category, ten XDR 500 and three 850XE rigs.

U.S. EQUITIES OF INTEREST

Listed Alphabetically by Symbol

Federal Open Markets Committee

DRAIN THE SWAMP! Jeffrey Lacker, president of the Federal Reserve Bank of Richmond, abruptly resigned on Tuesday after apparently admitting he was the source of a leak of secret, market-sensitive information about key discussions on interest rate policy within the central bank to consulting firm Medley Global Advisors. Lacker said he was asked by an analyst about an "important nonpublic detail" regarding the FOMC's policy options. "Due to the highly confidential and sensitive nature of this information, I should have declined to comment and perhaps have ended the phone call. Instead, I did not refuse or express my inability to comment and the interview continued." In addition, he said he was obligated to disclose that the analyst had confidential information, which he did not do. The Fed was criticized for not referring the leak to the Securities and Exchange Commission or the FBI. Instead, Fed General Counsel Scott Alvarez led a Fed probe into the matter from October 2012 until March of 2013. In January 2016, the FOMC disclosed that it was highly concerned about leaks of its confidential discussions dated back to 2010 when the central bank was considering additional stimulus. The central bank had been probing information that spilled into the pages of The Wall Street Journal in September 2012 and a letter by Medley Global Advisors the following month.

Amazon.com (AMZN : US\$906.73), Net Change: 15.23, % Change: 1.71%, Volume: 4,942,935

Staples (SPLS : US\$9.49), Net Change: 0.83, % Change: 9.58%, Volume: 31,226,823

Office Depot (ODP : US\$4.79), Net Change: 0.11, % Change: 2.35%, Volume: 14,709,665

WHY DOES IT SAY PAPER JAM WHEN THERE IS NO PAPER JAM?!? Amazon on Tuesday launched its business marketplace in Britain, selling products like office supplies, power tools, cleaning materials and lab equipment targeting an online sector worth \$120.44B a year - putting it in direct competition with the likes of Staples and Office Depot. Amazon started its business marketplace in the U.S. in April 2015, delivering an impressive \$1B of sales in its first year. It has since launched in Germany four months ago. According to Office for National statistics data, the business-to-business online market

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in Britain was worth 96.5B pounds in 2015. Separately, Amazon on Tuesday said it would build three data centres across Sweden, the first in the Nordic region, bringing the number of its cloud storage facilities in Europe to ten. Amazon is betting big on its Web Services division, which is now the world's leader in cloud services which include database management, analysis or design assistance to mobile applications. Amazon is planning to open an addition three centre's in France this year.

Coach (COH : US\$39.56), Net Change: -1.06, % Change: -2.62%, Volume: 4,667,067

Kate Spade (KATE : US\$19.46), Net Change: -3.34, % Change: -14.65%, Volume: 16,659,784

THESE KINDS OF BAGS AREN'T MEASURED IN LITRES. Shares of Kate Spade gapped lower Tuesday after the handbag maker will reportedly spend a few more weeks negotiating a potential sale of the company after receiving an offer last week from Coach, according to three people familiar with the matter. **Michael Kors (KORS)** also remains interested in Kate Spade, though it has not been pursuing an acquisition of the company as actively as rival fashion accessories maker Coach, the people said. Giving the sale process more time allows potential buyers to better assess Kate Spade's Q1 results and negotiate a potential deal. Most interestingly, the sources said that if the company can negotiate a sale, a deal would likely value it below Monday's market cap, which helped push shares down yesterday. It is also possible that negotiations end without a deal. Kate Spade was urged to put itself up for sale by New York-based hedge fund Caerus Investors in November, citing the decline in shares over the previous two years brought about by "management's inability to meet their own stated goals." As for Coach and Michael Kors, Kate Spade would offer them greater pricing power with department stores, as well a younger clientele.

Lions Gate Entertainment (LGF'B : US\$24.32), Net Change: 0.02, % Change: 0.08%, Volume: 397,793

SUCCESSFUL SURE, BUT DID ANYONE ACTUALLY LIKE THE TWILIGHT SERIES? Canaccord Genuity Media and Entertainment Analyst Sharath Toopran initiated coverage of Lions Gate Entertainment this week with a bullish view. LGF has a track record of delivering successful motion picture franchises such as The Hunger Games and Twilight, and platform-defining television content such as Orange is the New Black. Toopran believes LGF is well-positioned to leverage some of the primary industry trends, including a rising demand for video content, proliferation of new digital platforms and a robust premium television market. Following LGF's \$4.4B acquisition of Starz, Media Networks has emerged as a segment that is expected to generate a third of revenue but closer to 60% of EBITDA. Starz subscribers have grown at a 5%+ CAGR since 2010, largely spurred by investments in original content. Toopran thinks channel unbundling, the rise of online video streaming and an untapped international market are key growth catalysts. He also thinks the television industry is going through a period of strong demand for video content, evidenced by an increasing number of digital delivery platforms and a surge in investment spend. LGF's Television Production segment has seen organic revenue growth of 20%+ CAGR in the last decade. Two drawbacks, however, that Toopran notes are the company's high use of leverage and the lack of a dividend.

Nvidia (NVDA : US\$100.72), Net Change: -7.66, % Change: -7.07%, Volume: 31,563,860

WHAT DOES A LAPTOP EAT WHEN IT'S HUNGRY? A COMPUTER CHIP! Shares of Nvidia were glitching on Tuesday after the chipmaker was downgraded by a Wall Street analyst, who said a survey of the chipmaker's customers indicate earnings will come in below expectations this coming year. The analyst believes Nvidia may have already captured so much of the available market that growth could become a problem. Add in concerns of lower margins from incremental Nintendo Switch revenue and a possible pause in the company's datacenter business this summer, and you get Tuesday's selloff. Shares of Nvidia are up ~203% in the past 12 months through Tuesday on a successful launch of its new Pascal line of graphics processing unit (GPU) chips. However, the stock has been under pressure since their Q4 earnings report on February 9. That quarter yielded record revenue in gaming, professional visualization, datacenter, and automotive as well as record non-GAAP gross margin driven by strength in gaming GPUs and deep learning applications. Canaccord Genuity Tech Analyst Matt Ramsay, believes growth drivers are fully intact despite potentially tougher gaming GPU Y/Y growth comparisons starting later in the year given strong F17 growth.

Panera Bread (PNRA : US\$273.99), Net Change: -8.64, % Change: -3.06%, Volume: 2,184,779

WHY IS THAT EVERY TIME I USE A FAST FOOD COUPON, THE EMPLOYEE ALWAYS ACTS LIKE THEY HAVE NEVER SEEN ONE BEFORE? Panera Bread is reportedly considering strategic options, including a sale, after receiving takeover interest. Bloomberg, citing people familiar with the matter, said the bakery café chain was working with advisers to study the options. Potential suitors could include JAB Holding Co, **Starbucks (SBUX)** and **Domino's Pizza (DPZ)**, Bloomberg said. Starbucks last year invested in the high-end Italian bakery chain Princi. Its largest acquisition in dollar terms to date was the 2012 purchase of Teavana Holdings for \$633M. Panera currently has a market cap around \$6.5B. The company has grown steadily in recent years, becoming one of the largest chains in the fast casual segment. However, a broader slowdown has put pressure on restaurant companies to consolidate. While Panera's revenue has risen to \$2.8B last year, net

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Morning Coffee

income has declined each year since 2013 to \$145.6M. The conditions have led to an uptick in restaurant deals over the past few months. **Restaurant Brands International (QSR)**, the owner of Burger King and Tim Hortons, completed a \$1.8B purchase of **Popeyes Louisiana Kitchen (PLKI)** last week. Checkers Drive-In Restaurants will be acquired by Oak Hill Capital Partners in a \$525M deal. And **Darden Restaurants (DRI)** announced plans last week to buy Cheddar's Scratch Kitchen for \$780M.

Ralph Lauren (RL : US\$77.75), Net Change: -3.62, % Change: -4.45%, Volume: 1,974,780

LOSING THEIR SHIRTS. Ralph Lauren announced it will cut jobs and shut its flagship Polo store on Fifth Avenue in New York City, among other office and store locations, as part of a cost-cutting plan. The luxury retailer also says its e-commerce business will move to **Salesforce.com's (CRM)** cheaper and more efficient Commerce Cloud platform. The New York-based retailer had said last year it was building an in-house global e-commerce platform. Ralph Lauren also said that it would integrate its products from the Fifth Avenue store into the Ralph Lauren men's and women's flagship stores on Madison Avenue and its downtown locations. The company said it expects to incur about \$370M in charges and save about \$140M from the new measures, which are part of a cost-cutting plan announced in June. Ralph Lauren did not specify how many jobs it would cut but had said last June it would cut about 1,000 jobs and close 50 stores to lower costs and revive sales growth. Analysts say Ralph Lauren, like other luxury brands, has been struggling as Americans spend lesser on apparel and accessories, resulting in falling sales in the last seven quarters. The company's margins have also taken a knock as department stores discount heavily to get rid of excess inventory. And Ralph Lauren's lower-end Polo and Lauren brands are facing competition from fast-fashion retailers such as H&M and Inditex's Zara.

Staples (SPLS : US\$9.49), Net Change: 0.83, % Change: 9.58%, Volume: 31,226,823

Office Depot (ODP : US\$4.79), Net Change: 0.11, % Change: 2.35%, Volume: 14,709,665

"I DID ABSOLUTELY NOTHING TODAY, AND IT WAS EVERYTHING I THOUGHT IT COULD BE." – OFFICE SPACE. Shares of Staples were soaring on Tuesday amid a report that said the group was exploring a sale after its failed merger attempt with Office Depot. The company is in talks with private equity groups, the Wall Street Journal reported, citing unnamed sources. The conversations were in an early stage, the paper said. Staples's planned tie-up with Office Depot was scuttled by U.S. antitrust regulators last May. The decision was hailed by the Federal Trade Commission, which preferred that both companies remain competitors. Both companies have since announced cost-cutting plans and sold most of their European operations to focus on their North America businesses. Staples has reported falling sales for the last five years as it faces growing competition from **Amazon.com (AMZN)** (see our Amazon story) and other online sellers, as well as big-box retailers such as **Costco Wholesale (COST)** and **Wal-Mart Stores (WMT)**.

Verizon Communications (VZ : US\$49.31), Net Change: 0.13, % Change: 0.25%, Volume: 8,020,187

Yahoo (YHOO : US\$46.18), Net Change: -0.25, % Change: -0.54%, Volume: 4,450,155

OATH? THAT'S THEY BEST THEY CAN DO? Verizon Communications confirmed that it will name the combination of Yahoo and AOL "Oath: A Verizon Company," but that move does not mean that Yahoo's properties will receive a new name. Some of you will recall, Verizon has agreed to acquire Yahoo's core business for about \$4.5B, after negotiating a \$350M discount following news of data breaches. The companies expect the deal to close in the current quarter. If, however, you've grown accustomed to seeing your Yahoo Mail, or Yahoo Finance page, you need not fret: It is unlikely that Verizon plans to change the brand name on Yahoo's core properties, however, because that could affect the number of people who still visit those sites and therefore ruin Verizon's main reason for purchasing the business. These sites generate millions of active daily users. While little is known about Oath so far beyond the name, Recode reported that Yahoo CEO Marissa Mayer would not be a part of the new company after the Yahoo deal closes. Mayer will not be a part of Altaba either, according to Yahoo's previous announcement about that entity.

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COFFEE BEANS

– There are now 110 capital pool shells on the TSX-V and the NEX, of which 35 are halted pending the closing of a qualifying transaction. Another 25 are suspended for failing to complete a QT within 24 months of listing. The rest are tradable and available for deals – some of them are less than 24 months old, the others much older. (Stockwatch)

– The Trump Administration has rolled out several policy changes to the H-1B visa program that some say fall short of his campaign promises, while others maintain they will send shockwaves across the tech industry. New measures will be introduced to combat "fraud and abuse," while employers have been ordered not to discriminate against U.S. workers, but there's still some confusion on whether programming will be labeled a "specialty occupation." According to **Goldman Sachs (GS)**, more than 900K H-1B holders are working in the U.S., representing 12-13% of tech-related jobs. (Seeking Alpha)

– The NCAA on Tuesday lifted its ban – "reluctantly" – on holding championship events in North Carolina, removing its six-month-old prohibition less than a week after the state's legislature repealed a so-called bathroom bill that had led to boycotts of the state. In a statement, the organization that governs college athletics said the law's replacement in North Carolina had "minimally achieved a situation where we believe NCAA championships may be conducted in a non-discriminatory environment." (The New York Times)

– A Pennsylvania judge has fined a golf course \$1,000 in its ongoing dispute with a couple who says errant balls are still hitting their property despite a previous court order. The Allentown Morning Call reports a Northampton County judge fined Morgan Hill Golf Course because it reopened the course during warmer weather earlier this month without installing cameras that are to track "all golf swings and the trajectory of all golf balls" coming from the 13th hole. Jerzy and Halina Wisniewski say more than 50 balls have been hit onto their property, prompting the club to twice move the 13th tee to prevent that. (Bloomberg)

– Donald Trump declined an invitation from the Washington Nationals to throw out the ceremonial first pitch on opening day. (theScore)

THE LAST DROP: The players are extraordinarily disappointed and adamantly disagree with the NHL's short-sighted decision to not continue our participation in the Olympics. Any sort of inconvenience the Olympics may cause to next season's schedule is a small price to pay compared to the opportunity to showcase our game and our greatest players on this enormous international stage.

– *The National Hockey League Players' Association* 

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