



# Canaccord Genuity Wealth Management Morning Coffee

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## Friday May 5, 2017

S&P/TSX Composite	-146.44	15396.70
Dow Jones	-6.59	20951.31
S&P 500	1.39	2389.52
NASDAQ	1.66	6074.21
S&P/TSX Venture	-19.37	774.07
Crude Oil (US\$/brrl)	-2.36	45.46
Gas (US\$/mmbtu)	-0.03	3.20
Copper (US\$/lb)	-0.03	2.51
Gold (US\$/oz)	-20.10	1228.40
Nickel (US\$/lb)	-0.13	4.30
Palladium (US\$/oz)	1.35	800.50
Platinum (US\$/oz)	3.30	905.30
Silver (US\$/oz)	-0.24	16.31
Uranium (US\$/lb)	0.00	22.65
Canadian Dollar	-0.0019	0.7264
10-Year Canada		1.24
10-Year U.S.		2.35
Volatility Index (VIX)	-0.26	10.42

## Road Trip!



A brewery in Finland has introduced a new solution for exceptionally thirsty customers looking to purchase their beer in bulk.

Nokian Panimo brewery introduced a 1,000 pack of its Keisari beer, which was made available for purchase at Finland's K-Supermarket chain of stores.

The brewery insisted the 1,000 pack is "not a joke" but a response to rival brewers Karjala, which began offering 100 packs of beer.

Each massive case of beer sells for a price of about \$2,346, which means each beer costs about \$2.

Unfortunately, the super-sized packs of beer won't be around for long. K-Supermarket says they will break the massive box of beers into smaller packs if they don't sell out by Monday.

## CANADA

The S&P/TSX Composite slipped on Thursday, as energy and mining stocks fell sharply with lower prices for oil, gold and industrial metals.

**Canadian Natural Resources (CNQ)**, Canada's largest independent petroleum producer, reported a Q1 profit, compared with a loss a year earlier, helped by an uptick in crude prices. **Penn West Petroleum (PWT)** reported a smaller-than-expected quarterly loss, also helped by the uptick after a more than two-year slump.

**Hudbay Minerals (HBM)** traded down after the company reported Q1 earnings that missed expectations. Production of copper, zinc and gold equivalent were all significantly below analyst estimates.

**ABcann Global (ABCN)** began trading on the CSE yesterday with heavy volume. ABcann is a medical marijuana company licensed to produce and sell medical cannabis with production facilities in Napanee, Ontario.

## UNITED STATES

Benchmark indexes were little changed on Thursday, as a decline in energy and technology stocks erased some of the early gains following the Federal Reserve's upbeat comments about the economy. **Facebook (FB)** reported surging quarterly profit and revenue, helped by its fast-growing mobile ad business, but its shares dipped from a record high as investors showed some nervousness about future earnings.

**Kraft Heinz (KHC)**, North America's No. 3 food and beverage company, reported lower-than-expected quarterly profit and sales, due to weak demand for its Velveeta cheese, Planters nuts and Oscar Mayer meats brands in the U.S. and Canada. Electric-car maker **Tesla (TSLA)** reported Q1 revenue that more than doubled, and while saying the upcoming Model 3 was on schedule for July, it downplayed the mass-market vehicle to give a sales pitch for its more expensive Model S.

**American International Group (AIG)**, one of the largest U.S. insurers, reported better-than-expected Q1 operating profit, helped by investment returns and cost cuts. Wearable device maker **Fitbit (FIT)** reported quarterly revenue above its own forecast, and said launches planned for this year were on track.

Payments company **Square (SQ)**, reported a smaller-than-expected quarterly loss and raised its earnings forecast, as customers processed more transactions through its technology. **Dunkin' Brands Group (DNKN)** said sales at established stores in the U.S. were little changed in the first quarter, hurt by a decline in store traffic.

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## ECON 101

**CANADIAN Data Today:** This morning, the **Unemployment Rate** (Apr) is expected to remain steady at 6.7%.

**U.S. Data Today:** This morning, the **Underemployment Rate** (Apr) is expected to rise to 4.6% from 4.5% the previous month.

## MARKET MOVERS

### Notable 52-Week Highs:

Brookfield Asset Management	BAM.PF.D	\$ 24.15	Theratechnologies Inc. (D)	TH	\$ 6.87
BMO Global Banks Hedged to CAD	BANK	\$ 20.63	TransAtlantic Petroleum	TNP	\$ 2.08
Brampton Brick	BBL.A	\$ 10.69	Spin Master	TOY	\$ 40.35
Bank of Nova Scotia	BNS.PR.B	\$ 24.30	First Asset Tech Giants CC ETF	TXF	\$ 14.67
Bank of Nova Scotia	BNS.PR.Q	\$ 25.23	Vangrd. FTSE Dev. All Cap exUS	VDU	\$ 35.14
Brookfield Office Properties	BPO.PR.J	\$ 25.74	Vangrd FTSE Dev Europe All Cap	VE	\$ 29.69
CAE Inc.	CAE	\$ 21.59	Vangrd. FTSE Dev. exUS CAD-hdg	VEF	\$ 39.36
Constellation Software	CSU	\$ 689.18	Vanguard S&P 500 Index ETF	VFV	\$ 58.43
Canadian Tire Corporation	CTC	\$ 212.00	Vanguard US Div. Apprecia. ETF	VGG	\$ 42.93
iShares S&P Global Water Fund	CWW.A	\$ 33.20	Van. FTSE Dev.All Cap exNA HDG	VI	\$ 27.36
HZN USD CURRENCY	DLR	\$ 13.69	Aston Hill VIP Income Fund	VIP.UN	\$ 9.71
Dream Global REIT	DRG.UN	\$ 10.13	Vangrd FTSE Dev. All Cap ex NA	VIU	\$ 28.26
Dynamic iSh. Active Cdn. Div.	DXC	\$ 20.62	Vanguard US Total Mkt Ind ETF	VUN	\$ 45.93
Dynamic iShares Active US Div.	DXU	\$ 22.65	Vanguard Global Min Volatility	VVO	\$ 28.49
WisTr. Europe Hedged Equity	EHE	\$ 26.20	Vangrd FTSE Gbl All Cap ex Cda	VXC	\$ 34.91
Erdene Resource Development	ERD	\$ 1.36	F.A. Morningstar Intl. Value	VXM	\$ 23.81
FT AlphaDEX European Div. ETF	EUR	\$ 23.08	F.A. Morningstar Intl. Value	VXM.B	\$ 26.82
First Asset European Bank ETF	FHB	\$ 9.33	TMX Group	X	\$ 79.89
First Asset Global Financial	FSF	\$ 19.05	iSh Core MSCI World ex Canada	XAW	\$ 24.41
Global Dividend Growers IF	GDG.UN	\$ 12.63	iShares MSCI EAFE IMI Ind. ETF	XEF	\$ 30.63
HZN NASDAQ 100	HXQ	\$ 42.85	iSh MSCI Europe IMI CAD-Hedge	XEH	\$ 24.34
HZN S&P 500	HXS	\$ 60.99	iShares MSCI Europe IMI Index	XEU	\$ 24.57
HZN EURO STOXX 50	HXX	\$ 31.07	iShares Core MSCI EAFE IMI	XFH	\$ 22.00
PowerSh. S&P Intl Low Volatil.	ILV	\$ 23.81	iSh Edge MSCI Multifactor EAFE	XFI	\$ 24.10
Immunovaccine	IMV	\$ 1.70	iShares Global Complet. E.T.F.	XGC	\$ 30.92
BMO Gbl. Insur. Hedged to CAD	INSR	\$ 20.70	iShares Global Healthcare ETF	XHC	\$ 42.38
Loblaw Companies	L	\$ 78.87	iShares India Index ETF	XID	\$ 35.00
Healthcare Special Opportun.	MDS.UN	\$ 9.72	iShares MSCI EAFE (CAD-Hedged)	XIN	\$ 25.40
Mackenzie Max. Divers. Dev. EU	MEU	\$ 22.82	iShares Edge MSCI Min Vol EAFE	XMI	\$ 36.10
Manulife M.F. Developed Intl.	MINT	\$ 25.86	iShares Edge MSCI Min Vol EAFE	XML	\$ 21.85
Morguard North American REIT	MRG.UN	\$ 15.37	iShares Edge MSCI Min Vol USA	XMU	\$ 45.37
Mackenzie Max Divers WorldexNA	MXU	\$ 22.17	iShares S&P 500 Index ETF	XUS	\$ 41.18
New Flyer Industries Inc.	NFI	\$ 51.92	iShares Core S&P US Total Mkt.	XUU	\$ 25.46
Purpose International Dividend	PID	\$ 21.44	iShares MSCI World Index Fund	XWD	\$ 47.67
Park Lawn Corp.	PLC	\$ 19.25	BMO Intl. Div. Hedged to CAD	ZDH	\$ 23.08
Points International	PTS	\$ 13.70	BMO International Dividend ETF	ZDI	\$ 23.24
Purpose US Dividend Fund	PUD.B	\$ 26.69	BMO MSCI EAFE Hed. to Cad ETF	ZDM	\$ 20.69
RBC Quant EAFE Dividend Leader	RHI	\$ 23.60	BMO MSCI EAFE Index ETF	ZEA	\$ 18.69
RBC Quant Euro Div.Lead.CADHg	RHP	\$ 23.66	BMO MSCI Europe High Quality	ZEQ	\$ 20.08
RBC Quant EAFE Div Leaders ETF	RID	\$ 25.09	BMO Global Infrastructure ETF	ZGI	\$ 37.93
RBC Strategic Global Div Ldrs	RLD	\$ 24.00	BMO Low Volatility Intl. Eq.	ZLI	\$ 23.72
FA Europe Low Risk Weight ETF	RWE	\$ 25.98	BMO Monthly Income E.T.F.	ZMI	\$ 16.71
FA Europe Low Risk Weight ETF	RWE.B	\$ 26.85	BMO S&P 500 Index ETF	ZSP	\$ 36.22
Sphere FTSE EU Sustainable Yld	SHE	\$ 11.73	BMO US Preferred Share Index	ZUP	\$ 26.85
SNC-Lavalin Group	SNC.R	\$ 54.75	BMO EU High Div. Covered Hgd.	ZWE	\$ 22.28

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## Notable 52-Week Lows:

Asanko Gold Inc.	AKG	\$ 2.80	Mountain Province Diamonds	MPVD	\$ 3.73
ARC Resources Ltd.	ARX	\$ 16.66	First Asset Can-Materials ETF	MXF.A	\$ 14.82
Aralez Pharmaceuticals Inc.	ARZ	\$ 1.90	Nevsun Resources	NSU	\$ 2.83
Bonterra Energy Corp.	BNE	\$ 17.50	First Asset Can-Energy C. ETF	OXF	\$ 9.88
HZN CDN DOLLAR	CAN	\$ 9.40	Peyto Exploration & Develop.	PEY	\$ 24.01
Cardinal Energy Ltd.	CJ	\$ 6.12	Pengrowth Energy	PGF	\$ 1.07
Crescent Point Energy	CPG	\$ 12.41	Pershing Gold	PGLC	\$ 3.61
Crew Energy Inc.	CR	\$ 3.80	CPI Card Group Inc.	PMTS	\$ 3.55
Le Chateau	CTU	\$ 0.09	Prairie Provident Resources	PPR	\$ 0.56
Cenovus Energy	CVE	\$ 12.69	Perseus Mining Limited	PRU	\$ 0.29
Dundee Corp.	DC.A	\$ 3.00	Platinum Group Metals	PTM	\$ 1.42
Difference Capital Financial	DCF	\$ 3.50	Rubicon Minerals	RMX	\$ 1.57
Desjardins Canadian Preferred	DCP	\$ 19.89	Raging River Exploration	RRX	\$ 7.36
Dalradian Resources	DNA.WT.A	\$ 0.03	Sears Canada	SCC	\$ 1.16
DragonWave Inc. (D)	DRWI	\$ 1.22	Semafo Inc.	SMF	\$ 2.68
Eagle Energy Trust	EGL	\$ 0.40	Spartan Energy	SPE	\$ 2.04
Fortuna Silver Mines	FVI	\$ 5.69	STEP Energy Services	STEP	\$ 9.05
Gran Tierra Energy	GTE	\$ 3.09	TAG Oil Ltd	TAO	\$ 0.53
Gran Tierra Exchangeco	GTX	\$ 3.12	TransGlobe Energy	TGL	\$ 1.88
HZN ENH INC EGY	HEE	\$ 13.00	TORC Oil & Gas Ltd.	TOG	\$ 5.52
BPRO 2X OIL BULL	HOU	\$ 5.55	Tourmaline Oil	TOU	\$ 25.79
Energy Leaders Plus Income	HPF	\$ 5.37	Tamarack Valley Energy	TVE	\$ 2.33
International Petroleum	IPCO	\$ 4.57	Xtra-Gold Resources	XTG	\$ 0.17
InPlay Oil	IPO	\$ 1.75	BMO US Put Write Hedged to CAD ZPH		\$ 19.77

## CANADIAN EQUITIES OF INTEREST

Listed Alphabetically by Symbol

### **ABcann Global\* (ABCN : TSX-V : \$1.01), Net Change: 0.77, % Change: 320.83%, Volume: 15,793,997**

**JUST ANOTHER MARIJUANA GROWER, EXCEPT THESE GUYS HAVE COMPUTERS!** Shares of ABcann Global began trading on the CSE yesterday with heavy volume. At the same time, a Bay Street Analyst initiated coverage of the company with a bullish rating. ABcann is a Canadian medical marijuana company licensed to produce and sell medical cannabis with production facilities in Napanee, Ontario. The Bay Street Analyst estimates that ABcann produces in excess of 250grams / square foot / annum which is among the highest yields within the Canadian sector. The yields are possible due to ABcann's computer-controlled growing environment that monitors and controls several growing variables to maximize growth and minimize or avoid disease. The goal is for the cannabinoid profile to be within 10% allowing ABcann to provide patients with a consistent medical experience. Furthermore, the consistency puts ABcann in a strong position for potential medical device partnerships and clinical trials that require pharma-grade consistency in its delivery. The initial facility at Vanluven currently has 1,000kg of annual capacity which is expected to double by the end of 2017. The company also has a 65-acre property that is nearby which Health Canada has granted a license to build a 70,000 sqft facility which is expected to produce 10,000kg to 20,000kg per annum. Lastly to note, the company has exported seed to the State Government of Australia and dried flower to Israel and is expected to begin shipping product to Germany this year. Management has a global export strategy to target an international medical cannabis market which the analyst notes could be \$55.8B in size by 2024.

### **B2Gold\* (BTO : TSX : \$2.99), Net Change: -0.22, % Change: -6.85%, Volume: 9,807,157**

**GOTTA STICK WITH THE FOCUS LIST PICK.** While strong Q1 production was pre-released, B2Gold's consolidated cash costs beat Canaccord Genuity Precious Metals Analyst Rahul Paul's forecasts by a substantial margin, helping drive an EPS beat. Adjusted Q1 EPS of \$0.02 beat consensus of \$0.00 and Paul's estimate of \$(0.02), with the variance explained by substantially lower operating costs. Cash operating costs came in at \$564/oz and beat Paul's forecast by 19% and the company's budget by 12%. AISC of \$889/oz marked an even more impressive 21%/23% beat relative to forecasts/consensus. Full-year 2017 guidance was unchanged but Paul thinks it appears conservative in light of the Q1 beat, particularly since

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production and costs are expected to be materially better in the second half. Overall, Paul says this quarter represents one of the most significant Q1 operational beats so far among his covered producers, and in his opinion marks a very strong start to 2017 following the guidance beat in 2016. As such Paul is sticking with his bullish rating and reiterates that BTO remains on the Canaccord Genuity Focus List ahead of a potentially transformational and catalyst-rich 12 months.

**Cott Corp\* (BCB : TSX : \$17.95), Net Change: 0.54, % Change: 3.10%, Volume: 546,832**

**Cott Corp\* (COT : US\$13.01), Net Change: 0.31, % Change: 2.44%, Volume: 3,143,950**

***WHY DON'T THEY CHANGE THE TICKER TO...*** Cott Corporation announced Q1 results on Thursday, reporting EPS that was slightly ahead of Canaccord Genuity Consumer & Retail Analyst Derek Dley's expectations. EBITDA of \$88M was ahead of consensus and his \$87M estimate, and well above last year's figure at \$73M. The 21% increase in adjusted EBITDA YoY was notably impressive given a \$5M FX headwind during the quarter. Cott commented it has implemented pricing during the back half of 2017, which should alleviate these FX headwinds. DS Services generated a 2% increase in subscriber growth, coupled with a 37% improvement in operating income, to \$8M. Cott maintained its 2017 adjusted free cash flow guidance of \$155-175M. COT's revenue was up 28.4% compared to the same quarter last year. If you're new to the story, Cott Corporation is engaged in production of beverages on behalf of retailers brand owners and distributors. Cott operates in three segments: North America United Kingdom and All Other. The company is also engaged in home and office bottled water and office coffee services distribution in the United States.

**Canadian Natural Res.\* (CNQ : TSX : \$41.43), Net Change: -1.82, % Change: -4.21%, Volume: 4,772,538**

***AFTER YESTERDAY'S SHARE PERFORMANCE, I CAN ONLY AFFORD TO CELEBRATE CINCO DE MAYO WHEN IT FALLS ON TACO TUESDAY.*** Shares of Canadian Natural Resources, the country's largest independent petroleum producer, traded down on Thursday despite reporting a Q1 profit, compared with a loss a year earlier. The company cites an uptick in oil prices which began to rise late last year, after a two-year slump. That helped Canadian Natural post a net profit of \$245M, or 22 cents per share. The company said production rose nearly 4% to 876,907 boepd in the latest quarter. Cash flow, a key indicator of a company's ability to pay for new projects and drilling, surged nearly 150% to \$1.64B, or \$1.46 per share. Revenue after royalty payments was above estimates at \$3.64B, up from \$2.18B in Q1F16, when oil prices were near 13-year lows. Canaccord Genuity Oil & Gas Analyst Dennis Fong says highlights from the quarter include lower Q/Q Horizon operating costs of ~\$22.08/bbl, continued progress on the Horizon Phase 3 expansion (with a targeted start-up in Q4/17) and E&D capex was ~\$300M below his estimate ~\$1.1B. Fong says as expected there was little commentary on the recently announced acquisition of the Athabasca Oil Sands project acquisition (expected to close later this month). The deal makes it one of the top three Canadian oil sands operators – along with **Suncor Energy (SU)** and **Cenovus Energy (CVE)** – that have snapped up assets as foreign oil majors exit the region.

**Hudbay Minerals\* (HBM : TSX : \$7.41), Net Change: -0.42, % Change: -5.36%, Volume: 4,758,363**

***AT LEAST THE GUIDANCE WAS UNCHANGED.*** Hudbay Minerals traded down on Thursday after the company reported Q1 adjusted EPS of \$0.02, well below Canaccord Genuity Base Metals Analyst Dalton Baretto's estimate of \$0.13 and consensus of \$0.11. Revenue of \$253M was 24% below his forecast of \$332M due to lower sales. Operating costs were also higher than forecast, and as a result, EBITDA of \$98M was 34% below Baretto's forecast of \$148M. He notes that production of copper, zinc and gold equivalent were all significantly below estimates. Despite the weak Q1 operating results, HBM made no change to its guidance, as it views the issues faced in Q1 as largely behind it. YTD Cu and Zn production represent 26% and 24% of the low end of the respective guidance ranges. The company also did not provide a meaningful update on the permitting progress at Rosemont.

**Maricann Group\* (MARI : \$1.79), Net Change: -0.12, % Change: -6.28%, Volume: 486,323**

***IT'S A "JOINT" EFFORT.*** Shares of Maricann Group were halted yesterday, during which the company announced a \$42.5M non-dilutive financing to further expand its production in Germany. The financing comes from The Green Streaming Finance Company of Canada, and is the first streaming deal for a cannabis company that the Morning Coffee has seen yet. The streaming payment will be made in return for the right to purchase 20% of production at an all in cost +10% from expansion funded by Green Streaming in Germany. "This is a win-win relationship," said Donald McInnes, founder of Green Streaming. Under the terms, Maricann will receive investment in two tranches, \$15M and \$27.5M. The financing will fully fund the planned 150,000 sq. ft expansion of cultivation operations in Maricann's Germany Facility and an additional 250,000 sq. ft. of expansion in a two tiered cultivation plan, as well as an outdoor hemp farm from which Maricann will derive high CBD content active pharmaceutical ingredients. For those unfamiliar with Maricann, the company also expects to be the lowest cost Canadian producer at \$1.34 per gram by next year. Maricann currently has sales of \$425,000 per month with an average

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sales price of \$9.62 per gram. The company is rapidly expanding and expects to increase production by 833% by October this year. Since the company debuted on the CSE last week, only one Bay Street Analyst covers the stock currently, however, the Morning Coffee expects that to change soon. In case you're wondering, that analyst has a target price on Maricann in excess of ~300% of its current price.

## **Silver Standard\* (SSO : TSX : \$12.39), Net Change: -1.10, % Change: -8.15%, Volume: 627,281**

**THIS IS A NAME CHANGER.** Pending shareholder approval, Silver Standard will soon begin a new chapter as SSR Mining (symbol change SSR from SSO), with the name change expected to better reflect the company's status as a diversified, intermediate gold producer. SSR reported better-than-expected Q1 results and a positive exploration update that suggest the potential for an FY2017 guidance beat and strong reserve/resource growth by year-end. For the quarter, lower cash costs, and depreciation drove the Q1 earnings beat. Adj EPS of \$0.17 beat Canaccord Genuity Precious Metals Analyst Rahul Paul's forecasts of \$0.13. While production results were pre-released, cash costs of \$646/oz were 7% lower than expected. Operationally, all three operations exceeded Paul's expectations. Production was 6%, 11% and 20% higher at Marigold, Seabee and Pirquitas, respectively, while the cost outperformance was largely driven by Seabee (24% lower). Paul says that considering SSR's diversified production platform, extensive project pipeline, stellar balance sheet, low geopolitical risk profile, an attractive M&A scorecard and track record of delivering on promises, he believes SSR remains one of the most attractive investments in the mining sector.

## **Trakopolis lot\* (TRAK : TSX-V : \$1.19), Net Change: 0.05, % Change: 4.39%, Volume: 74,800**

**RIGHT ON, TRAK.** Earlier this week, Trakopolis announced it received a significant purchase order from a major U.S.-based energy company for 1,500 units of its co-created product the **Honeywell (HON) ConneXt Lone Worker** gas detector. TRAK's leading software will deliver the solution as "software as a service" and thus each unit will carry a monthly recurring data fee for the contracted four-year period. The minimum total contract value is expected to be US\$4.79M, with an estimated US\$2.82M (inclusive of hardware revenue) expected in fiscal 2017. Pursuant to the terms, the purchaser also has the option to acquire up to an additional 1,000 units, on the same terms as the initial 1,500 units, during the first 18 months of the agreement. According to some sector commentary, 1,500 units represents ~1% of the North American market and last week TRAK and Honeywell announced plans to expand their sales efforts worldwide. This week's purchase should help provide some visibility into the achievement of TRAK management's stated revenue milestones, which according to the company's corporate presentation is a \$10M run rate by Q4 2017. Stay tuned.

## **U.S. EQUITIES OF INTEREST**

*Listed Alphabetically by Symbol*

### **American Intl Group (AIG : US\$62.67), Net Change: 1.13, % Change: 1.84%, Volume: 8,258,705**

**RAISE YOUR HAND IF YOU'RE INSURED.** American International Group reported better-than-expected Q1 operating profit late Wednesday, helped by investment returns and cost cuts. The insurer posted earnings of \$1.37B, or \$1.36 per share, up from \$765M, or \$0.64 a year-ago and easily beating the analysts' average estimate of \$1.08. AIG, the largest U.S. underwriter of commercial property and casualty policies, also said its board authorized an additional \$2.5B in share repurchases, putting the company closer to its goal of returning \$25B of capital to investors by year-end. Analysts note this a central part of a two-year turnaround plan underway at AIG, which has been the target of activist investors led by billionaire Carl Icahn. The company has returned \$18.1B to shareholders through buybacks since announcing the plan last year. Wednesday's results mark a rebound from a surprisingly wide loss in Q1, which stunned investors and AIG's board, triggering the resignation of CEO Peter Hancock. Hancock said on March 9 he would depart once the board found a replacement. Profit was also boosted by lower-than-expected catastrophe losses, better selection of commercial risks it insures and getting rid of legacy businesses, the company said. "Our first quarter results highlight the success of the actions we have taken to execute on our strategy, strengthen our balance sheet, and improve earnings quality," Hancock said on the conference call.

### **Dunkin Brands Group (DNKN : US\$56.64), Net Change: 0.30, % Change: 0.53%, Volume: 3,262,571**

**MAY 19. MARK IT DOWN.** Dunkin' Brands Group on Thursday said Q1 same-store sales in the U.S. were little changed, hurt by a decline in store traffic. Net income rose to \$47.5M, or \$0.51 per share, in the three months ended April 1, up from \$37.2M, or \$0.40 per share, a year earlier. The gain was helped by a tax benefit due to a new accounting standard for share-based compensation. Excluding items, the company earned \$0.48 per share, in line with the average analyst estimate. The results came amid an "increasingly challenging environment for retail and restaurants," CEO Nigel Travis said on the earnings

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call. Dunkin' Donuts also announced it is giving its newest coffee beverage for free. On Friday, May 19, the company will offer all guests a complimentary 3.5-ounce sample of Frozen Dunkin' Coffee. In fact, Dunkin' Donuts is trying to please its loyal customers after pulling crowd favourite Coffee Coolatta from menu and instead replaced it with the new Frozen Coffee, which the company says contains more coffee and tastes more like coffee.

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## **Facebook (FB : US\$150.76), Net Change: -0.89, % Change: -0.59%, Volume: 35,990,112**

**CLOSING IN ON 1/3 OF THE WORLD'S POPULATION...NUFF SAID.** Facebook smashed analysts' earnings estimates in its Q1, shaking off the "fake news" controversy and posting revenue that topped estimates. The company added 80M monthly users in the first few months of the year, as ad revenue popped 51% from a year ago. Those numbers weren't enough to rally investors though as they digested a new format for the company's earnings report. Net income attributable to Facebook shareholders rose to \$3.06B, or \$1.04 per share, from \$1.73B, or 60 cents per share, a year earlier. Chief Financial Officer David Wehner said on a conference call after the earnings announcement that the company expects its ad revenue growth to come down significantly over the rest of 2017, repeating prior company warnings that it is hitting a limit in "ad load," or the number of ads it can squeeze onto users' pages before upsetting them. The social media giant is expected to generate \$31.94B in mobile ad revenue globally in 2017, up 42.1% from a year earlier. That would give Facebook a 22.6% share of the worldwide mobile ad market, with rival **Google (GOOG)** projected to be the leader with a 35.1% share. Facebook continued its march toward the 2B user threshold, saying it had some 1.94B people using its service monthly as of March 31. That was up 17% from a year earlier.

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## **Fitbit (FIT : US\$6.36), Net Change: 0.68, % Change: 11.97%, Volume: 34,475,289**

**PROTIP: WEAR IT ON THE WRIST THAT MOVES FOOD TO YOUR MOUTH.** Fitbit on Thursday reported quarterly revenue above its own forecast, and said launches planned for this year were on track. The wearable device maker posted a net loss of \$60.1M, or \$0.27 per share, compared with a profit of \$11M, or \$0.05 a year earlier. Excluding items, Fitbit posted a loss of \$0.15 per share, smaller than analysts' average estimate of an \$0.18 loss. Investors are betting on Fitbit's new launches to bolster sales, after the company struggled with a lacklustre holiday quarter and production issues that weighed on sales. "As we enter the smartwatch category, I think that will be a catalyst for growth," CEO James Park said on an earnings call. The company's smartwatch, codenamed "Higgs" will be able to make touchless payments, the ability to store and play music from **Pandora (P)**, according to media reports.

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## **General Mills (GIS : US\$57.05), Net Change: 1.00, % Change: 1.78%, Volume: 19,109,860**

**IF IT'S NOT THE HONEY NUT, IT'S NOT WORTH MY TIME.** Shares of General Mills briefly surged ~10% on Thursday after speculation the maker of Cheerios cereal could become the next target of private equity firm 3G Capital. However, the stock retreated after CNBC reported that there was no truth to the rumor. Sources told CNBC that General Mills had not struck a deal to be acquired by either 3G or **Kraft Heinz (KHC)**. The speculation about General Mills was triggered by a report from a relatively unknown news outlet called MT Newswires on Thursday that claimed the food company "reportedly agreed to be acquired by private equity firm 3G Capital in an all cash transaction." The report cited unnamed sources and said the deal could be worth more than \$49B. 3G is known as a major investor in the food and beverage sector and has, in the past, teamed with Warren Buffett's **Berkshire Hathaway (BRK.A)** on some deals. Where there's smoke, there's generally fire. So perhaps this is one to keep an eye on...

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## **The Kraft Heinz Company (KHC : US\$89.58), Net Change: 0.51, % Change: 0.57%, Volume: 6,370,529**

**VELVEETA UPDATE:** North America's No. 3 food and beverage company reported lower-than-expected quarterly Q1 profit and sales on Thursday, due to weak demand for its Velveeta cheese, Planters nuts and Oscar Mayer meats brands. U.S. sales, which account for more than two-thirds of Kraft's total revenue, dipped 3.5% in the three months ended April 1. Canada sales particularly fell 12.2% in the quarter due to delayed contract agreements with key retailers. Revenue dropped to \$6.36B, missing the analysts' average estimate of \$6.46B. Earnings also fell short of estimates, suggesting that Kraft Heinz's much-vaunted cost cutting didn't do the job in the latest period. Analysts say a muted spending environment in North America coupled with changing consumer tastes toward fresh, organic food over processed food has forced the packaged food maker to launch new products and revamp its ready-to-eat meals to remove synthetic colours and preservatives. Kraft Heinz sales have now declined in four of the past five quarters, renewing concerns that the company, rebuffed in its bid to buy **Unilever (UN)** earlier this year, needs to do another deal to keep growing.

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## **Square (SQ : US\$19.89), Net Change: 1.61, % Change: 8.81%, Volume: 25,720,265**

**IT'S HIP TO BE...** Payments company Square reported a smaller-than-expected quarterly loss late Wednesday and raised its earnings forecast, as customers processed more transactions through its technology and it extended the reach of its services.

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# Morning Coffee

Led by **Twitter (TWTR)** CEO Jack Dorsey, the company posted a quarterly loss of \$0.04 per share, on revenue of \$461.6M; analysts on average had expected a loss of \$0.08 on \$450.7M. For the unfamiliar, Square's technology allows small and medium sized businesses to accept credit card payments on mobile devices. The product has become popular because it helps small merchants and self-employed professionals complete credit card transactions without a cash register or expensive software. The company, which went public in 2015, has been seeking to diversify its revenue stream by attracting larger merchants and expanding into new businesses, from lending to food delivery. The company has also been expanding overseas. In March, Square made its foray in the U.K., where it estimates around half of local small businesses still do not take card payments. Note that Square faces competition from startups offering similar services in Europe including the U.K.'s SumUp, which is backed by **Groupon (GRPN)**, and Sweden's iZettle. Square also highlighted growth in its food delivery business Caviar, with order volume in the first quarter more than doubling year over year.

**Tesla (TSLA : US\$295.40), Net Change: -15.38, % Change: -4.95%, Volume: 14,037,062**

*TO MY FELLOW GRINGOS, PARTY LIKE A PINATA THIS CINCO DE MAYO AND "GET SMASHED!"* Electric car maker Tesla reported quarterly revenue that more than doubled and also trumped analysts' expectations, driven by record deliveries of its Model X sports utility vehicles and Model S sedans. Tesla delivered 25,000 vehicles in Q1, its highest since the carmaker went public in 2010, and a 69% increase from a year earlier. The Model 3 remains on schedule for output to start in July. Excluding some items, Tesla lost \$1.33 a share, a bigger deficit than analysts estimated. Cash burn was the second most in the company's history, behind only the final period of last year. Tesla burned through \$622.4M in the quarter - about half the amount raised in equity and debt offerings earlier this year. The company expects to roughly triple capital expenditures in Q2 compared with the first three months. The Model 3 is expected to start at \$35,000 before options or incentives, with a battery range of at least 215 miles per charge. The first vehicles made will go to employees of Tesla and SpaceX. Although Tesla projects delivering as many as 50,000 vehicles during the first half of the year, the company hasn't given a forecast for how many it will ship during the second half of the year. Founder and CEO Elon Musk raised eyebrows on the company's earnings by claiming the electric car maker was on track to become one of the most valuable companies in the world – surpassing **Apple (AAPL)**. "Well, now I may want to preface this by of course I could be completely delusional, but I think I see a clear path to that outcome," Musk said. At yesterday's respective market caps, that would equate to a Tesla share price of ~\$4,744...

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## GO FIGURE

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After CBC News ran a story this week about the quiet discontinuation of Dad's chocolate chip cookies, they received a tip about the mysterious disappearance of another food classic: Skippy peanut butter.

We're sorry to spread the news to Skippy fans: the peanut butter – both the crunchy and smooth version – is no longer available in Canada.

Skippy lovers who've already figured it out have been stockpiling jars.

"I'm really mad at Skippy," Jim Hazzard of Alliston, Ontario, told CBC. He recently snagged a store's last two jars and is trying to savour every bite. "I'm very careful how much I use," he said.

Skippy's owner, U.S.-based **Hormel Foods (HRL)**, discontinued the brand in Canada several months ago, and then it slowly disappeared from store shelves.

Hormel says it stopped selling Skippy in this country due to factors like competition and pricing that hurt the brand's profitability.

Canadian fans feeling singled out may have every right. The product is still available in more than 60 countries including the U.S., China and the U.K.

In preparation for when they run out, fans have been asking the official Skippy **Facebook (FB)** site if they could order the product online. Hormel is referring customers to **Amazon's (AMZN)** Canadian web site.

But Amazon's high prices have been a major turnoff. Current prices per jar range from about \$10 to \$30 for regular peanut butter to almost \$100 for the "reduced fat" version. Shipping can cost extra.

Source: *CBC.ca*

**THE LAST DROP:** We understand that this is difficult news for our loyal fans. However, market conditions at this time do not make it viable for us to continue to offer this product in Canada.

– *Hormel Foods, discontinuing Skippy peanut butter in Canada* 

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