DECEMBER 14, 2023

Diversified Industries

Desjardins Diversified Research • (416) 607-3001 • DesjardinsDiversifiedResearch@desjardins.com
Frederic Tremblay, CFA • (514) 841-0283 • frederic.a.tremblay@desjardins.com
Gary Ho, CPA, CA • (416) 607-3022 • gary.ho@desjardins.com
Chi Le, CFA, Associate • (416) 607-3026 • chi.le@desjardins.com
Liam Bergevin, Associate • (514) 809-7586 • liam.a.bergevin@desjardins.com

2024 outlook: Don't you forget about me

The Desjardins Takeaway

While our top picks from a year ago had a strong 2023, the same cannot be said for small caps in general as equity investors flocked to more liquid, larger companies with perceived stable/defensive attributes. As we look to 2024, we believe that the recent widening of the small caps' valuation discount, the likelihood of interest rate cuts and M&A/takeout activity provide a constructive backdrop for small caps, especially those with resilient businesses, solid cash flow generation and alignment with global trends. Our top picks for 2024 are Ag Growth (AFN, TSX, Buy–Above-average Risk, C$82.00 target), Brookfield Business Partners (BBU/BBU.UN, NYSE/TSX, Buy–Above-average Risk, US$29.00 target), Savaria (SIS, TSX, Buy–Above-average Risk, C$20.50 target) and Lithium Ionic (LTH, TSX-V, Buy–Speculative, C$4.50 target (was C$5.25)).

Highlights

Our top picks for 2024 in diversified industries and financials are Ag Growth (AFN), Brookfield Business Partners (BBU) and Savaria (SIS). We favour AFN given (1) solid progress across its three strategic initiatives—operational excellence (driving +250bps margin improvement in 2023), product transfers (benefiting 2024), and aftermarket parts and services (benefiting 2025/26); (2) robust growth in International (Brazil, India); (3) deleveraging (2.5x by mid-2024); and (4) attractive valuation. **BBU is our top pick in the diversified financials space** due to (1) Clarios IPO/monetization catalyst (world's largest vehicle battery manufacturer, should be well-positioned for an IPO after deleveraging). We estimate it could represent US$10–12 NAV/share (while accounting for ~25% of BBU EBITDA), implying the rest of BBU trades at ~US$6/share; (2) improved sentiment on interest rate cuts; (3) sale of Westinghouse reduces ~40% of its corporate debt; and (4) attractive valuation—trading at a ~57% discount to NAV. **We like SIS because** (1) 2024 should be a pivotal year which starts with a CEO transition and continues with the implementation of performance enhancement initiatives through the Savaria One program; (2) positive momentum in North America to continue while a recovery in Europe takes place; (3) significant potential upside to our and consensus adjusted EBITDA estimate for 2025, with upward revisions possibly triggered by a first-ever investor day in 1H24 and quarterly results; and (4) attractive valuation—trading at a significant discount to its 10.7x EBITDA average, and would trade at an astonishing 6.6x if management's 2025 ambitions are reached! **Our top lithium pick is Lithium Ionic (LTH).** Lithium prices declined sharply in 2023 due to a market surplus and slower-than-expected growth in EV sales. Lowering our near-term price forecasts had only a limited impact on our companies under coverage as only Sayona (SYA) is currently in production. Furthermore, we believe that the current price environment could prompt changes in global supply intentions, especially for higher-cost and/or more challenging projects. EV sales growth should remain positive and could get a boost from interest rate cuts. We like LTH given (1) the low capex and low costs of the Bandeira project; (2) fast-tracked permitting and quick path to production; (3) resource growth potential; and (4) attractive valuation.

Reflecting briefly on 2023's top performers and picks

Exhibit 1 summarizes our ratings and target prices, valuations and stock performance for the 24 companies under our coverage.

Exhibit 1: Diversified industries recommendations, target prices and key metrics

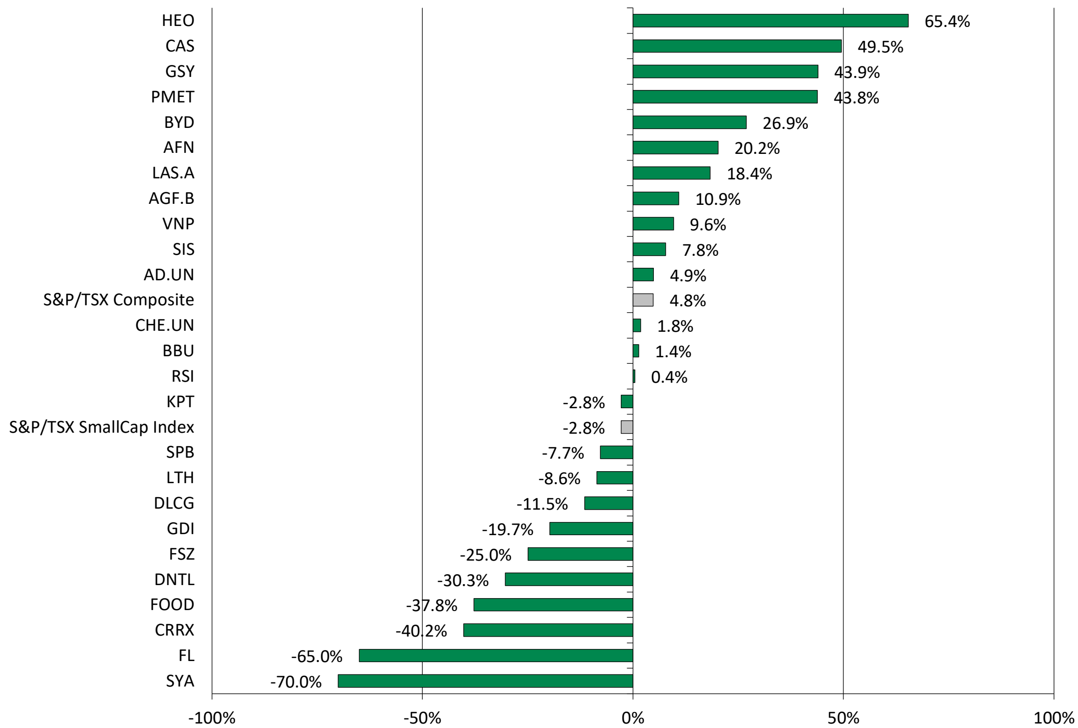
Company	Ticker	Rating[1]	Analyst[2]	Price Dec-11 ($)	Mkt cap (C$m)	EV/EBITDA (x) CY1	EV/EBITDA (x) CY2	Div yield (%)	Target price ($) Old	Target price ($) New	Exp total rtn (%)	Price return (%) 1m	Price return (%) 3m	Price return (%) Ytd
Diversified industries														
5N Plus	VNP	Buy–AAR	FT	3.19	283	7.3	6.0	0.0	5.00	5.00	56.7	-3.3	-10.4	9.6
Ag Growth	**AFN**	**Buy–AAR**	**GH**	**51.60**	**1,210**	**6.0**	**5.6**	**1.2**	**82.00**	**82.00**	**60.1**	**2.4**	**-10.4**	**19.0**
Boyd Group	BYD.UN	Hold–AR	GH	265.00	5,690	11.7	10.8	0.2	275.00	275.00	4.0	8.7	8.0	26.7
CareRx	CRRX	Buy–AR	GH	1.53	92	4.3	3.7	0.0	3.50	3.50	128.8	-2.5	-21.1	-40.2
Cascades	CAS	Hold–AAR	FT	12.32	1,241	5.8	5.7	3.9	14.00	14.00	17.5	4.2	-2.4	45.6
Chemtrade	CHE.UN	Buy–AAR	GH	8.50	989	4.7	4.6	7.1	12.00	12.00	48.2	-1.5	-1.8	-5.2
dentalcorp	DNTL	Buy–AR	GH	6.20	1,165	7.4	6.6	0.0	11.00	11.00	77.4	9.9	-3.9	-30.3
GDI Integrated	GDI	Buy–AR	FT	36.52	854	9.0	8.1	0.0	56.00	56.00	53.3	0.4	-13.8	-19.7
Goodfood Market	FOOD	Hold–AAR	FT	0.28	21	6.4	4.6	0.0	0.75	0.75	167.9	-26.3	-28.2	-37.8
KP Tissue	KPT	Hold–AAR	FT	9.05	90	6.7	7.1	8.0	11.00	11.00	29.5	-6.6	-10.5	-10.7
Lassonde	LAS.A	Hold–AR	FT	130.00	887	5.7	5.1	1.5	150.00	150.00	16.9	-5.6	1.9	16.8
Rogers Sugar	RSI	Hold–AR	FT	5.33	560	8.5	8.4	6.8	6.25	6.25	24.0	2.5	-5.8	-6.3
Savaria	**SIS**	**Buy–AAR**	**FT**	**14.58**	**1,034**	**10.2**	**8.8**	**3.6**	**20.50**	**20.50**	**44.2**	**5.3**	**2.7**	**4.2**
Superior Plus	SPB	Buy–AR	GH	9.51	2,366	7.5	7.2	7.6	13.50	13.50	49.5	-2.3	-8.5	-15.3
Diversified financials														
AGF Management	AGF.B	Buy–AAR	GH	7.42	480	2.5	2.4	5.9	10.00	10.00	40.7	6.0	-4.1	5.0
Alaris Equity Partners	AD.UN	Buy–AAR	GH	15.41	701	7.3	6.7	8.8	20.00	20.00	38.6	8.1	1.0	-3.9
Brookfield Business Partners[3]	**BBU**	**Buy–AAR**	**GH**	**16.94**	**3,881**	**8.7**	**8.3**	**1.5**	**29.00**	**29.00**	**72.7**	**16.0**	**8.9**	**-0.1**
Dominion Lending Centres	DLCG	Buy–AAR	GH	2.69	130	7.1	6.6	4.5	2.75	2.75	6.7	0.0	29.0	-15.9
Fiera Capital	FSZ	Hold–AAR	GH	5.03	529	5.9	5.6	17.1	6.25	6.25	41.4	-3.5	-12.2	-42.1
goeasy	GSY	Buy–AAR	GH	150.49	2,493	9.1	7.8	2.6	165.00	165.00	12.2	21.0	23.9	41.4
Lithium														
Frontier Lithium	FL	Buy–S	FT	0.72	164	NA	NA	0.0	3.75	2.50	247.2	-19.1	-39.7	-65.0
Lithium Ionic	**LTH**	**Buy–S**	**FT**	**1.48**	**205**	**NA**	**NA**	**0.0**	**5.25**	**4.50**	**204.1**	**8.8**	**-33.9**	**-8.6**
Patriot Battery Metals	PMET	Buy–S	FT	9.49	1,087	NA	NA	0.0	21.00	18.00	89.7	-1.1	-19.2	43.8
Sayona Mining[4]	SYA	Buy–S	FT	0.06	587	NA	NA	0.0	0.20	0.20	250.9	-29.6	-43.0	-70.0

[1] AR = Average Risk, AAR = Above-average Risk, S = Speculative; [2] FT = Fred Tremblay, GH = Gary Ho; [3] In US$; [4] In A$
Note: Highlighted stocks are our preferred names
Source: Desjardins Capital Markets, company documents, FactSet

2023 top performers. In 2023, the companies in our coverage universe delivered a market cap–weighted return of 7.6% as at December 11 vs 4.9% for the S&P/TSX Composite Index and -1.4% for the S&P/TSX SmallCap Index. Our top performers based on price returns were HEO (return of 65.4%), CAS (45.6%), PMET (43.8%) and GSY (41.4%). While we have a Hold rating on BYD, which generated a strong return of 26.7%, recall that we downgraded the stock to Hold (from Buy) in May 2023 when it had already returned ~17% ytd.

Desjardins Diversified Research
Frederic Tremblay, CFA
Gary Ho, CPA, CA
Chi Le, CFA, Associate
Liam Bergevin, Associate

Exhibit 2: Stock performance (total returns, including dividends) (as at December 11, 2022)



Source: Desjardins Capital Markets, FactSet

Our 2023 top picks performed strongly. Before we get to our preferred names for 2024, we revisit the performance of our three top picks for 2023—HEO, GSY and AFN. All three meaningfully outperformed the S&P/TSX Composite Index and the S&P/TSX SmallCap Index, with total returns of 65.4%, 43.9% and 20.2%, respectively.

- **HEO.** HEO posted solid quarterly results and reached new record backlog levels, thanks in part to organic growth momentum stemming from higher demand and pricing for its water solutions. From a shareholder return perspective, the year ended on a strong note with the announcement on October 3 of a definitive agreement for HEO to be acquired for C$4.25/share in cash by Ember Infrastructure Management. The transaction price implied a 68% premium over the previous closing price and a 66% premium over the 20-day volume-weighted average price. Following shareholder approval, the transaction closed on December 8.

- **GSY.** GSY has delivered strong performance and stable credit trends despite headline concerns over inflation, interest rates, a potential recession and the 35% rate cap. Year-to-date adjusted EPS grew ~20% yoy while generating ~25% ROE. The three-year target points to ~C$5b gross consumer loans receivable by 2025, resilient revenue yield (despite the 35% rate cap), declining NCO and 21%+ ROE. There is upside to the outlook as management assumes the rate cap implementation date starts on January 1, 2024 (unlikely). GSY also increased its 2023 loan book expectations twice; it now exceeds the top end of guidance. The successful refinancing of US$550m notes removed an overhang.

- **AFN.** AFN hosted its first investor day in February, where management highlighted several organic growth drivers and targets for operational efficiencies/margin expansion and deleveraging. It first introduced 2023 guidance of C$260m+ EBITDA/17%+ margin, which it subsequently raised twice to C$290m+/18.5%+ margin following a series of beats and raises. We would also highlight our North American Commercial site visit and Canada's Outdoor Farm Show update.

Desjardins Diversified Research
Frederic Tremblay, CFA
Gary Ho, CPA, CA
Chi Le, CFA, Associate
Liam Bergevin, Associate

Our preferred names

Ag Growth International Inc. (AFN, TSX, Buy–Above-average Risk, C$82.00 target)

AFN is our top pick for the diversified industries sector. Our investment thesis on AFN is predicated on the following:

- **Management delivering on its three strategic initiatives. (1) Operational excellence.** AFN has made substantial progress around its structured process, operational excellence and manufacturing efficiencies. These initiatives are the main contributor to EBITDA margin expanding to 18.5%+ in 2023 from ~16% in 2022. In 2024, AFN will look to build specific measures around operational excellence (tied to executive compensation), better pricing segmentation (customer buying patterns/behaviours) and streamlining the customer experience by consolidating order intake and investing in tools for dealer partners to handle preliminary order quoting. **(2) Product transfers.** Management is confident product transfers will reap tangible benefits in 2024. It has completed engineering/manufacturing work across five transfers in 2023, with sales/marketing currently pushing these products. Management will look to provide targets at some point on product transfers as a percentage of revenue or order book. Medium-term, this initiative could grow toward a ~20% share of the ~C$4b in additional TAM. **(3) Aftermarket parts and services.** Management is laying the groundwork today (hiring talent, scoping out facility/warehousing footprint) to reap the benefits starting in 2025–26. India, where parts/services represent 9–10% vs <4% of AFN's consolidated revenue, serves as a good case study. AFN could optimize its manufacturing and sales footprint across finished goods vs parts and services.

- **Growth sprouting on International soil.** Brazil and India continue to be areas of focus for organic growth. Once leverage hits 2.5x (expected mid-2024), AFN may look to consolidate its five facilities in India (we believe C$60–80m capex over ~5 years) and expand its Brazil facility (C$40–60m capex over 3–4 years). AFN also highlighted the Middle East, Africa and Southeast Asia as pockets of high growth, driven by food security and population tailwinds. International generated LTM sales of C$510m (33% of total)—we believe it could reach 40–45% over the medium term.

- **Notable progress on deleveraging.** Leverage has declined to a three-year low of 3.2x as of 3Q23 vs 3.3x in 2Q23 and 3.7x in 4Q22. Management is confident that it can bring leverage down to ~2.5x by mid-2024. Post achieving 2.5x, management could invest in India and Brazil to tap further organic growth opportunities or in North America to drive cost savings/efficiencies.

- **Attractive valuation.** Our C$82.00 target is based on 8.25x EV/4QF EBITDA. AFN trades at an attractive multiple of 6.0x its 2024 EBITDA vs its historical range of 6.8–9.1x (±1sd). Despite having been up ~20% this year, the stock is even cheaper than a year ago (was trading at ~6.8x EBITDA last December).

Brookfield Business Partners L.P. (BBU/BBU.UN, NYSE/TSX, Buy–Above-average Risk, US$29.00 target)

BBU is our top pick for the diversified financials sector (we also like GSY, which we had pitched last year). Our investment thesis on BBU is predicated on the following:

- **Supercharged with the Clarios IPO catalyst.** BBU acquired a 28% stake in Clarios through its US$820m investment (BBU's share) in 2019, making this its largest investment. We believe Clarios is high up on management's monetization list.
    - **Clarios overview.** Clarios is the world's largest vehicle battery manufacturer, with its batteries installed in one out of three vehicles globally. It is ~5–6x larger than its next competitor, selling >150m batteries annually. On average, batteries are usually replaced 2–4 times over a vehicle's life; hence, 80% of Clarios' volumes are highly repeatable aftermarket sales. Unlike 5–10 years ago when the majority of its sales were through internal combustion engine (ICE) vehicles, Clarios' advanced batteries, which also power EV and start/stop engines, represent a

Desjardins Diversified Research
Frederic Tremblay, CFA
Gary Ho, CPA, CA
Chi Le, CFA, Associate
Liam Bergevin, Associate

growing part of the business today. In 2023, advanced batteries account for 28% of sales vs 10% back in 2015. By channel, advanced batteries represent 68% of its OE sales but only 17% of aftermarket; however, as these EV/start-stop vehicles age and go through the normal replacement cycle, advanced battery penetration into the aftermarket channel should stand to benefit. By 2027, Clarios management expects 36% of its total battery volume to be advanced batteries. This tailwind will continue to be a source of revenue and margin expansion for Clarios—advanced batteries drive 50–80% higher revenue and double the profitability dollars of a standard low-voltage battery.

- **Financial performance.** In 2023, Clarios generated revenue of US$10.0b (+8.3% yoy) and adjusted EBITDA of US$1.8b (18.0% margin). Over 20 years (2003–23), Clarios has grown its revenue at a 9% CAGR and sale volumes at a 5% CAGR. Its revenue has grown every year since 2003, except for 2009 (Great Recession) and 2020 (COVID-19), during which time it was able to gain market share. Over the medium term, management expects revenue to grow 4–6% annually, with EBITDA growth in excess of top-line growth.
- **Monetization rationale and thoughts on valuation.** High leverage was one of the main hurdles to Clarios' first IPO attempt in 2021 (was in the mid-5x). Given its strong FCF generation, Clarios has been able to reduce net debt by >US$1.3b in 2021–23, including US$760m in debt reduction in 2023. The company has guided to paying down another US$500m in debt for 2024 which, if we assume EBITDA growth of 5%, could bring leverage to below 4x (vs 4.4x in 2023 and 6.5x when BBU acquired Clarios), setting the stage for an IPO. Looking at public comps, we believe Clarios should command an 8.0–8.5x multiple (generating high-teen EBITDA margins), which implies it accounts for US$10–12 NAV per BBU share. This represents 60–70% of BBU's US$16.94 share price (while accounting for only ~25% of BBU EBITDA). Successful monetization should enable BBU to surface the value of Clarios and lead to a valuation re-rate for the rest of its portfolio.

- **Improving sentiment on interest rate cuts might help valuation.** BBU has been among the stocks most negatively impacted by rising interest rates. BBU peaked in March 2022 at ~US$31/share (this coincided with the Federal Reserve's/Bank of Canada's first rate hike) vs trading at ~55% of that today, in the US$16–17/share range. Clawing half of that back implies ~40%+ upside from here. With views that rates are now at a peak and could begin to decline around the middle of 2024 (according to Desjardins Economics), BBU could see an uplift in sentiment as well as a better monetization/IPO environment.
- **Sale of Westinghouse to accelerate debt reduction.** We are encouraged by the earlier-than-expected close of the Westinghouse sale in November, which reduces ~40% of its corporate debt while lowering interest costs. Year-to-date, management has successfully refinanced US$15b of non-recourse debt at effectively no increase to the cost of funds. This includes a refinancing of US$750m in CDK at borrowing costs that are 320bps lower. As of 3Q, its pro forma liquidity stood at US$2.3b.
- **Attractive valuation.** BBU units currently trade at 8.7x EBITDA vs ~13x for the S&P 500, while businesses that generate similar EBITDA margins as BBU are trading at ~15x. We continue to favour the name given its ~57% discount to NAV.

Savaria Corporation (SIS, TSX, Buy–Above-average Risk, C$20.50 target)

SIS is a top pick for the diversified industries sector. Our investment thesis is predicated on the following:

- **2024 will be a year of changes.** We expect 2024 to be a pivotal year for SIS. It starts on January 1 with Sebastien Bourassa becoming president and CEO (from COO) and Marcel Bourassa moving to the executive chairman role (from president, CEO and chairman). We have long viewed Sebastien Bourassa as one of the key contributors to SIS's evolution to a global leader in the accessibility industry and, in our opinion, 2024 is the right time for this logical CEO transition as the entire

Desjardins Diversified Research
Frederic Tremblay, CFA
Gary Ho, CPA, CA
Chi Le, CFA, Associate
Liam Bergevin, Associate

company becomes more intensely involved with the implementation of the Savaria One program in collaboration with consultants. While details on Savaria One initiatives are scarce at the moment, we believe that initial benefits in areas such as pricing, productivity and procurement should be progressively felt in 2024 and beyond. We look forward to SIS's first-ever investor day in 1Q24 or 2Q24, which should be packed with information on Savaria One and key priorities/goals for each business segment.

- **North America to remain a strong contributor.** North America has been a reliable profitable growth area for SIS and, based on management commentary, has not experienced a demand slowdown or backlog erosion for accessibility products. Looking ahead, we expect continued momentum in North America, thanks to ageing-related tailwinds (see our recent report), SIS's broad product portfolio (stairlifts, platform lifts, home elevators, etc), pricing, cross-selling and manufacturing enhancements.
- **Europe should turn a corner.** While the European operations had their share of challenges in 1H23, they had an encouraging 3Q and look positioned for future improvements. 3Q sales in Europe were roughly flat organically amid a normalization of lead times and orders as 2Q's ERP-related challenges are in the rear-view mirror. We believe that pricing, product introductions (to complement Handicare's stairlift offering) and the absence of an ERP-related disruption (one-time C$5m EBITDA headwind in 2Q23) should contribute to revenue and profitability improvement in 2024.
- **Margin expansion and potential upside to estimates.** After stability in 2021–23, we forecast adjusted EBITDA margin expanding to 16.8% in 2024 and 17.5% in 2025 vs 15.5% in 2023. Given the limited details provided so far on a key potential margin lever (Savaria One), our 2025 forecast of 17.5% (consensus of 17.3%) is meaningfully below management's goal of 20%. Hence, we see significant potential upside to 2025 estimates if the 2024 investor day and quarterly results offer positive readthroughs on the effect of Savaria One and other margin tailwinds.
- **Attractive valuation.** SIS trades at a large discount to its average at 8.8x EV/EBITDA on 2024 estimates vs the average of 10.7x. Our C$20.50 target is based on 11x estimated 2024 adjusted EBITDA. Furthermore, we note that the stock trades at 7.8x our 2025 adjusted EBITDA forecast of C$168.4m (17.5% margin). If management's 2025 goals of C$1b revenue and 20% margin are reached, the stock would be trading at an astonishing 6.6x.

Lithium Ionic Corp. (LTH, TSX-V, Buy–Speculative, C$4.50 target (was C$5.25))

LTH is our top pick for the lithium sector. Within what could remain a volatile lithium market in 2024, we believe the company stands out from hard rock peers, based in part on a high number of important catalysts and milestones that are expected to emerge from its two lithium projects in Brazil. Our investment thesis is predicated on the following:

- **Fast-tracked permitting process contributing to a quick path to production.** LTH is a hard rock lithium exploration company focused on advancing its flagship Itinga project and the earlier-stage Salinas project in Minas Gerais, Brazil. The company is the second largest mineral rights holder in Minas Gerais, a mining-friendly jurisdiction eager to further develop its lithium industry, which currently includes two producers—Sigma and CBL—located less than 4km and 1km, respectively, from LTH's Itinga project. LTH's projects were granted "priority status" within the state of Minas Gerais, which could lead to Bandeira (part of Itinga) obtaining permitting around mid-2024/early 2H24. In addition to Brazil's prompt permitting process, we believe that established infrastructure and the Sigma blueprint point to LTH having a relatively short timeline to production (we model first production at Bandeira in 2026 and a 20-year minelife).
- **Low capital requirements and operating costs expected at Bandeira.** The October 2023 PEA for Bandeira showed a 20-year minelife (underground) with an after-tax $NPV_{8\%}$ of US$1.6b, IRR of 121% and payback of 14 months. Compelling project economics include expected project capital

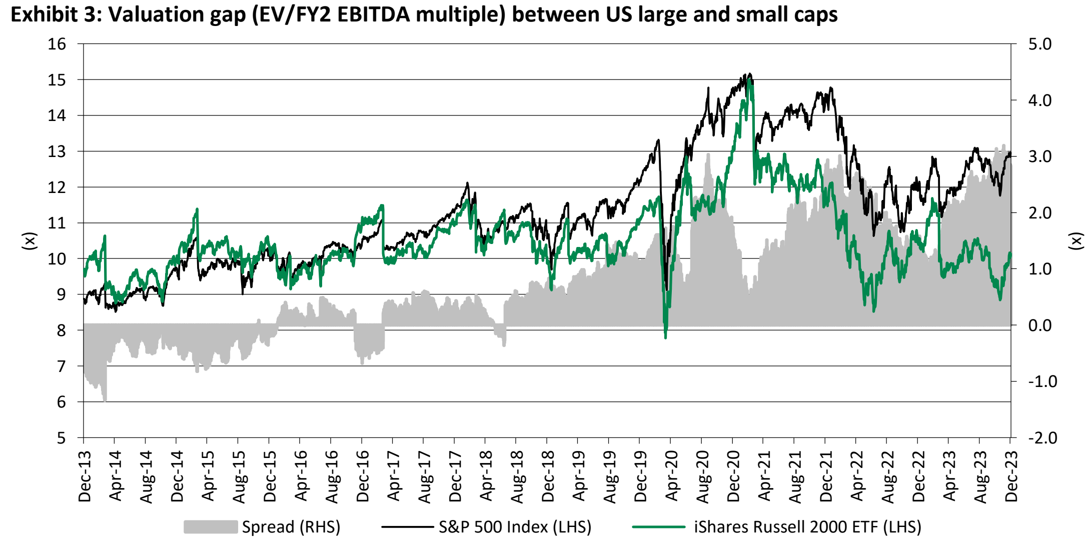
costs of US$233m (including a 25% contingency) and operating costs of US$349/t (excluding transportation), which compare favourably with peers' projects in North America.

- **Further resource growth could be coming in the near term.** In our opinion, both of LTH's projects have the potential for positive resource updates in 2024. At Itinga, after the resource estimate for the Bandeira deposit was increased to 29.5mt (1.37% Li_2O) in October 2023, we believe that ongoing drilling activity could fuel a resource upgrade (along with a DFS) around 1Q24. In addition to the growing Bandeira deposit, Itinga comprises Outro Lado (3.4mt at 1.46% Li_2O currently) and other regional targets. At the Salinas project, where LTH recently drilled its best intercept to date, a maiden resource estimate is expected in 2024 (likely early in the year) and we believe ~10mt looks achievable.
- **Access to funding.** LTH had a cash position of ~C$20m and no debt in November. With drilling, technical studies and permitting moving at a solid pace, we believe LTH could have access to various possible funding sources in 2024. This could include equity (recall that a C$28.8m financing was completed in July 2023) and/or a strategic partnership (eg offtake agreement that may include a prepayment).
- **Attractive valuation.** LTH trades at 0.27x P/NAV, which is a discount to peers (0.32x average). With several potential near-term catalysts and rapid project development, we believe LTH should trade at a premium multiple.

2023's pressure on small-cap valuations means there are opportunities to uncover heading into 2024

While our top picks had a strong 2023, the same cannot be said for the broader small-cap universe, which saw its valuation gap widen vs larger caps. Using the liquid US market as a proxy, we observe a widening of the valuation discount of small caps vs the larger-cap complex in 2023. This valuation gap recently reached a 10-year high of 3.2x (Exhibit 3), likely reflecting increased investor appetite for larger companies, which have greater trading liquidity and are perhaps viewed as more stable/defensive during a period of economic uncertainty and high interest rates. For reference, the last five-year and 10-year average spread was 1.6x and 0.8x, respectively.

Exhibit 3: Valuation gap (EV/FY2 EBITDA multiple) between US large and small caps



Source: Desjardins Capital Markets, FactSet

An out-of-favour small-cap universe means some opportunities can be found in the discount bin. As evident in Exhibit 1, there are attractive returns to be made on certain small-cap names even when the sector in general goes through a soft patch. Interestingly, private equity and strategic players

Desjardins Diversified Research
Frederic Tremblay, CFA
Gary Ho, CPA, CA
Chi Le, CFA, Associate
Liam Bergevin, Associate

appear to be attracted to the relatively inexpensive small-cap sector, as illustrated by takeout transactions at attractive premiums (see Exhibit 4). In the year to date in 2023, the number of take-private companies outnumbered IPOs in the TSX. Overall, we continue to believe that investors should have small-cap exposure and, in such an environment, careful stock picking is our suggested approach. Later in this report, we suggest key attributes to look for.

Exhibit 4: Recent takeout transactions in the Canadian small-cap space

Date	Target	Acquirer	Transaction value (C$m)	Premium (%)
11-May-23	Absolute Software Corporation	Crosspoint Capital Partners, L.P.	1,183	34
5-Sep-23	ABC Technologies Holdings Inc.	Alpha Holdings (Lux) S.à r.l. and Oaktree Capital Management, L.P.	1,421	13
18-Sep-23	HS GovTech Solutions Inc.	Banneker Partners LLC	33	151
3-Oct-23	Neighbourly Pharmacy Inc.	Persistence Capital Partners	915	69
3-Oct-23	H2O Innovation Inc.	Ember Infrastructure Management, LP	395	68
10-Oct-23	OpSens Inc.	Haemonetics Corporation	345	50
13-Oct-23	Spark Power Group Inc.	American Pacific Group LP	140	61
16-Oct-23	LOGISTEC Corporation	Blue Wolf Capital Partners LLC	1,200	12
6-Nov-23	Playmaker Capital Inc.	Better Collective A/S	257	46
13-Nov-23	Q4 Inc.	Sumeru Equity Partners LP	257	36

Source: Desjardins Capital Markets, company reports

Eat or be eaten—2024 could see active M&A and takeout activity

As we look forward to 2024, we believe that companies exhibiting strong M&A capabilities could benefit strongly given the overall constrained environment. In our coverage universe, we view the following companies as the most inclined to be either a potential takeout candidate or to acquire/consolidate:

- **AGF.** While AGF has returned C$150m to shareholders over the past two years, management will pivot its strategy to focus more on M&A growth to build out its alternative platform (refer to our *Express Pulse*). However, the Street is not giving credit for this business. If we back out C$252m of investments in private strategies, the rest of AGF trades at 2.4x LTM EBITDA. With insiders owning ~35%, if we put a 40% premium on the December 11 close of C$7.42, then by our estimate insiders would need to releverage up to only ~4x EBITDA to take the rest of the company private. Should AGF monetizes its C$252m long-term investments in the secondary market at 90 cents to the dollar (~C$227m), leverage could quickly be reduced to ~2x. Once private, AGF could collapse the dual classes, sell its non-core assets and build out its private/liquid alts platform, which should translate into a better valuation.

- **BYD.** Management's tone has shifted to be slightly more positive on MSO M&A, in our view—while it has sufficient dry powder (~US$600m), we believe the bid/ask spread needs to narrow further. Meanwhile, its single-shop acquisitions continue to gain traction; BYD is confident that it can reach its 2025 goals without MSOs. We forecast 90 locations added in 2024 and 85 in 2025.

- **CRRX.** While not imminent, we believe there is some take-private readthrough from the NBLY transaction in the pharmacy space. CRRX is trading at 4.3x forward EBITDA vs its historical range of 6.3–10.5x (±1sd).

- **DLCG.** Management/insiders own 75–80%, so it would not be a big cheque to write if the co-founders decide to take the rest private. We estimate a takeout price of >C$4/share. DLCG had received a bid at 10x EBITDA in the past vs trading at 7.1x today (including its fintech platform, Newton). We believe a merger with M3, its closest competitor, also makes sense given their similar broker count, complementary geographic coverage (DLCG is stronger out west while M3

Desjardins Diversified Research
Frederic Tremblay, CFA
Gary Ho, CPA, CA
Chi Le, CFA, Associate
Liam Bergevin, Associate

has greater penetration down east) and greater economics if M3 flows its mortgage volumes through the Newton ecosystem.

- **DNTL.** DNTL is on track to acquire ~C$20m in EBITDA in 2023. Acquisition multiples have trended down to the low to mid-7x vs the high 8x in early 2022. It is well-positioned to execute on its M&A playbook given 123Dentist/Altima is highly levered, while individual dentists/small DSO acquirers have faced a more difficult financing environment given higher interest rates.

- **FOOD.** In a sector which continues to consolidate globally (a recent example is Blue Apron being acquired by Wonder Group), we believe that FOOD's depressed valuation and recent cost-cutting progress could generate interest from potential acquirers. That said, we believe the company's co-founders/management are currently focused on accelerating profitable growth to create long-term shareholder value.

- **FSZ.** Potential takeout candidate. At 2H24, management will need to decide whether to increase its dividend (it already yields ~17%) to stay in the S&P/TSX Canadian Dividend Aristocrats Index or maintain its current dividend (at 90–100% payout) and risk being removed from the index (which is currently a top 3 institutional shareholder of FSZ). While net outflows (primarily from the PineStone relationship) and elevated leverage (3.45x) have kept a lid on valuation, FSZ owns several highly coveted businesses, including a C$19b private alts platform and C$14b in private wealth AUM.

- **GDI.** A strong M&A track record comprised of ~50 strategic acquisitions since 2008 helped transform GDI into one of the leading providers of commercial facility services in North America. In 2024, in addition to integrating its latest acquisition (Atalian USA), we expect GDI to remain on the lookout for other opportunities while staying disciplined on multiples paid and leverage. Unannounced M&A is not included in our model.

- **LAS.A.** At its investor day in September, management made it clear that it does not want to miss significant opportunities to accelerate growth, including potential acquisitions or internal expansion projects. Timing is difficult to assess, but M&A is one of the potential levers LAS.A identified to reach its 2026 objective of a sales run rate of C$3b (from 2022's C$2.15b). Unannounced M&A is not included in our model.

- **SIS.** With the focus placed mainly on internal initiatives, most notably the Savaria One program, large M&A is not envisioned in the near term. However, we do not exclude the possibility of tuck-in acquisitions if strategic opportunities arise. Unannounced M&A is not included in our model.

What goes around comes around—interest-sensitive stocks could be positioned for a rebound in 2024

According to The CFO Survey of 3Q23, monetary policy (interest rates) has overtaken hiring/retaining new employees as the top business concern of US CFOs. Approximately 40% of respondents stated they had to cut back on spending plans due to the current level of interest rates; clearly, some investors share these concerns. As discussed below, we found negative correlations between share price performance and benchmark rates for several of our stocks under coverage.

Desjardins economist Royce Mendes expects that the Bank of Canada will likely need to see the unemployment rate around 6.5% and inflation at or below 3% to begin cutting rates. However, as more than half of the inflation is expected to be driven by shelter costs, which is more of a supply than a demand problem, the Bank of Canada has opened the door to measuring total inflation excluding shelter. Governor Tiff Macklem further stated that the central bank will not wait for reported inflation to reach 2% to cut interest rates. According to Statistics Canada and Desjardins Economics, inflation excluding food from stores, energy and shelter already fell to 2% recently and is expected to fall further in the coming months. **Assuming both the unemployment rate and inflation criteria are met, Desjardins expects the Bank of Canada could begin trimming rates around the**

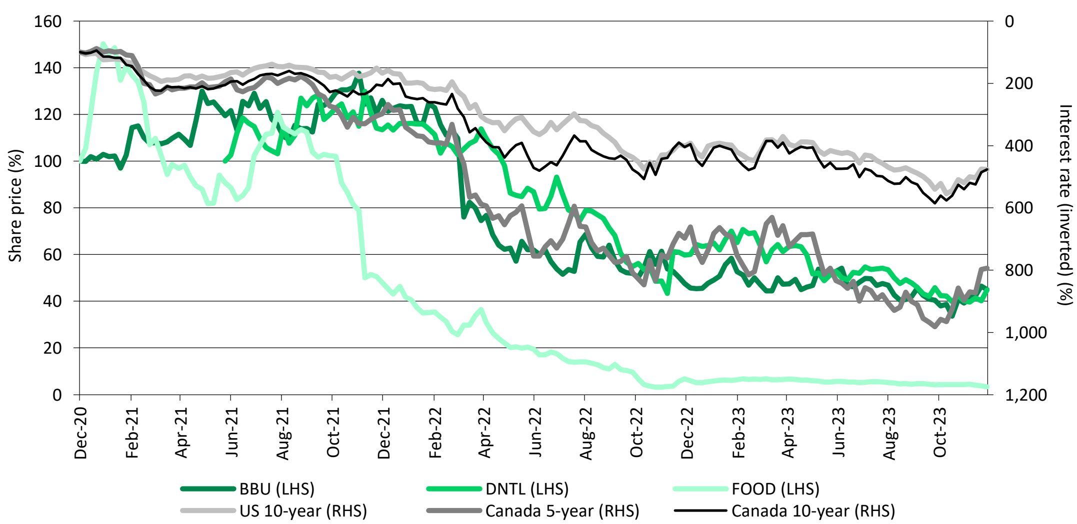
middle of 2024. This could be good news for our coverage, particularly for some more than others. We charted the share price movements of our coverage against the coupon of the US 10-year Treasury bond, Canada five-year GOC bond and Canada 10-year GOC bond over the past three years. **Three companies stood out—BBU, DNTL and FOOD—each having >0.90 negative correlation with benchmark interest rates.** Other companies that have a >0.7 negative correlation and are rate-sensitive include CRRX, CAS, DLCG, FSZ, LAS.A and SPB (see Exhibit 5). Roughly speaking, this means these stocks have been the most negatively impacted by the rise in interest rates (or the associated inflation/labour concerns). Since the Federal Reserve and Bank of Canada started raising rates in March 2022, BBU, DNTL and FOOD have seen their share prices drop by 44%, 62% and 88%, respectively (see Exhibit 5).

Exhibit 5: Selected stocks with >0.7 negative correlation to benchmark rates (December 2020 to December 2023)

Company	Correlation with: US 10-year treasury	Correlation with: Canada 5-year GOC	Correlation with: Canada 10-year GOC	Share price change since first rate hike (Mar-22) (%)
BBU	-0.93	-0.92	-0.91	-44
CRRX	-0.87	-0.83	-0.80	-73
CAS	-0.74	-0.77	-0.75	-8
DNTL	-0.95	-0.91	-0.90	-62
DLCG	-0.72	-0.72	-0.69	-33
FSZ	-0.88	-0.85	-0.84	-51
FOOD	-0.88	-0.92	-0.90	-88
LAS.A	-0.82	-0.86	-0.82	-4
SPB	-0.86	-0.87	-0.84	-15

Source: Desjardins Capital Markets, FactSet

Exhibit 6: Share price vs interest rate (inverted)—December 11, 2020 = 100%



Note: As DNTL was not a public company until May 21, 2021, it is indexed to 100% at that date
Source: Desjardins Capital Markets, FactSet

The strong negative correlation does not come as a surprise to us. With its PE structure, BBU typically levers up its investments, which are negatively impacted by higher rates on both refinancing (hurts FCF) and monetization valuation. DNTL faces an overhang from its highly leveraged balance sheet (4.4x as of 3Q, hedged 75% of its debt at 6.4%; however, leverage is below other dentistry roll-up stories) and its M&A-focused strategy (although DNTL is better positioned than individual

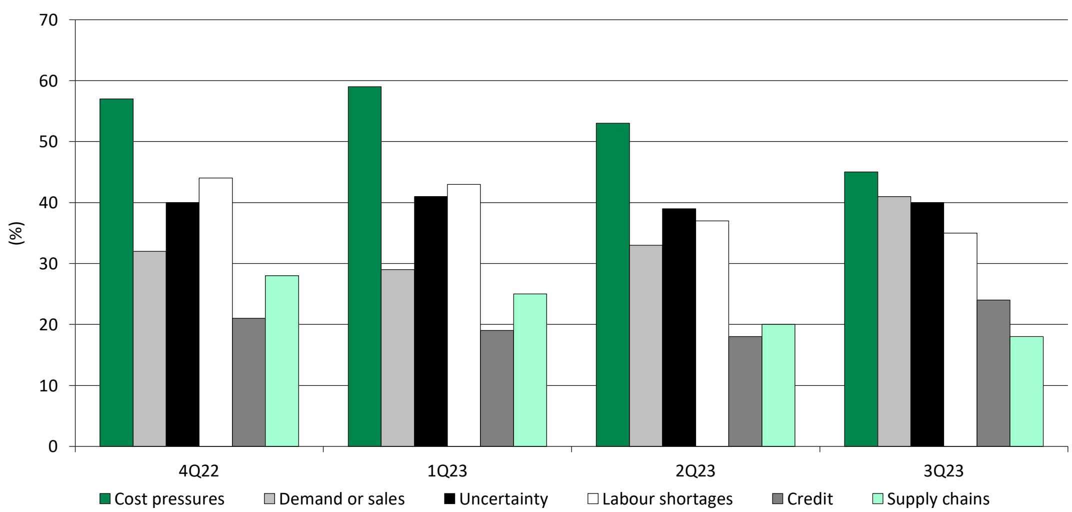
Desjardins Diversified Research
Frederic Tremblay, CFA
Gary Ho, CPA, CA
Chi Le, CFA, Associate
Liam Bergevin, Associate

dentists/small DSO acquirers that have had difficulty accessing capital). In addition to a potential readthrough on consumers' appetite for meal kits during a period of higher rates, we note that FOOD's share price trajectory also reflects company-specific factors such as a short-lived, capital-intensive foray into on-demand grocery delivery which ended in late 2022**. In the event of an interest rate cut as early as the middle of 2024 per Desjardins Economics forecast, these stocks could stand to benefit.** Note that BBU is one of our top picks for 2024.

Key attributes to look for in 2024

Heading into 2024, we believe businesses will still have to navigate a somewhat challenging macro economic backdrop. While the Bank of Canada's 3Q23 Business Outlook Survey shows that concerns around cost pressures, labour shortages and supply chains are diminishing, concerns around a demand slowdown and tighter credit conditions are rising (Exhibit 7). The survey reflects that participants are feeling the negative impacts of higher interest rates, with more firms feeling the constraints on their sales volume and investment plans in the next 12 months.

Exhibit 7: Most pressing concerns



Source: Desjardins Capital Markets, Bank of Canada 3Q23 Business Survey Outlook

Overall, we believe that business resilience, robust cash flow generation and strong alignment with global trends are success factors in the current environment.

In uncertain times, look for business resilience. For 2024, we view cyclical/economically sensitive businesses to be in a riskier position. Our preference instead goes to companies that possess robust secular demand drivers independent of economic conditions, in addition to pricing power and critical/essential products or services. Within our coverage universe, we view the following companies as highly resilient—BYD, DNTL, GDI, SPB, SIS and VNP.

Cash flow generation to support deleveraging and/or growth ambitions. In a high interest rate environment, we prefer companies with healthy balance sheets and strong or improving cash flow generation. That way, the companies are better positioned to avoid massive interest payments while maintaining financial flexibility to capture growth opportunities if they arise. In our coverage, companies that screen well for 2024 include AFN, BBU, GSY, LAS.A, SPB, SIS and VNP. We also highlight GDI given our view that the positive impact of actions related to work-in-progress management and billing efficiencies could accelerate in the near term.

Alignment with global trends. We suggest investors look for names that are well-aligned (or at least not directly opposed to) global trends such as deglobalization, population ageing and energy

Desjardins Diversified Research
Frederic Tremblay, CFA
Gary Ho, CPA, CA
Chi Le, CFA, Associate
Liam Bergevin, Associate

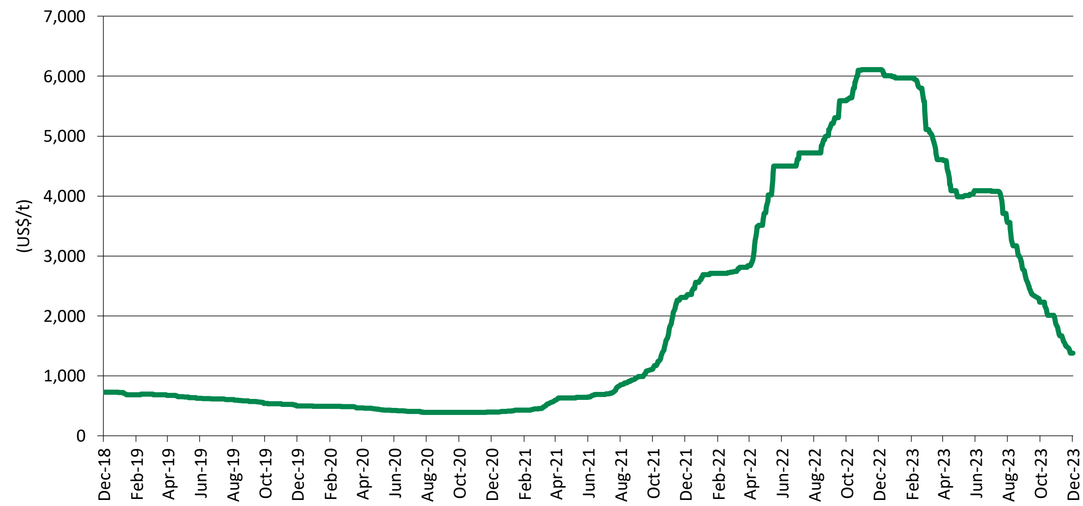
transition. In the same vein, we would avoid exposure to areas impacted by geopolitical conflicts. In our coverage, we highlight AFN (global food infrastructure buildout), CRRX (ageing), CHE.UN (semiconductor reshoring), SPB (energy transition), SIS (ageing) and VNP (supply chain security for the western world).

Lithium—cruising at a slower speed but still expected to reach its destination

Lithium prices took a detour in 2023

One of the main stories of 2023 in the lithium sector was the sharp price decline which erased a large portion of the prior spectacular rise (Exhibit 8).

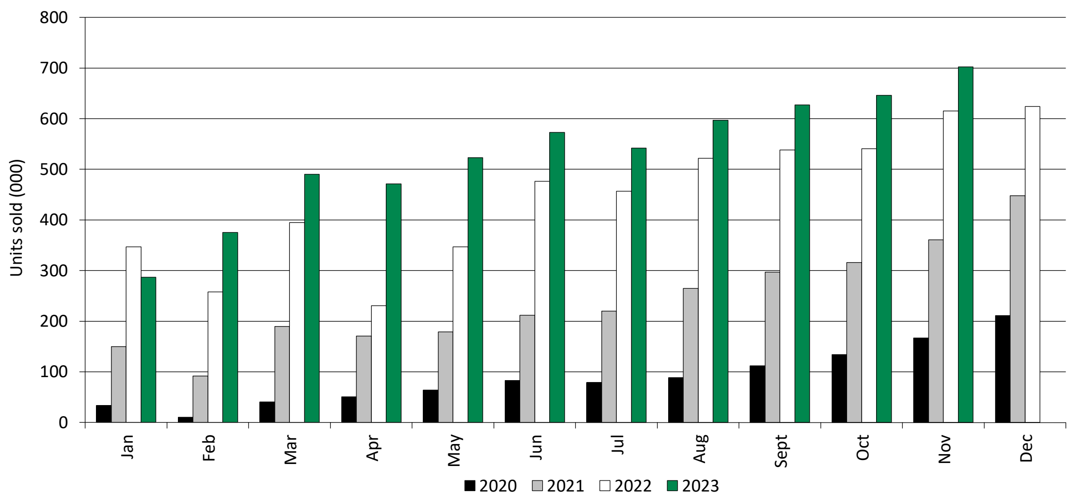
Exhibit 8: China spodumene Li_2O 6% CIF



Source: Desjardins Capital Markets, Bloomberg, Asian Metal Inc.

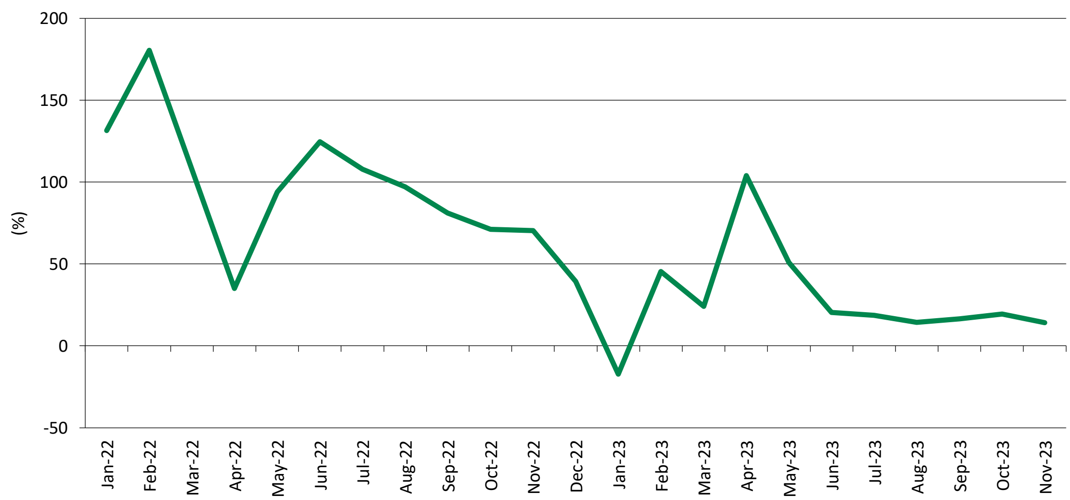
2023's downward price movement is largely attributed to a lithium surplus and slower-than-expected growth in EV sales. On the latter, we view the world's largest auto market, China, as a good representation of the situation. EV sales in China continued to increase to record highs in 2023 despite the end of an 11-year subsidy last year. That said, we acknowledge that the year-over-year growth has decelerated to 14–20% in recent months, which is less spectacular than the 100%+ growth rates observed during parts of 2022 (Exhibits 9 and 10). Elsewhere, we note that EV sales have grown for 13 consecutive quarters in the US (where EVs were ~8% of total auto sales in 3Q23). Looking ahead, while some legacy automakers (eg Ford, GM) have tempered their plans for scaling up EV production, we believe the broader picture remains positive as global EV adoption of ~15% leaves ample room for years of growth, and we believe that future interest rate cuts could help strengthen demand for EVs.

Exhibit 9: Sales of battery electric vehicles (BEV) in China



Note: Includes passenger cars and commercial vehicles
Source: Desjardins Capital Markets, CAAM

Exhibit 10: BEV sales growth rate in China



Source: Desjardins Capital Markets, CAAM

So, where do we go from here?

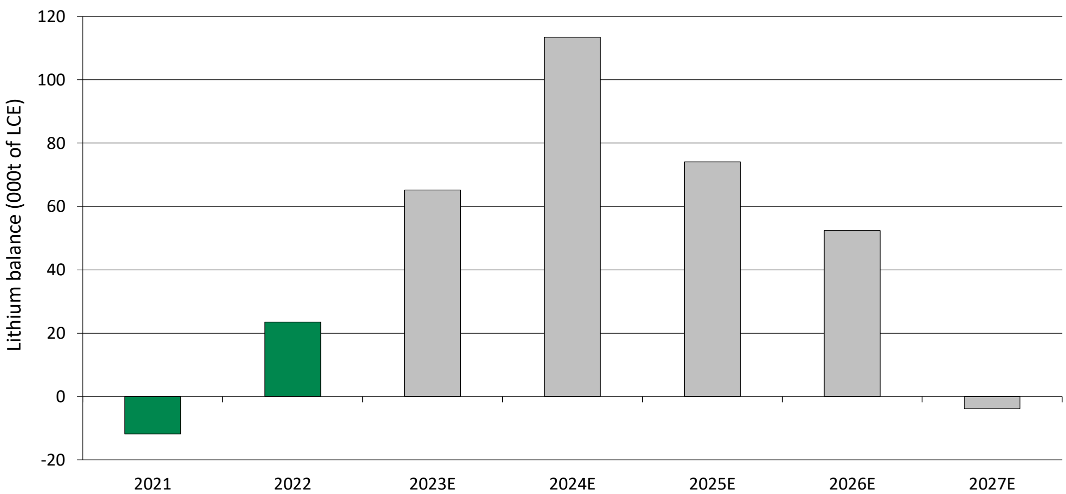
The current expectation is that a lithium market surplus will remain for the next few years (Exhibit 11). While we do not envision a significant near-term lithium price recovery, we believe the following factors could contribute to prices finding a floor: (1) supply discipline from miners and refiners in response to the price weakness; and (2) EV demand growth.

In our view, the current lithium price environment could prompt some changes in global supply intentions in the coming years to better balance the market, with some high-cost and/or challenging lithium projects potentially being scaled down, postponed or cancelled. That said, let's not throw out the baby with the bathwater; not all lithium projects need to be pushed aside as the world will need significantly more lithium mines to meet EV adoption pledges and consumer demand (S&P Global is calling for global EV sales to rise at a 26% CAGR over 2022–27). According to the International Energy Agency (IEA), 50 new lithium mines will be required by 2030, which will more than double the

Desjardins Diversified Research
Frederic Tremblay, CFA
Gary Ho, CPA, CA
Chi Le, CFA, Associate
Liam Bergevin, Associate

number of mines in operation in 2022 (there were 45 according to Fastmarkets). In this context, we expect continued investments to support the development of economically viable lithium projects as part of the establishment of robust battery material supply chains in the Americas and ally countries in 2024 and beyond.

Exhibit 11: Lithium market surplus and deficit



Source: Desjardins Capital Markets, S&P Global Market Intelligence, S&P Global Commodity Insights

Based on market conditions, we are trimming our near-term lithium price assumptions. Our unchanged long-term forecasts reflect our constructive view on the sector.

Exhibit 12: Near- and long-term spodumene concentrate price forecasts

		2024E		2025E		Long-term	
	Spot	New	Old	New	Old	New	Old
Spodumene concentrate 6% (US$/t)	1,615	1,800	3,500	2,000	2,500	1,500	1,500

Source: Desjardins Capital Markets

Most of the companies in our lithium coverage universe are not impacted by our near-term lithium price revision because they are a few years from first production. As for SYA, which began spodumene production and shipments from its NAL mine in Québec in 2023, the impact is modest. This is due in part to the short-term nature of our revisions (relative to NAL's 20-year minelife) as well as the company's existing offtake agreement with Piedmont Lithium for a portion of its NAL production at a ceiling price of US$900/t. We also take this opportunity to make a few model adjustments and lower our P/NAV multiples given the sector-wide multiple compression (except for SYA's multiple, which we trimmed in October), with the effects on our target prices shown in Exhibit 13. We maintain our Buy ratings on FL, LTH, PMET and SYA.

Exhibit 13: Revised P/NAV and target prices for lithium names

	Target P/NAV (x)		Target price ($/share)			
Tickers	New	Old	New	Old	Currency	Rating
FL	0.60	0.80	2.50	3.75	C$	Buy–Speculative
LTH	0.80	0.90	4.50	5.25	C$	Buy–Speculative
PMET	0.80	0.90	18.00	21.00	C$	Buy–Speculative
SYA	0.60	0.60	0.20	0.20	A$	Buy–Speculative

Source: Desjardins Capital Markets

Desjardins Diversified Research
Frederic Tremblay, CFA
Gary Ho, CPA, CA
Chi Le, CFA, Associate
Liam Bergevin, Associate

Pullback in lithium prices and valuations contributing to M&A activity

2023 saw the announcement of a multi-billion-dollar all-stock merger between Allkem and Livent to create a new vertically integrated lithium behemoth. Other noteworthy events include Albemarle's failed ~US$4b takeover attempt of Liontown Resources, SQM's ~US$1b offer to acquire Azure Minerals and Tecpetrol's ~US$190m takeover of Alpha Lithium. Additionally, on November 1, Sigma Lithium announced that its strategic review process had entered a final round, with consortiums formed among certain strategic parties.

Interestingly, the M&A environment in Western Australia has become more challenging, as illustrated by Albemarle abandoning its attempt to acquire Liontown Resources after iron ore billionaire Gina Rinehart built a blocking stake in the target company. In the context of a broad-based pullback in valuation parameters, we believe that well-capitalized acquirers could broaden their search to other regions, including the Americas, which may benefit our coverage universe both directly or indirectly.

Potential catalysts for our lithium names

In our coverage universe, we expect 2024 to be a busy year on several fronts as companies look to advance projects and, in SYA's case, also ramp up production. We highlight the following potential upcoming catalysts:

- **FL.** Drilling updates at the PAK project; finalization of baseline environmental study; advancement of impact benefit agreement process; update on potential government funding for key infrastructure (eg road and bridge); DFS (Phase 1); advancement of discussions on potential offtake and strategic partnerships.
- **LTH.** Drilling updates at Bandeira, Salinas and potentially at regional exploration targets; DFS and updated resource estimate at Bandeira (1Q24); maiden resource estimate at Salinas (early 2024); permits (mid-2024/early 2H24); potential strategic partnership (eg offtake).
- **PMET.** Drilling updates at CV5, CV13, CV9 and potentially other pegmatites at the Corvette project; update on relationship/MOU with Albemarle (May 2024); updated resource estimate for CV5 (mid-2024); PFS (by the end of 2024).
- **SYA.** Ramp-up of production at NAL mine; progress on ongoing board renewal process; DFS and resource update at Moblan; advancement of discussions on potential offtake and strategic partnerships.

Desjardins Diversified Research
Frederic Tremblay, CFA
Gary Ho, CPA, CA
Chi Le, CFA, Associate
Liam Bergevin, Associate

DISCLOSURES

COMPANY-SPECIFIC DISCLOSURES

Full disclosures for research of all companies covered by Desjardins Capital Markets can be viewed at https://desjardins.bluematrix.com/sellside/Disclosures.action.

ANALYST CERTIFICATION

Each Desjardins Capital Markets research analyst named on the front page of this research publication, or at the beginning of any subsection hereof, hereby certifies that (i) the recommendations and opinions expressed herein accurately reflect such research analyst's personal views about the company and securities that are the subject of this publication and all other companies and securities mentioned in this publication that are covered by such research analyst, and (ii) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this publication.

STOCK RATING SYSTEM

Top Pick	Buy	Hold	Sell	Not Rated
Desjardins' best investment ideas—stocks that offer the best risk/reward ratio and that are expected to significantly outperform their respective peer group* over a 12-month period	Stocks that are expected to outperform their respective peer group* over a 12-month period	Stocks that are expected to perform in line with their respective peer group* over a 12-month period	Stocks that are expected to underperform their respective peer group* over a 12-month period (includes recommendations to tender to a takeover offer)	Stock is being covered exclusively on an informational basis

RISK QUALIFIERS

Average Risk	Above-average Risk	Speculative
Risk represented by the stock is in line with its peer group* in terms of volatility, liquidity and earnings predictability	Risk represented by the stock is greater than that of its peer group* in terms of volatility, liquidity and earnings predictability	High degree of risk represented by the stock, marked by an exceptionally low level of predictability

* Peer group refers to all of the companies that an analyst has under coverage and does not necessarily correspond to what would typically be considered an industry group. Where an analyst's coverage universe is such that 'relative' performance against a 'peer group' is not meaningful, the analyst will benchmark the rating against the most appropriate market index

Distribution of ratings

Rating category	Desjardins rating	Desjardins coverage universe (# of stocks)	% distribution	Desjardins Investment Banking (# of stocks)	% distribution
Buy	Buy/Top Pick	121	73	92	71
Hold	Hold	42	25	35	27
Sell	Sell/Tender	2	1	2	2
Total		**165**	**100**	**129**	**100**

LEGAL DISCLAIMERS

Chart legend: TP: Top Pick, B: Buy, H: Hold, S: Sell, NR: Not Rated, I: Company initiation, T: Transfer of coverage, S: Coverage suspended, DC: Coverage dropped

Each Desjardins Capital Markets research analyst named on the front page of this research publication, or at the beginning of any subsection hereof, hereby certifies that (i) the recommendations and opinions expressed herein accurately reflect such research analyst's personal views about the company and securities that are the subject of this publication and all other companies and securities mentioned in this publication that are covered by such research analyst, and (ii) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this publication.

Desjardins Capital Markets™ is a trademark used by Desjardins Securities Inc., Desjardins Securities International Inc. and Fédération des caisses Desjardins du Québec, wholly owned subsidiaries of Mouvement des caisses Desjardins.

Dissemination of Research

Desjardins Capital Markets makes all reasonable effort to provide research simultaneously to all eligible clients. Research is available to our institutional clients via Bloomberg, FactSet, FirstCall Research Direct, Reuters and Thomson ONE. In addition, sales personnel distribute research to institutional clients via email, fax and regular mail.

Additional Disclosures

Desjardins Capital Markets equity research analysts are compensated from revenues generated by various Desjardins Capital Markets businesses, including Desjardins Capital Markets' Investment Banking Department. Desjardins Capital Markets will, at any given time, have a long or short position or trade as principal in the securities discussed herein, related securities or options, futures, or other derivative instruments based thereon. The reader should not rely solely on this publication in evaluating whether or not to buy or sell the securities of the subject company. Desjardins Capital Markets expects to receive or will seek compensation for investment banking services within the next three months from all issuers covered by Desjardins Capital Markets Research.

Legal Matters

This publication is issued and approved for distribution in Canada by Desjardins Securities Inc., a member of the Canadian Investment Regulatory Organization (CIRO) and a member of the Canadian Investor Protection Fund (CIPF). In the US, this publication is issued via the exemptive relief described in SEC Rule 15a-6, and through reliance on Desjardins Securities International Inc., a member of FINRA and SIPC.

This publication is provided for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. The securities mentioned in this publication may not be suitable for all types of investors; their prices, value and/or income they produce may fluctuate and/or be adversely affected by exchange rates. This publication does not take into account the investment objectives, financial situation or specific needs of any particular client of Desjardins Capital Markets. Before making an investment decision on the basis of any recommendation made in this publication, the recipient should consider whether such recommendation is appropriate, given the recipient's particular investment needs, objectives and financial circumstances. Desjardins Capital Markets suggests that, prior to acting on any of the recommendations herein, you contact one of our client advisors in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this publication to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

This publication may contain statistical data cited from third party sources believed to be reliable, but Desjardins Capital Markets does not represent that any such third party statistical information is accurate or complete, and it should not be relied upon as such. All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this publication and are subject to change without notice.

US institutional customers: Desjardins Securities Inc. distributes and accepts responsibility for the contents of this report subject to the terms and limitations set out above. Securities offered in the United States are offered through Desjardins Securities International Inc., member of FINRA (www.finra.org) the US Securities and Exchange Commission and the SIPC. This communication and its contents are for institutional use only. Institutions receiving this report should effect transactions in securities in the report through Desjardins Securities International Inc.

Although each company issuing this publication is a wholly owned subsidiary of Mouvement des caisses Desjardins, each is solely responsible for its contractual obligations and commitments, and any securities products offered or recommended to or purchased or sold in any client accounts (i) will not be insured by the Federal Deposit Insurance Corporation ("FDIC"), the Canada Deposit Insurance Corporation or other similar deposit insurance, (ii) will not be deposits or other obligations of Mouvement des caisses Desjardins, (iii) will not be endorsed or guaranteed by Mouvement des caisses Desjardins, and (iv) will be subject to investment risks, including possible loss of the principal invested.

OFFICES
Montreal
1170 Peel Street
Suite 300
Montreal, Quebec H3B 0A9
(514) 987-1749

Toronto
25 York Street
Suite 1000
Toronto, Ontario M5J 2V5
(416) 607-3001

Calgary
110 9th Avenue SW
Suite 410
Calgary, Alberta T2P 0T1
(877) 532-6601

Vancouver
401 West Georgia Street
Suite 1050
Vancouver, British Columbia
V6B 5A1
(604) 656-2665