KEYSTONE'S

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2024 Dividend All-Star Report - PREVIEW

Independent Equity Advisors

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Editor's Notes

KeyStone's 2024 Canadian Dividend All-Star Report is a comprehensive analysis of the complete universe of dividend stocks in the Canadian market. We identified approximately 400 income-producing stocks listed in Canada and applied KeyStone's rigorous criteria to find the companies that provide the best value to investors. This report contains our current Focus BUY portfolio (comprised of what we consider to be the top 18 income stocks on the Canadian market) and data on an additional 32 stocks from our Monitor List.

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KeyStone's 2024 Canadian Dividend All-Star Report

About this Report

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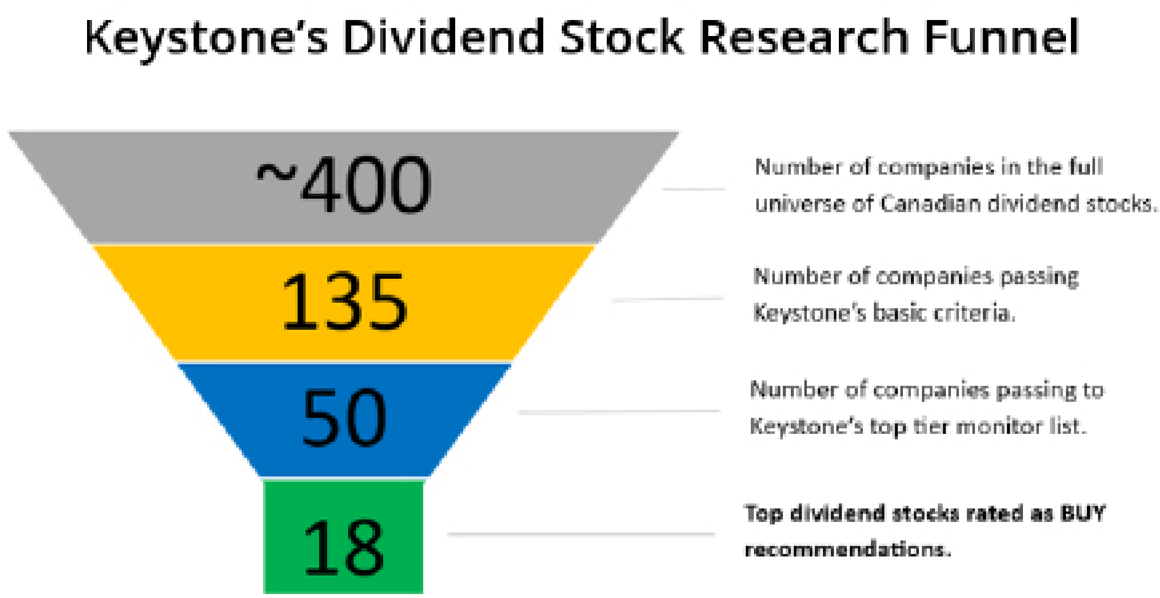


Focus BUY Portfolio

The full Canadian dividend Focus BUY list is provided on page 4 (exclusive to Full Report).

As a bonus, we have also added a report on Dynacor Gold (DNG) which is currently covered in our Canadian Small-Cap research with a rating of Spec BUY. Dynacor is a cash-rich, profitable dividend-growing industrial gold ore processor, with operations primarily in Peru. The company has produced outstanding financial performance and increased its dividend 16% in 2023. Dynacor has expanded operations at its current processing facility and is exploring opportunities to further expand into new geographic markets, including other regions of South America and West Africa. The stock was recommended in our Canadian Small-Cap research in 2017, previous to the initiation of its first dividend and transition to becoming a dividend payer.

Highlighted Top-Tier Monitor List

We have also included a 10-stock Highlighted Top-Tier Monitor List. We will continue to follow these names closely and look to potentially add select companies to full coverage over upcoming quarters.

Top-Tier Monitor List - Additional

The report contains additional summaries on 22 companies from our Top Tier Monitor List. These companies all possess unique investment fundamentals which could potentially propel some of them to full coverage at some point over the next 1 to 2 years.

COMPANY	RATING		YIELD	RISK CATEGORY
	NEAR TERM	LONG TERM		
Diversified Royalty Corp (DIV)	SPEC BUY	SPEC BUY	8.9%	Aggressive
EQB Inc. (EQB)	BUY	BUY	1.8%	Moderate
Brookfield Infrastructure (BIP.UN)	BUY	BUY	5.1%	Conservative
Dynacor Group Inc. (DNG)	SPEC BUY	SPEC BUY	3.5%	Aggressive*
Company E	BUY	BUY	4.5%	Moderate
Company F	BUY	BUY	6.7%	Moderate
Company G	BUY	BUY	4.7%	Aggressive
Company H	BUY	BUY	5.2%	Moderate
Company I	HOLD	BUY	8.0%	Conservative
Company J	HOLD	SPEC BUY	9.3%	Aggressive
Company K	BUY	BUY	5.6%	Moderate
Company L	SPEC BUY	SPEC BUY	7.9%	Aggressive
Company M	HOLD	BUY	7.5%	Moderate
Company N	BUY	BUY	2.6%	Aggressive
Company O	HOLD	BUY	3.6%	Moderate
Company P	BUY	BUY	2.9%	Moderate
Company Q	BUY	BUY	6.4%	Aggressive
Company R	BUY	BUY	3.2%	Aggressive
Company S	HOLD	BUY	5.1%	Conservative

** Under Focus BUY Coverage in Our Canadian Small Cap Research*

Brookfield Infrastructure (BIP.UN:TSX)

Rating: BUY **Current Price (February 5, 2024): $42.00**

Portfolio: Conservative	**Market Cap:** $19.6 Billion
Recommended: March 2011	**Shares Outstanding:** 461,000,000
Recommended Price: $9.61	**Fully Diluted:** 462,000,000
Industry: Infrastructure	**Dividend Yield:** 5.2%

Quarterly Financial Data

USD$ Millions	Q4 2023	Q4 2022	Change
Adj EBITDA	$986	$811	21.6%
FFO	$622	$556	11.9%
FFO per Unit	$0.79	$0.72	9.7%

Annual Financial Data

USD$ Millions	2023	2022	Change
Adj EBITDA	$3,591	$3,032	18.4%
FFO	$2,288	$2,087	9.6%
FFO per Unit	$2.95	$2.71	8.9%

Ratios

P / FFO (2024e)	12.6
Net Debt / EBITDA	7.4
Payout Ratio	66%

COMPANY DESCRIPTION

Brookfield Infrastructure (BIP.UN) operates high-quality, long-life infrastructure assets that generate stable cash flows and require minimal maintenance capital expenditures. Its current business consists of the ownership and operation of premier utilities, transport, energy, and communications infrastructure assets in North and South America, Australia, and Europe. BIP.UN targets 5-9% annual growth in distributions and cash flow per unit.

INVESTMENT SUMMARY

- Positive financial performance in Q4 and throughout 2023 – growth in FFO per unit of 10% in Q4 and 8% in 2023.
- The company is expanding its data infrastructure - long-term opportunity, driven by trends in the digital economy, cloud computing, 5G and A.I.
- 5.9% distribution increase in February – 15th consecutive year.
- Well-equipped to weather the current economic environment with 95% of revenue contracted or regulated and 70% indexed to inflation.
- We maintain our BUY rating and believe BIP.UN is well positioned long term to continue to grow its per unit cash flow and income distributions.

RECENT FINANCIALS

Q4 and Full Year 2023 Highlights

- Q4 funds from operations (FFO) increased by 10% to US$0.79 per unit; full-year FFO per unit increased 8.9% to $2.95.
- Organic growth for the year was 8%, reflecting strong levels of inflation in the countries where the company operates, volume growth, and the commissioning of approximately $1 billion of new capital projects.
- The Utilities segment generated FFO growth of 15% to US$879 million, resulting from inflation indexation and approximately US$500 million of capital invested into the segment throughout the year.
- The Transport segment increased FFO by 12% to US$888 million, due primarily to inflationary tariff increases and higher volumes driven by strong economic activity.
- The Midstream segment experienced an 8% decline in FFO to US$684 million, primarily due to the partial sale of a U.S. gas pipeline in June of 2023 and the normalization of market-sensitive revenues in the Canadian midstream business.
- The Data segment generated a 15% increase in FFO to US$275

Brookfield Infrastructure (BIP.UN:TSX)

Rating: BUY **Current Price (February 5, 2024): $42.00**

million, which was largely attributable to three large-scale acquisitions completed during the year.

Dividends: BIP increased its quarterly income distribution 5.9% in February to US$0.405 (US$1.62 annualized). This marks the company's 15th consecutive year of increasing its income distribution. The payout ratio for 2023 was 66% which is within the long-term target range of 60% to 70%.

Balance Sheet: BIP ended the third quarter with total net debt of US$26.7 billion. The net debt / EBITDA leverage ratio was 7.4 times (compared to 5-year average of 6.7 times), based on trailing twelve-month adjusted EBITDA of US$3.59 billion. Approximately 90% of the debt is at fixed rates and 85% of the debt is non-recourse (secured only by specific assets).

AREAS OF GROWTH AND OUTLOOK

BIP.UN completed significant growth-oriented investments and strategic acquisitions in 2023, deploying over US$2 billion across three acquisitions, including the take-private of Triton, a global intermodal logistics operation, and two geographically diverse hyperscale data center platforms. The investments in data centers underscore the company's anticipation of growth driven by the digital economy, particularly benefiting from industry tailwinds such as the rollout of 5G and advancements in artificial intelligence.

Further expanding its data center investment, the company acquired 40 sites from Cyxtera out of bankruptcy, which along with existing assets, positions it as a leading retail colocation data center provider in North America with over 330 megawatts of capacity deployed in high-demand areas. This acquisition, approximated at US$1.3 billion, involves a 2024E EBITDA multiple of 8x and was fully financed without requiring new equity capital.

Looking into 2024, the company has announced the acquisition of American Tower's operations in India (ATC India), aiming to consolidate it with its existing tower business, Summit Digitel, creating a global tower platform with 253,000 sites. This move at a valuation below 6x 2024E EBITDA is expected to diversify the customer mix, provide a perpetual asset base, and deepen strategic relationships with key mobile network operators in India, with an equity contribution expected to be approximately US$150 million.

BIP.UN has also readied itself for capital recycling plans by completing asset-level financings to right-size the capital structure at two mature pipeline operations in North America, generating US$550 million for the partnership. This, combined with a strong investment landscape, sets the company to meet its US$2 billion target in the coming year.

In its Investor Day presentation (September 2023), the company set a target of approximately 12% annual FFO per unit growth over the next 1 to 3 years.

VALUATION

BIP.UN currently trades at a price-to-FFO multiple of 11 times based on reported 2023 FFO of US$2.95 per unit. We are maintaining our fair value assessment to C$55.00 per unit which equates to a justified price-to-FFO multiple of approximately 13 times our 2024 FFO estimate of US$3.25 per unit (implying FFO per unit growth in 2024).

CONCLUSION

BIP.UN has delivered positive financial performance in Q4 and throughout 2023. FFO per unit increased

Brookfield Infrastructure (BIP.UN:TSX)

Rating: BUY **Current Price (February 5, 2024): $42.00**

10% in Q4 and 8% for the full year, underpinned by organic growth and strategic acquisitions. The company also declared its 15th consecutive distribution increase of 5.9% in February – continuing its record of consistent annual income growth.

Looking forward, the company continues to actively pursue a strong pipeline of potential acquisitions and organic investments. In 2023, BIP.UN made significant acquisitions and investments, particularly focusing on enhancing its data business with new assets. These strategic moves are aimed at strengthening its position in the rapidly evolving digital landscape. The company believes that data infrastructure represents a long-term opportunity, driven by trends in the digital economy, cloud computing, 5G and A.I.

BIP.UN exemplifies a strong model for income growth through continuous investment in and expansion of its business operations. This strategic expansion has positively contributed to per-unit growth, enabling the company to sustainably increase its distributions. BIP.UN stands out for its attractive growth prospects and cash flow stability, with 95% of its revenue secured by long-term contracts or regulatory frameworks, and 70% of its income indexed to inflation. We continue to see solid value in BIP.UN as a long-term income growth stock.

We are maintaining coverage on Brookfield Infrastructure (BIP.UN) with a rating of BUY and a fair value assessment of C$55.00 per unit. Brookfield Infrastructure will remain in our Focus BUY and Conservative Risk portfolios.

Diversified Royalty Corp. (DIV:TSX)

Rating: SPEC BUY **Current Price (January 25, 2024): $2.79**

Portfolio: Aggressive

Recommended: Sept 2017

Recommended Price: $2.91

Industry: Royalties

Market Cap: $401.26 Million

Shares Outstand: 143,562,000

Fully Diluted: 137,000,000

Dividend Yield: 8.8%

Quarterly Financial Data			
CAD$ thousands	Q3 2023	Q3 2022	Change
Revenue	$14,899	$12,893	15.6%
Dist. CF	$9,130	$7,951	14.8%
DCF per Share	$0.06	$0.06	-0.2%

YTD Financial Data			
CAD$ thousands	YTD 2023	YTD 2022	Change
Revenue	$43,993	$36,220	21.5%
Dist. CF	$27,738	$22,989	20.7%
DCF per Share	$0.19	$0.19	4.7%

Ratios	
P/Dist. CF (2023e)	10.4
Net-Debt/EBITDA	4.3
Payout Ratio	90%

COMPANY DESCRIPTION

DIV is a multi-royalty corporation, engaged in the business of acquiring top-line royalties from well-managed multi-location businesses and franchisors in North America. DIV's objective is to acquire predictable, growing royalty streams from a diverse group of multi-location businesses and franchisors. DIV currently owns the Mr. Lube + Tires, AIR MILES®, Sutton, Mr. Mikes, Nurse Next Door, Oxford Learning Centres, Stratus Building Solutions and BarBurrito trademarks.

INVESTMENT SUMMARY

- Generally positive financial performance in 2023 with average organic royalty growth of 6.8% in Q3 2023 and 9.1% for nine months.
- Mr. Lube continues to be strong with 18.4% organic revenue growth for the 9-month period and accounts for 47% of total royalty income.
- Acquired a royalty stream in Barburrito Restaurants in October 2023, expanding the portfolio to 8 royalty streams.
- Debt leverage is high and the expiry of interest rate swaps from 2024 to 2026 will likely increase interest expense – growth from existing royalties can potentially more than offset this impact.
- We continue to see value in the stock as a higher-risk, high-yield company with long-term growth potential.

RECENT FINANCIALS

Consolidated Q3 and 9 Month 2023 Highlights

- Revenue increased 17% in Q3 to $13.6 million, up 16.9% from Q3 2022.
- Weighted average organic royalty growth of 6.8% in Q3 2023 and 9.1% for nine months.
- Distributable cash flow (DCF) was $9.1 million in Q3, up 14.8%, and $27.7 million for the nine months, up 21%.
- DCF per share was $0.064 in Q3, which was flat year-over-year, and $0.195 for the nine months, up 4.7%.
- In the third quarter and the first nine months of 2022, DIV received enhanced royalty payments from Mr. Mikes totaling $0.58 million and $1.13 million, respectively. These payments were made as part of the deferred payment arrangement established during the pandemic.
- Adjusting for these additional payments, DCF per share would have increased 7.7% in Q3 and 10.1% for the 9-month period of 2023.

Diversified Royalty Corp. (DIV:TSX)

Rating: SPEC BUY **Current Price (January 25, 2024): $2.79**

Segmented Results

	Q3 2023	Q3 2022	9M 2023	9M2022
Mr. Lube + Tires	$ 7,312	$ 6,213	$ 20,619	$ 17,187
Stratus	$ 2,018	-	$ 6,072	-
Nurse Next Door	$ 1,297	$ 1,272	$ 3,891	$ 3,817
Mr. Mikes	$ 1,180	$ 1,697	$ 3,440	$ 3,913
Oxford	$ 915	$ 914	$ 3,359	$ 3,079
AIR MILES®	$ 1,071	$ 1,723	$ 3,308	$ 5,044
Sutton	$ 1,096	$ 1,074	$ 3,244	$ 3,180
Adjusted revenue	**$ 14,889**	**$ 12,893**	**$ 43,933**	**$ 36,220**

Balance Sheet: DIV's total debt at the end of the third quarter was $207 million. The company's net debt-to-EBITDA leverage ratio is 4.3 times.

DIV has bank loans that are subject to variable interest rates. The company manages its interest rate risk by utilizing interest rate swap arrangements that fix the interest rates on $106.3 million of its $154.9 million term loan facilities. Approximately $10.3 million (average fixed rate of 4.05%) in swap agreements are expiring in 2024, $64.5 million (average fixed rate of 4.64%) in 2025 and the remaining $30 million (average fixed rate of 5.6%) in 2026 and 2027.

We rate DIV's balance sheet and financial risk as high. The leverage ratio of 4.3 times is above our target range which would be in the 3.0 to 3.5 times range. In addition, the expiring interest rate swaps in 2024 and particularly in 2025 will likely result in higher interest expenses which will reduce cash flow. At current interest rates, we estimate that interest expense would increase by $300,000 on an annual basis with the expiry of the 2024 swaps and $1.6 million on an annual basis with the expiry of the 2025 swaps.

Dividends: The current monthly dividend is $0.02 per share ($0.24 annualized) which equates to a yield of 8.9%. The last dividend increase was 11% in September of 2022. DIV's payout ratio was 94.4% of distributable cash flow for Q3 2023 and 92.5% for the 9-month period.

AREAS OF GROWTH AND OUTLOOK

DIV's growth strategy is based on acquiring top-line royalties from well-managed, multi-location businesses and franchisors in North America. The company aims to secure predictable and growing royalty streams from a diverse group of businesses.

The company's largest and most successful royalty continues to be Mr. Lube, which generated 18.4% same asset growth in the first 9 months of 2023 and accounted for 47% of total royalty income. DIV also periodically has opportunities to increase the number of Mr. Lube locations in the royalty period and in May 2023 announced the addition of 5 flagship locations (for a total of 144 locations in the royalty pool).

The Nurse Next Door and Sutton Realty royalties are based on fixed payments to DIV which increase contractually by 2% per year. The biggest underperformer in the group has been Air Miles which has seen a significant drop in activity with the exit of Sobeys from the Air Miles program in the second quarter of 2023. Royalty income from Mr. Mike was lower in the Q3 and 9-month periods but this was due to DIV receiving additional payments of $0.58 million and $1.13 million, respectively, in the comparable periods of 2022 due to the deferral of royalty payments from the pandemic.

Diversified Royalty Corp. (DIV:TSX)

Rating: SPEC BUY **Current Price (January 25, 2024): $2.79**

The two most recent acquisitions were Stratus and Barbarito. Stratus Building Solutions is a US-based commercial cleaning service and building maintenance service. The royalty in Stratus was acquired in November 2022 for US$59.4 million and entitles DIV to an initial royalty of US$6 million per annum. The royalty will automatically be increased by 5% annually for the first 3 years and 4% thereafter.

The royalty in Barburrito Restaurants, a Canadian chain of quick-service Mexican-style restaurants, was acquired in October 2023. Under the terms of the agreement, DIV purchased a royalty stream for $73 million which includes an initial, fixed $8.3 million royalty which will be increased annually by 4% for 7 years, and thereafter, the royalty will fluctuate based on Barburrito's sales. DIV will also provide Barburrito with a $36 million promissory note which will be used to open new restaurants and potentially add an additional $4.3 million to the royalty stream.

VALUATION

We are estimating distributable cash flow of approximately $0.27 per share for the full year of 2023. The fair value assessment of $3.25 per share is based on a justified price-to-distributable cash flow multiple of 12 times our estimate.

CONCLUSION

We continue to view DIV as an interesting, high-yield opportunity for investors. The company now owns a diversified portfolio of 8 royalty streams, all of which have been producing strong to stable performance, with the exception being the Air Miles royalty. The company has also been actively expanding its royalty portfolio with new royalty streams added in 2022 and 2023.

We view the company's biggest risk as the balance sheet. The debt leverage is higher than we would like, and we expect that interest expense will increase over the next 1 to 3 years as the company's interest rate swaps expire. However, we do not believe that this will necessarily be a major determinant for the company as the increased interest expense can potentially be more than offset by continued growth over this period from the company's existing royalty portfolio.

Looking forward, we continue to see value in DIV as a high-yield opportunity for investors who are comfortable with the stock's more aggressive risk profile.

We are maintaining coverage on Diversified Royalty (DIV) with a rating of Spec BUY and a revised fair value assessment of $3.25 per share. Diversified Royalty will remain in our Aggressive-Risk and Focus BUY portfolios.

EQB Inc (EQB:TSX)

Rating: BUY **Current Price (February 7, 2024): $93.11**

Portfolio: Moderate

Recommended: January 2023

Recommended Price: $65.94

Industry: Banks

Market Cap: $3.51 Billion

Shares Outstanding: 37,879,400

Fully Diluted: 38,873,129

Dividend Yield: 1.7%

Quarterly Financial Data			
CAD$ thousands	Q4 2023	Q4 2022*	Change
Revenue	$395,286	-	-
Adj Earnings	$147,035	-	-
Adj EPS	$3.80	-	-

Annual Financial Data			
CAD$ thousands	2023	2022*	Change
Revenue	$944,473	-	-
Adj Earnings	$364,270	-	-
Adj EPS	$9.40	-	-

Ratios	
P/E (2024e)	7.7
Capital Ratio	15.2%
Payout Ratio	12%
Return on Equity	15%

* The end of the fiscal year has been adjusted to October 31, leading to a financial reporting period of 10 months for fiscal 2023. This alteration in the fiscal year's conclusion renders comparisons of financials on a year-over-year basis not significant.

COMPANY DESCRIPTION

EQB Inc, through its wholly-owned subsidiary, Equitable Bank, is a Canadian challenger bank offering a range of services to its customers. EQB differentiates itself as a technology-driven financial institution and is targeting to become the first cloud-only, Canadian bank by 2026. These include deposit services, single-family lending, reverse mortgage lending, insurance lending, commercial financing, and equipment leasing.

INVESTMENT SUMMARY

- Continued strong performance in fiscal 2023 – the company adjusted its fiscal year (to end October 31st) to align with Canadian banking comparable companies.
- Recently acquired a majority interest in ACM Investors which expands the company into a new revenue channel and is expected to be accretive to fee-based revenue.
- 20 years of consistent profitability and growth and projecting 15% CAGR in EPS to 2027 and 20%-25% growth in dividends.
- Attractive valuation compared to peers (8x earnings), considering growth and overall fundamentals.
- Maintaining BUY rating with a minimum investment time horizon of 3 to 5 years.

RECENT FINANCIALS

Fiscal 2023 Annual Highlights

- EQB reported record annual earnings for the fiscal year ended October 31, 2023, with significant growth in loans under management, margin expansion, and higher non-interest revenues.
- The company adjusted its fiscal year to align with the Canadian banking industry, resulting in a ten-month fiscal year for 2023.
- Adjusted Return on Equity (ROE) for Q4 was 16.5% and 17.1% for FY23, with reported ROE slightly higher.
- Adjusted diluted Earnings Per Share (EPS) for Q4 was $3.80 and $9.40 for FY23, slightly lower than reported EPS.
- Book value per share increased by 4% quarter-over-quarter and 12% year-over-year to $70.33.
- Total Assets Under Management (AUM) + Assets Under Administration (AUA) reached $111 billion, a 3% increase quarter-over-quarter and an 8% increase year-over-year.
- Net Interest Margin (NIM) for Q4 expanded by 1 basis point quarter-over-quarter to 2.00%.

EQB Inc (EQB:TSX)

Rating: BUY **Current Price (February 7, 2024): $93.11**

- EQ Bank's customer base grew by 9% quarter-over-quarter and 30% year-over-year, exceeding 400,000 customers.

Balance Sheet: EQB maintains a strong capital position with a total capital ratio of 15.2% and a common equity tier 1 capital ratio (CET1) at 14.0%.

Dividends: EQB's current quarterly dividend of $0.40 per share ($1.60 annualized) equates to a yield of 1.7%. The dividend was increased by 5% with the release of the fiscal 2023 results and the company continues to target dividend growth of 20% to 25% annually to 2027.

AREAS OF GROWTH AND OUTLOOK

EQB continues to meet or exceed its previously stated targets of 15% (or greater) annual growth in adjusted EPS to 2027 and 20% to 25% annual increases in dividends.

The growth of EQ Bank, particularly the addition of 93,000 customers in 10 months (a 30% growth, reaching over 400,000), underscores EQB's success in the digital banking space. Their plan to expand into the all-digital business bank for small businesses in 2024 represents a growth opportunity.

EQB's commercial banking division, with a focus on construction and multi-unit residential real estate, and its decumulation lending business (notably reverse mortgages which grew 43% in 10 months), present promising avenues for growth. The emphasis on affordable housing and government support for such initiatives further enhances EQB's growth prospects in these areas.

On December 14th, EQB announced that it had completed the acquisition of a 75% interest in ACM Advisors Ltd., ("ACM") one of Canada's largest and most well-respected alternative asset managers with nearly $5 billion in assets under management. The acquisition opens a new revenue channel for EQB and is expected to be accretive to fee-based revenue for EQB in the fiscal year 2024, potentially in the order of magnitude of 15% to 20% plus growth over current levels of fee revenue.

EQB's guidance for 2024 is for adjusted EPS in the range of $11.75 to $12.25, dividend growth of 20% to 25%, book value per share growth of 13% to 15%, and return on equity (ROE) in the range of 15%.

VALUATION

EQB currently trades at a price-to-earnings valuation multiple of 8 times based on the midpoint of the company's 2024 adjusted EPS guidance ($12.00 per share). The revised fair value assessment of $110 per share is based on a justified valuation multiple of 9 times the midpoint of 2024 guidance.

CONCLUSION

EQB reported strong financial results in fiscal 2023 with continued growth in loans under management, margin expansion, and higher non-interest revenues. The company has adjusted its fiscal year to end on October 31st (compared to the previous year end of December 31st) as this aligns with the fiscal year end of the Canadian banking industry. The temporary impact is that annual financial results will not be directly comparable to the previous year for both fiscal 2023 and 2024.

The company continues to meet or exceed its previously stated targets of 15% (or greater) annual growth in adjusted EPS to 2027 and 20% to 25% annual increases in dividends. EQB continues to maintain a growth rate that is well above its banking peers, while also maintaining credit quality and strong capital

EQB Inc (EQB:TSX)

Rating: BUY **Current Price (February 7, 2024): $93.11**

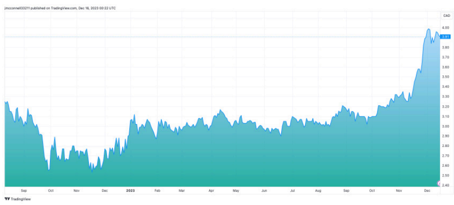
ratios. Recently, the company completed the acquisition of 75% of ACM Investors which is expected to be accretive and expands EQB into an additional revenue channel.

We continue to view EQB as fundamentally strong, high-growth banking stock with an attractive valuation. The current yield is relatively low; however, based on the company's targets, we expect the dividend to more than double by 2027 with the potential for continued growth afterward.

We are maintaining coverage on EQB Inc (EQB) with a rating of BUY and a fair value assessment of $110 per share. EQB will remain in our Moderate-Risk and Focus BUY Portfolios.

Dynacor Gold Mines Inc. (DNG:TSX)

Rating: Near-Term: SPEC BUY/Long-Term: SPEC BUY **Current Price (December 21, 2023): $3.93**



Portfolio: Focus BUY
Recommended: July 2017
Recommended Price: $2.00
Industry: Metals & Mining

Market Cap: $147.99 Million
Shares Outstand: 38,340,193
Fully Diluted: 39,234,095
Dividend Yield: 3.57%

Quarterly Financial Data			
USD$ thousands	Q3 2023	Q3 2022	Change
Revenue	$63,430	$46,000	37.9%
EBITDA	$5,845	$3,852	51.7%
EPS	$0.07	$0.02	250.0%

Annual Financial Data			
USD$ thousands	2022	2021	Change
Revenue	$197,500	$195,900	0.8%
EBITDA	$21,341	$23,851	-10.5%
EPS	$0.30	$0.30	2.1%

Ratios	
P/E (TTM)	8.00
P/EBITDA (TTM)	4.39
EV/EBITDA (TTM)	3.11
P/S (TTM)	0.49

COMPANY DESCRIPTION

Dynacor is a cash-rich, profitable dividend-growing industrial gold ore processor headquartered in Montreal, Canada. The company currently operates primarily in Peru where it purchases its ore from government-registered producers in various regions of the country and then processes it at its wholly-owned milling facility to produce gold and silver (primarily gold), which is sold internationally at market prices.

INVESTMENT SUMMARY

- The late 2022 expansion of Dynacor's existing Veta Dorada mill allowed the company to process record ore of 44,519 tonnes and produce a record 34,103 AuEq ounces.
- Despite a surge in share price, Dynacor's low valuation of 8x earnings and a 5.6x earnings ex-cash compensate for the high geopolitical risk.
- Given the strong balance sheet and cash flow YTD in 2023, the company once again raised its dividend 16.666% to $0.14 annually or an attractive ~3.6% dividend yield.
- Management now expects 2023 sales of ~$245 million compared to the initial 2023 sales guidance of $210-230 million and we expect earnings to surpass the high-end guidance at $8.5 million to $11.5 million.
- KeyStone reiterates a SPEC BUY in our Focus BUY portfolio with a fair value of $4.50 – a figure that could increase in 2024 if Dynacor executes on its geographic expansion plans.

EXPANDED COMPANY DESCRIPTION

Dynacor has a very simple business model - profitability largely depends on two factors:

- A margin between the price of ore purchased and the market price of gold – the higher the margin the better.
- Throughput (the amount of ore processed) - the higher throughput the better.

A higher gold pricing environment encourages more small-scale mining which grows Dynacor's ore supply and creates profitable growth. Fluctuations in terms of margins in the quarter can occur if the price of gold is trending up (positive for margins) or trending down (negative for margins) – but this tends to average out with the fluctuations in gold prices through a given year.

Dynacor Gold Mines Inc. (DNG:TSX)

Rating: Near-Term: SPEC BUY/Long-Term: SPEC BUY **Current Price (December 21, 2023): $3.93**

RECENT FINANCIALS

Q3 2023

Sales increased by 37.8% to $63.4 million from $46.0 million due to a higher price and quantities of gold.

Cash gross operating margin increased to $235 from $197 per AuEq ounce sold in the prior year and decreased from last quarter's $256 AuEq per ounce.

EBITDA increased 52.6% to $5.8 million from $3.8 million.

Net income increased 213% to $2.5 million from $0.8 million, and $0.07 ($C0.09) from $0.02 ($C0.03) on a per share basis.

Dynacor processed 44,519 tonnes (484tpd) of ore, a 19.0% increase over the previous year's 37,410 tonnes (407tpd). The company had 45,244 tonnes of ore supplied, the second largest in the company's history.

The company announced it will increase its monthly dividend to C$0.012 (C$0.14 annually) from a monthly dividend of C$0.01 (C$0.12 annually), resulting in a forward yield of ~3.6%. This is the 5th consecutive year of dividend increases since its inception in 2018.

Dynacor has a net cash position with the only debt being leases of $32.3 million.

October 2023 Monthly Update:

Year-over-year sales volume increased 20.4% and price increased 21.8%.

Ore processed at Veta Dorada increased to a record 15,005.

The average selling price of gold was $1,923.

Additionally, the company expects to exceed the high end of its initial guidance with sales of $245 compared to the initial guidance of $210 to $230 million. Earnings are expected to exceed the initial range of $9.5 to $11.5 million ($0.22-$0.30 per share).

VALUATION

Despite the surge in share its share price through 2023, Dynacor continues to trade with a low valuation of 8x and a 5.6x earnings ex-cash which more than compensates for the high geopolitical risk as part of a 15-25 stock portfolio.

CONCLUSION

We have noted lower ore grades in recent quarters and continue to monitor this trend. Management

Dynacor Gold Mines Inc. (DNG:TSX)

Rating: Near-Term: SPEC BUY/Long-Term: SPEC BUY **Current Price (December 21, 2023): $3.93**

expects grades at a new facility planned in Northern Peru to increase the overall company grades over time. Q3 ore grade fell quarter-over-quarter but is still an improvement over the weaker quarters in the prior year.

The company is actively looking to enter additional markets by building or acquiring additional plants around the world in the next 3-5 years for a total of 4 expected plants (including the existing plant). Dynacor currently has plans for at least one pilot plant in West Africa (potentially Senegal) in 2023/2024 and reviewing potential opportunities in South America. The company has the cash on hand to fund expansion within additional regions. Additional operating regions with aid in derisking the company's geographic and geopolitical risk. Announcements of expansion will be a catalyst for the company.

Offsetting the operational risks, Dynacor has strong financials supporting returns to shareholders. Dynacor has a superb cash-rich balance sheet holding US$33.0 million (~C$45.2 million), and $0.84 (~C$1.16) per share. Dynacor is actively returning capital to shareholders. Dynacor has consistently raised its dividend since its inception in 2018 to the current $0.14 annually, a 16.7% increase over the prior dividend. A cash payout ratio of the raised dividend is ~26%, which provides ample dividend security and room for continued growth.

Q3 showed a continuance of ore processing growth with the improvement of ore grade over the prior year allowing the company to capitalize on its increased processing capacity. Veta Dorada operated at maximum capacity throughout the quarter.

KeyStone has a justified valuation of 7 times our 2023 earnings expectation then adding the value of the cash held, due to the significant cash balance, resulting in a fair value of $4.50 – a figure that could increase in 2024 if Dynacor executes on its geographic expansion plans.

After a strong first nine months management now has affirmed KeyStone's expectations of surpassing its initial guidance. Dynacor's balance sheet continues to be superb, allowing it to raise its dividend in tandem with growth. KeyStone awaits expansion via a new facility in 2024, as well as a pilot project expected in West Africa within a year. KeyStone reiterates our SPEC BUY in our Focus Buy Portfolio (Canadian Small-Cap Research).

INCOME STOCK TOP-TIER HIGHLIGHTED MONITOR LIST

COMPANY	RATING
Algoma Central Corporation (ALC:TSX)	MONITOR
Bird Construction (BDT:TSX)	MONITOR
Dexterra Group Inc. (DXT:TSX)	MONITOR
Finning (FTT:TSX)	MONITOR
Information Services Corp (ISC:TSX)	MONITOR
K-Bro Linen (KBL:TSX)	MONITOR
Propel Holdings (PRL:TSX)	MONITOR
Sleep Country Canada Holdings Inc. (ZZZ:TSX)	MONITOR
TerraVest Industries (TVK:TSX)	MONITOR
TransAlta (TA:TSX)	MONITOR

Algoma Central Corporation (ALC:TSX)

Rating: Monitor

Company Data	
Yield	5.0%
Share Price	$15.10
Market Cap	$581.49 Million
Shares Out. (Diluted)	42,950,351

Quarterly Financial Data			
CAD$ Thousands	Q3 2023	Q3 2022	Change
Revenue	$205,888	$199,327	3.3%
EBITDA	$68,242	$73,604	-7.3%
EPS	$0.85	$1.01	-15.8%

YTD Financial Data			
CAD$ Thousands	2023	2022	Change
Revenue	$519,898	$467,893	11.11%
EBITDA	$125,604	$132,895	-5.49%
EPS	$1.20	$1.70	-29.41%

Ratios	
P/E (2024e)	8.0
Net Debt / EBITDA	1.8
Payout Ratio	40%

COMPANY DESCRIPTION

Algoma Central Corporation (ALC) is a global provider of marine transportation and operates the largest fleet on the Great Lakes - St. Lawrence Seaway. Algoma's domestic dry-bulk fleet consists of 18 Canadian carriers, serving diverse industrial sectors like iron, steel, aggregates, cement, salt, and agriculture. The Product Tankers fleet consists of 7 vessels. Additionally, Algoma owns and operates ocean self-unloading dry-bulk vessels globally and holds 50% interests in joint ventures that own a diversified portfolio of dry and liquid bulk fleets.

SUMMARY

- Financial performance expected to recover moderately in 2024 relative to weaker 2023 results.
- The company will experience some fluctuations in financial performance due to its exposure to global shipping rates but should maintain consistent profitability.
- The valuation is attractive for long-term investors and the track record of delivering growing dividends to investors is impressive.

RESEARCH NOTES

Algoma Central Corporation reported a modest revenue increase of 3% year-over-year in Q3 2023 and a decline in net earnings and EBITDA by 16% and 7% respectively. The Domestic Dry-Bulk segment produced growth of 11% for revenue increase, driven by higher freight rates and volumes. However, the Product Tankers segment saw a slight 4% revenue increase but faced a significant drop in operating earnings due to increased dry-docking and operational costs. The Ocean Self-Unloaders segment experienced a 15% revenue decline and a 39% operating earnings decrease, attributed to more vessels undergoing dry-docking. Global Short Sea Shipping equity earnings decreased by 33%, excluding a prior year's gain from vessel sales, indicating a softening in freight rates.

The dividend yield is 5% and supported by a 42% payout ratio to EPS (9M 2023). Algoma has a history of increasing dividends on an annual basis and declared a 6% increase in 2024. The company also provides period special dividends and has paid $7.74 per share in total dividends over the last 5 years.

The stock trades at a valuation of 8 times estimated 2024 EPS of $1.90 per share.

We expect to see a moderate recovery in growth in 2024 from the lower earnings produced in 2023. The company has interests in 83 vessels globally with 13 under construction. Algoma continues to expand its fleet and in January 2024, announced the acquisition of two 2009 built, 16,600 dwt product tankers from Norway's Knutsen OAS Shipping.

CONCLUSION

We view Algoma as a long-term value and income stock. The dividends produced by the company have been impressive. From a growth perspective, there will be ups and downs in financial performance, as the company is exposed to global shipping rates. However, profitability has been consistent and supports an attractive and sustainable dividend.

Bird Construction (BDT:TSX)

Rating: Monitor

Company Data	
Yield	3.3%
Share Price	$16.87
Market Cap	$906.91 Million
Shares Out. (Diluted)	53,774,184

Quarterly Financial Data			
CAD$ Millions	**Q3 2023**	**Q3 2022**	**Change**
Revenue	$783.8	$668.2	17.3%
EBITDA	$49.3	$31.2	58.0%
EPS	$0.54	$0.29	84.6%

YTD Financial Data			
CAD$ Millions	**2023**	**2022**	**Change**
Revenue	$2,006.7	$1,720.4	16.6%
EBITDA	$94.9	$70.5	34.6%
EPS	$0.93	$0.57	63.2%

Ratios	
P/E (2024e)	10.0
Net Debt / EBITDA	7.1
Payout Ratio	33%

COMPANY DESCRIPTION

Bird (BDT) is a leading Canadian construction company operating from coast to coast and servicing all of Canada's major markets. Bird provides a comprehensive range of construction services from new construction for industrial, infrastructure and buildings markets to industrial maintenance, repair and operations services, heavy civil construction, and mine support services, as well as vertical infrastructure, including electrical, mechanical, and specialty trades.

SUMMARY

- Strong financial momentum over the past year and recently increased dividend by 30% which reflects expectations for continued growth through 2024.
- Reasonable valuation of 10 times expected 2024 earnings.
- Historically, Bird has been volatile and low margin but recent contract awards improve the visibility of growth.

RESEARCH NOTES

On December 12th, the company declared a 30% dividend increase, following the release of its 2024 annual business plan. The company anticipates continued accretion in earnings per share and EBITDA through 2024. Based on the margins embedded in the company's current record combined backlog, and the significant volume of attractive opportunities being pursued, stronger performance is expected throughout the coming year. The expected improvements in financial performance will support both the increased dividend while allowing the company to retain in excess of two-thirds of net income to support continued growth beyond 2024.

We are anticipating 2024 EPS in the range of $1.70 per share which equates to a valuation of approximately 10 times earnings.

The company has been actively engaging in strategic acquisitions and winning substantial contracts. Notably, Bird was awarded multiple contracts in the energy and mining sectors valued at approximately $180 million and secured over $350 million in contracts for various institutional projects. Additionally, Bird entered into a significant agreement for early works at a new LNG project in Western Canada, with Bird's portion of the contracts exceeding $150 million. On January 18th, the company announced the acquisition of NorCan Electric Inc., a leading Alberta electrical service provider, for $11 million, which adds recurring revenue and is expected to be accretive by $0.04 per share to earnings.

RESEARCH NOTES

Bird has produced very strong financial momentum over the last year and recently increased its dividend by 30%. Historically, the company has been low margin and volatile which is typical of construction stocks. However, more recently the company has been awarded long-term term controls which improve the visibility of its revenue and sustainability of growth. The company expects strong growth to continue through 2024. We will continue to monitor for attractive entry points.

Dexterra Group Inc. (DXT:TSX)

Rating: Monitor

Company Data	
Yield	5.9%
Share Price	$5.88
Market Cap	$380.07 Million
Shares Out. (Diluted)	65,166,745

Quarterly Financial Data			
CAD$ Thousands	**Q3 2023**	**Q3 2022**	**Change**
Revenue	$310,754	$259,803	19.6%
EBITDA	$39,632	$20,081	97.4%
EPS	$0.21	$0.08	170.0%

YTD Financial Data			
CAD$ Thousands	**2023**	**2022**	**Change**
Revenue	$846,671	$717,659	18.0%
EBITDA	$87,985	$50,739	73.4%
EPS	$0.41	$0.10	324.2%

Ratios	
P/FCF (TTM)	8.0
Net Debt / EBITDA	2.4
Payout Ratio	65%

COMPANY DESCRIPTION

Dexterra Group Inc. is a Canadian company specializing in support services for infrastructure creation and management. It operates through three key segments: Integrated Facilities Management (IFM), offering maintenance for various sectors, Modular Solutions, designing and constructing modular buildings, and Workforce Accommodations, Forestry, and Energy Services (WAFES), providing lodging, management, and catering, as well as tree services and equipment rentals.

SUMMARY

- Strong financial performance in recent quarter but nearly 60% of the growth was due to wildfire activity.
- Attractive dividend yield (although no recent growth) and valuation relative to free cash flow.
- Potential opportunities to expand the IFM segment which produces more consistent revenue under long-term contracts.

RESEARCH NOTES

In Q3 2023, DXT generated growth, reporting a 20% year-over-year (YoY) revenue increase to $310.8 million, largely due to its WAFES unit and strong natural resources markets. Adjusted EBITDA nearly doubled YoY to $39.6 million, representing 13% of revenue and indicating improved profitability. Net earnings rose to $13.9 million with an EPS of $0.21, showcasing substantial growth from the previous year. Adjusted Free Cash Flow grew by 54% YoY to $26.4 million for the nine-month period. Segment-wise, IFM saw an 11% revenue increase, WAFES jumped by 40%, while Modular Solutions experienced a revenue decrease but a slight EBITDA improvement.

The dividend yield is attractive at 5.9% and supported by a 65% payout ratio to free cash flow (9M 2023). DXT has not increased its dividend since 2021.

The stock trades at a valuation of 17 times earnings (trailing 12-month EPS of $0.36) and 8 times free cash flow (trailing 12-month FCF of $49.5 million).

The wildfires across Canada had a significant impact on growth in the third quarter of 2023, adding approximately $30 million in revenue to the WAFES segment. DXT aims to continue diversifying and expanding its footprint in the WAFES segment. The sales pipeline across all target markets and business lines in IFM supports significant organic growth. The company aims to achieve an annualized IFM EBITDA margin of net 7% in the near term, bolstering profitability.

CONCLUSION

DXT produced very strong financial performance in the last half of 2023; however, nearly 60% of the growth was attributable to the substantial increase in wildfire activity. Even excluding the wildfire activity, performance was positive. DXT trades at a reasonable valuation to free cash flow and pays an attractive yield (although with no recent dividend growth). We will continue to monitor the company's performance over the next few quarters and its progress with expanding the IFM segment. fair value given expectations of a slowdown given the weaker Q4 results.

Finning (FTT:TSX)

Rating: Monitor

Company Data	
Yield	2.48%
Share Price	$36.07
Market Cap	$5.27 Billion
Shares Out. (Diluted)	145,157,129

Quarterly Financial Data			
CAD$ Millions	**Q4 2023**	**Q4 2022**	**Change**
Revenue	$2,403	$2,368	1.5%
Adj. EBIT	$232	$214	8.4%
Adj. EPS	$0.96	$0.89	7.9%

Annual Financial Data			
CAD$ Millions	**2023**	**2022**	**Change**
Revenue	$9,543	$8,215	16.2%
Adj. EBIT	$942	$768	22.7%
Adj. EPS	$3.91	$3.25	20.3%

Ratios	
Adj. P/E (TTM)	9.23
Net Debt/EBITDA	1.9
Payout Ratio	26%

COMPANY DESCRIPTION

Finning is the world's largest Caterpillar deal, which sells, rents, and provides parts and services for equipment and engines. The company operates in western Canada, the UK & Ireland, and South America.

SUMMARY

- Over two decades of consistent dividend growth with a current yield of 2.8%.
- Exposed to cyclicality of construction and commodities notably oil in Canada and mining in South America.
- Near fair value given weaker growth prospects.

RESEARCH NOTES

For Q4 2023, net revenue which removes the impact of pass-through fuel costs increased 1.4% to $2.4 billion from $2.4 billion driven by used equipment sales and product support in Canada & South America, partially offset by weaker new equipment sales and overall weakness in the UK & Ireland. Adjusted EBIT rose 9% to $232 million from $214 million. EBIT margin as a percentage of net revenue increased to 9.6% from 9.0%. Adjusted EPS grew 7% to 0.96 from 0.89. The company saw a significant negative FX impact due to Argentina of $0.37 which is adjusted out from the figure above.

Finning holds cash of $152 million with debt of $2.4 billion and leases of $309 million resulting in a net debt and leases position of $2.5 billion. The resulting leverage is 1.9 times.

Finning increased its quarterly dividend to $0.25 ($1.00 annualized) a yield of 2.8%. Finning has consistently raised its dividend yearly for over two decades and is expected to continue to grow its dividend.

Finning trades a P/E of 9 times and an adjusted EV/EBITDA of 6 times, which is cheaper than historical averages of ~15 times and ~8 times respectively.

Finning is exposed to cyclicality associated with the underlying commodity and construction businesses. Geographic diversification lowers regional cyclical risk but exposes the company to the risks within the regions and FX risk. The company has benefited from copper production in Chile and a softening UK and turbulent Argentina. Finning is dependent on Caterpillar, any deterioration would materially affect Finning.

CONCLUSION

The company has recently had good growth but not without headwinds, notably related to Argentina in the last quarter. Finning and comparable companies have seen price multiple compression due to fears of a broad slowdown and heightened interest rates. Despite trading at a historically lower valuation, Finning is likely near fair value given expectations of a slowdown given the weaker Q4 results.

Information Services Corp (ISC:TSX)

Rating: Monitor

Company Data	
Yield	3.9%
Share Price	$23.26
Market Cap	$411.74 Million
Shares Out. (Diluted)	18,135,869

Quarterly Financial Data			
CAD$ Thousands	**Q3 2023**	**Q3 2022**	**Change**
Revenue	$54,610	$48,768	12.0%
EBITDA	$19,209	$17,037	12.7%
EPS	$0.46	$0.48	-4.2%

YTD Financial Data			
CAD$ Thousands	**2023**	**2022**	**Change**
Revenue	$157,029	$143,791	9.2%
EBITDA	$51,549	$50,869	1.3%
EPS	$1.35	$1.53	-11.8%

Ratios	
P/E (2024e)	12.0
Net Debt / EBITDA	2.5
Payout Ratio	47%

COMPANY DESCRIPTION

Information Services Corp (ISC) is a Canadian provider of registry and information management services, focusing on public data and records. ISC operates through three segments: Registry Operations, Services, and Technology Solutions, with the majority of its revenue generated from Registry Operations. The company serves governments and private sector organizations, offering solutions in registry services, data utilization for the financial and legal sectors, and technology support for registry-related solutions.

SUMMARY

- Recently extended its contract to provide registry services to the Province of Saskatchewan to 2053.
- Reasonable valuation of 12 times expected 2024 earnings.
- Contracted, long-term cash flow which will be used to pay dividends and invest in future growth opportunities.

RESEARCH NOTES

ISC reported a strong third quarter ending September 30, 2023, with a significant 12% increase in revenue to $54.6 million, driven by enhanced customer engagement and transactions in the Services segment, and fee adjustments in Registry Operations. Adjusted EBITDA rose to $19.2 million from $17.0 million the previous year, reflecting growth in Registry Operations and the Services division, improving the adjusted EBITDA margin to 35.2% from 34.9%.

ISC projects significant organic growth in 2024, with revenue and adjusted EBITDA expected to increase by 18% and 20% compared to the previous year. In July 2023, the company announced that it had extended its contract with the Province of Saskatchewan as the exclusive provider of land and property registry services to 2053. The company's registry services in Saskatchewan produce the majority of its revenue and the extension of the agreement over a multi-decade term provides stable cash flow and growth opportunities.

The agreement extension requires an upfront payment from ISC of $300 million. This payment will temporarily increase the net debt-to-EBITDA leverage ratio to 4 times. The company will utilize free cash flow to reduce the leverage ratio to a target range of 2 to 2.5 times.

Based on the guidance, we are anticipating 2024 earnings in the range of $1.90 to $2.00 which equates to a PE multiple of 12 times.

CONCLUSION

ISC has recently provided guidance for 2024 and expects a return to growth during the year. With the recent extension of its contract with the Province of Saskatchewan to 2053, the company will be in a position to produce strong cash flow which will be used to pay dividends and invest in additional growth opportunities. After weaker financial performance in 2022 and 2023, the company appears to be poised for positive growth.

K-Bro Linen (KBL:TSX)

Rating: Monitor

Company Data	
Yield	3.55%
Share Price	$34.18
Market Cap	$368.01 Million
Shares Out. (Diluted)	10,729,344

Quarterly Financial Data			
CAD$ Thousands	**Q3 2023**	**Q3 2022**	**Change**
Revenue	$86,892	$73,628	18.0%
EBITDA	$17,693	$11,021	60.5%
EPS	$0.62	$0.23	172.0%

YTD Financial Data			
CAD$ Thousands	**2023**	**2022**	**Change**
Revenue	$238,420	$205,952	15.8%
EBITDA	$42,527	$27,766	53.2%
EPS	$1.24	$0.34	268.7%

Ratios	
P/E (2024e)	17.0
Net Debt / EBITDA	2.0
Payout Ratio	60%

COMPANY DESCRIPTION

K-Bro is the largest owner and operator of laundry and linen processing facilities in Canada. K-Bro provides a comprehensive range of general linen and operating room linen processing, management and distribution services to healthcare institutions, hotels, and other commercial accounts. K-Bro currently operates ten processing facilities and two distribution centres under three distinctive brands.

SUMMARY

- Growth is expected to remain positive in 2024, albeit at a lower rate than the high numbers achieved in 2023.
- The company is looking to expand through acquisitions and expects further incremental margin improvements over the next few years.
- The stock is close to fair value in the near term – the business is attractive long-term, and we will look for opportunities to accumulate shares on a pullback.

RESEARCH NOTES

K-Bro reported a strong financial performance in Q3 2023, with an 18% increase in consolidated revenue over the same period last year. This growth was driven by a 9.2% increase in healthcare revenue and a substantial 30.1% increase in hospitality revenue. EBITDA grew by 60.5% to $17.7 million, reflecting a significant improvement in operational efficiency, with the EBITDA margin expanding to 20.4%. Net earnings also saw a notable rise, up by $4.2 million to $6.7 million and EPS grew to $0.622 per share, from $0.228.

The dividend yield is 3.5% and supported by a 39% payout ratio to free cash flow (9M 2023). The company's objective is to focus on investing in growth and we do not anticipate a dividend increase in the foreseeable future.

The stock trades at a valuation of 13 times free cash flow (trailing 12-month FCF of $28.2 million). For 2024, we are expecting EPS growth to $2.00 per share range which puts the PE multiple at approximately 17 times.

K Bro is optimistic with respect to growth opportunities over upcoming years which are expected to consistent of a combination of acquisitions, organic revenue growth and margin improvement. The company closed two acquisitions in 2023.

CONCLUSION

K Bro is well positioned for growth over the next several years which is expected to include acquisitions, organic revenue growth and margin improvements. Strong performance in 2023 was driven largely by a recovery in the company's Hospitality segment and a return to pre-pandemic profit margins. We expect to see some further improvement in margins in 2024 albeit at a reduced rate compared to 2023. K Bro trades at a reasonable valuation for long-term investors. We will look for opportunities to take positions in the stock on any meaningful pullbacks in the share price.

Propel Holdings (PRL:TSX)

Rating: Monitor

Company Data	
Yield	2.8%
Share Price	$16.99
Market Cap	$583.19 Million
Shares Out. (Diluted)	36,834,328

Quarterly Financial Data			
USD$ Thousands	**Q3 2023**	**Q3 2022**	**Change**
Revenue	$83,172	$59,738	39.2%
EBITDA	$18,656	$8,752	113.2%
EPS	$0.17	$0.12	42.4%

YTD Financial Data			
USD$ Thousands	**2023**	**2022**	**Change**
Revenue	$220,478	$164,336	34.2%
EBITDA	$53,909	$26,997	99.7%
EPS	$0.53	$0.28	85.4%

Ratios	
P/E (TTM)	14.0
Debt/Equity	1.8
Payout Ratio	37%

COMPANY DESCRIPTION

Propel Holdings operates as an online financial technology company. Propel's operating brands — Fora Credit, CreditFresh and MoneyKey — and its Lending-as-a-Service product line facilitate access to credit for consumers underserved by traditional financial institutions (subprime credit).

SUMMARY

- Strong financial momentum with 39% revenue growth and 123% adjusted EPS growth in last quarter.
- Increased its dividend three times in the past year and trades at 14 times trailing earnings.
- We consider Propel a higher-risk investment and will monitor the stock for more attractive entry points.

RESEARCH NOTES

Propel reported record financial results for Q3 2023. Revenue grew by 39% to $83.2 million, while adjusted EBITDA doubled, increasing by 113% to $18.7 million. Adjusted EPS increased 123% to $0.23 per share. Combined Loan and Advance Balance (CLAB) grew by 44% to $299.4 million and was supported by record Total Originations Funded of $110.3 million in Q3 2023, an increase of 13% from $97.7 million in Q3 2022. Growth in CLAB was offset by a decrease in Annualized Revenue Yield to 116% in Q3 2023 from 123% in Q3 2022.

The dividend yield is 2.9% and supported by a 31% payout ratio to adjusted EPS (9M 2023). Propel has increased its dividend 3 times over the past year for total cumulative growth of 26%.

The stock trades at a valuation of 14 times earnings (trailing 12-month adjusted EPS of US$0.87).

Looking ahead, the company believes that its AI-powered technology will continue to be the differentiator and driver of growth. Over the past two years, Propel has grown revenues organically by 149%. On November 21, 2022, Propel announced that it had entered the Canadian market with its new brand, Fora. On June 20, 2023, Propel announced that it had officially launched its five-year agreement to operate as the primary LaaS partner for Pathward.

CONCLUSION

Propel presents a substantial growth opportunity, primarily focusing on higher-risk, high-interest loans, leveraging AI-powered technology to manage these risks effectively. Over the last year, the company has demonstrated confidence in its performance through three dividend increases, coinciding with a significant uptick in its stock price over recent months. Despite the enticing potential, Propel is considered a higher-risk investment. Consequently, a strategy of seeking pullbacks in the share price for a more attractive entry point is being considered to capitalize on its prospects.

Sleep Country (ZZZ:TSX)

Rating: Monitor

Company Data	
Yield	3.6%
Share Price	$26.29
Market Cap	$882 M
Shares Out. (Diluted)	35,174,770

Quarterly Financial Data			
CAD$ Millions	Q3 2023	Q3 2022	Change
Revenue	$256	$251	1.9%
EBITDA	$58	$64	-9.1%
EPS	$0.70	$0.79	-11.6%

YTD Financial Data			
CAD$ Millions	2023	2022	Change
Revenue	$679	$686	-0.90%
EBITDA	$139	$160	-13.02%
EPS	$1.38	$1.89	-27.08%

Ratios	
P/E (TTM)	10.25
Net Debt/EBITDA	2.2
Payout Ratio	38%

COMPANY DESCRIPTION

Sleep Country is Canada's leading specialty sleep retailer with a national retail store network and multiple robust e-commerce platforms. The Company has 296 corporate-owned stores and 19 warehouses across Canada. Brands include Sleep Country Canada, Dormez-vous, Endy, Casper Canada, Hush, and Silk & Snow.

SUMMARY

- A low PE of 10 times and EV/EBITDA of 6 times as year-over-year earnings were weak due to worse macroeconomic conditions.
- A good growing dividend yield of 3.6% that has been growing at a 7% CAGR.
- Positioned for long-term growth but will likely continue to see weakness in the short-medium term.

RESEARCH NOTES

For Q3 2023, revenue increased 1.6% to $255.7 million. Growth was due to the acquisitions and integration of Casper, Silk & Snow and Hush Blanket and store count growth was offset by decreased per-store sales of 5.5%. Gross profit margin increased to 39.7% from 38.5%. Operating EBITDA decreased 9.1% to $57.9 million.EBITDA margin decreased to 23.4% due to higher SG&A costs from integrating the acquired businesses, general inflationary increases, and lower operating leverage due to lower same-store sales. EPS decreased to $0.70 per share from $0.79 per share, due to the above and higher interest expenses offset by a lower share count.

The company has a net debt position of $99 million and a net debt & leases position of $417 million. The company has a reasonable net debt & leases to EBITDA ratio of 2.2 times.

Sleep Country pays a quarterly dividend of $0.237 ($0.948 annually) for a yield of 3.6% and a payout ratio of 38%. Dividend growth since 2015 at a CAGR of ~7% with a period of no growth and 2 missed dividends during the pandemic. The company has an outstanding NCIB which it has repurchased 464,711 shares over the past 9-month period, the company expects continued repurchases as capital intensity due to acquisitions is not as high compared to the start of 2023.

The company is seeing cyclical downsides specifically in regions and demographics which are more sensitive to economic cycles. The company itself is sensitive to interest rates due to its floating interest rate debt of $137 million, of which only $60 million is hedged and that hedge expires on April 1, 2024.

The company trades at a trailing PE of 10 times and an EV/EBITDA ratio of 6 times.

CONCLUSION

Strong position within the Canadian mattress and bedding industry with long-term growth potential enabled by organic growth and acquisitions. Investors may consider taking a small position given the historic dividend growth and long-term growth.

TerraVest Industries (TVK:TSX)

Rating: Monitor

Company Data	
Yield	1.09%
Share Price	$55.00
Market Cap	$985.19 Million
Shares Out. (Diluted)	18,219,178

Quarterly Financial Data			
CAD$ Millions	**Q4 2023**	**Q4 2022**	**Change**
Revenue	$174	$162	7.1%
EBITDA	$33	$32	1.8%
EPS	$0.73	$0.91	-19.8%

Annual Financial Data			
CAD$ Millions	**2023**	**2022**	**Change**
Revenue	$678	$577	17.6%
EBITDA	$107	$94	14.0%
EPS	$2.32	$2.50	-7.2%

Ratios	
P/E (TTM)	21.91
Net Debt/EBITDA	2.3
Payout Ratio	11%

COMPANY DESCRIPTION

TerraVest Industries is a diversified industrial manufacturing company for multiple industries, including, energy, agriculture, mining, transportation, and more. The company has four operating segments: HVAC, Compressed Gas Equipment, Processing Equipment, and Services (oil & gas drilling).

SUMMARY

- TerraVest is a serial acquirer pursuing growth through acquisitions as well as organic growth.
- TerraVest is expensive at this time given its relatively low organic growth.
- Lower dividend yield of 1.2% as the company is trading at higher valuations but has begun to increase its dividend rapidly over the past 2 years.

RESEARCH NOTES

TerraVest is a serial acquirer of companies and assets that have related products and services to its existing holdings. In 2023, TerraVest acquired LV Energy Services in November for $25 million, the assets of Highland Tank for $78 million in November, and the assets of Secure Energy for $15.8 million in March.

Due to the nature of Terravest's underlying businesses, the first and last fiscal quarters are the strongest. The company is sensitive to the oil & gas industry.

For FY2023, revenue increased 17.6% to $678 million, driven by acquisition growth, as organic sales growth for the year was 1.1%. Adjusted EBITDA grew 40.3% to $122 million. Net income grew 6.1% to $49.6 million from $46.8 million. However, EPS fell 7.2% due to $2.32 due to an increased share count related to acquisitions. Distributable cash increased 39% to $76 million, due to normalizing working capital.

TerraVest pays a quarterly dividend of $0.15 ($0.60 annualized), a yield of 1.2%. The dividend payout ratio of 11% provides ample room for continued dividend growth.

The company has a net debt and leases position of $244 million, resulting in a trailing leverage of 2.0 times, but leverage will increase next earnings as the company took on an additional $95 million in debt for the above acquisitions. Expected forward leverage is ~2.3 times. The company is still positioned for additional acquisitions.

TerraVest trades a trailing PE of 20 times and a trailing P/CF ratio of 12 times.

CONCLUSION

Terravest is fueled by acquisitive growth but has seen weak overall organic growth over the past year. KeyStone would like to see the benefits of synergies of the recent acquisitions and future acquisitions develop as well as see a more appealing valuation level. KeyStone will continue to Monitor TerraVest.

TransAlta (TA:TSX)

Rating: Monitor

Company Data	
Yield	2.59%
Share Price	$9.27
Market Cap	$2.87 Billion
Shares Out. (Diluted)	273,758,865

Quarterly Financial Data			
CAD$ Millions	**Q3 2023**	**Q3 2022**	**Change**
Revenue	$135	$175	-22.9%
EBITDA	$650	$356	82.6%
EPS	$1.41	$0.23	513.0%

YTD Financial Data			
CAD$ Millions	**2023**	**2022**	**Change**
Revenue	$489	$564	-13.30%
EBITDA	$1,557	$909	71.29%
EPS	$2.74	$0.62	341.94%

Ratios	
P/FCF (FWD)	5.47
Net Debt/EBITDA	3.7
Payout Ratio (FWD)	14%

COMPANY DESCRIPTION

Transalta is a diversified power producer with operations in Canada, the US and Australia, with a concentration in Alberta. Power is generated through solar, wind, hydro, gas, and coal additionally the company is building energy storage systems.

SUMMARY

- A growth-oriented diversified power generation with a concentration of assets in Alberta.
- Weaker results are expected in 2024 as power prices within Alberta normalize after a period of low supply.
- Moderate valuation with appealing capital and dividend growth prospects. Current dividend yield of 2.40% and payout ratio of 14%.

RESEARCH NOTES

The company has recently reintegrated TransAlta Renewables which had previously been spun off. The company is looking to acquire Heartland Generation to bolster its gas energy production with an expected close in H1 2024.

Including Heartland, the company has a power production capacity of 5.7GW and a pipeline of 4.8GW with a targetted pipeline of 10GW by 2028. The company targets investments with expected returns of 10% or higher.

The company has a trailing leverage of 2.6 times, but this is expected to rise as the acquisitions close and EBITDA falls year-over-year. The expected leverage for 2024 is ~3.7 times, within management's target of 3.0 to 4.0 times.

The company has a quarterly dividend of $0.06 ($0.24 annualized) resulting in a yield of 2.40%, the company has grown its dividend for 4 years. A forward FCF payout ratio of 14% which is sustainable with ample room to grow.

The company's 2024 guidance midpoint of FCF per share of $1.70 implies a forward P/FCF of 6 times. The company expects a midpoint adjusted EBITDA of $1.225 Billion resulting in a forward EV/EBITDA of 7 times. Overall lower results due to the expectation of lower average power prices in Alberta as 2023 had supply constraints expected to be aleviated in 2024.

CONCLUSION

TransAlta continues to have a strong balance sheet even after significant acquisitions increasing leverage. The company has long-term growth prospects through organic and non-organic methods. The company benefitted from abnormal power pricing in Alberta which is expected to normalize which will increase forward valuations compared to trailing, however forward valuations are still reasonable given the long-term prospects. KeyStone will continue to Monitor the company for the execution of its long-term strategy.

Black Diamond Group Ltd (BDI:TSX) **Price: $8.52**
Yield: 1.41% **Market Cap: $517 Million**

Rents and sells specialized modular buildings for temporary workforce housing and offers Lodgelink a business-to-business accommodation location digital marketplace. Total revenue increased 23% to $117.5 million, adjusted EBITDA increased 41% to $36.6 million. Lower dividend yield of 1.4% as it has previously eliminated its dividend during a cyclical downturn, but has grown its dividend since reinstating it in late 2021. PE of 18 times and EV/EBITDA of 8 times. Likely at near-term fair value.

Boralex Inc **Price: $31.29**
Yield: 2.10% **Market Cap: $3.23 Billion**

Develops and operates renewable energy sources including hydro, solar and wind across Canada, the US, France and the UK. The company has a focus on growth investing 50%-70% of discretionary cash flows into growth. Combined energy generation increased 31%, adjusted EBITDA increased 79% to $113 million driven by acquisitions of wind farms within the US. Has a lower yield of 2.1% with a payout ratio of 41% as the remaining funds are used for growth. Continue to monitor for growth execution.

BTB Real Estate Investment Trust **Price: $3.07**
Yield: 9.65% **Market Cap: $272 Million**

Small-cap, multi-focused Canadian REIT. AFFO and FFO per unit were slightly lower and flat at $0.301 and $0.338 respectively for the first 9 months of 2023 impacted by higher interest expenses. High yield of 9.65% with an AFFO payout ratio of 74.8%. Total debt to assets is higher at 58.4%. Lower valuation given the small-cap and leverage risks, P/FFO of 7 times. May be appealing for investors looking for higher risk, higher yield REIT.

Centerra Gold Inc (CG: TSX) **Price: $6.45**
Yield: 4.6% **Market Cap: $1.4 Billion**

Gold mining and exploration company engaged in the operation, exploration, development, and acquisition of gold properties in Asia, and North America. The company currently has 2 producing mines (Canada and Turkey). Production was up 133% in Q3 2023; revenue was up 95%. EPS was $0.20 per share compared to a loss last year. The company is in a turnaround and reported a net loss for the first 9 months of 2023. Strong balance sheet with $420 million net cash (about 20% of market cap). Production guidance of 370,000 to 410,000 ounces of gold in 2024 which represents year-over-year growth of approximately 11% and 55 to 65 million pounds of copper. Trades at approximately 10 to 12 times expected 2024 EPS. High-risk mining company but strong fundamentals and growth potential.

Champion Iron Ltd (CIA: TSX) **Price: $7.04**
Yield: 2.9% **Market Cap: $3.6 Billion**

Operates the high-grade, low-contaminant Bloom Lake Mining Complex, which produces premium iron ore. The company has significant expansion and exploration projects underway. Reported record Q3 results for FY2024, achieving an all-time high quarterly production of 4.0 million wet metric tons (wmt) at its Bloom Lake operation, and generating $507M in revenue (up 44% YoY), $247M (up 109% YoY) in EBITDA, and an EPS of $0.24 (up 140% YoT). The company is positioned for production growth with its initiatives to enter into the green steel market via high-grade ore projects such as the Bloom Lake expansion and Kami Project. The company is profitable and expanding its operations but is also commodity price sensitive which can result in volatile financial performance.

Evertz Technologies Ltd. **Price: $14.00**
Yield: 5.57% **Market Cap: $1.06 Billion**

Designs and manufactures audio-video infrastructure solutions for use in production, post-production, broadcast and telecommunications. Revenue growth of 15.4% to $131 million, net income growth of 11.4% to $22 million. The company has raised its quarter dividend twice from $0.18 to $0.195 after a decade of a flat dividend rate (excluding specials) allowing for a yield of 5.57%. Trades at a PE of 16 times with a strong debt-free balance sheet. The company has been unable to sustain EPS growth long term, which we would like to see.

Fortis Inc (FTS: TSX) **Price: $52.40**
Yield: 4.5% **Market Cap: $25.7 Billion**

Regulated utility company with 10 utility transmission and distribution assets in Canada and the United States, serving more than 3.4 million electricity and gas customers. The main investment thesis supporting the stock is stable dividend income and consistent dividend growth. As a regulated utility company, Fortis is well positioned to maintain and grow its dividend through a wide range of economic environments. The company has increased its dividend for 50 consecutive years and has provided guidance for annual dividend growth in the range of 4% to 6% by 2028. The dividend was increased 4.4% in 2023. We would target an average long-term, total return in the range of 8% to 10%.

Linamar Corp **Price: $63.76**
Yield: 1.37% **Market Cap:$3.96 Billion**

An advanced manufacturing company with two segments Industrial and Mobility. Strong revenue growth of 16.0% to $2.43 billion, and normalized EPS increasing $15.7% to $2.21 per share. The company has a relatively low dividend yield of 1.4% but has been a relatively consistent dividend grower, growing its dividend from a quarterly $0.06 per share to $0.22 per share (10% CAGR). The company trades at a low PE of 8 times, as it has had issues translating its revenue growth into sustained EPS growth. The company has conducted two major acquisitions in 2023, Bourgault an agricultural equipment manufacturer and a substantial portion of Mobex assets for automotive components. Monitoring for sustained EPS growth.

Magna International Inc (MG: TSX) **Price: $73.74**
Yield: 3.5% **Market Cap: $21.1 Billion**

One of the largest automotive parts manufacturers in the world with a global network of 342 manufacturing operations and 104 product development, engineering and sales centres spanning 28 countries. Magna is seeing significant growth in its megatrend businesses, which include electrification and advanced driver assistance systems (ADAS). 2023 results were strong with 13% revenue growth and 29% EPS growth to $5.49 per share for the full year. The company's targets include organic sales growth of 3% to 5%, margin expansion of 180 basis points or more from 2023 to 2026, and over $2 billion in free cash flow by 2026. The dividend is generally increased on an annual basis with a 3.2% increase at the start of 2024. Magna's stock trades at approximately 13 times trailing 12-month earnings. Overall fundamentals are strong, but the financial performance can fluctuate cyclically with the global auto market.

Mullen Group Ltd (MTL: TSX) **Price: $15.30**
Yield: 4.7% **Market Cap: $1.3 Billion**

Logistics provider, based in Canada, with segments including Less-Than-Truckload (LTL), Logistics & Warehousing, Specialized & Industrial Services, and U.S. & International Logistics. Q3 2023 revenue was down 2.3% and adjusted EPS declined 15.7% to $0.43. Performance was moderately lower in 2023 after a very strong 2022, with pricing bolstered by the global supply chain issues experienced in the year. In January, the company announced the acquisition ContainerWorld for an undisclosed price, with the transaction expected to add $150 million to annual revenue. The PE ratio is approximately 11 times expected EPS (in the range of $1.45 per share). Mullen is positioned for steady long-term growth although the near-term outlook suggests flat performance through 2024.

Neo Performance Materials Inc **Price: $7.46**
Yield: 5.26% **Market Cap: $323 Million**

(Results in US$) Manufactures rare earth and rare metal-based functional materials, which are essential inputs to high technology, high growth, and future-facing industries. For Q3 2023, 6.6% lower revenue at $136.9 million, EBITDA up 102% to $11.1 million, EPS of $0.07 from a loss of $0.09, and free cash flow increased 1.3% to $5.4 million. Net cash position of $83.4 million. The company is sensitive to the rare earth metal volatility due to the lagging passthrough which causes the company's financials to be volatile. Flat quarterly dividend of C$0.10 (C$0.40 annually) with a strong dividend yield of 5.3%. Significant operational changes coming over the next 3-5 years as the company expands vertically. May be suitable for higher-risk and patient investors looking for capital appreciation on top of a dividend.

NexLiving Communities Inc (NXLV: TSX-V) **Price: $2.25**
Yield: 1.7% **Market Cap: $37 Million**

Micro-cap, multi-family, residential real estate for the growing 55+ Active Living demographic in communities across Canada. The company is expanding its portfolio, and in Q3 2023, reported a 34% increase in the number of suites from 867 to 1,167. Same property net operating income increased 11.6% and FFO (cash flow) per share increased 50% to $0.05. In January, the company announced a merger that almost doubled its portfolio to 2,157 units. The transaction is expected to be immediately accretive, resulting in forecasted run rate FFO of $0.24 per share. The debt leverage is relatively high at 66% debt to gross book value. NexLiving's focus on senior residential and rapid growth make it interesting. The stock trades at a reasonably attractive valuation of 9 times FFO, although we consider the risk level to be on the high end.

North West Company Inc (NWC: TSX) **Price: $39.23**
Yield: 4.0% **Market Cap: $1.9 Billion**

Leading retailer of food and everyday products and services to rural communities with a network of 226 stores in Canada, Alaska, the South Pacific, and the Caribbean under a variety of banners. NorthWest is often the only store in the communities in which they operate. The company reported strong results in the most recent quarter with Q3 revenue up 5% and EPS increasing 26% to $0.77 per share. NorthWest also has a consistent track record of increasing dividends on an annual basis with a 2.6% increase in 2023. We would not consider NorthWest to be a growth stock as there are limited expansion opportunities. However, the company does provide an essential service to its communities, and we expect consistent, moderate levels of growth long-term with increasing dividends. The stock trades at a reasonable valuation of approximately 14 times earnings.

Olympia Financial Group Inc (OLY: TSX) **Price: $114.85**
Yield: 6.3% **Market Cap: $276 Million**

Olympia Financial Group specializes in personalized financial services, providing a broad range of solutions including registered plans, private health services plans, foreign exchange, and corporate and shareholder services, aimed at individual, corporate, and institutional clients. Financial results and growth have been strong with a 35% increase in total revenue to $25.5 million in Q3 2023. Revenue growth was primarily attributable to a more than 100% increase in trust income in the Investment Account Services division, due to higher interest rates on trust fund placements made over the previous 12 months. EPS for the third quarter increased 56% to $2.58 per share. Olympia trades at a PE multiple of 12 times trailing EPS of $9.48 per share. Dividend growth has been significant with a 33% increase in September 2023. Olympia's shares are thinly traded and the company has total shares outstanding of only 2.4 million.

Parex Resources Inc **Price: $21.75**
Yield: 6.90% **Market Cap: $2.26 Billion**

A conventional oil and gas exploration and production company with operations in Colombia. For Q3 2023, production of 54,573 boe/d and operating netback of $48.97 at Brent average of $85.92. EPS of $1.13 and FFO per share of $1.49. Pays a quarterly dividend of $0.375 ($1.50 annualized) resulting in a yield of 6.9%, the company has grown its dividend since its inception in 2021. The company's 3-year targets are for 5% annual production growth with a reinvestment rate of 54% to 66% and cumulative free funds flow of $1.1 billion. A P/FFO of 4.0 times. Parex has a lower valuation and high yield but takes on geopolitical risks in addition to commodity risk, and may be suitable for risk-tolerant investors looking to gain commodity exposure.

Park Lawn Corp **Price: $20.47**
Yield: 2.28% **Market Cap: $681 Million**

Owns and operates funeral, cremation and cemetery facilities across a growing amount of locations in North America by consolidating a fragmented market. Revenue increased 8.2% to $87.5 million, adjusted EBITDA increased 3.6% and adjusted EPS fell 31.7% to $0.153. The company has recently sold legacy assets for $70 million lowering in leverage ratio to ~2.0 times with the plan to reposition capital in higher growth assets. The pro-forma EV/EBITDA is 9.5 times. The company has paid a flat quarterly dividend of $0.114, a 2.3% yield. We will continue to monitor the company as it restructures.

Pizza Pizza Royalty Corp (PZA: TSX) **Price: $14.35**
Yield: 6.5% **Market Cap: $464 Million**

Owns and franchises quick-service restaurants under the Pizza Pizza and Pizza73 brands with over 774 restaurant locations. The company generates a top-line royalty from its restaurant locations which mitigates a significant portion of the operational risk. Q3 royalty revenue increased 9% with same property revenue increasing 7% and adjusted EPS increasing 10%. The payout ratio was 97% of earnings for the first 9 months of 2023. On February 5th, the company announced that it was adding a net 31 restaurants with the addition of 45 new locations and the removal of 14 locations. Pizza Pizza has been consistently growing its distributions on an annual basis with 3 increases in 2023 for total growth of 10%.

Premium Brands Holdings Corp **Price: $93.99**
Yield: 3.34% **Market Cap: $4.10 Billion**

Is a producer, marketer and distributor of multiple branded specialty food products, primarily in the US and Canada. Revenue increased 1.3% to $1.64 billion, adjusted EBITDA increased 12.5% to 158.8 million with a higher margin of 9.7%, and adjusted EPS fell 7.3% to $1.27. The company is guiding an adjusted EBITDA midpoint of $582 million. The company has a significant debt of $1.55 billion and leases of $622 million, resulting in a net debt & leases of $2.13 billion, and a leverage ratio of 3.7 times. A forward EV/EBITDA of 11 times. With a quarterly dividend of $0.77 resulting in a yield of 3.3%, the company has consistently raised its dividend over the past decade. We will continue to monitor the company's leverage, growth trajectory and valuation.

Richards Packaging Income Fund (RPI.UN: TSX) **Price: $33.50**
Yield: 3.9% **Market Cap: $366 Million**

Packaging manufacturer and distributor, offering a wide array of packaging solutions and products to healthcare, food, beverage, cosmetic, and industrial sectors. Third quarter 2023 total revenue was down 7% due to organic contraction and the oversupply of food and beverage packaging offset by growth for healthcare and pumps and sprayers. Free cash flow per share declined 3.5% to $0.76. Richards has been a strong financial performer over time and decent declines in 2023 have been industry-wide and should subside over the next year as industry inventory levels rebalance. The stock trades at a valuation of approximately 11 times trailing 12-month free cash flow of $3.10 per share. Richards does not have a history of growing dividends. A further decline in the stock price could present an attractive, long-term buying opportunity.

Savaria Corp **Price: $16.12**
Yield: 3.22% **Market Cap: $1.13 Billion**

Designs, manufactures and distributes accessibility lifts and elevators for home and commercial use. For the first 9 months of FY2023, revenue increased 7.4% to $620 million, adjusted EBITDA increased 8.0% to $94 million, and adjusted EPS increased 7.1% to $0.45. Savaria is guiding $1 billion in revenue for FY2025 at a ~9% CAGR. The company has decreased its net leverage to 2.28 times from 3.07 times at the end of 2022 largely due to a share offering resulting in $87 million in net proceeds. The company is valued at a PE of 28 times based on a trailing EPS of $0.59. The company has a quarterly dividend of $0.13 ($0.52 annualized) at a yield of 3.22% which it has grown consistently historically. We will continue to monitor Savaria for meaningful EPS growth leading to a more appealing valuation.

SSC Security Services Corp (SECU: TSX-V) **Price: $2.73**
Yield: 4.5% **Market Cap: $52 Million**

Provider of physical and cyber security services to corporate and public sector clients across Canada. Reported its strongest Q1 revenue in history for FY2024, with a 10.2% year-over-year increase to $30.9 million and a 5.4% increase from the previous quarter. Adjusted EBITDA rose by 56% to $1.4 million, and adjusted net income doubled to $0.7 million. The company reported a cash balance of $9.7 million and no debt. SSC remains focused on new acquisitions and is well positioned with a strong cash balance and significant growth potential. One concern we have is the low margins which are a feature of the physical security industry. We will continue to monitor for potential margin improvements and accretive acquisitions.

Source Rock Royalties Ltd (SRR: TSX-V) **Price: $0.81**
Yield: 8.8% **Market Cap: $36 Million**

Pure-play oil and gas royalty company with an existing, light oil-focused portfolio of royalty interests concentrated in Western Canada. For the first 9 months of 2023, the company averaged production of 200 barrels of oil equivalent per day (90% weighting to oil) and reported $4.9 million in royalty revenue and $3.9 million in funds from operations (FF0). Source Rock had no debt and increased its dividend twice in 2023 for total growth of 20%. The payout ratio for the 9-month period was 54%. The company expects to continue to expand its royalty streams over time and has to date deployed $16.4 million into four oil royalty acquisitions in Alberta and S.E. Saskatchewan since November 2022. Source Rock represents an interesting microcap opportunity in the oil & gas royalty space, but the company is high risk and financial performance will fluctuate with commodity prices.

2022a; 2023e:

The term (a) refers to the actual reported financial results. The term (e) refers estimated or forecasted financial results for a future period.

AFFO (Adjusted Funds from Operations):

An alternative measure to Free Cash Flow. It is generally calculated as FFO less maintenance capital expenditures (which are capital expenditures associated with maintaining, but not growing, the company).

Cash Flow from Operations (CFO):

The amount of cash generated from a company's regular business activities.

Debt-to-EBITDA(D/EBITDA):

A ratio which measures debt leverage. It is calculated as total debt (or net debt) divided by EBITDA. Higher ratios generally imply higher debt leverage and financial risk.

Debt-to-Equity Ratio(D/E):

A measure of a company's financial leverage calculated by dividing total debt by shareholders equity.

EBITDA:

Earnings before interest, taxes, depreciation, and amortization. EBITDA is calculated as revenue minus expenses (excluding tax, interest, depreciation, and amortization).

EBITDA Margin, Operating Margin:

This ratio measures the profitability of a company by comparing its EBITDA or operating income to its total revenue

Earnings per Share (EPS):

A company's earnings available to common shareholders, also known as net income or net profit, divided by the number of shares outstanding.

Enterprise Value (EV):

A measure of a company's total value, often used as a comprehensive alternative to equity market capitalization. It is calculated by taking the market capitalization of a company, adding in any debt the company may have, and then subtracting out any cash and cash equivalents the company is holding. This calculation is typically used to compare companies of different sizes in different industries, as it accounts for both equity and debt.

Fair Value Assessment:

The price at which an analyst believes a company's stock should be priced. Although this value is based on intelligent analysis, it in no way is a representation of what the companies share price will be trading at given any period of time. The analysis used to determine Fair Value is based on numerous assumptions and uncertainties. Fair Value should be used only as a general guide to investing and should not be depended upon.

FFO (Funds from Operations):

An alternative measure of Cash Flow which is generally calculated as cash flow from operations before changes in non-cash working capital (including inventory, receivables, payables, etc.).

Free Cash Flow (FCF):

A measure of a company's financial performance. FCF represents the cash that a company has available after capital expenditures. Free cash flow is an important measure of a company's ability to generate cash to pay dividends, pay off debt, or reinvest in the business.

Payout Ratio:

The percentage of a company's net income, cash flow or free cash flow that is used to pay regular dividends or distributions. The payout ratio is an important metric for measuring a company's ability to maintain its dividends or income distributions.

Price/Earnings (PE), Price/Cash Flow (P/CF), and Price/Free Cash Flow (P/FCF):

Valuation ratios which measure the company's value relative to its underlying net income, cash flow, or free cash flow.

Return on Assets (ROA):

A financial ratio that measures the profitability of a company in relation to its total assets. It is calculated by dividing a company's net income by its total assets. ROA gives an indication of the efficiency with which a company is using its assets to generate profits. A higher ROA indicates that the company is more efficient in generating profits from its assets.

Yield:

The income investment return resulting from dividends or income distributions. Yield is calculated as the annualized dividend or income distribution per share dividend by the share price.

Disclosure

Stock Holding				Other	
Companies	KeyStone	KeyStone Employees	Related Companies	Investment Banking Client	Related Company Business Relationship
Brookfield Infrastructure Partners	NO	YES	NO	NO	NO
Diversified Royalty Corp.	NO	NO	NO	NO	NO
Dynacor Gold Mines Inc.	YES	YES	NO	NO	NO
EQB Inc.	NO	NO	NO	NO	NO
K-Bro Linen Systems	YES	YES	NO	NO	NO