

# Antibe Therapeutics

Maintaining Top Pick Status For Innovative Pain Therapy Developer. Data From Key Phase II Trial Expected By Quarter-End

ATE-TSXV: \$0.46  
Speculative BUY  
\$1.40 Target

**Event:** We are maintaining our Top Pick status for ON-based drug developer Antibe Therapeutics.

**ATE shares performed well in anticipation of pending Phase II knee osteoarthritis pain data for flagship naproxen analog drug ATB-346:** During the relevant Q419 period to which our Top Pick status applied, ATE generated total return of 15.4% that we believe reflects favorably on investor optimism for how well the firm's lead hydrogen sulfide-releasing naproxen analog drug ATB-346 could perform in ongoing Phase II knee osteoarthritis pain testing. For comparison, ATE was also one of our Top Picks during the Q319 financial period, during which the stock also performed well (and presumably on the same Phase II data expectations) by returning 21.9% during that period.

**A bit of timeline slippage to Phase II data, but rigors of patient inclusion criteria and ambitious logistics seem to be the likely culprit and not any limitations in '346 itself:** Our own investment thesis continues to reflect similarly on ATB-346's medical prospects in pain markets where Bayer's (BAYN-DE, NR) branded naproxen formulation Aleve continues to generate reasonably strong, if declining, annual sales data (€351M in F2018), though with some recent slippage on patent expiration dynamics. That said, we are moderately disappointed in extended timelines to data for this 360-patient multi-arm trial (two week changes in WOMAC-quantified pain intensity in comparison to baseline and to placebo with ATB-346 daily doses ranging from 150 mg-to-250 mg) that were originally expected by us to be available by end-of-Q319. We reflected on timelines to data in our recent [November 28<sup>th</sup> note](#).

Our revised projections now assume that patient enrollment will resume imminently (if not already) and that data could be available near end-of-Q120, probably by Mar/20 if final patients are enrolled near end-of-Jan/20 and data lock transpired during Feb/20, both of which seem reasonable to us. Final safety data will be equally important for supporting future ATB-346 clinical testing, and data read-out on this theme could be available later in Q220 (treatment-related adverse events will be tracked over three weeks, and so a bit beyond timeframe over which primary efficacy will be assessed on pain mitigation).

**Demonstration of naproxen-like pain relief without naproxen-like side effects is a seminal Phase II expectation embedded into our model:** As we have stated before, Antibe has strong Phase I/II evidence from a 244-patient GI ulcer frequency/severity study that showed ATB-346-treated patients (at 250-mg daily dosing, at the top-end of the range being tested in the aforementioned knee osteoarthritis pain trial) experienced dramatically reduced GI ulceration rate as compared to naproxen-treated patients (at its indicated dose of 550-mg twice-daily).

The gap in GI ulceration rate of 42.1% for naproxen-treated patients vs 2.5% for ATB-346-treated patients at two weeks was unambiguously positive for '346, and though we did have clear evidence from a 12-patient Phase II open-label knee osteoarthritis pain trial that '346 also confers naproxen-like pain relief at this much lower dosage strength, it was clear then as now that Antibe required much more statistically rigorous pain data to engender confidence in the drug's ability to simultaneously confer naproxen-like pain relief without naproxen-like

Projected Return: 204%  
Valuation: NPV, 20x EPS, 12.5x EV/EBITDA (F2025 est, 40% disc)

## Market Data

Basic Shares O/S (M)	274.2
FD Shares O/S (M)	355.9
Market capitalization (\$M)	126.1
Enterprise Value (\$M)	118.6
Adj pro forma cash (\$M, most rec Q)	9.6
LT debt (\$M, most rec Q)	2.1
52 Week Range	\$0.24-\$0.54
Avg. Weekly Volume (M)	3.86
Fiscal Year End	Mar-31

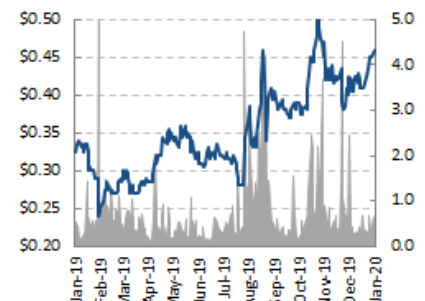
## Key Milestone

Phase II data, ATB-346 knee OA trial	CQ120
Commence ATB-346 knee OA pain trial started in Mar/19	CQ418
Phase II, ATB-346, GI ulceration rate data (completed Mar/18)	CQ118
Phase II, open-label knee osteoarthritis data (completed Aug/16)	CQ316

## Financial Metrics

In C\$	2018A	2019A	2020E
Total Revenue (\$000)	8,510	9,539	10,016
EBITDA (\$000)	(5,594)	(8,786)	(8,505)
Adj net inc (\$000)	(7,430)	(12,816)	(10,037)
EPS (basic)	(\$0.05)	(\$0.06)	(\$0.04)
EPS (FD)	(\$0.03)	(\$0.05)	(\$0.03)
P/E	NA	NA	NA
EV/EBITDA	NA	NA	NA

Antibe is a clinical stage drug developer, with lead clinical asset - hydrogen sulfide-releasing naproxen analog ATB-346 - focused on knee osteoarthritis as initial pain market. Ketoprofen-based ATB-352 & aspirin-based ATB-340 are in preclinical testing



Source: Consensus Data - FactSet, Forecasts/Estimates - Echelon Wealth Partners

side effects. Hence our focus on the 360-patient Phase II pain study nearing completion.

### Exhibit 1 – Income Statement & Financial Forecast Data for Antibe

(C\$000, except EPS)	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Product Sales, Citigenix	9,539	10,016	10,517	11,043	11,595	12,174	12,783	13,422	14,093	14,798
Royalty revenue, ATB-346	0	0	0	0	0	70,895	172,879	249,816	303,713	355,780
<b>Total revenue</b>	<b>\$9,539</b>	<b>\$10,016</b>	<b>\$10,517</b>	<b>\$11,043</b>	<b>\$11,595</b>	<b>\$83,070</b>	<b>\$185,662</b>	<b>\$263,238</b>	<b>\$317,806</b>	<b>\$370,578</b>
Revenue growth (%)	12%	5%	5%	5%	5%	616%	124%	42%	21%	17%
<b>EBITDA</b>	<b>(\$8,786)</b>	<b>(\$8,505)</b>	<b>(\$5,445)</b>	<b>(\$4,709)</b>	<b>(\$2,319)</b>	<b>\$66,270</b>	<b>\$165,407</b>	<b>\$240,888</b>	<b>\$294,283</b>	<b>\$346,426</b>
EBITDA growth (%)	57%	(3%)	(36%)	(14%)	(51%)	(2958%)	150%	46%	22%	18%
EBITDA margin (%)	(92%)	(85%)	(52%)	(43%)	(20%)	80%	89%	92%	93%	93%
Non-operating expenses	\$3,928	\$1,557	\$1,557	\$1,557	\$1,557	\$1,557	\$1,557	\$1,557	\$1,557	\$1,557
Net interest expense (income)	\$525	\$427	\$427	\$427	\$427	\$427	\$427	\$427	\$427	\$427
Net income, fully-taxed	(\$12,816)	(\$10,037)	(\$6,977)	(\$6,241)	(\$3,851)	\$45,316	\$114,712	\$167,549	\$204,925	\$241,425
Fully-taxed EPS (basic)	(\$0.06)	(\$0.04)	(\$0.02)	(\$0.02)	(\$0.01)	\$0.16	\$0.40	\$0.59	\$0.72	\$0.85
<b>Fully-taxed EPS (fd)</b>	<b>(\$0.05)</b>	<b>(\$0.03)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.01)</b>	<b>\$0.12</b>	<b>\$0.31</b>	<b>\$0.46</b>	<b>\$0.56</b>	<b>\$0.66</b>
P/E (basic)	NA	NA	NA	NA	NA	2.9x	1.1x	0.8x	0.6x	0.5x
EV/EBITDA	NA	NA	NA	NA	NA	1.9x	0.8x	0.5x	0.4x	0.4x
S/O, basic (M)	220.0	274.2	284.2	284.2	284.2	284.2	284.2	284.2	284.2	284.2
S/O, fd (M)	259.8	355.9	365.9	365.9	365.9	365.9	365.9	365.9	365.9	365.9

Source: Historical data - Company filings, forecasts/estimates - Echelon Wealth Partners

**Citigenix remains as the firm's sole revenue generating division:** We uphold our continuing view that Citigenix might eventually be of lesser strategic importance to the firm should final Phase II data demonstrate ATB-346's clinical potential. For now, our valuation ascribes modest value to Antibe's sole revenue generating dental/regenerative medicine division Citigenix. As we've described in our aforementioned note, we calculate Citigenix to have an implied equity value of \$3.17M with a perspective that the business could in time generate value from potential acquirers at 0.7x-1.0x annual revenue. In the interim, we remain optimistic that Citigenix could maintain sustained revenue growth, and with improvements to gross margin and operating expenses placing the firm on the path to profitability in this new year. We suspect that the firm could see suitable acquirers for this business before any upside on ATB-346 economics are identified, thus providing another form of cash inflow to the firm over time.

### Exhibit 2 – Valuation Scenarios for Antibe

NPV, discount rate	20%	30%	40%	50%	60%	70%
Implied value per share	\$3.52	\$2.05	<b>\$1.37</b>	\$0.76	\$0.47	\$0.30
Price/earnings multiple, F2025	10x	15x	20x	25x	30x	35x
Implied share price <sup>1</sup>	\$0.82	\$1.22	<b>\$1.63</b>	\$2.04	\$2.45	\$2.86
EV/EBITDA multiple, F2025	5x	10x	12.5x	15x	17.5x	20x
Implied share price <sup>1,2</sup>	\$0.58	\$1.17	<b>\$1.47</b>	\$1.76	\$2.05	\$2.35
<b>One-year Antibe target price (C\$)<sup>1</sup></b>	<b>\$1.49</b>					

<sup>1</sup> Based on F2025 fd fully-taxed EPS of \$0.31; EBITDA of \$165.6M, discounted at 40%, FD S/O of 355.9M, but with notional fd S/O of 365.9M embedded in our model

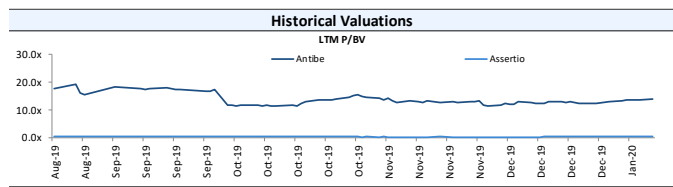
<sup>2</sup> EV incorporates proforma cash of \$9.6M (consisting of FQ220 cash of \$8.3M and post quarter exercise of 5.7M warrants for total proceeds of \$1.3M) and total debt of \$2.1M

Source: Forecasts/estimates - Echelon Wealth Partners

**Summary and valuation:** On our ATE valuation, we maintain our Speculative BUY rating and one-year PT of \$1.40, based on our NPV (40% discount) and multiples of our 2025 EPS and EBITDA. Our share-based forecasts assume a notional fd S/O of 365.9M (the firm exited the quarter with 274.2M common shares outstanding, and 355.9M fd shares outstanding) while our EV incorporates cash of \$9.6M (consisting of FQ220 cash of \$8.3M and \$1.3M generated from warrants exercised post quarter) as well as total debt of \$2.1M. We do not see any present financial risk to the firm's clinical activities despite the extension on timelines to data, nor on the commencement of pre-Phase

III activities in the quarters proceeding this timeline. We also note that our valuation continues to be squared solely on ATB-346 and not on Antib's pipeline of preclinical-stage hydrogen sulfide-releasing analogs that the firm is developing in the background, including post-surgical pain-targeted ketoprofen analog ATB-352 and stroke prevention-targeted acetylsalicylic acid analog ATB-340, though we expect to revisit our valuation assumptions for these pipeline candidates if/when formal clinical testing commences.

**TEARSHEET - Antib Therapeutics (ATE-V, \$0.46, SPEC BUY, PT: \$1.40)**



Financial Summary/Key Metrics	2018A	2019A	2020E	2021E	2022E	2023E	2024E
<b>CS000s except per share data</b>							
Product sales, Citagenix	8,510	9,539	10,016	10,517	11,043	11,595	12,174
Royalty revenue, ATB-346	0	0	0	0	0	0	70,895
<b>Total product revenue</b>	<b>8,510</b>	<b>9,539</b>	<b>10,016</b>	<b>10,517</b>	<b>11,043</b>	<b>11,595</b>	<b>83,070</b>
Growth (%)		12.1%	5.0%	5.0%	5.0%	5.0%	5.0%
Cons.	9.5	10.0	10.3	11.0	11.6	83.1	185.7
Cons. 3 Mts. Ago	9.5	10.0	10.3	11.0	11.6	83.1	185.7
<b>EBITDA</b>	<b>(\$5,594)</b>	<b>(\$8,786)</b>	<b>(\$8,505)</b>	<b>(\$5,445)</b>	<b>(\$4,709)</b>	<b>(\$2,319)</b>	<b>\$66,270</b>
Margin	NA	NA	NA	NA	NA	NA	79.8%
Cons.	(8.8)	(8.5)	(5.4)	(4.7)	(2.3)	66.3	165.4
Cons. 3 Mts. Ago	(8.8)	(8.5)	(5.4)	(4.7)	(2.3)	66.3	165.4
Net income, fully-taxed	(7,430)	(12,816)	(10,037)	(6,977)	(6,241)	(3,851)	\$45,316
<b>EPS (fully taxed)</b>	<b>(\$0.03)</b>	<b>(\$0.05)</b>	<b>(\$0.03)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.01)</b>	<b>\$0.12</b>
Cons.	(\$0.06)	(\$0.05)	(\$0.03)	(\$0.03)	(\$0.01)	\$0.12	\$0.31
Cons. 3 Mts. Ago	(\$0.06)	(\$0.04)	(\$0.03)	(\$0.03)	(\$0.01)	\$0.15	\$0.37
P/E	NA	NA	NA	NA	NA	NA	2.9x
EV/EBITDA	NA	NA	NA	NA	NA	NA	1.9x

Valuation		30%	40%	50%
NPV		\$2.05	\$1.37	\$0.76
Implied value/share <sup>1</sup>		15.0x	20.0x	25.0x
Price/earnings multiple, F2025		\$1.22	\$1.63	\$2.04
Implied value/share <sup>2</sup>		10.0x	12.5x	15.0x
EV/EBITDA multiple, F2025		\$1.17	\$1.47	\$1.76
Implied value/share <sup>1</sup>				
<b>One Year Antib Therapeutics Target Price</b>			<b>\$1.40</b>	

<sup>1</sup> Based on F2025 fd fully-taxed EPS of \$0.31; EBITDA of \$165.6M, discounted at 40%, FD S/O of \$35.9M, but with notional fd S/O of \$65.9M embedded in our model  
<sup>2</sup> EV incorporates proforma cash of \$9.6M (consisting of FQ220 cash of \$8.3M and post quarter exercise of 5.7M warrants for total proceeds of \$1.3M) and total debt of \$2.1M

Comparables and Peer Analysis										% Return				Consensus Valuations				
Ticker	Trading	Current	Target	Dividend	Market	Ent.	1-Week	1-Month	3-Month	1-Year	T12M	EBITDA	EPS					
	CCY	Price	Price	Yield	Cap	Value					2018E	2019E	T12M	2018E	2019E			
Antib Therapeutics, Inc.	ATE-CA	CAD	\$0.46	\$1.40	0.0%	204.3%	126.1	118.6	2.2%	8.2%	17.9%	41.5%	(15.0)	(8.8)	(8.5)	NA	(\$0.06)	(\$0.05)
Anika Therapeutics, Inc.	ANIK-US	USD	\$54.06	\$52.50	0.0%	(2.9%)	771.4	627.3	4.3%	(5.9%)	(4.9%)	55.8%	46.3	40.3	47.8	(\$0.07)	\$1.27	\$2.04
Camurus AB	CAMX-SE	SEK	SEK 85.50	SEK 128.20	0.0%	49.9%	4,420.1	3,940.7	1.3%	2.9%	0.8%	53.5%	(367.7)	(287.0)	(304.9)	\$2.19	(\$5.68)	(\$5.42)
Collegium Pharmaceutical, Inc.	COLL-US	USD	\$20.31	\$27.29	0.0%	34.3%	680.9	548.0	(1.3%)	(3.6%)	71.7%	34.9%	17.1	(27.7)	0.8	(\$6.71)	(\$0.86)	(\$0.01)
Assertio Therapeutics, Inc.	ASRT-US	USD	\$1.08	\$3.25	0.0%	200.9%	87.1	397.4	(13.6%)	51.5%	(18.8%)	(74.4%)	88.3	155.3	0.0	(\$0.34)	\$1.22	\$0.86
DURECT Corporation	DRRX-US	USD	\$2.85	\$4.20	0.0%	47.4%	548.2	518.2	(25.0%)	45.4%	54.1%	402.3%	(21.8)	0.0	0.0	(\$0.77)	(\$0.16)	(\$0.11)
Nicox SA	COX-FR	EUR	€ 4.46	€ 14.50	0.0%	225.1%	148.9	124.4	2.9%	15.6%	(10.0%)	(34.2%)	(17.7)	(17.8)	(8.7)	(\$0.14)	(\$0.66)	(\$0.36)
Novan, Inc.	NOVN-US	USD	\$0.82	\$1.00	0.0%	22.0%	21.9	6.7	(74.1%)	(61.9%)	(67.5%)	(22.6%)	(25.4)	(27.0)	(32.1)	(\$0.39)	(\$0.49)	(\$1.55)
Vertex Pharmaceuticals Incorporated	VRTX-US	USD	\$224.03	\$237.09	0.0%	5.8%	57,609.3	55,000.6	2.3%	0.3%	30.2%	27.4%	873.7	1,143.7	1,421.4	(\$1.01)	\$4.08	\$4.82
Ampio Pharmaceuticals, Inc.	AMPE-US	USD	\$0.69	\$4.00	0.0%	483.2%	108.8	91.0	17.7%	63.3%	45.8%	47.2%	(12.7)	0.0	0.0	\$8.40	NA	(\$0.13)
Nektar Therapeutics	NKTR-US	USD	\$21.00	\$32.54	0.0%	54.9%	3,694.4	2,663.9	(2.7%)	2.7%	12.5%	(42.7%)	(418.0)	698.8	(439.0)	(\$0.09)	\$3.78	(\$2.55)
<b>Average</b>					0.0%	120.5%			(11.2%)	5.8%	12.0%	44.4%						

Comparables - Multiples Analysis										FCF Yield			Current - EV/EBITDA			Target - EV/EBITDA			EV/REV			P/E			P/BV		
Ticker	T12M	2018E	2019E	T12M	2018E	2019E	T12M	2018E	2019E	2018E	2019E	2020E	T12M	2018E	2019E	T12M	2017E	2018E									
Antib Therapeutics, Inc.	(7.7%)	0.0%	0.0%	-7.9x	NA	NA	NA	NA	NA	11.9x	11.4x	11.1x	NA	NA	NA	13.9x	NA	NA									
Anika Therapeutics, Inc.	4.1%	3.8%	4.6%	13.5x	15.6x	13.1x	13.5x	15.6x	13.1x	5.9x	5.6x	4.9x	NA	42.6x	26.5x	2.7x	3.1x	NA									
Camurus AB	(9.3%)	(6.5%)	(6.9%)	-10.7x	-13.7x	-12.9x	NA	NA	NA	79.9x	23.6x	6.6x	NA	NA	NA	9.8x	9.1x	NA									
Collegium Pharmaceutical, Inc.	12.3%	24.1%	0.0%	32.1x	-19.8x	685.6x	NA	NA	NA	2.0x	1.9x	1.7x	NA	NA	NA	8.1x	NA	NA									
Assertio Therapeutics, Inc.	62.1%	0.0%	0.0%	4.5x	2.6x	NA	4.5x	2.6x	NA	1.5x	2.3x	2.4x	NA	0.9x	1.3x	0.3x	0.5x	14.6x									
DURECT Corporation	0.0%	0.0%	0.0%	-23.8x	NA	NA	NA	NA	NA	27.9x	17.9x	17.9x	NA	NA	NA	24.9x	NA	NA									
Nicox SA	(15.1%)	0.0%	0.0%	-7.0x	-7.0x	-14.3x	NA	NA	NA	30.9x	14.6x	8.8x	NA	NA	NA	1.2x	1.0x	0.2x									
Novan, Inc.	(22.9%)	0.0%	0.0%	-0.3x	NA	NA	NA	NA	NA	1.1x	1.5x	1.7x	NA	NA	NA	-0.8x	NA	NA									
Vertex Pharmaceuticals Incorporated	3.1%	2.6%	(0.6%)	62.9x	48.1x	38.7x	NA	NA	38.7x	18.1x	14.6x	11.4x	NA	54.9x	46.5x	11.0x	27.1x	NA									
Ampio Pharmaceuticals, Inc.	(18.3%)	0.0%	0.0%	-7.2x	NA	NA	NA	NA	NA	0.0x	0.0x	0.0x	0.1x	NA	NA	23.6x	NA	NA									
Nektar Therapeutics	(11.0%)	16.8%	(10.2%)	-6.4x	3.8x	-6.1x	NA	3.8x	NA	2.2x	24.6x	16.2x	NA	5.6x	NA	2.5x	37.5x	12.8x									
<b>Average</b>				4.5x	4.2x	117.4x	9.0x	7.3x	25.9x	16.5x	10.7x	7.5x	NA	NA	NA	8.8x	13.0x	9.2x									

<sup>1</sup> Targets, forecasts and valuations reflect consensus estimates derived from FactSet

**Company Description**

Antib is a clinical stage drug developer, whose lead clinical asset is gastro-protective hydrogen sulfide-releasing analog of naproxen called ATB-346, for which positive Phase I/II pain and GI ulceration rate data are already available & future Phase II/III testing is being contemplated, with knee osteoarthritis as the initial focus market.

Consensus	Buy	Return
Rating:	Buy	204.3%
Target:	\$1.40	204.3%
Median:	\$1.40	204.3%
High:	\$1.40	204.3%
Low:	\$1.40	204.3%
# Est:	1	

Consensus Distribution	1
Sector Outperform/Buy	1
Sector Perform/Hold	0
Sector Underperform/Sell	0

**Key Statistics**

Key Statistics	Value
52-Wk High:	\$0.54 117.4%
52-Wk Low:	\$0.24 51.1%
Avg Vol (3-Mo):	0.39
Shares O/S:	281.1
Market Cap:	126.1
Adj. Proforma Cash (\$M):	9.6
Ent. Value (\$M):	118.6
Div Yield:	0.0%
Website:	http://www.antibthera.com
FYE:	Mar 31
Employees:	N/A

**Top Institutional Ownership**

Top Institutional Ownership	M Shares	% Held
AlphaNorth Asset Management	0.0810	0.0%

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**Company:** Antibe Therapeutics | ATE:TSXV

I, Douglas Loe, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that I have not, am not, and will not receive, directly or indirectly, compensation in exchange for expressing the specific recommendations or views in this report.

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Is this an issuer related or industry related publication?	Issuer
Does the Analyst or any member of the Analyst's household have a financial interest in the securities of the subject issuer? If Yes: 1) Is it a long or short position? Long Position; and, 2) What type of security is it? Common Shares & Share Purchase Warrants.	Yes
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Does Echelon Wealth Partners Inc. or the Analyst have any actual material conflicts of interest with the issuer?	No
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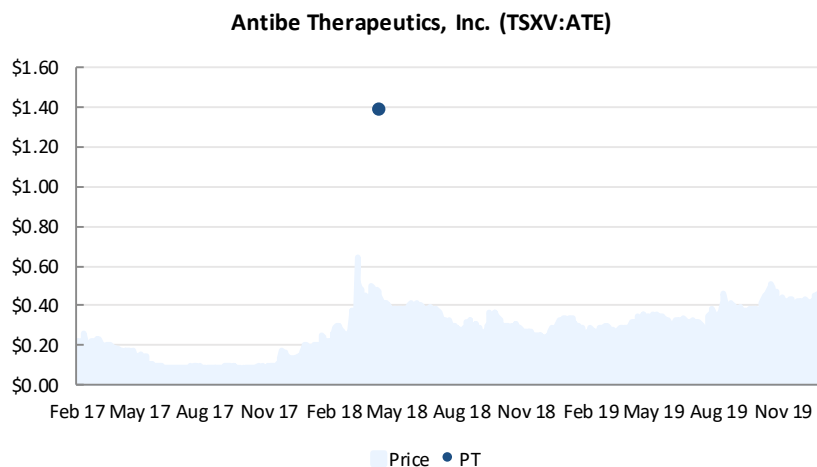
**RATING DEFINITIONS**

<b>Buy</b>	The security represents attractive relative value and is expected to appreciate significantly from the current price over the next 12 month time horizon.
<b>Speculative Buy</b>	The security is considered a BUY but in the analyst's opinion possesses certain operational and/or financial risks that are higher than average.
<b>Hold</b>	The security represents fair value and no material appreciation is expected over the next 12-18 month time horizon.
<b>Sell</b>	The security represents poor value and is expected to depreciate over the next 12 month time horizon.
<b>Under Review</b>	While not a rating, this designates the existing rating and/or forecasts are subject to specific review usually due to a material event or share price move.
<b>Tender</b>	Echelon Wealth Partners recommends that investors tender to an existing public offer for the securities in the absence of a superior competing offer.
<b>-Dropped Coverage</b>	Applies to former coverage names where a current analyst has dropped coverage. Echelon Wealth Partners will provide notice to investors whenever coverage of an issuer is dropped.

**RATINGS DISTRIBUTION**

Recommendation Hierarchy	Buy	Speculative Buy	Hold	Sell	Under Review	Restricted	Tender
Number of recommendations	50	42	18	1	7	0	4
% of Total (excluding Restricted)	42%	36%	15%	1%	6%		
Number of investment banking relationships	14	19	5	0	2	0	0
% of Total (excluding Restricted)	35%	48%	13%	0%	5%		

**PRICE CHART, RATING & PRICE TARGET HISTORY**



Date	Target (C\$)	Rating
19 Apr 2018	\$1.40	Spec Buy

Coverage Initiated: Apr 19, 2018  
 Data sourced from: FactSet

**Toronto Wealth Management**

1 Adelaide St East, Suite 2000  
Toronto, ON M5C 2V9  
416-572-5523

**Calgary Wealth Management**

525 8<sup>th</sup> Ave SW, Suite 400  
Calgary, AB T2P 1G1  
403-218-3144

**Edmonton Wealth Management**

8603 104 St NW  
Edmonton, AB T6E 4G6  
1-800-231-5087

**Vancouver Wealth Management and Capital Markets**

1055 Dunsmuir St, Suite 3424, P.O. Box 49207  
Vancouver, BC V7X 1K8  
604-647-2888

**Toronto Capital Markets**

1 Adelaide St East, Suite 2100  
Toronto, Ontario M5C 2V9  
416-572-5523

**Calgary Wealth Management**

123 9A St NE  
Calgary, AB T2E 9C5  
1-866-880-0818

**London Wealth Management**

235 North Centre Road, Suite 302  
London, ON N5X 447  
519-858-2112

**Victoria Wealth Management**

730 View St, Suite 210  
Victoria, BC V8W 3Y7  
250-412-4320

**Montreal Wealth Management and Capital Markets**

1000 De La Gauchetière St W., Suite 1130  
Montréal, QC H3B 4W5  
514-396-0333

**Oakville Wealth Management**

1275 North Service Road, Suite 612  
Oakville, ON L6M 3G4  
289-348-5936

**Ottawa Wealth Management**

360 Albert St, Suite 800  
Ottawa, ON K1R 7X7  
613-907-0700

**Saskatoon Wealth Management**

402-261 First Avenue North  
Saskatoon, SK S7K 1X2  
306-667-2282