

**RATING/TARGET/ESTIMATE CHANGES**

Enbridge Inc. (ENB-T, ENB-N) C\$57.01 BUY (Unchanged); Target: C\$66.00 (Unchanged) Strong Q2 from Energy Services; No Big Asset-drop to EEP 2
Maple Leaf Foods Inc. (MFI-T) C\$22.69 BUY (Unchanged); Target: C\$28.00 (Unchanged) Fine-tuning Our Forecasts Following the Q2 Conference Call 7
TransAlta Renewables Inc. (RNW-T) C\$12.50 BUY (Unchanged); Target: C\$15.00 ↓ (Prior: C\$15.50) New Assets Contribute to Q2; Drop-down List Grows 11

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INTRADAY NOTES (published July 31, 2015)

CCL Industries Inc. (CCL.B-T) C\$177.50 BUY (Unchanged); Target: C\$205.00 ↑ (Prior: C\$180.00) Q2 Results Beat on Further Margin Expansion at Avery 20
Canyon Services Group Inc. (FRC-T) C\$5.37 BUY (Unchanged); Target: C\$8.00 ↓ (Prior: C\$9.00) Q2 Loss Less than Expected, Cost Leadership Evident 24
TeraGo Inc. (TGO-T) C\$5.15 BUY (Unchanged); Target: C\$8.00 (Unchanged) Q2/15 Preview 29

**Pipelines, Power & Utilities**

Recommendation: **BUY**
Unchanged

Risk: **LOW**

12-Month Target Price: **C\$66.00**
Unchanged

12-Month Dividend (Est.): **C\$1.99**

12-Month Total Return: **19.3%**

Market Data (C\$)

Current Price \$57.01
52-Wk Range \$47.43-\$66.14
Mkt Cap (f.d.)(mm) \$48,914.6
Current Dividend \$1.86
Dividend Yield 3.3%
Avg. Daily Trading Vol. (3M-All Exch) 1,898,530

Financial Data (C\$)

Fiscal Y-E December
Shares O/S (f.d.)(mm) 858.0
Float Shares (mm) 848.0
Net Debt/Tot Cap 64.1%
BVPS (basic) \$13.30
ROE 16.7%

Estimates (C\$)

Year	2014A	2015E	2016E	2017E
EPS (f.d.)	1.87	2.09	2.20	2.38
EPS (f.d.)(old)	1.87	2.05	2.33	--
DIVIDEND	1.40	1.86	2.12	2.42
DIVIDEND (old)	1.40	1.86	2.12	--
AFFO/Shr	2.98	3.56	4.08	4.56

EPS (f.d.) Quarterly Estimates (C\$)

Year	2014A	2015E	2016E	2017E
Q1	0.59	0.55	--	--
Q2	0.39	0.59	--	--
Q3	0.41	0.47	--	--
Q4	0.48	--	--	--

Valuations

Year	2014A	2015E	2016E	2017E
P/E (f.d.)	30.5x	27.3x	25.9x	24.0x

Notes: Forecasts are presented under US GAAP.

All figures in C\$, unless otherwise specified.

Linda Ezergailis, P.Eng.

Avery Haw (Associate)

Enbridge Inc.
(ENB-T, ENB-N) C\$57.01**Strong Q2 from Energy Services; No Big Asset-drop to EEP****Event**

Enbridge reported Q2/15 normalized EPS of \$0.59, above our \$0.46 estimate, recent consensus of \$0.47, and Q2/14 EPS of \$0.39.

Impact: SLIGHTLY POSITIVE

We have updated our forecasts for a number of factors, including higher contribution from Energy Services, lower cash taxes, continued softness in Offshore, and an adjustment to our AFFO/share forecasts to be aligned with management's recently introduced definition.

We have introduced our 2017E EPS of \$2.38 and the y/y growth is driven by a number of factors, notably increases in liquids pipeline volumes and returns (at each of ENB, EEP, and ENF), and new assets brought into service (Regional Oil Sands Optimization Project, L3R, and Sandpiper). Our target valuations have come down slightly to reflect the more challenging oil & gas price industry outlook which could dampen the visibility of long-term organic growth outlook.

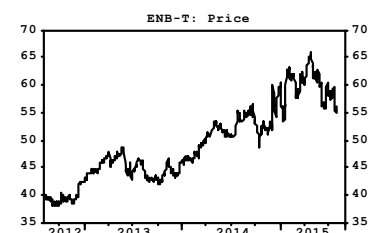
TD Investment Conclusion

We believe that Enbridge's pipeline network is extremely well-positioned to benefit from shifting hydrocarbon production and consumption patterns over the next decade, which should translate into double-digit earnings growth. Enbridge is a prudent pipeline operator and a low-risk way to participate in the growing oil sands and Bakken volumes, growth in North American renewable power, and Canadian natural gas midstream services, in our view. Management has a demonstrated track record of delivering industry-leading growth through a reliable business model while generating significant growth in dividend.

Please see the final pages of this document for important disclosure information.

Company Profile

Enbridge Inc. (ENB-T, N) owns and operates: 1) the world's longest crude oil and liquids pipeline system; 2) Canada's largest gas distribution network in Ontario; and 3) additional oil & gas transmission, gathering, storage, and processing assets.



Details**Exhibit 1. Segmented Earnings Analysis (\$mm, unless otherwise stated)**

	Q2/15	Q2/14	Y/Y Change	Y/Y % Change	Comments
Canadian Mainline ^{1,4,5}	\$161	\$131	\$30	23%	-Higher throughput of 2,073kbpd in Q2/15 vs. 1,968 kbpd in Q2/14, higher terminalling revenues and FX.
Regional Oil Sands System ^{2,3,5}	43	48	(5)	-10%	-Lower contracted volumes on the Athabasca Mainline.
Southern Lights Pipeline	2	12	(10)	-83%	-Majority of economic benefit now derived from Class A units owned by Enbridge Income Fund.
Spearhead ²	8	9	(1)	-11%	-Lower throughput due to upstream apportionment, partially offset by a decrease in power costs.
Seaway and Flanagan South ²	12	13	(1)	-8%	-Lower throughput due to Mainline apportionment.
Feeder Pipelines and Other ^{2,4,5}	14	7	7	100%	-Full contribution from Eddystone Rail project completed April 2014, incremental storage earnings and higher tolls and throughput on Toledo.
Liquids Pipelines	240	220	20	9%	
Enbridge Gas Distribution (EGD)	42	12	30	250%	-Timing of revenue increase between interim and final approved rates recognized in Q2/15 as a result of the OEB's rate order in May 2015. Equivalent catch-up occurred in Q3/14 in the prior year.
Other Gas Distribution and Storage	3	3	0	0%	
Gas Distribution	45	15	30	200%	
Enbridge Offshore Pipelines ¹¹	(1)	(4)	3	-75%	-Higher earnings from the Jack St. Malo portion of WRGGS.
Alliance and Vector Pipelines	4	15	(11)	-73%	-Alliance Pipeline US transferred to Enbridge Income Fund in November 2014.
Aux Sable ⁸	1	4	(3)	-75%	-Lower fractionation margins due to commodity price weakness as well as the loss of a producer processing contract.
Energy Services ¹	52	6	46	767%	-Strong refinery demand for feedstock leading to favourable tank management opportunities, contrasted with losses on certain contracts in Q2/15.
Canadian Midstream and Other ^{1,5}	18	6	12	200%	-Increased fees for Cabin and the Pipestone and Sexsmith facilities, higher volumes at Pipestone.
Gas Pipelines, Processing & Energy Services	74	27	47	174%	
Enbridge Energy Partners (EEP) ^{1,2,3,9}	64	50	14	28%	-Higher throughput and tolls, contributions from new assets put into service such as Line 6B, and the transfer of interest in the Alberta Clipper.
Enbridge Energy, LP	30	13	17	131%	-Contributions from new assets put into service such as Line 6B, partially offset by the transfer of interest in the Alberta Clipper.
Enbridge Income Fund ^{1,2,5,8,11}	45	33	12	36%	-Incremental earnings from interest transferred by Enbridge into the Fund in November 2014, preferred distributions and incentive fees, partially offset by higher financing costs and taxes.
Sponsored Investments	139	96	43	45%	
Corporate and Other ^{1,5,6,7,8}	7	(30)	37	-123%	-Lower net corporate segment finance costs, partially offset by higher preferred dividends.
Operating Earnings	505	328	177	54%	
Weather	(6)	4	(10)	-250%	
Adjustments	78	424	(346)	n.a.	
Reported Earnings	577	756	(179)		
Operating EPS - Weather Normalized	\$0.59	\$0.39	\$0.20	51%	
Reported EPS	\$0.68	\$0.92	(\$0.24)	-26%	

Notes: Reported earnings have been normalized to reflect the following:

- 1) \$296mm and \$430mm of unrealized fair value gains/(losses) in Q2/15 and Q2/14, respectively.
- 2) \$12mm and \$2mm of make-up rights adjustments in Q2/15 and Q2/14, respectively.
- 3) (\$6)mm and (\$1)mm related to leak remediation costs in Q2/15 and Q2/14, respectively.
- 4) (\$9)mm and (\$3)mm of project development and transaction costs in Q2/15 and Q2/14, respectively.
- 5) (\$38)mm in tax-related items in Q2/15.
- 6) (\$16)mm and (\$4)mm of other adjustments in Q2/15 and Q2/14, respectively.
- 7) (\$167)mm of goodwill impairment in Q2/15.
- 8) (\$6)mm and \$4mm due to unusual weather in Q2/15 and Q2/14, respectively.
- 9) \$9mm gain on sale of non-core assets in Q2/15.
- 10) (\$3)mm of asset impairments in Q2/15.
- 11) \$9mm gain on sale of non-core assets in Q2/15.
- 12) (\$3)mm of asset impairments in Q2/15.

Source: Company reports, TD Securities Inc.

Outlook

Additional Operating Cash Disclosure: Management has introduced a new cash flow metric (ACFFO) to highlight Enbridge's cash flow growth potential and dividend-paying capability. The mid-point of the 2016 \$3.30-\$4.00/share ACFFO guidance range represents an approximate 21% growth off the \$3.02 2014A ACFFO/share. Management also reaffirmed its expectation of a ACFFO/share CAGR of 18% through 2018. At the annual fall investor day, management will provide an updated five-year ACFFO/share and EPS growth outlook based on the company's revised long-range plan. On the annual guidance call in early-December, management will introduce a 2016 ACFFO and EPS guidance range.

Financial Optimization Update: The transfer of the Canadian Liquids Pipeline Business and certain renewable power assets to Enbridge Income Fund is expected to close in Q3/15 (we are assuming September 1). The review of a potential transfer of Enbridge's U.S. liquids pipeline assets to its U.S. MLP affiliate Enbridge Energy Partners (EEP) is ongoing, but at this time market conditions do not

support a large-scale drop-down. ENB will evaluate the opportunities for selective drop-downs as market conditions improve. On July 30, 2015, Enbridge and EEP reached an agreement to extend the deferral of quarterly cash distribution on Series 1 preferred units issued by EEP to Enbridge now to Q3/18 for the first cash payment. The deferred distribution will now be payable in equal amounts over a 12-quarter period beginning in the first quarter of 2019. Management emphasized EEP's importance since it houses the U.S. portion of the liquids Mainline and has been a key source of funding and growth over the years.

Line 9 Almost In-service: The expansion of Line 9 and 9B reversal hydrostatic testing was approved by the NEB on July 27, 2015, and the testing is expected to be completed by the end of 2015. The line should be in-service soon after the NEB reviews the testing.

Open-access Scaleable Mainline: Enbridge's liquids Mainline expansions can be done at a lower cost (relative to new pipeline build) and can be staged in increments based on the production outlook. Given the challenging crude oil pricing and permitting situation the industry is facing, producers might view the low cost and certainty of proceeding as quite attractive versus alternatives such as rail.

Q3/15 Preview: We are forecasting Q3/15 normalized EPS of \$0.47, above the Q3/14 normalized EPS of \$0.41. We expect the y/y increase to be driven from continued strength in Energy Services, new assets lifting earnings from Sponsored Investments, and higher liquids volumes in the Lakehead and Mainline pipelines. For modelling purposes, we are assuming that the transfer of Enbridge Inc.'s Canadian Liquids Pipelines Business and certain renewables assets to Enbridge Income Fund will close on September 1, 2015.

Valuation**Exhibit 2. Peer Valuation**

Pipeline & Midstream Companies	Symbol	Curr. Price	Shares O/S (mm)	Market Cap (mm)	Ind. Div.	Yield	EPS (f.d.)			AFFO Per Shr (f.d.)			P/E		AFFO Yield	
							2014A	2015E	2016E	2014A	2015E	2016E	2015E	2016E	2015E	2016E
Enbridge Inc.	ENB	\$57.01	858.0	\$48,915	\$1.86	3.3%	\$1.87	\$2.09	\$2.20	\$2.98	\$3.56	\$4.08	27.3x	25.9x	6.2%	7.2%
AltaGas Ltd.	ALA	\$35.80	140.2	\$5,021	\$1.92	5.4%	\$1.28	\$1.27	\$1.50	\$3.20	\$3.22	\$3.63	28.2x	23.8x	9.0%	10.1%
Enbridge Income Fund Hlds ¹	ENF	\$34.48	70.4	\$2,426	\$1.54	4.5%	\$1.60	\$1.86	\$2.18	\$1.83	\$2.02	\$2.25	18.5x	15.8x	5.9%	6.5%
Gibson Energy Inc.	GEI	\$19.28	125.2	\$2,414	\$1.28	6.6%	\$0.73	\$0.51	\$0.85	\$2.15	\$1.82	\$2.15	37.8x	22.7x	9.4%	11.1%
Inter Pipeline Ltd.	IPL	\$27.36	334.5	\$9,152	\$1.47	5.4%	\$1.07	\$1.22	\$1.26	\$1.54	\$1.85	\$1.98	22.4x	21.7x	6.8%	7.2%
Keyera Corp.	KEY	\$42.98	169.2	\$7,272	\$1.38	3.2%	\$1.40	\$1.59	\$1.55	\$2.37	\$2.40	\$2.75	27.0x	27.7x	5.6%	6.4%
Pembina Pipeline Corp.	PPL, PBA	\$38.07	357.0	\$13,591	\$1.83	4.8%	\$1.13	\$1.16	\$1.43	\$2.38	\$2.14	\$2.51	32.7x	26.6x	5.6%	6.6%
TransCanada Corp.	TRP	\$50.83	710.0	\$36,089	\$2.08	4.1%	\$2.42	\$2.44	\$2.65	\$5.18	\$5.04	\$5.43	20.8x	19.2x	9.9%	10.7%
Veresen Inc.	VSN	\$14.80	288.2	\$4,266	\$1.00	6.8%	\$0.23	\$0.26	\$0.41	\$1.12	\$1.04	\$1.05	56.9x	36.1x	7.0%	7.1%
Average						4.9%							30.2x	24.4x	7.3%	8.1%

Notes:

1) Full name is Enbridge Income Fund Holdings Inc.

Source: Company reports, Thomson, TD Securities Inc.

Justification of Target Price

Our \$66.00 target price is predicated on our 2016 financial estimates, as follows:

Exhibit 3. Target Price Derivation

(25% Weight)			(25% Weight)			(50% Weight)			Blended Target Price
1. EV / EBITDA			2. Relative Dividend Yield			3. Free Cash Flow Yield			
EBITDA (\$ mln)	EV / EBITDA	Resultant Share Price	Dividend	Relative Dividend Yield	Resultant Share Price	AFFO/shr	FCF Yield	Resultant Share Price	
7,981	14.0x (prior 14.5)	\$ 64.23	\$ 2.12	225% (prior 200%)	\$ 62.81	\$ 4.08	6.0% (prior 5.0%)	\$ 67.99	\$ 65.76
10-Year Government of Canada Bond Yield Assumption					1.50%				

Source: TD Securities Inc.

Key Risks to Target Price

Key risks to target price include: 1) Higher-than-expected long-bond yields; 2) acquisitions that do not create shareholder value; 3) operational disruptions; 4) potential reduction in historical valuation premium to sector; 5) tougher-than-expected competition for new oil transmission pipeline capacity; 6) regulatory and political risk; 7) substantial delays and/or cancellations of oil sands projects; 8) WCSB risk; 9) interest rate risk; 10) foreign exchange risk; 11) access to capital markets; and 12) rejection of the restructuring proposal.



Exhibit 4. Enbridge Summary

Ticker	ENB-T, N	Market Cap (\$mm)	\$48,915	Debt-to-Capitalization	64.1%
Recent Share Price	\$57.01	EV (\$mm)	\$92,591	BVPS	13.30
52 Week Range	\$47.43-\$66.14	Shares O/S (mm)	858	Ex-div date	05/13/15
Dividend	\$1.86	Float O/S (mm)	848	Fiscal Year-End	December
Dividend Yield	3.3%				

Company Profile: Enbridge Inc. owns and operates: 1) the world's longest crude oil and liquids pipeline system; 2) Canada's largest gas distribution network in Ontario; and 3) additional oil & gas transmission, gathering, storage and processing assets.

Key Metrics	2014A	2015E	2016E	2016E	Valuation	2014A	2015E	2016E	2017E
EBITDA	5,886	6,994	7,981	8,740	EV/EBITDA	15.7x	13.2x	11.6x	10.6x
Operating EPS (f.d.)	1.87	2.09	2.20	2.38	P/E	30.5x	27.3x	25.9x	24.0x
Free Cash Flow Per Share (ACFFO)	2.98	3.56	4.08	4.56	ACFFO Yield	5.2%	6.2%	7.2%	8.0%
Dividend Per Share	1.40	1.86	2.12	2.42	Dividend Yield	2.5%	3.3%	3.7%	4.2%
Segmented Income Statement (\$mm)	2014A	2015E	2016E	2016E	Ratios	2014A	2015E	2016E	2017E
Liquids Pipelines	858	659	249	293	Payout Ratio (EPS)	74%	88%	95%	101%
Gas Distribution	177	200	226	223	Payout Ratio (ACFFO)	47%	52%	52%	53%
Gas Pipelines, Processing & Energy	136	236	251	268	Debt-to-Capitalization	63%	65%	67%	67%
Sponsored Investments	429	708	1,182	1,305	Net Debt to EBITDA	6.0x	5.3x	5.1x	4.7x
Corporate and Other	(26)	(19)	(9)	(11)	Business Mix (% of Income)	2014A	2015E	2016E	2017E
Operating Income	1,574	1,784	1,899	2,079	Liquids Pipelines	71%	69%	71%	74%
One Time Items & Weather	(420)	(806)	0	0	Gas Pipelines and Processing	8%	8%	7%	7%
Net Income	1,154	978	1,899	2,079	Gas Distribution	13%	12%	12%	10%
					Power Generation	5%	6%	7%	6%
					Other	4%	6%	3%	3%
						100%	100%	100%	100%
Cash Flow Statement (\$mm)	2014A	2015E	2016E	2016E	Available Cash Flow From Operations	2014A	2015E	2016E	2017E
Income	1,608	1,655	2,756	3,015	Cash Flow From Operations	2,528	4,978	5,589	6,187
Other Items Not Involving Cash	2,641	3,323	2,833	3,172	+/- Changes in Operating Assets & Liabilities	1,777	0	0	0
Change in Non-cash Working Capital	(1,702)	0	0	0		4,305	4,978	5,589	6,187
Cash from Operations	2,547	4,978	5,589	6,187	- Distributions to NCI	(535)	(691)	(764)	(816)
					- Distribution to Redeemable NCI	(79)	(106)	(164)	(215)
Capital Expenditures & Acquisitions	(11,687)	(6,673)	(8,412)	(6,409)	Preference Share Dividends	(245)	(284)	(285)	(317)
Other	(204)	(161)	(140)	(140)	Maintenance Capital Expenditures	(970)	(850)	(850)	(850)
Cash from Investing	(11,891)	(6,834)	(8,552)	(6,549)	+/- Significant Adjusting Items	30	0	0	0
					ACFFO	2,506	3,047	3,527	3,988
Dividends Paid	(994)	(1,820)	(2,055)	(2,364)					
Common Share Offering	478	597	688	795					
Preferred Share Offering	1,365	250	400	1,200					
Change in Debt	9,000	2,099	3,616	1,171					
Contribution to NCI	(79)	254	122	(432)					
Cash from Financing	9,770	1,379	2,770	370					
Foreign Exchange (Losses) Gains	59	70	0	0					
Total cash flow	485	(407)	(192)	7					
Balance Sheet (\$mm)	2014A	2015E	2016E	2016E					
Cash and Cash Equivalents	1,308	901	708	716					
Property, Plant and Equipment	53,830	58,302	64,381	68,168					
Other	17,719	15,161	13,194	11,598					
Total Assets	72,857	74,364	78,284	80,482					
Debt	33,423	33,589	36,060	38,385					
Other Liabilities	18,384	20,517	21,962	21,158					
Preferred Shares	6,515	6,765	7,165	8,365					
Non-Controlling Interest	4,264	3,468	2,540	1,508					
Total Shareholders' Equity	10,271	10,025	10,557	11,066					
Total Liabilities & Equity	72,857	74,364	78,284	80,482					

Source: Company reports, Thomson, TD Securities Inc.



Consumer Staples

Recommendation: BUY
Unchanged

Risk: MEDIUM

12-Month Target Price: C\$28.00
Unchanged

12-Month Dividend (Est.): C\$0.36

12-Month Total Return: 25.0%

Market Data (C\$)

Current Price	\$22.69
52-Wk Range	\$17.47-\$24.24
Mkt Cap (f.d.)(mm)	\$3,260.6
Current Dividend	\$0.32
Dividend Yield	1.4%
Avg. Daily Trading Vol. (3M-All Exch)	231776

Financial Data (C\$)

Fiscal Y-E	December
Shares O/S (f.d.)(mm)	143.7
Float Shares (mm)	94.9
Net Cash (\$mm)	\$399.2
Net Debt/Tot Cap	(22.5%)
BVPS (f.d.)	\$15.43

Estimates (C\$)

Year	2014A	2015E	2016E	2017E
EBITDA (\$mm)	14.8	230.4	335.0	342.4
EBITDA (old)(\$mm)	--	272.5	336.3	343.3
EBITDA Margin (%)	0.5%	7.1%	10.0%	10.0%
EPS (f.d.)	(0.56)	0.64	1.16	1.21
EPS (f.d.)(old)	--	0.84	--	--
FCF (\$mm)	(621.6)	50.0	189.5	216.7

EPS (f.d.) Quarterly Estimates (C\$)

Year	2014A	2015E	2016E	2017E
Q1	(0.24)	0.05	--	--
Q2	(0.12)	0.13	--	--
Q3	(0.12)	0.19	--	--
Q4	(0.08)	0.27	--	--

Valuations

Year	2014A	2015E	2016E	2017E
EV/EBITDA	191.2x	12.3x	8.4x	8.3x
P/E (f.d.)	nmf	35.5x	19.6x	18.8x

Notes: 2014 figures exclude Canada Bread and Rothsay.

All figures in C\$, unless otherwise specified.

Michael Van Aelst, CFA

Derek J. Lessard

Maple Leaf Foods Inc.

(MFI-T) C\$22.69

Fine-tuning Our Forecasts Following the Q2 Conference Call

Event

- We have trimmed our 2015 EPS forecast to \$0.64 (from \$0.84), but our 2016E and 2017E EPS are unchanged.
- Maple Leaf signed an agreement with Enwave Corporation (ENW-V, not rated) that “grants it the right to evaluate EnWave’s technology for the potential production of a variety of food applications.” EnWave’s proprietary industrial-scale technology is said to dehydrate food faster and cheaper than freeze drying, with better quality than air drying or spray drying. We see this being consistent with MFI’s desire to grow its healthy protein snack business.

Impact: SLIGHTLY NEGATIVE

Following the conference call, we highlight a couple of points that we would consider subtle tweaks to management’s messaging. Specifically:

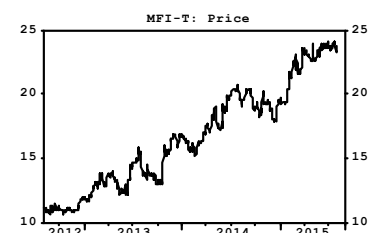
- It is clear that MFI is making progress and management continues to believe that achieving the 10% margin target will still occur by year-end, though **it is less clear whether the company will actually achieve its 10% target for all of Q4/15 or only by December.** With volumes having recovered and market factors normalized, all that is left to do is get the new plants (mostly Hamilton) running at spec... so at least it is all within MFI’s control. **We are only lowering our near-term forecasts** to assume that the EBITDA margin reaches 7.7% in Q3/15 and 10% in Q4/15. Our 10% margin forecast for 2016 and 2017 is unchanged.
- With the end of the Value Creation Plan (VCP) in sight, Maple Leaf will soon transition toward a growth agenda. The near-term priorities are to: 1) achieve the 10% EBITDA margin floor; 2) define the growth agenda; and 3) determine the optimal capital allocation beyond the dividend increase and NCIB already implemented. **Our sense is that there has been a subtle shift toward delaying the decision on an SIB** in favour of retaining balance sheet flexibility for long as all acquisition opportunities are identified and pursued.

TD Investment Conclusion

Maple Leaf remains BUY-rated, with a \$28.00 target price. With the seven-year VCP just about complete and earnings recovering toward levels that are supported by MFI’s huge capital investment throughout its entire supply chain, we see more upside to the share price over the coming year. Achieving the 10% margin target by the end of 2015 still looks quite likely, after which rising FCF and the strong balance sheet should enable some

Company Profile

Maple Leaf Foods is a leading food processing company headquartered in Toronto, Canada. The company employs approximately 18,000 people at its operations across Canada, the U.S., the U.K., and Asia.



Please see the final pages of this document for important disclosure information.

combination of accretive acquisitions and incremental return of capital to shareholders (via increased dividends, NCIB, and/or an SIB). **However, share price appreciation could stall near-term as some investors get impatient waiting for the 10% margin target to be hit or for an SIB to be announced, creating a buying opportunity for others.**

Details

Overall, EBITDA came in lower than expected, mostly on lingering plant inefficiencies. More specifically:

Sales were down 1% (2.6% excluding forex) versus our forecast of 1.0% growth.

- Management pointed to lower market prices in fresh pork and bacon, partially offset by favourable sales mix in poultry (i.e. growth in branded poultry). Prepared meat volumes have now been “largely restored”, with momentum continuing to build throughout the quarter

EBITDA margin expanded to 6.0%, recovering meaningfully from the 0.7% recorded last year, though it fell a little short of our 7.0% estimate.

- Market factors, which have normalized, were responsible for the lion’s share of the margin improvement. Pricing/mix also contributed as did the elimination of duplicate overhead and improved plant operations, though the latter still has some way to go.

Exhibit 1. Q2/15 Results

	Q2/15	Q2/14	Y/Y Chg	Q2/15E	Diff. vs Exp.	Notes (where we believe the differences lie):
Adjusted to conform to MFI's presentation						
Revenues (\$mm)						
Meat Products Group	817.2	825.6	-1.0%	833.6	-2.0%	Lower market prices in fresh pork; Vols now largely restored following LY price increases.
Agribusiness Group	3.6	6.2	-43.0%	6.2	-43.0%	
	820.8	831.8	-1.3%	839.8	-2.3%	
EBITDA (\$mm)						
Meat Products Group	43.3	1.6	nmf	58.7	-26.1%	Favourable hedges.
Agribusiness Group	5.8	6.1	-5.9%	(0.2)	nmf	
Unallocated Costs	(0.1)	(1.8)	nmf	-	nmf	
	49.0	6.0	721.5%	58.5	-16.2%	
EBITDA Margin						
Meat Products Group	5.3%	0.2%	511 bps	7.0%	-174 bps	Improving plant efficiencies occurring at slightly slower pace than expected.
Agribusiness Group	nmf	nmf	nmf	nmf	nmf	
	6.0%	0.7%	525 bps	7.0%	-99 bps	
Adjusted D&A (excl. bakery-related IT dep.)	27.3	19.1	42.9%	27.7	-1.4%	In line.
Interest Income (\$mm)	1.0	0.7	32.8%	1.0	-3.7%	In line.
Interest Expense (\$mm)	1.1	9.7	-89.0%	1.2	-13.2%	In line.
One-time Items (\$mm)	35.5	30.7				
Tax Rate (Adj.)	24.8%	25.9%	-110 bps	26.0%	-120 bps	A touch lower than expected.
EPS (f.d.)	(\$0.05)	(\$0.28)		\$0.16		
Adjusted EPS (f.d.)	\$0.13	(\$0.12)		\$0.16	-18.8%	Short of consensus of \$0.15 (range of \$0.10 to \$0.19).

Source: TD Securities Inc.

Outlook

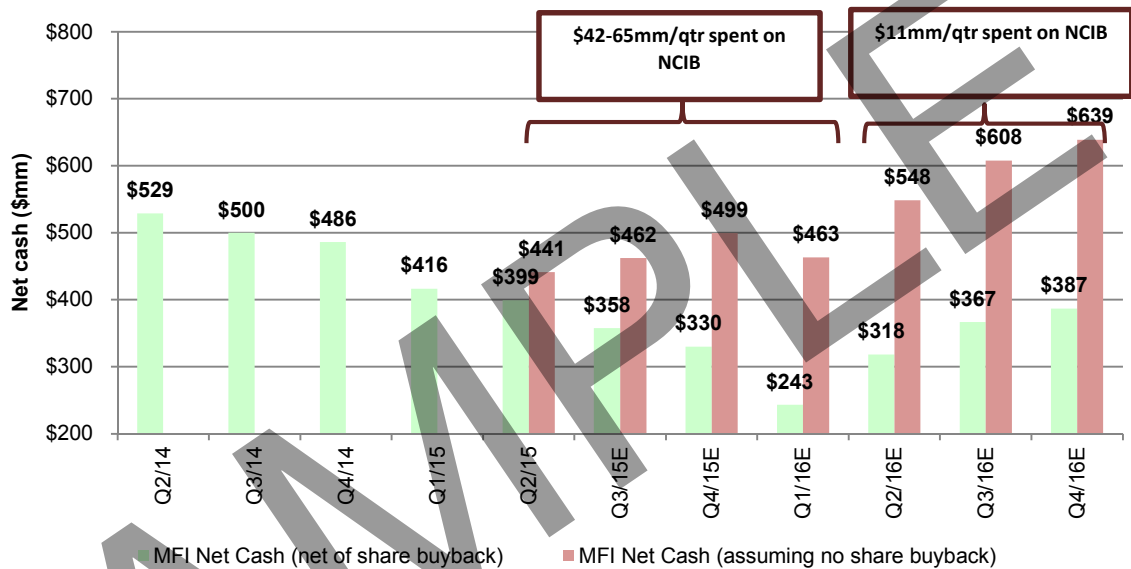
Since the start of the VCP, Maple Leaf has consolidated the vast majority of its production into four state-of-the-art scale production facilities, closed nine legacy plants, rationalized the distribution network from 19 DCs to two, all while taking complexity out of the process by substantially rationalizing the number of SKUs. The final steps necessary to achieve the 10% margin target is to extract the line efficiencies and product yields that the equipment is capable of (primarily in the Hamilton mega-plant) by adequately training line-workers on the new equipment while dialling-in equipment performance and optimizing product formulations. Management continues to have a high degree of visibility on these inefficiencies by individual SKU, updated daily, which should facilitate the elimination of these variances. The only uncertainty seems to be the number of months it will take to do so, though management remains confident in its ability to hit the target by year-end.

Industry fundamentals are arguably the most favourable in years. Lower pork and energy prices have reduced input costs and futures suggest that hog costs will stay low through the end of 2016. The weaker Canadian dollar should eventually improve Maple Leaf’s competitiveness both domestically and in the export markets, particularly as supply and demand rebalance. Greater discretionary income and the passage of time have consumers no longer baulking at the ~8% average price hikes taken in prepared meats in May 2014, and lower

pork belly costs have even allowed for a tactical retreat in bacon prices. In the coming quarters and years, we expect to see Maple Leaf establish itself as a leader in meat Raised Without Antibiotics (RWA), a fast growing category in North America that should provide opportunity for both volume and margin expansion.

Combining the current net cash of ~\$400 million with forecast FCF would lead to a substantial build in the cash balance over the coming years, even after the recent doubling of the dividend. Full execution of the NCIB should keep cash from building up through the end of 2016. However, optimizing the balance sheet and preventing cash from building up on the balance sheet beyond 2016 will, in our opinion, require either: 1) several protein-focused acquisitions; and/or 2) the return of more capital to shareholders via either a larger dividend-payout-ratio, a larger NCIB, and/or an SIB.

Exhibit 2. MFI Net Cash Outlook



Source: Company reports, TD Securities Inc.

Exhibit 3. Changes to Our Forecasts

	2014	2015E			2016E			2017E		
		New	Old	Chg	New	Old	Chg	New	Old	Chg
Meat Products										
Sales (\$mm)	3,135	3,228	3,264	-1.1%	3,334	3,331	0.1%	3,411	3,408	0.1%
EBITDA (\$mm)	6	227	276	-17.7%	355	355	-0.2%	359	353	1.6%
EBITDA Margin	0.2%	7.0%	8.5%	-150 bps	10.6%	10.7%	-10 bps	10.5%	10.4%	10 bps
Agribusiness										
Sales (\$mm)	22	14	20	-26.8%	14	20	-28.4%	14	20	-28.4%
EBITDA (\$mm)	15	3	(4)		(20)	(19)		(16)	(10)	
Consolidated										
Sales (\$mm)	3,157	3,242	3,284	-1.3%	3,348	3,351	-0.1%	3,425	3,428	-0.1%
EBITDA (\$mm)	15	230	273	-15.4%	335	336	-0.4%	342	343	-0.3%
EBITDA Margin	0.5%	7.1%	8.3%	-120 bps	10.0%	10.0%	0 bps	10.0%	10.0%	0 bps
D&A (\$mm)	92	111	113	-1.3%	120	120	0.0%	122	122	0.0%
Interest (\$mm)	32	4	5	-9.9%	4	5	-13.3%	4	5	-13.3%
Tax rate	25.6%	26.1%	26.0%	10 bps	26.5%	26.7%	-20 bps	26.9%	27.2%	-30 bps
EPS	(\$1.08)	\$0.64	\$0.84	-23.8%	\$1.16	\$1.16	0.0%	\$1.21	\$1.21	0.0%

Source: Company reports, TD Securities Inc.

Valuation**Exhibit 4. Comparables**

	Symbol/ Exchange	Curr.	Yr End	Price 31-Jul-15	Mkt Cap (C\$m)	Net Debt/ EBITDA	Trailing EBITDA Margin	EV/EBITDA			Price/ Book	P/E		
								Current	Next	FTM		Current	Next	FTM
Maple Leaf Foods	MFI - T	C\$	31-Dec	22.69	3,246	n/a	1.9%	12.3x	8.4x	9.6x	1.4x	35.5x	19.6x	24.1x
Packaged Foods/Meat														
Hormel Foods	HRL US	US\$	31-Oct	59.07	20,291	-0.3x	12.4%	12.9x	11.8x	12.1x	4.3x	23.2x	21.2x	21.8x
ConAgra Foods	CAG US	US\$	31-May	43.98	24,516	3.6x	13.6%	12.4x	11.8x	12.3x	4.2x	19.8x	18.5x	19.7x
Premium Brands	PBH-T	C\$	31-Dec	33.71	853	4.7x	6.4%	12.3x	10.6x	11.4x	4.2x	20.2x	16.0x	17.8x
Average					15,220	2.7x	10.8%			11.9x	4.2x			19.8x
Meat Producers & Processors														
Tyson Foods	TSN US	US\$	30-Sep	44.43	17,556	2.7x	6.8%	6.6x	6.3x	6.4x	1.5x	12.9x	11.9x	12.2x
JBS SA	JBS BZ	BRL	31-Dec	15.26	25,803	2.9x	8.9%	6.0x	5.4x	5.7x	1.9x	11.1x	11.2x	11.1x
Pilgrim's Pride	PPC US	US\$	30-Sep	21.65	7,308	0.3x	18.9%	4.1x	5.6x	5.2x	2.6x	6.7x	9.4x	8.6x
Sanderson Farms	SAFM US	US\$	31-Oct	71.98	2,097	-0.3x	19.0%	3.1x	4.5x	3.9x	1.8x	6.4x	9.9x	8.4x
Average					13,191	1.4x	13.4%			5.3x	1.9x	9.3x	10.6x	10.1x

Note: FTM denotes the 12 months ending June 2016.

Source: Bloomberg, TD Securities Inc.

Justification of Target Price

Our \$28.00 target price is based on a 10x EV/EBITDA multiple applied to our consolidated EBITDA estimate for the 12 months ending June 2017.

Key Risks to Target Price

Key risks to target price include: 1) Commodity price swings; 2) challenges related to systems integration; 3) pork market cyclicality; 4) foreign currency; 5) food safety issues and the effect they can have on brand value; 6) livestock health; 7) international trade, including free trade agreements; 8) consumer spending; 9) competition; and 10) employment matters.

**Pipelines, Power & Utilities**

Recommendation: BUY
Unchanged

Risk: LOW

12-Month Target Price: C\$15.00↓

Prior: C\$15.50

12-Month Dividend (Est.): C\$0.84

12-Month Total Return: 26.7%

Market Data (C\$)

Current Price	\$12.50
52-Wk Range	\$11.00-\$13.50
Mkt Cap (f.d.)(mm)	\$2,385.0
Current Dividend	\$0.84
Dividend Yield	6.7%
Avg. Daily Trading Vol. (3M-All Exch)	124157

Financial Data (C\$)

Fiscal Y-E	December
Shares O/S (f.d.)(mm)	190.8
Float Shares (mm)	52.0
Net Debt/Tot Cap	26.0%
BVPS (basic)	\$10.10

Estimates (C\$)

Year	2014A	2015E	2016E	2017E
DIVIDEND	0.77	0.80	0.84	0.87
AFFO/Shr	1.12	1.13	1.17	1.27

AFFO/Shr Quarterly Estimates (C\$)

Year	2014A	2015E	2016E	2017E
Q1	0.38	0.36	--	--
Q2	0.20	0.24	--	--
Q3	0.15	0.19	--	--
Q4	0.38	--	--	--

Valuations

Year	2014A	2015E	2016E	2017E
P/AFFO	11.2x	11.1x	10.7x	9.8x

Notes: Assumes pending drop-down transaction is completed.

All figures in C\$, unless otherwise specified.

Linda Ezergailis, P.Eng.

Avery Haw (Associate)

TransAlta Renewables Inc.
(RNW-T) C\$12.50**New Assets Contribute to Q2; Drop-down List Grows****Event**

TransAlta Renewables Inc. (TransAlta Renewables, RNW) reported Q2/15 AFFO/share of \$0.24, above our estimate of \$0.22 and Q2/14 AFFO/share of \$0.20.

Impact: NEUTRAL

- **Q2 Results Solid; Focus on Future Growth:** We believe that investors will focus more on company updates and commentary on potential growth opportunities through third-party acquisitions and asset drop-downs from TransAlta Corp. (TAC).
- **Rolling Forward Our Target Price Derivation:** We have rolled forward our target price derivation by a quarter and dropped our target valuation slightly to reflect the slightly higher risk of its parent affiliate, and when combined, our target price drops by \$0.50 to \$15.00.

TD Investment Conclusion

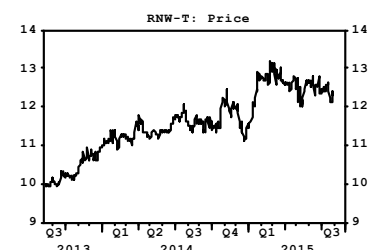
We believe that the Australian drop-down transaction demonstrates TAC's commitment to selling assets to RNW in an accretive manner, and expect another sale to be announced over the next year. With TAC's recent renewable asset acquisition announcements, this could bolster the list of potential drop-down candidates to RNW and further strengthens its future growth potential.

In our view, RNW's share price is not fully reflecting the value of the Australian transaction and the potential for future accretive acquisitions from TAC. We view RNW's relative risk-adjusted valuation as attractive, especially the recent 6.7% dividend yield. We continue to like RNW based on our view of its sizeable, diversified, and well-contracted asset base, management capability, dividend yield, and potential for future accretive acquisitions.

Please see the final pages of this document for important disclosure information.

Company Profile

TransAlta Renewables is one of the largest renewable power generators in Canada. It has interests in 29 power generation facilities, with a total net installed capacity of 1,256 MW (92% wind and 8% hydro generation). Geographically, the assets are spread across Canada and the U.S.



Details

Q2/15 comparable EBITDA of \$51.7 million increased by \$16.5 million versus Q2/14 results:

- **Western Canada Wind** comparable EBITDA of \$1.4 million in Q2/15 decreased by \$1 million y/y largely from lower production. Generation production decreased by 53 GWh y/y, driven by lower wind volumes.
- **Eastern Canada Wind** comparable EBITDA of \$30.5 million in Q2/15 increased by \$2.6 million y/y, driven by higher production with price escalations offset by higher operating costs. Generation production increased by 21 GWh y/y, largely from higher wind volumes.
- **Hydro** comparable EBITDA of \$6.0 million increased by \$0.9 million y/y, primarily from increased generation production in Western Canada and was partially offset by higher operating costs from maintenance work conducted on the Western Canada facilities. Generation production increased by 10 GWh y/y, largely driven by fewer outages, somewhat offset by lower water resources.
- **Wyoming Wind** comparable EBITDA of \$0.4 million declined by \$1.5 million y/y, largely from lower production volumes and the timing of dividends. Generation production decreased by 23 GWh y/y as a result of lower wind volumes.
- **Australian Assets** generated comparable EBITDA of \$16.7 million, compared with \$nil in Q2/14. This was the first quarter of contribution from these assets.
- **Corporate** costs of \$3.3 million increased by \$0.3 million y/y, largely from higher regulatory costs and increased G&A reimbursement fees following the Wyoming Wind acquisition (April 2014), and contractual cost escalation.

**Exhibit 1. Q2/15 Results Summary**

Income Statement (\$mm)	Q2 2015	Q2 2014	YoY Change	YoY % Change
Revenues	39,582	40,516	(934)	-2%
Government Incentives	4,245	4,619	(374)	-8%
Lease Revenue	7,450	4,878	2,572	53%
Total Revenue	51,277	50,013	1,264	3%
Royalties And Other	2,604	3,495	(891)	-25%
Gross Margin	48,673	46,518	2,155	5%
Operations, Maintenance, And Administration	12,184	11,364	820	7%
Taxes, Other Than Income Taxes	1,827	1,819	8	0%
EBITDA	34,662	33,335	1,327	4%
Depreciation And Amortization	18,230	18,475	(245)	-1%
Asset Impairment Charges	-	-	-	-
Operating Income	16,432	14,860	1,572	11%
Foreign Exchange Gain (Loss)	(1,432)	(150)	(1,282)	855%
Net Interest Expense	(8,742)	(9,108)	366	-4%
Other Income (Expense) - Income from Preferred Share Investment	17,018	1,859	15,159	815%
Other Income (Expense) - Income from Preferred Share Investment (Australia)	-	-	-	-
Gain (Loss) On Sale Of Assets and Other Items	-	-	-	-
Gain On Step Acquisition	-	-	-	-
Earnings Before Income Taxes	23,276	7,461	15,815	212%
Income Tax Expense	205	1,044	(839)	-80%
Net Earnings (Operating)	23,071	6,417	16,654	260%
Non-Controlling Interests	854	527	327	62%
Net Earnings Attributable To RNW Shareholders (Operating)	22,217	5,890	16,327	
Adjustments	(15,050)	-	(15,050)	
Net Earnings Attributable To RNW Shareholders (Reported)	7,167	5,890		
Operating EPS	0.14	0.05		
Reported EPS	0.04	0.05		
Free Cash Flow (\$000s)	Q2 2015	Q2 2014	Change	Change
Cash Flow From Continuing Operating Activities (Prior to WC)	43,402	26,950	16,452	61%
Distributions To Non-Controlling Interests	(1,333)	(1,549)	216	-14%
Maintenance Capital Expenditures	(3,086)	(2,465)	(621)	25%
Free Cash Flow (Prior to Debt Repayments)	38,983	22,936	16,047	70%
Amortizing Debt Repayments	-	-	-	-
Free Cash Flow (After Debt Repayments)	38,983	22,936	16,047	70%
AFFO Per Share (Prior to Debt Repayments)	0.24	0.20	0.04	20%
AFFO Per Share (After Amortizing Debt Repayments)	0.24	0.20	0.04	20%

Notes: Reported financials have been adjusted for the following items:

Source: Company reports, TD Securities Inc.

Outlook

Additional Drop-downs could be on Deck: TAC has been explicit in its intention to use RNW to execute on its own debt-reduction plan through additional drop-downs of contracted assets. We estimate that TAC still has assets generating over \$300 million of annual EBITDA as potential drop-down candidates for RNW (excluding the pending renewable asset acquisitions), which could also grow over time with third-party acquisitions. In conjunction with future drop-down of assets, we believe that RNW will revisit its dividend level as it continues to target an 80–85% payout ratio of CAFD.

Exhibit 2. Potential Drop-downs

Business	Potential Asset	Approximate EBITDA (\$mm)
Alberta Hydro	- 13 units, representing 90% of Alberta's hydro	\$60 - \$120
Canadian Gas-Fired Generation	- ~1,000 MW in Alberta and Ontario	\$220
Additional Renewables	- 99 MW contracted wind farm in Quebec - 7 MW contracted hydro facility in Ontario	\$10+
Acquisitions	- Third party asset acquisitions by TAC/RNW	TBD
Total Potential EBITDA (Excludes Acquisitions)		\$290 - \$350

Source: Company reports, TD Securities Inc.

Recent TAC Acquisitions Add to RNW's Drop-down List: On July 27, 2015, TAC announced that it has entered into an agreement to purchase 71 MW of renewable generation assets from an affiliate of Rockland Capital. Earlier in July, TAC entered into an agreement to restructure its Poplar Creek contract with Suncor while acquiring its interest in two wind farms totalling 64 MW of net installed capacity. These transactions will result in ~136 MW of new renewable generation assets, which could be potentially dropped down to RNW and further TAC's execution of its debt-reduction plan.

- **Rockland Capital acquisition:** TAC announced that it has agreed to acquire 71 MW of long-term contracted renewable generation assets from an affiliate of Rockland Capital LLC. The assets include 21 MW of solar projects located in Massachusetts and a 50 MW wind facility in Minnesota. Both assets are contracted under long-term power purchase agreements ranging from 20–30 years with several high quality counterparties. The transaction is expected to be completed in September 2015.
- **Wind facility acquisitions:** As part of the Poplar Creek transaction with Suncor, TAC will acquire Suncor's interest in the 20 MW Kent Breeze contracted wind farm in Ontario, and Suncor's 51% interest in the 88 MW Wintering Hills merchant wind facility in Alberta. The transaction is expected to be completed in Q3/15.

TransAlta is an Experienced Sponsor: We believe that the TransAlta team has in-depth industry knowledge honed through more than 100 years of combined experience in developing, acquiring, owning, and operating renewable power facilities. The leadership team intends to use its extensive expertise in developing new projects, along with sourcing and integrating new acquisitions.

Q3/15 Preview: We are forecasting Q3/15 AFFO/share of \$0.19 versus Q3/14 AFFO/share of \$0.15. We believe that Q3/15 results could be higher, largely driven by the incremental contribution from the Australian drop-down transaction.

Valuation

Exhibit 3. Valuation

Power & Utility Companies	Symbol	Curr. Price	Shares O/S (mm)	Market Cap (mm)	Ind. Div.	Yield	EPS (f.d.)			AFFO Per Shr (f.d.)			P/E		AFFO Yield	
							2014A	2015E	2016E	2014A	2015E	2016E	2015E	2016E	2015E	2016E
TransAlta Renewables Inc.	RNW	\$12.50	190.8	\$2,385	\$0.84	6.7%	\$0.43	\$0.47	\$0.50	\$1.12	\$1.13	\$1.17	26.4x	25.1x	9.1%	9.4%
ATCO Ltd.	ACO.X	\$39.25	115.4	\$4,529	\$0.99	2.5%	\$3.35	\$2.88	\$3.15	\$3.94	\$3.36	\$3.95	13.6x	12.5x	8.6%	10.1%
Canadian Utilities Ltd.	CU	\$36.74	265.2	\$9,745	\$1.18	3.2%	\$2.28	\$1.94	\$2.15	\$2.52	\$2.19	\$2.58	18.9x	17.1x	6.0%	7.0%
Capital Power Corp.	CPX	\$21.89	101.7	\$2,226	\$1.46	6.7%	\$0.72	\$1.21	\$1.19	\$2.80	\$2.79	\$3.07	18.1x	18.4x	12.7%	14.0%
Emera Inc.	EMA	\$43.62	148.8	\$6,491	\$1.60	3.7%	\$2.16	\$2.33	\$2.46	\$3.29	\$2.68	\$2.71	18.7x	17.7x	6.1%	6.2%
Fortis Inc.	FTS	\$37.45	284.9	\$10,670	\$1.36	3.6%	\$1.71	\$2.02	\$2.15	\$2.12	\$2.67	\$2.98	18.5x	17.4x	7.1%	8.0%
TransAlta Corp.	TA, TAC	\$8.29	279.0	\$2,313	\$0.72	8.7%	\$0.25	\$0.16	\$0.18	\$0.94	\$0.88	\$0.93	53.4x	45.1x	10.6%	11.2%
Valener Inc.	VNR	\$16.96	38.2	\$648	\$1.04	6.1%	\$0.97	\$1.12	\$1.13	\$1.10	\$1.26	\$1.30	15.1x	15.0x	7.4%	7.7%
Average						5.5%							24.2x	22.3x	8.4%	9.1%

Source: Thompson, TD Securities Inc.

Justification of Target Price

Our \$15.00 target price is predicated 50% each on our financial estimates for 2016 and 2017, as follows:

Exhibit 4. Target Price Derivation

(25% Weight) 1. EV / EBITDA			(25% Weight) 2. Relative Dividend Yield			(50% Weight) 3. Free Cash Flow Yield			Blended Target Price
EBITDA (\$ mln)	EV / EBITDA	Resultant Share Price	Dividend	Relative Dividend Yield	Resultant Share Price	AFFO/shr	FCF Yield	Resultant Share Price	
313	11.5x (prior 12.0x)	\$ 15.01	\$ 0.86	375% (prior 375%)	\$ 15.20	\$ 1.22	8.0% (prior 7.5%)	\$ 15.22	\$ 15.16
10-Year Government of Canada Bond Yield Assumption						1.50%			

Source: TD Securities Inc.

Key Risks to Target Price

Key risks to target price include: 1) Materially different-than-expected long bond yields; 2) acquisitions that do not create shareholder value; 3) operational disruptions; 4) materially different-than-expected power price and commodity pricing environment; 5) unanticipated changes to environmental laws and regulations; 6) counterparty risk; 7) PPA re-contracting risk; 8) F/X exposure; 9) access to capital markets; and 10) completion of the South Hedland project as anticipated.



Exhibit 5. Financial Summary

Ticker	RNW-T	Market Cap (\$mm)	2,385	Debt-to-Capitalization	26.0%
Recent Share Price	\$12.50	Net Debt (\$mm)	616	BVPS	10.10
52 Week Range	\$11.00-\$13.50	EV (\$mm)	3,038	Ex-div date	07/30/15
Dividend	\$0.84	Shares O/S (mm)	190.8	Fiscal Year-End	December
Dividend Yield	6.7%	Float O/S (mm)	52.0		

Note: Shares O/S include all equity issued related to the Australian drop-down transaction but excludes the Class B shares.

Company Profile: TransAlta Renewables is one of the largest renewable power generators in Canada. It has interests in 29 power generation facilities with a total net installed capacity of 1,256 MW (92% wind and 8% hydro generation). Geographically, the assets are spread across Canada in five provinces: British Columbia, Alberta, Ontario, Quebec and New Brunswick, along with the United States.

Key Metrics	2014A	2015E	2016E	2017E	Valuation	2014A	2015E	2016E	2017E
Adjusted EBITDA	176	250	289	336	EV/Adj. EBITDA	17.2x	12.2x	10.5x	9.0x
Operating EPS (f.d.)	0.43	0.47	0.50	0.57	P/E	29.3x	26.4x	25.1x	21.8x
AFFO Per Share - Prior to Debt Payments	1.12	1.13	1.17	1.27	AFFO Yield - Prior to Debt Payments	8.9%	9.1%	9.4%	10.1%
AFFO Per Share - Post Debt Payments	0.78	0.90	0.96	1.00	AFFO Yield - Post Debt Payments	6.3%	7.2%	7.6%	8.0%
Dividend Per Share	0.77	0.80	0.84	0.87	Dividend Yield	6.1%	6.4%	6.7%	7.0%
Income Statement (\$mm)	2014A	2015E	2016E	2017E	Ratios	2014A	2015E	2016E	2017E
EBITDA	167	166	167	166	Payout Ratio (% of EPS)	180%	170%	169%	151%
Depreciation and Amortization	(74)	(75)	(76)	(76)	Payout Ratio (% of AFFO) - Prior to Debt Payments	69%	71%	72%	69%
Financial Charges	(37)	(34)	(32)	(33)	Payout Ratio (% of AFFO) - Post Debt Payments	98%	90%	88%	87%
Preferred Share Investment Distributions	9	40	55	78	Debt-to-Capitalization	25%	29%	26%	24%
F/X and Other	(0)	-	-	-	Net Debt to EBITDA	3.8x	4.0x	4.4x	4.3x
Income Taxes	(13)	(16)	(16)	(16)	Free Cash Flow	2014A	2015E	2016E	2017E
Non-Controlling Interests	(3)	(3)	(3)	(3)	CF from Continuing Operations	141	206	242	278
Operating Income	49	78	95	117	Distributions to NCI	(5)	(5)	(5)	(5)
Non-Recurring Items	(0)	(0)	-	-	Maintenance Capital Expenditures	(8)	(13)	(14)	(15)
Net Income	49	78	95	117	Free Cash Flow (Prior to Debt Payments)	128	187	223	258
Cash Flow Statement (\$mm)	2014A	2015E	2016E	2017E	Amortizing Debt Repayments	(38)	(39)	(41)	(53)
Income	52	81	98	120	Free Cash Flow (Post Debt Payments)	90	148	182	205
Other Items Not Involving Cash	89	125	144	158	EBITDA Mix	2014A	2015E	2016E	2017E
Change in Non-cash Working Capital	2	-	-	-	Canadian Wind	82%	57%	50%	43%
Cash from Operations	143	206	242	278	Canadian Hydro	13%	9%	8%	7%
Capital Expenditures & Acquisitions	(8)	(79)	(155)	(81)	U.S. Wind	5%	4%	3%	3%
Other	1	(226)	-	-	Western Australia Gas	0%	30%	39%	48%
Cash from Investing	(7)	(305)	(155)	(81)		100%	100%	100%	100%
Dividends Paid	(88)	(133)	(160)	(177)					
Distributions to NCI	(5)	(5)	(5)	(5)					
Change in Debt	(38)	1	89	(13)					
Common Shares	-	217	-	-					
Other	-	-	-	-					
Cash from Financing	(131)	79	(76)	(196)					
Total Cash Flow	5	(20)	11	1					
Balance Sheet (\$mm)	2014A	2015E	2016E	2017E					
Cash and Cash Equivalents	24	3	14	15					
Other Current Assets	37	37	37	37					
Property, Plant and Equipment	1,650	1,655	1,734	1,739					
Other Non-Current Assets	253	1,499	1,431	1,349					
Total Assets	1,964	3,195	3,216	3,140					
Current Liabilities	241	475	590	314					
Long-Term Debt	464	561	534	468					
Other Liabilities	219	216	216	216					
Total Liabilities	923	1,251	1,340	997					
Non-Controlling Interests	38	35	33	30					
Total Shareholders' Equity	1,003	1,908	1,843	2,113					
Total Liabilities, NCI & Shareholders' Equity	1,964	3,195	3,216	3,140					

Source: TD Securities Inc.



Oil & Gas Services

Scott Treadwell, P. Eng.

Aaron Sherlock (Associate)

All figures in C\$, unless otherwise specified.

TD Drill Bit

U.S. OFS Results and Read-throughs

TD Investment Conclusion

In this edition of the Drill Bit, we examine the early Q2 results from the large global OFS names and some U.S. players. With reporting for the quarter roughly half complete, we believe that the story in Canada has largely been told; though we believe that the highlights from the global players could have an increasing impact on our coverage universe as the rest of the year unfolds. In particular, we believe that the global OFS group's higher exposure and larger market share in the U.S. segment allow for some level of generalization when examining the trends in market dynamics in the subsequent forecasts. Our view remains that strong assets and balance sheets are the only defensible pillars for investment, as our top picks represent.

Monthly Topic: Read-throughs from Global OFS names**Schlumberger (SLB-N; Q2 EPS \$0.88 versus \$0.79 Bloomberg consensus)**

- Q2 results were slightly ahead of expectations, as the company was able to maintain operating margins above the previous downturns through cost-control measures. Schlumberger expects E&P investment in the North American market to fall by more than 35%, while the company believes that international investment will drop by more than 15%. Management stated that visibility remains limited for the second half of the year.
- **Read-through:** The commentary on North America is in line with our view of reduced spending; however, international investment has not seen as sharp a fall and, in our view, supports names with exposure abroad such as Precision Drilling Ltd. (PD-T), Trinidad Drilling Ltd. (TDG-T), and Calfrac Well Services Ltd. (CFW-T).

Halliburton (HAL-N; Q2 EPS \$0.44 versus \$0.29 Bloomberg consensus)

- Q2 results were stronger than anticipated, though they benefited from reduced depreciation expense from assets held for sale. The company stated that North American revenue was down 25% sequentially, though outperforming the 40% drop in rig count. Although pricing pressure continued, strong cost-control measures were able to reduce the impact.
- **Read-through:** Pricing pressure and competition remain strong in North America, while overseas markets have not seen as large an impact.

Baker Hughes (BHI-N; Q2 EPS \$(0.14) versus \$(0.14) Bloomberg consensus)

- With challenged North American markets, the company is focusing on what it believes will be more resilient markets (Norway, Saudi Arabia, West Africa, and the Gulf of Mexico). The company stated that it expects these unfavourable market conditions to persist through 2015.
- **Read-through:** North America continues to be challenged, while overseas markets may, in our view, be more attractive.

Please see the final pages of this document for important disclosure information.

Patterson (PTEN-N; Q2 EPS \$(0.11) versus \$(0.27) Bloomberg consensus)

- The Q2 beat was primarily driven by cost-control initiatives taken in the pressure pumping group, resulting in better-than-expected margins. The company completed seven new APEX drilling rigs, and is planning to complete three new builds in Q3, all under contract.
- **Read-through:** Strong cost controls in the pressure pumping group drove the result, in our opinion, with margins increasing to 16.7% from 12.8% in the first quarter. We believe that the result illustrates the positive impact a continued focus on reducing costs can have.

RPC (RES-N; Q2 EPS \$(0.17) versus \$(0.11) Bloomberg consensus)

- The company's results were lower than expected, primarily driven by reduced pressure pumping activity and pricing in the quarter. RPC posted operating margins of ~(-20)% in its technical services group which includes pressure pumping and coil tubing services. The company also suspended its quarterly dividend.
- **Read-through:** In our view, RPC's operating margin of (20)% is evidence of the highly aggressive nature of the U.S. pumping market, and the speed with which margins can turn materially negative given the fixed-cost nature of the segment, along with unsustainably low pricing levels.

NOV (NOV-N; Q2 EPS \$0.74 versus \$0.64 Bloomberg consensus)

- NOV's results were better than expected on efficiencies and cost controls implemented earlier this year. However, the company's backlog in both its Rig Systems and Completions groups decreased by 13% and 18%, respectively. In our view, this decrease may be difficult to backfill as activity in the second half of the year is not expected to increase.
- **Read-through:** With a manufacturing-based company like NOV, replacing its backlog is of paramount importance, in our opinion, and may present buying opportunities for companies looking to reduce future costs. We believe that this may have been the case with Precision Drilling as the company purchased long-lead items in Q2, where highly discounted pricing gives customers the ability to hedge forward capital spending while delivering some new order volume to the manufacturing segment.



Exhibit 1: OFS Comp Table

Ticker	31-Jul Price	Mkt. Cap (\$mm)	EV (\$mm)	EPS				P/E			
				2013A	2014A	2015E	2016E	2013A	2014A	2015E	2016E
Drillers											
ESI-T	\$10.13	\$1,545	\$2,315	\$0.84	\$0.46	\$0.37	\$0.65	12.1x	22.0x	27.4x	15.6x
PD-T	\$6.65	\$1,948	\$3,512	\$0.67	\$0.11	\$0.04	\$0.42	9.9x	60.5x	166.3x	15.8x
SVY-T	\$1.08	\$97	\$425	\$0.35	-\$2.79	-\$0.21	\$0.12	3.1x	nmf	nmf	9.0x
TDG-T	\$3.25	\$434	\$990	\$0.58	\$0.05	\$0.03	\$0.07	5.6x	65.0x	108.3x	46.4x
WRG-T	\$5.24	\$390	\$572	\$0.50	\$0.48	\$0.19	\$0.51	10.5x	10.9x	27.6x	10.3x
Pressure Pumps											
CFW-T	\$5.96	\$572	\$1,302	\$0.30	\$0.71	-\$0.90	\$0.08	19.9x	8.4x	nmf	74.5x
TCW-T	\$2.81	\$419	\$1,085	-\$0.31	-\$0.03	-\$0.82	\$0.02	nmf	nmf	nmf	140.5x
FRC-T	\$5.52	\$380	\$440	-\$0.07	\$0.74	-\$0.26	\$0.46	nmf	7.5x	nmi	12.0x
Logistics & Fabrication											
EFX-T	\$12.19	\$958	\$1,379	\$0.71	\$0.90	\$0.63	\$0.50	17.2x	13.5x	19.3x	24.4x
HNL-T	\$3.00	\$396	\$515	\$0.38	\$0.21	\$0.06	\$0.28	7.9x	14.3x	50.0x	10.7x
MTL-T	\$19.09	\$1,751	\$2,350	\$1.55	\$1.02	\$0.51	\$1.41	12.3x	18.7x	37.4x	13.5x
NAL-T	\$12.91	\$726	\$987	\$0.40	-\$2.52	-\$0.30	\$1.06	32.3x	nmf	nmf	12.2x
SES-T	\$10.83	\$1,477	\$1,718	\$0.35	\$0.25	\$0.03	\$0.50	30.9x	43.3x	361.0x	21.7x
SCL-T	\$30.74	\$1,983	\$2,327	\$3.49	\$1.52	\$1.93	\$3.23	8.8x	20.2x	15.9x	9.5x
Oilfield Services											
TOT-T	\$14.79	\$458	\$520	\$1.20	\$1.66	\$0.87	\$1.42	12.3x	8.9x	17.0x	10.4x
ESN-T	\$0.97	\$122	\$164	\$0.19	-\$0.18	\$0.02	\$0.14	5.1x	nmf	48.5x	6.9x
Sub-segment Averages											
Drillers								8.2x	39.6x	82.4x	19.4x
Pressure Pumps								19.9x	7.9x	nmf	75.7x
Logistics & Fabrication								18.2x	22.0x	96.7x	15.3x
Oilfield Services								8.7x	8.9x	32.8x	8.7x
Group Average								13.4x	24.4x	79.9x	27.1x
Ticker	P/Book	Est. Div. (\$/sh)	Yield	EBITDAS (\$mm)				EV/EBITDAS			
				2013A	2014A	2015E	2016E	2013A	2014A	2015E	2016E
Drillers											
ESI-T	0.7x	\$0.48	4.7%	\$486	\$538	\$359	\$453	6.4x	5.4x	6.5x	5.1x
PD-T	0.8x	\$0.28	4.2%	\$649	\$817	\$556	\$711	6.0x	5.6x	6.3x	4.9x
SVY-T	0.1x	\$0.00	0.0%	\$151	\$158	\$76	\$112	5.8x	5.5x	5.6x	3.8x
TDG-T	0.4x	\$0.20	6.2%	\$270	\$252	\$181	\$275	5.3x	6.3x	5.5x	3.6x
WRG-T	0.6x	\$0.30	5.7%	\$117	\$177	\$87	\$117	6.4x	5.0x	6.6x	4.9x
Pressure Pumps											
CFW-T	0.7x	\$0.25	4.2%	\$191	\$361	\$76	\$211	9.6x	6.0x	17.2x	6.2x
TCW-T	0.3x	\$0.00	0.0%	\$188	\$269	\$12	\$212	14.3x	9.4x	94.2x	5.1x
FRC-T	0.9x	\$0.30	5.4%	\$33	\$121	\$34	\$91	21.8x	7.4x	12.8x	4.8x
Logistics & Fabrication											
EFX-T	0.9x	\$0.34	2.8%	\$134	\$191	\$227	\$253	8.1x	8.7x	6.1x	5.4x
HNL-T	1.5x	\$0.32	10.7%	\$126	\$93	\$74	\$114	9.3x	4.8x	7.0x	4.5x
MTL-T	2.1x	\$1.20	6.3%	\$304	\$287	\$239	\$316	8.5x	9.6x	9.8x	7.4x
NAL-T	1.5x	\$0.50	3.9%	\$104	\$129	\$85	\$164	12.2x	13.1x	11.6x	6.0x
SES-T	1.6x	\$0.24	2.2%	\$138	\$212	\$143	\$213	12.3x	13.7x	12.0x	8.1x
SCL-T	1.9x	\$0.60	2.0%	\$404	\$348	\$253	\$385	7.1x	9.9x	9.2x	6.0x
Oilfield Services											
TOT-T	1.2x	\$0.24	1.6%	\$86	\$106	\$68	\$91	7.5x	6.8x	7.6x	5.7x
ESN-T	0.4x	\$0.04	4.1%	\$68	\$68	\$30	\$53	5.2x	5.1x	5.4x	3.1x
Sub-segment Averages											
Drillers	0.5x							6.0x	5.6x	6.1x	4.5x
Pressure Pumps	0.7x							15.2x	7.6x	41.4x	5.4x
Logistics & Fabrication	1.6x							9.6x	10.0x	9.3x	6.3x
Oilfield Services	0.8x							6.3x	6.0x	6.5x	4.4x
Group Average	1.0x							9.1x	7.7x	14.0x	5.3x

**Special Situations**

Recommendation:	BUY
	<i>Unchanged</i>
Risk:	MEDIUM
12-Month Target Price:	C\$205.00↑
<i>Prior:</i>	<i>C\$180.00</i>
12-Month Dividend (Est.):	C\$1.50
12-Month Total Return:	16.3%

Market Data (C\$)

Current Price	\$177.50
52-Wk Range	\$97.00-\$177.89
Mkt Cap (f.d.)(mm)	\$6,194.8
EV (\$mm)	\$6,655.9
Current Dividend	\$1.50
Dividend Yield	0.9%
Avg. Daily Trading Vol. (3M-All Exch)	68,695

Financial Data (C\$)

Fiscal Y-E	December
Shares O/S (f.d.)(mm)	34.9
Float Shares (mm)	25.1
Net Debt (\$mm)	\$461.1
Net Debt/Tot Cap	22.2%
Net Debt/EBITDA	0.8x

Estimates (C\$)

Year	2014A	2015E	2016E	2017E
Sales (\$mm)	2,585.6	2,854.2	3,039.7	3,207.7
Sales (old)(\$mm)	--	2,840.8	3,054.3	--
EBITDA (\$mm)	481.5	567.3	603.8	646.0
EBITDA (old)(\$mm)	--	545.3	582.2	--
EPS (f.d.)	6.19	7.74	8.36	9.07
FCF/Shr	6.10	7.72	8.68	9.58

EPS (f.d.) Quarterly Estimates (C\$)

Year	2014A	2015E	2016E	2017E
Q1	1.51	1.93	--	--
Q2	1.58	2.09	--	--
Q3	1.79	1.98	--	--
Q4	1.31	1.74	--	--

Valuations

Year	2014A	2015E	2016E	2017E
EV/EBITDA	13.8x	11.7x	11.0x	10.3x
P/E (f.d.)	28.7x	22.9x	21.2x	19.6x

All figures in C\$, unless otherwise specified.

Damir Gunja

Paul Bilenki (Associate)

CCL Industries Inc.
(CCL.B-T) C\$177.50**Q2 Results Beat on Further Margin Expansion at Avery****Event**

CCL Industries Inc. reported revenue of \$721.5mm, versus our estimate of \$711.5mm and consensus of \$715.5mm. EBITDA for the quarter was \$148.9mm, versus our estimate of \$134.0mm and consensus of \$137.8mm.

Impact: POSITIVE

- Results came in ahead of our expectations, primarily as a result of better than expected margins in the Avery division.
- CCL continues to augment its organic growth with acquisitions, completing two in July 2015.
- We have revised our F2015 and F2016 estimates to account for the results and we are introducing our F2017 estimates at this time. We have rolled forward our valuation to 11.5x the midpoint of our F2016 and F2017 EBITDA estimates and our target price has increased to \$205.00 (from \$180.00) as a result. We reiterate our BUY recommendation.

TD Investment Conclusion

We view CCL as an industry leader and a stable cash generator with a strong balance sheet. The company has good organic growth opportunities with leverage to the U.S. economy and emerging markets, and it has the financial strength to pursue additional acquisitions. We believe that CCL remains attractively valued and acquisitions offer additional upside to our forecasts and target price.

Exhibit 1. CCL Industries: Key Quarterly Summary

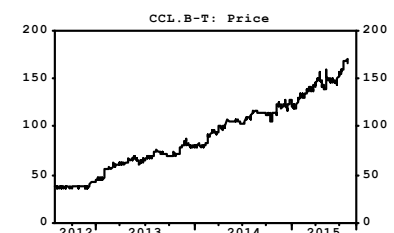
	Q2/14	Q2/15	y/y	Comments
Label - Revenue	423.8	468.9	11%	4% organic growth; up 8% excl. FX
Avery - Revenue	174.2	198.2	14%	-1% excluding FX and acquisitions
Container - Revenue	52.4	54.4	4%	-1% excluding FX
Consolidated Revenue	650.4	721.5	11%	Organic growth of 2.2%
Label - EBITDA	86.0	103.3	20%	22.0% margin (up 170bps)
Avery - EBITDA	31.7	49.1	55%	24.8% margin (up 660bps)
Container - EBITDA	8.3	9.2	11%	16.9% margin (up 110bps)
Consolidated EBITDA*	118.8	148.9	25%	Up 21% y/y excluding FX
EBITDA Margin	18.3%	20.6%	+230bps	

*Consolidated EBITDA includes corporate costs

Source: Company reports.

Company Profile

CCL Industries Inc. is a global leader in label and packaging solutions for large corporations and small businesses. The company has three divisions: CCL Label, CCL Container, and Avery. It operates in over 105 facilities in 29 countries and employs over 11,000 individuals.



Please see the final pages of this document for important disclosure information.

Details

Label Segment

- Label revenue in Q2/15 increased by 10.6% y/y, with organic growth of 4.0%, growth from acquisitions of 4.0%, and a positive currency translation impact of 2.6%.
- Sales in North America were flat y/y excluding acquisitions and foreign exchange, as growth in Healthcare and Food & Beverage were offset by soft demand in Home & Personal Care and in the Ag-Chemical market. Organic growth in Europe and Latin America were in the mid-single digits and double digits, respectively, with growth in both markets broad-based. Mid-single digit organic revenue declines were seen in the Asia Pacific region as growth was hampered by weak demand in the Home & Personal Care market in China and with a difficult prior year comparable.
- EBITDA increased by 20.1% y/y, with margins improving 170bps to 22.0%. Margin expansion was seen at acquired companies as well as in the legacy business, most notably in Food & Beverage and at CCL Design.

Avery Segment

- Avery revenue in Q2/15 increased by 13.8% y/y, with an organic revenue decline of 1.0% offset by growth from acquisitions of 7.2% and a positive currency translation impact of 7.6%.
- Sales gains in Printable Media were offset by declines in BOPWI (binders, organizers, presentation and writing instruments). Recall that Avery has been increasing focus on Printable Media and has been willing to give up market share in the BOPWI category, which tends to be more of a commoditized, low margin business.
- EBITDA increased by 54.9% y/y, with margins improving 660bps to 24.8%, as CCL has reduced costs, improved productivity, put through price increases, and increased focus on the higher margin Printable Media category.

Container Segment

- Container revenue in Q2/15 increased by 3.8% y/y, driven by currency translation.
- Volume declines seen at the Canadian plant were mostly offset by solid export demand to the U.S. from the Mexican plant as well as favourable pricing.
- EBITDA increased by 10.8% y/y, with margins improving 110bps to 16.9%, benefitting from foreign exchange, a favourable shift in mix, and improved pricing.

Recently Announced Acquisitions and Joint Venture

- On July 6, CCL announced the acquisition of Fritz Brunnhofer GmbH, a German durable goods label manufacturer, for \$7.8mm in cash (5.2x F2014 adjusted EBITDA of \$1.5mm). The business will be integrated into CCL Design and brings with it new customer relationships in the Industrial and Aerospace end-markets.
- In July 2015, CCL acquired the assets of Phoenix Label House, an Australian provider of wine labels, for AUD1.2mm. Additional details were not disclosed.
- On July 8, CCL announced that it has entered into a Joint Venture with Korsini-SAF, a European in-mould label producer headquartered in Turkey. The partners will invest a combined \$20mm to build a new 70,000 square foot manufacturing plant for in-mould labels in Memphis, Tennessee, which is expected to be in operation by mid-2016.

Outlook

- Our revised estimates for F2015 and F2016 and our new F2017 estimates are provided in Exhibit 2. We have revised our margin expectations higher in all three segments, given the robust improvement in margins seen in H1/15. In addition, we believe that revenues and margins will benefit further from the continued decline in the Canadian dollar, as ~95% of sales are denominated in foreign currencies.
- In the label segment, management continues to see weakness in demand for consumer staples in North America, but we believe that this weakness will be more than offset by growth in other end-markets.
- At Avery, we are forecasting a y/y decline in Q3/15 in both revenue and operating income. Q3 has historically been a seasonally strong quarter due to the "back-to-school" season, but given the decreased focus on the BOPWI product category, management believes that it will be challenged to



repeat last year's Q3 performance. Given what we see as a secular deterioration in demand for office products, we believe that CCL is better positioned for the long-term by its increased emphasis on Printable Media.

- We believe that the container segment will remain relatively stable in the near-term. Note that weakness in the Canadian dollar has returned the Canadian facility to profitability and the plant closure has been delayed until late 2016 as a result.
- While we believe that CCL will continue to execute acquisitions, note that our forecasts do not assume any acquisitions and they may therefore offer additional upside to our estimates and target price. Management has stated that it believes it can add ~\$150mm in annual revenue through acquisitions.

Exhibit 2. CCL Industries: Quarterly and Forecast Summary

	Q2/15			Prior Year Period		F2015E		F2016E		F2017E
	Estimate	Actual	Var.	Q2/14A	y/y	OLD	NEW	OLD	NEW	NEW
Label Revenue	463.3	468.9	1.2%	423.8	10.6%	1,894.8	1,912.9	2,046.4	2,066.0	2,200.3
Label Income from Ops	69.5	71.9	3.5%	56.0	28.4%	293.1	297.5	307.0	320.2	346.5
Margin (%)	15.0%	15.3%	+30bps	13.2%	+210bps	15.5%	15.6%	15.0%	15.5%	15.8%
Avery Revenue	191.6	198.2	3.4%	174.2	13.8%	733.1	728.0	784.4	749.8	772.3
Avery Income from Ops	30.7	45.3	47.6%	28.4	59.5%	119.2	140.7	133.3	148.0	153.3
Margin (%)	16.0%	22.9%	+690bps	16.3%	+660bps	16.3%	19.3%	17.0%	19.7%	19.8%
Container Revenue	56.6	54.4	-3.9%	52.4	3.8%	212.9	213.2	223.6	223.9	235.1
Container Income from Ops	5.9	5.4	-8.5%	4.8	12.5%	24.8	24.5	24.6	25.2	27.0
Margin (%)	10.4%	9.9%	-50bps	9.2%	+70bps	11.6%	11.5%	11.0%	11.3%	11.5%
Total Revenue	711.5	721.5	1.4%	650.4	10.9%	2,840.8	2,854.2	3,054.3	3,039.7	3,207.7
EBITDA	134.0	148.9	11.1%	118.8	25.3%	545.3	567.3	582.2	603.8	646.0
Margin (%)	18.8%	20.6%	+180bps	18.3%	+230bps	19.2%	19.9%	19.1%	19.9%	20.1%
EPS (f.d.)	1.74	2.09	20.1%	1.58	32.3%	7.15	7.74	7.99	8.36	9.07
FCF/share	1.98	2.19	10.6%	1.95	12.3%	7.41	7.72	8.13	8.68	9.58

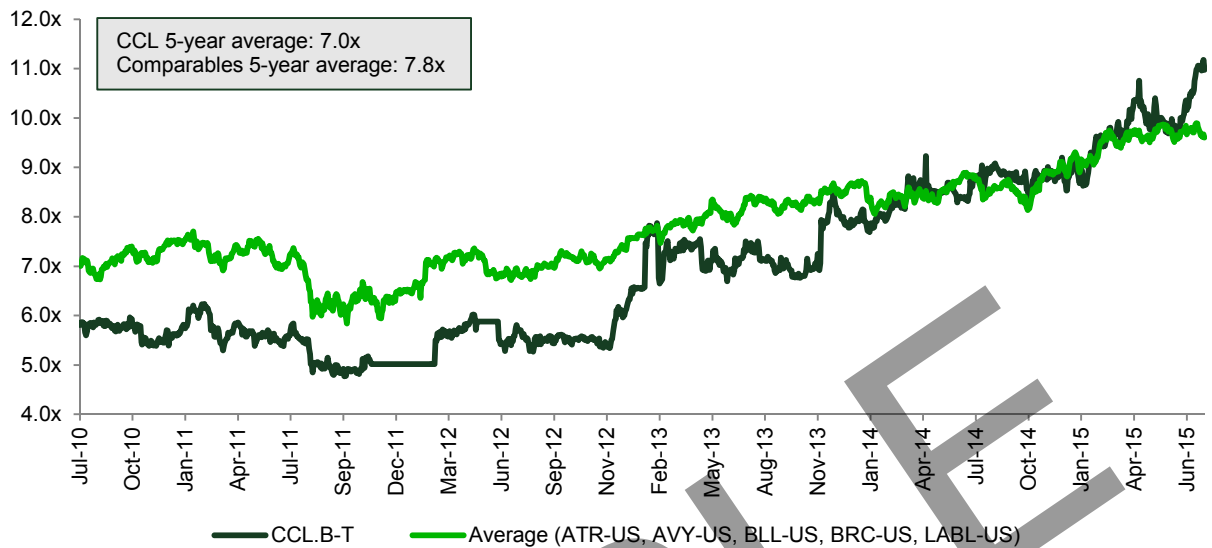
Source: Company reports, TD Securities Inc.

Valuation

Exhibit 3. CCL Industries: Company Comparables

COMPANY	Ticker	Price	Market Cap (\$mm)	P/E			EV/EBITDA			Net debt /	F15E EBITDA
				2014A	2015E	2016E	2014A	2015E	2016E	F15E EBITDA	Margin
Aptargroup Inc.	ATR - US	\$68.49	\$4,287	23.2x	23.1x	21.5x	10.0x	10.1x	9.8x	0.8x	19.7%
Avery Dennison Corp.	AVY - US	\$60.71	\$5,526	22.9x	18.2x	16.1x	9.7x	7.8x	8.1x	1.1x	13.7%
Ball Corp.	BLL - US	\$69.58	\$9,593	20.5x	20.8x	17.9x	10.5x	11.3x	10.3x	2.7x	13.7%
Brady Corp.	BRC - US	\$23.54	\$1,125	nmf	17.6x	14.7x	7.7x	8.9x	8.0x	1.2x	12.3%
Berry Plastics Group Inc.	BERY - US	\$33.67	\$4,020	63.5x	19.9x	16.5x	10.9x	9.1x	8.7x	4.3x	16.8%
Cimpres N.V.	CMPR-US	\$64.32	\$2,110	48.4x	15.8x	15.7x	15.8x	11.6x	10.2x	2.2x	15.3%
Crown Holdings Inc.	CCK - US	\$51.92	\$7,238	18.4x	14.7x	13.1x	10.8x	10.3x	9.6x	4.5x	13.9%
Multi-Color Corp.	LABL - US	\$63.63	\$1,064	36.8x	19.6x	17.8x	13.2x	10.0x	9.3x	2.9x	18.4%
Silgan Holdings Inc.	SLGN - US	\$53.80	\$3,256	18.7x	17.0x	15.7x	9.8x	10.1x	9.7x	3.7x	13.3%
Sonoco Products Company	SON - US	\$41.14	\$4,151	17.6x	16.3x	14.7x	8.4x	8.1x	7.6x	1.6x	12.7%
Wipak Ltd.	WPK-T	\$44.63	\$2,901	28.4x	21.1x	18.8x	13.8x	11.1x	10.0x	-0.8x	22.7%
Average (excl. high/low)				27.2x	18.5x	16.4x	10.8x	9.9x	9.3x	2.3x	15.3%
CCL Industries Inc.	CCL'B - T	\$177.50	\$6,195	28.7x	22.9x	21.2x	13.8x	11.7x	11.0x	0.8x	19.9%

Source: Company reports, Thomson One, Caapital IQ, TD Securities Inc.

Exhibit 4. CCL Industries: EV / NTM EBITDA vs. Comparables

Source: Capital IQ, TD Securities Inc.

Justification of Target Price

Our \$205.00 target price (previously \$180.00) is based on 11.5x (previously 11.0x) the midpoint of our EBITDA estimates for F2016 and F2017. Although our multiple is a premium to the company's historical average EV / NTM EBITDA multiple, it is in line with the company's recent trading range and, in our view, it is justified by what we view as solid growth prospects, a strong balance sheet, a leading market position, and an active acquisition environment.

Key Risks to Target Price

Key risks to our target price include: global economic growth; foreign exchange; retention of key personnel; increased competition; sustained profitability of the container segment; input costs; manufacturing issues; dependence on key customers; and acquisition and integration risk.



Oil & Gas Services

Recommendation: BUY
Unchanged

Risk: HIGH

12-Month Target Price: C\$8.00↓

Prior: C\$9.00

12-Month Dividend (Est.): C\$0.30

12-Month Total Return: 54.6%

Market Data (C\$)

Current Price \$5.37
52-Wk Range \$4.95-\$17.11
Mkt Cap (f.d.)(mm) \$370.0
Mkt Cap (basic)(mm) \$370.0
EV (\$mm) \$429.2
Current Dividend \$0.30
Dividend Yield 5.6%
Avg. Daily Trading Vol. (3M-All Exch) 318361

Financial Data (C\$)

Fiscal Y-E December
Shares O/S (f.d.)(mm) 68.9
Shares O/S (basic)(mm) 68.9
Float Shares (mm) 58.4
Net Debt (\$mm) \$59.2
Net Debt/Tot Cap 13.3%

Estimates (C\$)

Year	2013A	2014A	2015E	2016E
Sales (\$mm)	299.8	591.2	436.4	539.2
Sales (old)(\$mm)	--	--	440.6	567.7
EBITDA (\$mm)	32.7	121.5	34.4	91.5
EBITDA (old)(\$mm)	--	--	37.2	98.4
EPS (f.d.)	(0.07)	0.74	(0.26)	0.46
EPS (f.d.)(old)	--	--	(0.07)	0.54

EPS (f.d.) Quarterly Estimates (C\$)

Year	2013A	2014A	2015E	2016E
Q1	0.14	0.18	(0.02)	0.19
Q2	(0.27)	(0.23)	(0.32)	(0.21)
Q3	0.06	0.43	(0.01)	0.21
Q4	0.01	0.32	0.09	0.28

Valuations

Year	2013A	2014A	2015E	2016E
P/E (f.d.)	nmf	7.3x	nmf	11.7x
Est. EV/EBITDA	21.8x	7.4x	12.5x	4.7x

Supplemental Data

Year	2013A	2014A	2015E	2016E
Wells Drilled	11,489	11,355	6,400	8,500
Gas \$US/mcf	\$3.70	\$4.25	\$3.00	\$3.20
Oil \$US/bbl	\$98.00	\$93.00	\$57.00	\$65.00

All figures in C\$, unless otherwise specified.

Please see the final pages of this document for important disclosure information.

Scott Treadwell, P. Eng.

Aaron Sherlock (Associate)

Canyon Services Group Inc.

(FRC-T) C\$5.37

Q2 Loss Less than Expected, Cost Leadership Evident

Event

Canyon's Q2 results were better than expected, as a strong quarter from fluid services and cost control helped offset lower pumping pricing and activity.

Exhibit 1: Q2/15 Results Summary

	Q2/15A	TD Estimate	% Δ	Consensus	% Δ	Beat / Miss
Revenue (\$MM)	\$43.2	\$46.9	-8.0%	\$39.4	9.5%	Miss/Beat
EBITDAS (\$MM)	(\$9.8)	(\$12.2)	20.0%	(\$14.1)	30.8%	Beat

Source: Company reports, TD Securities Inc.

Impact: NEUTRAL – While the headline result beat expectations, we believe the outlook remains cloudy for pumpers in general. Canyon continues to exhibit financial leadership in the space by maintaining a strong balance sheet, driving changes to the historical cost structure, and moving to variable compensation for field staff. We expect Canyon to be relatively well utilized through the remainder of 2015 absent further slowdowns, and that the company's cost management will shine through. We have lowered our 2016 forecast on reduced margin expectations driven by larger than forecast pricing declines. This lowers our target price to \$8.00 (from \$9.00) but we are maintaining our BUY rating.

How Material was the Event?



Key Metric: EBITDAS (\$million) Reported:\$(9.8) TD:\$(12.2) Cons:\$(14.1)

Positives

- Cost control leads segment

Negatives

- Pricing off more than expected

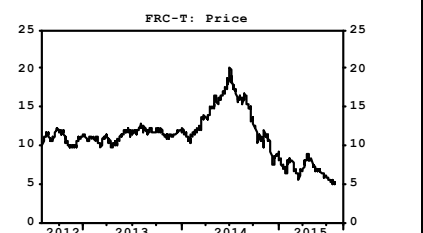
Source: Company reports, TD Securities Inc.

TD Investment Conclusion

Canyon delivered a Q2 result that beat EBITDAS expectations, as the company's fluid management group and overall lean cost structure helped offset low activity and weaker pricing in pressure pumping. Further evidence of Canyon's cost control focus was given as the company is transitioning some of its field staff to a variable (hourly) compensation plan, which we see as prudent and overdue. With less volatility in cash flow on a more responsive cost structure, we would expect full-cycle multiples to expand over time. We have lowered our 2016 estimates to recalibrate for lower pricing, dropping our target price to \$8.00 (from \$9.00), but we reiterate our BUY rating.

Company Profile

Canyon is a western Canada-based oilfield services company with operations across the Western Canadian Basin. Canyon provides pressure pumping services, including fracturing, coiled tubing, acidizing, and cementing.



Details (all amounts in \$ million except EPS)

- Revenue of \$43.2 missed our \$46.9 estimate and beat consensus at \$39.4
- EBITDAS of \$(9.8) came in above our \$(12.2) expectation and consensus of \$(14.1)
- EPS for the quarter was \$(0.32), below our \$(0.20) forecast but in line with consensus at \$(0.32)

Canyon posted Q2 results that missed our revenue forecast while coming in above EBITDAS estimates as lower than expected activity and pricing drove the revenue miss while strong cost controls resulted in the EBITDAS beat. The 28% drop in revenue from the prior year was primarily due to weakness in the general pressure pumping market, though partially offset by the acquisition of Fraction, while EBITDAS only dropped by 6% from Q2/14 as cost control measures helped to bolster margins. The company announced it is in the process of transforming a portion (approximately 10%) of its field employee compensation from a predominately fixed structure to a variable pay model which would more closely track revenues. In addition, the company announced an amended credit facility in late June, increasing the facility to \$100 million (from \$90 million) with an accordion of \$50 million.

Exhibit 2: Canyon's Q2/15 Results Summary

	YoY			Sequential			vs. TD Estimate		
	Q2/15	Q2/14	Chng	Q2/15	Q1/15	Chng	Actual	Est.	Diff'ce
Revenue-\$mm									
Fracturing	\$36.6	\$60.3	-39%	\$36.6	\$138.2	-74%	\$36.6	\$36.9	-1%
Fluid Management	\$6.6	\$0.0	n.a.	\$6.6	\$17.4	-62%	\$6.6	\$10.0	-34%
Total	\$43.2	\$60.3	-28%	\$43.2	\$155.6	-72%	\$43.2	\$46.9	-8%
EBITDAS-\$mm	-\$9.8	-\$9.2	6%	-\$9.8	\$18.3	-153%	-\$9.8	-\$12.2	-20%
EBITDAS Margin-%	-22.6%	-15.2%		-22.6%	11.8%		-22.6%	-26.0%	
Net Income-\$mm	-\$21.9	-\$15.3	43%	-\$21.9	-\$1.0	2006%	-\$21.9	-\$13.7	60%
per Share (dil.)	-\$0.32	-\$0.23	38%	-\$0.32	-\$0.02	2000%	-\$0.32	-\$0.20	60%
Cash Flow - \$mm	-\$9.4	-\$9.1	4.0%	-\$9.4	\$16.7	-157%	-\$9.4	-\$10.1	-6%
CAPEX - \$mm	\$6.1	\$18.6	-67.4%	\$6.1	\$17.6	-66%	\$6.1	\$3.5	73%
Operational Highlights									
Job Count	283	347	-18%	283	620	-54%	283	260	9%
Revenue per job (\$)	\$232,569	\$173,715	34%	\$232,569	\$224,162	4%	\$232,569	\$180,211	29%

Source: Company Reports, TD Securities Inc.

Outlook

Absent a further slowdown across the industry, we believe Canyon's focus on the deep basin region and strong client associations should keep it relatively fully utilized, likely enough to prevent material further price erosion, in our opinion. As the company transitions to a more variable cost structure, we see the potential for margin expansion without pricing gains. However, at the same time, the transition would remove some of the operating leverage typically enjoyed by pumpers in rising activity. On a net basis, we believe pumpers are long-overdue to move to a variable compensation plan for field staff, given the operation has shifted to much longer jobs and planning cycles and away from a call-out model seen pre-2008.

The company's fluid management group, Fraction, in our view seems to be well positioned with key clients in NE B.C., where pumping services may not be provided by Canyon. In addition to a low-asset intensity model, we believe Fraction allows Canyon to 'get a foot in the door' with clients that may not have seriously considered Canyon as a pumping provider in the past. Over the longer term, as water management becomes more important, we believe Fraction has the capability to be a driver of incremental fracturing activity in bundled service situations.

We have lowered our 2016 estimates, based on the lower pricing seen in Q2 and assuming a modest recovery in activity. Should the company execute a more meaningful shift in field compensation, we would expect margins to move higher structurally, but potentially give up the initial step higher on increased activity and only move higher with price gains. As a result our target price moves down to \$8.00 (from \$9.00) and we are maintaining our BUY rating.

Exhibit 3: Forecast Change Summary

	2014	2015 Forecast			2016 Forecast		
	Actual	Est.	Prior	Chng.	Est.	Prior	Chng.
Revenue-\$mm							
Fracturing	\$562.4	\$385.9	386.2	0%	\$474.2	482.7	-2%
Fluid Management	\$29.1	\$50.5	54.4	-7%	\$65.0	85.0	-24%
Total	\$591.2	\$436.4	\$440.6	-1%	\$539.2	\$567.7	-5%
EBITDAS-\$mm	\$121.5	\$34.4	\$37.2	-8%	\$91.5	\$98.4	-7%
EBITDAS Margin-%	20.5%	7.9%	8.4%		17.0%	17.3%	
Net Income-\$mm	\$49.1	-\$17.6	-\$5.0	253%	\$31.8	\$37.0	-14%
per Share (dil.)	\$0.74	-\$0.26	-\$0.07	253%	\$0.46	\$0.54	-14%
Cash Flow - \$mm	\$120.7	\$32.4	\$37.0	-12%	\$87.5	\$94.0	-7%
CAPEX - \$mm	\$105.0	\$27.7	\$25.1	10%	\$21.0	\$21.0	0%
Operational Highlights							
Job Count	2,942	2,267	2,244	1%	2,640.0	2,665	-1%
Revenue per job (\$)	\$191,178	\$170,221	\$179,853	-5%	\$179,634	\$181,112	-1%

Source: Company Reports, TD Securities Inc.

Valuation

Canyon trades below its larger peers on 2016E EV/EBITDAS. However we believe the gap to the larger pressure pumpers will close given Canyon's relative growth potential (organic or through acquisitions), cost structure and balance sheet strength.

Exhibit 4: Industry Comparables

Ticker	30-Jul Price	Mkt. Cap (\$mm)	EV (\$mm)	EPS				P/E			
				2013A	2014A	2015E	2016E	2013A	2014A	2015E	2016E
Pressure Pumpers											
CFW-T	\$5.92	\$568	\$1,298	\$0.30	\$0.71	-\$0.90	\$0.08	19.7x	8.3x	nmf	74.0x
TCW-T	\$2.84	\$423	\$1,090	-\$0.31	-\$0.03	-\$0.82	\$0.02	nmf	nmf	nmf	142.0x
FRC-T	\$5.37	\$370	\$429	-\$0.07	\$0.74	-\$0.26	\$0.46	nmf	7.3x	nmf	11.7x
Sub-segment Averages											
Drillers								8.5x	40.5x	84.5x	20.0x
Pressure Pumpers								19.7x	7.8x	nmf	75.9x
Logistics & Fabrication								18.1x	22.0x	94.9x	15.3x
Oilfield Services								8.7x	8.8x	33.2x	8.7x
Group Average								13.5x	24.7x	79.9x	27.3x
Ticker	P/Book	Est. Div. (\$/sh)	Yield	EBITDAS (\$mm)				EV/EBITDAS			
				2013A	2014A	2015E	2016E	2013A	2014A	2015E	2016E
Pressure Pumpers											
CFW-T	0.7x	\$0.25	4.2%	\$191	\$361	\$76	\$211	9.6x	6.0x	17.2x	6.1x
TCW-T	0.3x	\$0.00	0.0%	\$188	\$269	\$12	\$212	14.3x	9.4x	94.6x	5.1x
FRC-T	0.9x	\$0.30	5.6%	\$33	\$121	\$34	\$91	21.8x	7.4x	12.5x	4.7x
Sub-segment Averages											
Drillers	0.5x							6.0x	5.6x	6.2x	4.6x
Pressure Pumpers	0.6x							15.2x	7.6x	41.4x	5.3x
Logistics & Fabrication	1.6x							9.6x	10.0x	9.3x	6.3x
Oilfield Services	0.8x							6.3x	6.0x	6.5x	4.4x
Group Average	1.0x							9.1x	7.7x	14.0x	5.3x

Source: ThomsonOne, TD Securities Inc.

Justification of Target Price

Our target price calculation method concentrates primarily on EV/EBITDAS on forward-year estimates. In the case of Canyon our range is between 6.5x and 7.0x on our 2016 EV/EBITDAS. Based on the low-end of this range on our updated estimates, our target price decreases to \$8.00 (from \$9.00) and we reiterate our BUY rating.

Key Risks to Target Price

- Weakness in commodity prices
- Unseasonable weather
- Finding, training and retaining qualified staff
- Availability of equipment, and parts and supplies
- Material change for pumping services in Canada
- Changes in legislation/regulation pertaining to fracturing operations
- General economic weakness
- Market share risk

SAMPLE



CANYON SERVICES GROUP (FRC-T, BUY, Target price: C\$8.00)

Price Assumption					Valuation						
		2013	2014	2015E	2016E		2013	2014	2015E	2016E	
Oil-WTI	\$/b	\$98.00	\$93.00	\$57.00	\$65.00	P/E	x	nmf	7.3	nmf	11.7
Gas-Henry Hub	\$/mmbtu	\$3.70	\$4.25	\$3.00	\$3.20	P/CF	x	10.5	3.0	11.4	4.2
Gas-AECO	C\$/mcf	\$3.20	\$4.40	\$2.90	\$2.95	Enterprise Value	\$mm	712.8	901.7	429.2	429.2
Rig Count Assumptions					EV/EBITDAS						
		2013	2014	2015E	2016E		x	21.8	7.4	12.5	4.7
WCSB Wells Rig Released		11,489	11,355	6,400	8,500	Dividend Yield	%	11.2	11.2	7.0	5.6
WCSB Drilling Rig Op Days		122,852	135,334	80,077	103,131	P/BV	x	1.2	0.9	0.8	0.8
WCSB Drilling Rig Utilization		41%	45%	27%	34%	P/TBV	x	2.2	2.2	0.8	0.8
Income Statement					Cashflow Analysis						
		2013	2014	2015E	2016E		2013	2014	2015E	2016E	
Revenues	\$mm	299.8	591.2	436.4	539.2	Cash Flow from Operations	\$mm	32.7	120.7	32.4	87.5
Operating Costs	\$mm	248.5	441.9	375.4	418.6	<i>Chgs in Working Cap</i>	\$mm	18.8	-38.9	-4.8	-11.3
% of revenues	%	82.9	74.7	86.0	77.6	Net Cash Flow from Operations	\$mm	51.5	81.8	27.7	76.2
EBITDAS	\$mm	32.7	121.5	34.4	91.5	Cash Flow from Investing	\$mm	-14.8	-78.7	-10.4	-27.5
% of revenues	%	10.9	20.5	7.9	17.0	Cash Flow from Financing	\$mm	-37.9	-3.8	-40.3	-20.7
Depreciation & Amortization	\$mm	33.0	49.3	48.8	45.4	Increase in Cash	\$mm	-1.3	-0.7	-22.9	28.0
EBIT	\$mm	-0.4	72.2	-14.4	46.1	Free Cash Flow	\$mm	-20.2	-24.8	-27.4	45.9
% of revenues	%	-0.1	12.2	-3.3	8.6	Capital Expenditures	\$mm	-14.8	-105.0	-27.7	-21.0
Interest & taxes	\$mm	-0.2	18.6	-0.7	14.3	CFOPS	\$	0.51	1.81	0.47	1.27
Non-recurring items	\$mm	0.0	0.0	0.0	0.0	Capex/Cash Flow	%	45.4	87.0	85.3	24.0
Net Income	\$mm	-4.4	49.1	-17.6	31.8	Payout Ratio	%	114.4	32.6	95.4	23.6
Reported EPS (basic)	\$	-0.07	0.75	-0.26	0.46	Quarterly Forecast					
Reported EPS (diluted)	\$	-0.07	0.74	-0.26	0.46		1Q15	2Q15	3Q15	4Q15	
Dividend Per Share		0.60	0.60	0.38	0.30	Revenues	\$mm	155.6	43.2	114.5	123.2
Revenue Growth	%	-15.1	97.2	-26.2	23.6	EBITDAS	\$mm	18.3	-9.8	9.2	16.6
Basic WA Shs OS	mm	62.0	65.8	68.8	68.7	% of revenues	%	11.8	-22.6	8.0	13.5
Diluted WA Shs OS	mm	63.5	66.6	68.8	68.7	DD&A	\$mm	15.8	14.3	9.7	8.9
Balance Sheet					Operating Income						
		2013	2014	2015E	2016E		\$mm	1.1	-25.6	-0.5	7.7
Cash	\$mm	21.3	20.6	3.9	6.0	Non-recurring items	\$mm	0.0	0.0	0.0	0.0
LT Debt	\$mm	3.1	30.0	40.0	14.0	Net Income	\$mm	-1.0	-21.9	-0.9	6.1
Net Debt	\$mm	-15.5	23.7	39.7	11.6	Reported EPS (basic)	\$	-0.02	-0.32	-0.01	0.09
Net Debt/Equity	%	-5.2	5.6	8.6	2.4	Reported EPS (diluted)	\$	-0.02	-0.32	-0.01	0.09
Debt/Equity	%	1.0	7.1	8.6	2.9	Revenue Growth	%	12.6	-28.4	-44.0	-34.6
Total Assets	\$mm	119.1	169.9	115.8	125.7	EBITDAS Growth	%	-33.2	-6.2	-84.1	-63.5
Total Liabilities	\$mm	-182.3	-250.7	-346.9	-359.4	EPS Growth	%	-108.5	-38.4	-103.0	-72.5
Total S/H Equity	\$mm	301.4	420.5	462.7	485.0	Basic WA Shs OS	mm	68.7	68.9	68.9	68.9
Ratios Analysis					Diluted WA Shs OS						
		2013	2014	2015E	2016E		mm	68.7	68.9	68.9	68.9
ROA	%	-1.1	7.7	-2.9	5.0	Ratios Analysis					
ROCE	%	-1.2	13.3	-3.2	6.5						
ROE	%	-1.4	13.6	-4.0	6.7	ROA	%	-1.1	7.7	-2.9	5.0
Net Debt/Equity	%	-5.2	5.6	8.6	2.4	ROCE	%	-1.2	13.3	-3.2	6.5
Net Debt/EBITDAS	%	-47.5	19.5	115.4	12.7	ROE	%	-1.4	13.6	-4.0	6.7
Book Value Per Share	\$	4.75	6.32	6.72	7.06	Net Debt/Equity	%	-5.2	5.6	8.6	2.4
Tangible Book Value Per Share	\$	2.70	2.49	6.65	7.04	Net Debt/EBITDAS	%	-47.5	19.5	115.4	12.7

Source: Company Reports, TD Securities

**Communications**

Recommendation: **BUY**
Unchanged

Risk: **HIGH**

12-Month Target Price: **C\$8.00**
Unchanged

12-Month Dividend (Est.): **C\$0.00**

12-Month Total Return: **55.3%**

Market Data (C\$)

Current Price	\$5.15
52-Wk Range	\$4.41-\$7.65
Mkt Cap (f.d.)(mm)	\$77.8
Current Dividend	\$0.00
Dividend Yield	0.0%
Avg. Daily Trading Vol. (3M-All Exch)	19,565

Financial Data (C\$)

Fiscal Y-E	December
Shares O/S (f.d.)(mm)	15.1
Float Shares (mm)	9.8
Net Debt/Tot Cap	51.3%
BVPS (basic)	\$3.76
Net Debt/EBITDA	3.4x

Estimates (C\$)

Year	2014A	2015E	2016E	2017E
EBITDA (\$mm)	14.0	17.5	21.2	23.9
EPS (f.d.)	(0.34)	(0.01)	0.07	0.13

EPS (f.d.) Quarterly Estimates (C\$)

Year	2014A	2015E	2016E	2017E
Q1	(0.10)	0.00	--	--
Q2	(0.13)	(0.01)	--	--
Q3	(0.02)	(0.01)	--	--
Q4	(0.09)	0.01	--	--

Valuations

Year	2014A	2015E	2016E	2017E
Est. EV/EBITDA	6.2x	6.2x	5.3x	4.5x

Notes: Shares o/s are PF

All figures in C\$, unless otherwise specified.

Vince Valentini, CFA

Bentley Cross, CFA

TeraGo Inc.
(TGO-T) C\$5.15**Q2/15 Preview****Event**

TGO to release Q2/15 results

Impact: NEUTRAL

We maintain our BUY rating with our \$8.00 target price intact.

TD Investment Conclusion

Second quarter results will continue to face headwinds due to the loss of Public Mobile, but the ~\$900k in lost Public Mobile revenue will be more than offset by the benefit of the recent RackForce acquisition. As we move into the second half of the year the drag from Public Mobile will begin to fade away and we expect to see continued progress in TGO's reported results. **As results begin to show a return to growth, we believe the market will begin to recognize the growth potential in the company's new business lines causing TGO's trading multiple to grind higher. In our view, a 6.2x EBITDA multiple does not ascribe proper value to a company that is expected to show more than 50% EBITDA growth between 2014 and 2016.** We reiterate our BUY recommendation.

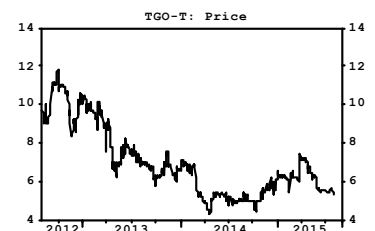
Details

Second Quarter Expectations: TeraGo will release its Q2/15 results after-market close on August 6th and will host a conference call at 9:00 AM ET the following day (conference call#: 647-788-4919 or 1-877-291-4570). We highlight the following items and refer you to Exhibit 1 for further details on our forecasts for the quarter:

- We forecast total revenues of \$14.9 million (\$14.6mm in service revenue with \$200k in installation/other revenue), versus \$13.2 million last year (up 13% y/y), with the expected growth driven by the acquisition of RackForce (closed four days before the close of Q1). Consensus appears to be looking for roughly \$15.2 million in revenue, but given the limited information available related to RackForce, we believe there remains a fair amount of uncertainty in the consensus outlook. Management disclosed on the Q1 call that PF the RackForce acquisition ARPU was \$1,145, which, pari passu, would imply \$14.5mm of service revenue for the quarter (assuming no change in customer count), which likely serves as the basis for most Street forecasts. In addition to the benefit of RackForce, we expect the underlying organic business to return to growth, as the recently committed backlog begins to flow through to revenue (sales cycle for TGO's new business lines is roughly 6-9 months, vs. 30-45 days previously).

Company Profile

TeraGo is a wireless broadband communications service provider that owns and operates a carrier-grade, fixed wireless, IP communications network in Canada.



Please see the final pages of this document for important disclosure information.

- Our EBITDA estimate of \$4.7mm compares to \$3.6mm reported last year (\$4.3mm on an adjusted basis). We believe consensus is looking for Q2 EBITDA of approximately \$4.5mm. We remind investors, that Q2/14 included the benefit of a roughly \$500k early termination benefit, which is unlikely to recur.
- We forecast net customer additions to be positive in Q2, with churn expected to be flat y/y.

Exhibit 1. TeraGo Inc. Q2/15 Forecasts

	Q2/15E	Q2/14A	Q1/15A
Total Revenue (\$000)³	\$14,881	\$13,182	\$12,236
Total Revenue Growth Y/Y	12.9%	3.2%	-5.0%
EBITDA (\$000)^{1,3}	\$4,709	\$3,578	\$3,163
EBITDA margin	31.6%	27.1%	25.8%
EPS (f.d)	(\$0.01)	(\$0.13)	(\$0.00)
Customers²	4,228	4,107	4,223
Net Adds	5	28	150
ARPU²	\$1,155	\$1,010	\$990
Y/Y Growth	14.4%	-2.9%	-4.0%
Churn Rate²	1.00%	1.00%	0.98%
- change y/y	0.00%	-0.34%	-0.1%

1) Excluding one-time charges (restructuring, acquisition, integration, etc.) adjusted EBITDA was \$3.7mm in Q1/15 and \$ 4.3mm in Q2/14.

2) Operating measures presented above reflect the company's new reporting convention of customer-based operating metrics. Q1/15A customers includes customers acquired in Rackforce acquisition.

3) Q2/14 includes early termination fee (~\$500k)

Source: Company Reports and TD Securities Estimates

Valuation

TGO shares are trading at 6.2x 2015E EBITDA, at a discount to Canadian telecom comps and a significant discount to data centre comps (Exhibit 3).

Justification of Target Price

Our target of \$8.00 is based on a fundamental target, arrived at using a long-term DCF model. We use a terminal multiple of 13x FCF and a discount rate of 12%.

Key Risks to Target Price

Key risks to our target price include: 1) ILECs start competing more aggressively in the SMB sector; 2) Canadian cablecos make a more rapid or a more aggressive entry into the SMB market; 3) TeraGo incurs unexpected opex or capex due to its high growth profile; 4) TeraGo experiences integration challenges with current and future acquisitions; 5) there are any adverse changes in telecom and/or spectrum regulations in Canada; 6) rapid changes in technology make TeraGo's existing network obsolete; 7) recession; 8) Execution risk associated with new business initiatives; and 9) LT interest rates increase.



Exhibit 2. TD Securities Forecast for TeraGo

	2014	2015	2016	2017	2018	2019	2020
	Actual	TDSI Est.	TDSI Est.	TDSI Est.	TDSI Est.	TDSI Est.	TDSI Est.
Total Revenue	51.2	58.8	66.4	72.1	77.5	82.5	87.0
<i>Total Revenue Growth Y/Y</i>	-0.4%	14.8%	13.0%	8.5%	7.5%	6.5%	5.4%
EBITDA (\$mm)	14.0	17.5	21.2	23.9	26.8	29.4	31.7
EBITDA margin	27.3%	29.8%	31.9%	33.2%	34.5%	35.6%	36.4%
EPS (Recurring, f.d.)	(\$0.34)	(\$0.01)	\$0.07	\$0.13	\$0.25	\$0.36	\$0.47
Capex (\$mm)	12.6	13.0	13.9	14.4	14.7	15.7	16.3
Capex as a % of Total Revenue	24.6%	22.2%	21.0%	20.0%	19.0%	19.0%	18.8%
Discretionary Free Cash Flow (\$mm)	1.0	0.7	2.1	5.2	8.5	10.7	12.3
FCF/share (limited taxes assumed until 2019)	\$0.09	\$0.04	\$0.15	\$0.38	\$0.61	\$0.77	\$0.89
Customers (excluding RackForce)	4,073	4,240	4,265	4,290	4,315	4,340	4,355

Source: Company Reports and TD Securities Estimates

Exhibit 3. Relevant Comparables

Company	Symbol	Price	Curr. Div Yield	Mkt Cap	EV/EBITDA			P/E			P/FCF		
					2014A	2015E	2016E	2014A	2015E	2016E	2014A	2015E	2016E
Canadian Telecom													
BCE	BCE	\$53.61	4.8%	\$45,481	8.2x	7.9x	7.5x	16.9x	15.6x	14.9x	12.3x	14.7x	14.3x
TELUS	T	\$44.65	3.8%	\$27,415	8.7x	8.5x	8.1x	19.3x	16.9x	15.8x	26.0x	20.5x	19.9x
MTS	MBT	\$28.79	4.5%	\$2,335	5.9x	6.7x	6.0x	16.9x	24.1x	19.2x	19.1x	17.9x	12.6x
Rogers Communications	RCI.B	\$45.91	4.2%	\$23,896	7.2x	7.3x	7.1x	15.5x	15.7x	15.0x	16.5x	14.1x	14.9x
TeraGo	TGO	\$5.15	0.0%	\$78	6.2x	6.2x	5.3x	nmf	nmf	68.8x	59.9x	nmf	34.0x
Average (Ex-TeraGo)					7.5x	7.6x	7.2x	17.2x	18.1x	16.2x	18.5x	16.8x	15.4x
U.S. Telecom													
AT&T	T	\$34.97	5.4%	\$182,543	6.2x	6.4x	5.6x	13.9x	13.2x	12.3x	18.4x	11.7x	10.1x
Verizon	VZ	\$46.94	4.7%	\$191,750	6.6x	6.5x	6.3x	14.0x	11.9x	11.7x	14.3x	12.0x	12.0x
Sprint	S	\$3.39	0.0%	\$13,431	n/a	7.2x	6.5x	n/a	n/a	n/a	n/a	n/a	n/a
T-Mobile USA	TMUS	\$40.80	0.0%	\$33,502	9.4x	7.7x	6.3x	n/a	51.6x	21.0x	n/a	57.0x	14.6x
Average					7.4x	6.9x	6.2x	14.0x	25.6x	15.0x	16.3x	26.9x	12.2x
Global Data Centre Comps													
RackSpace Hosting, Inc	RAX	\$34.79	0.0%	\$5,017	8.2x	7.2x	6.1x	45.2x	40.0x	30.5x	46.7x	35.7x	29.7x
Interxion Holding	INXN	\$27.62	0.0%	\$2,037	15.9x	14.1x	12.5x	54.9x	45.3x	34.5x	n/a	n/a	n/a
Telecity Group	TCY	£10.92	0.5%	£2,229	15.6x	15.5x	14.0x	27.9x	28.3x	24.3x	n/a	69.7x	47.0x
QTS Realty Trust	QTS	\$41.61	3.1%	\$1,631	23.6x	19.6x	16.8x	85.3x	79.0x	45.2x	n/a	n/a	n/a
Cyrusone Inc.	CONE	\$30.49	4.1%	\$1,125	10.7x	10.5x	9.0x	n/a	n/a	62.9x	n/a	n/a	42.9x
CoreSite	COR	\$50.56	3.3%	\$1,267	11.8x	10.9x	9.9x	76.6x	52.7x	41.5x	n/a	n/a	20.4x
Equinix, Inc.	EQUIX	\$282.23	2.4%	\$16,228	17.7x	16.0x	14.3x	92.8x	57.6x	47.1x	n/a	n/a	51.2x
Average					14.8x	13.4x	11.8x	63.8x	50.5x	40.9x	46.7x	52.7x	38.2x

Source: Capital IQ, Company reports, TD Securities estimates

**Exhibit 4. TeraGo Valuation (in \$000s, except multiples and per-share amounts)**

	2014A	2015E	2016E	2017E
TGO Capitalization				
Shares Outstanding ¹	13,839	13,962	15,094	15,094
Share Price - Current	\$5.15	\$5.15	\$5.15	\$5.15
Share Price - 12-Month Target	\$8.00	\$8.00	\$8.00	\$8.00
Equity Capitalization - Current	71,271	71,902	77,734	77,734
Equity Capitalization - Target	110,712	111,692	120,752	120,752
Net Debt (excludes \$0.8 mln in restricted cash)	15,928	36,945	34,850	29,628
Less Option payments ¹	0.0	9.3	9.3	9.3
Total F.D Net Debt	15,927.7	36,935.9	34,841.1	29,618.9
Enterprise Value - Current	87,199	108,838	112,575	107,353
Enterprise Value - Target	126,640	148,628	155,593	150,371
TGO Reported EBITDA	13,993	17,523	21,221	23,933
Enterprise Value/EBITDA Valuation				
EV/EBITDA Multiple	\$5.15 - Current	6.2x	6.2x	5.3x
	\$8.00 - 12-Month Target	9.1x	8.5x	7.3x
TGO Reported Revenue	51,229	58,793	66,424	72,054
Enterprise Value/Revenue Valuation				
EV/Revenue Multiple	\$5.15 - Current	1.7x	1.9x	1.7x
	\$8.00 - 12-Month Target	2.5x	2.5x	2.1x
TGO Free Cash Flow per Share	\$0.09	\$0.04	\$0.15	\$0.38
Price/Free Cash Flow per Share				
Price/FCFPS	\$5.15 - Current	59.9x	nmf	34.0x
	\$8.00 - 12-Month Target	93.0x	182.3x	52.9x
TGO EPS	(\$0.34)	(\$0.01)	\$0.07	\$0.13
P/E Valuation				
P/E Multiple	\$5.15 - Current	nmf	nmf	68.8x
	\$8.00 - 12-Month Target	nmf	nmf	106.9x

1. Because the weighted average strike price is well above current price we do not assume exercise for 2014

Source: Company Reports and TD Securities Inc.



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CCL Industries Inc.	CCL.B-T		14
Calfrac Well Services Ltd.	CFW-T		9
Canyon Services Group Inc.	FRC-T		9
Enbridge Inc.	ENB-T	ENB-N	1, 2, 4, 9
Enerflex Ltd.	EFX-T		2
Ensign Energy Services Inc.	ESI-T		9
Essential Energy Services Ltd.	ESN-T		n/a
Horizon North Logistics Inc.	HNL-T		1,2,4,9
Maple Leaf Foods Inc.	MFI-T		2, 9
Mullen Group Ltd.	MTL-T		2, 4, 9
Newalta Corp.	NAL-T		n/a
Precision Drilling Corp.	PD-T	PDS-N	2, 4, 9
Savanna Energy Services Corp.	SVY-T		2
Secure Energy Services Inc.	SES-T		1, 2, 4, 9
ShawCor Ltd.	SCL-T		1, 2, 4, 9
TeraGo Inc.	TGO-T		1, 2, 4
Total Energy Services Inc.	TOT-T		9
TransAlta Renewables Inc.	RNW-T		1, 2, 4
Trican Well Service Ltd.	TCW-T		9
Trinidad Drilling Ltd.	TDG-T		2, 9
Western Energy Services Corp.	WRG-T		9

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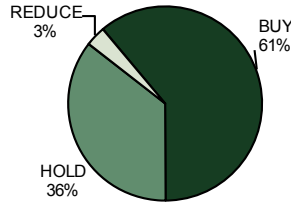
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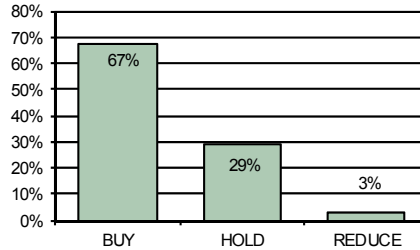


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