Vol. 26 No. 43
December 6, 2021

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BUY AND HOLD KEEPS ROLLING

By Gordon Pape, Editor and Publisher

If you check the prices of your stocks every day, our Buy and Hold Portfolio is not for you. It was designed in June 2012 for patient, long-term investors who don't want the stress of day-to-day monitoring.

The portfolio has one basic goal – invest in great stocks and then hold on to them, no matter what the market is doing. Over the long term, the strategy works. There are ups and downs, of course, but the underlying thesis is that the long-term trend of the markets is up. If you own good stocks, they'll move with it.

This portfolio consists mainly of Canadian and US blue-chip stocks that offer long-term growth potential. It also has a bond ETF holding. The original weighting was 10% for each stock with the bond ETF starting with a 20% position. That has now been reduced because equity increases have outpaced the bond market. I used several criteria to choose the stocks. These included a superior long-term growth profile, industry leadership, a good balance sheet, and relative strength in down markets.

Continued on next page...

IN THIS ISSUE

Buy and Hold keeps rolling	**1**
A telehealth IPO with strong partners	**5**
Adam Mayers updates iShares U.S. Medical Devices ETF, Medtronic Inc.	**7**
Ryan Irvine updates Trulieve Cannabis Corp., Quipt Home Medical Corp.	**10**
Shawn Allen updates Aecon Group	**14**

Next issue Dec. 13
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Buy & hold—continued from page 1...

The objective is to generate decent cash flow (all the stocks but one pay dividends), minimize downside potential, and provide slow but steady growth. The target rate of return was originally set at 8% annually.

These are the securities we hold with comments on how they performed since my last review in June. Prices are as of the close of trading on Dec. 2.

IWB BUY & HOLD PORTFOLIO HOLDINGS

iShares Canadian Universe Bond Index ETF (TSX: XBB). Bonds continue to struggle in the current environment as inflation is putting pressure on central banks to raise rates. This pattern is likely to continue through 2022, however I still view bonds or their proxies as an essential part of a long-term portfolio. The price is down $0.41 since the last review in June but that was almost offset by distributions totalling $0.399 per unit.

BCE Inc. (TSX, NYSE: BCE). BCE shares continue to strengthen, rising $4.85 since the last update. Because of timing we received only one dividend of $0.875 per share.

Brookfield Asset Management (TSX: BAM.A, NYSE: BAM). Our largest holding continued its strong performance with a gain of $9.55 in the latest period. We also received two dividends for a total of $0.323 a share.

CN Rail (TSX: CNR, NYSE: CNI). CN stock recovered big time after the company lost out to rival Canadian Pacific in the battle to take over Kansas City Southern. The shares are up an impressive $34.66 since the last review. Because of timing we received one dividend payment of $0.615.

Enbridge (TSX, NYSE: ENB). Enbridge stock continues to struggle amid concerns a state court in Michigan may grant the Governor's petition to close down the passage of oil through the company's Line 5, that runs beneath the Straits of Mackinac. The shares are down $1.53 since the last review. Fortunately, that was offset by two dividend payments for a total of $1.67 per share.

Toronto Dominion Bank (TSX, NYSE: TD). Banks continue to rally, and the Office of the Superintendent of Financial Institutions has lifted its ban on dividend increases. TD announced last week it is raising its dividend by 13%. The stock is up $9.33 since the last review. We received two dividend payments at the old rate of $0.79 per quarter for a total of $1.58 per share.

Alphabet (NDQ: GOOGL). This stock continues to be a money machine for us. The shares are up US$409.32 since the last review in June. This is the only stock in the group that does not pay a dividend.

UnitedHealth Group (NYSE: UNH). This is the top health insurer in the US and the shares continue to move higher. They gained US$47.21 since our last review. We received one dividend due to timing, for US$1.45 per share.

Walmart (NYSE: WMT). Walmart didn't do much of anything during the period. The shares dropped US$1.44. We received one quarterly dividend of US$0.55 per share.

Cash. At the time of the last review, we had cash and retained earnings

Here is the status of the portfolio as of Dec. 2. For consistency, the Canadian and US dollars are shown at par. Trading commissions are not factored in, although in a buy and hold portfolio they are not significant in any event.

IWB Buy and Hold Portfolio (a/o Dec. 2/21)

Symbol	Weight %	Shares	Avg. Price	Book Value	Current Price	Market Value	Retained Earnings	Gain/ Loss %
XBB	10.1	500	$31.43	$15,716.80	$31.50	$15,750.00	$325.59	+ 2.3
BCE	7.5	180	$46.14	$8,305.75	$65.54	$11,797.20	$486.39	+47.9
BAM.A	16.8	360	$15.63	$5,635.15	$73.21	$26,355.60	$630.24	+379.0
CNR	11.6	110	$43.34	$4,767.35	$165.21	$18,173.10	$561.45	+294.8
ENB	5.8	190	$41.81	$7,944.55	$47.87	$9,095.30	$320.40	+18.5
TD	10.5	170	$44.10	$7,055.60	$96.50	$16,405.00	$805.80	+143.9
GOOGL	14.6	8	$794.49	$6,355.92	$2,859.32	$22,874.56	$0	+259.9
UNH	12.8	45	$112.47	$5,061.15	$446.02	$20,070.90	$1,057.29	+317.5
WMT	10.0	115	$108.82	$12,514.30	$135.47	$15,579.05	$560.05	+29.0
Cash	0.3			$399.87		$421.79		
Total	100.0			$73,756.44		$156,522.50	$4,747.21	+118.7
Inception				$49,945.40				+222.9

Comments: The new portfolio value (market price plus retained dividends/ distributions) is $161,269.71. That compares to $145,865.05 at the time of the last review, for a gain of 10.6%.

The big winners during the latest period were Alphabet, UnitedHealth, Brookfield Asset Management, CNR, and TD Bank. The only stocks to post (small) losses were Walmart and Enbridge.

Since inception, we have a total return of 222.9%. That represents an average annual compound growth rate over 9-1/2 years of 13.13%, which is well ahead of our 8% target.

Changes: This is a Buy and Hold portfolio, so I am not making any changes to our holdings. The overall asset mix is sound.

However, we are holding a lot of cash so let's put some of it to work, as follows.

XBB – We will buy 10 units at $31.50 for a total of $315. That will give us 510 units and reduce retained income to $10.59.

BCE – We'll buy five more shares at $65.54 for a total of $327.70. That will give us 185 shares. The retained earnings will drop to $158.69.

BAM.A - We'll add another five shares at $73.21 for a total of $366.05. That will give us 365 shares. The retained earnings will drop to $264.19.

ENB – We'll take advantage of the pullback to add five shares at $47.87, for a total cost of $239.35. That will leave $81.05 in retained earnings.

TD – The bank is raising its dividend so let's add to our cash flow by purchasing another five shares at $96.50, for a cost of $482.50. We now own 175 shares and have retained earnings of $323.30.

We have cash and retained earnings of $3,483.40. We will move this money to the EQ Savings Plus Account, which currently pays 1.25%.

Here is the revised portfolio. I will update it again in June.

IWB Buy and Hold Portfolio (revised Dec. 2/21)

Symbol	Weight %	Shares	Average Price	Book Value	Current Price	Market Value	Retained Earnings
XBB	10.2	510	$31.43	$16,031.80	$31.50	$16,065.00	$10.59
BCE	7.7	185	$46.67	$8,633.45	$65.54	$12,124.90	$158.69
BAM.A	16.9	365	$16.44	$6,001.20	$73.21	$26,721.65	$264.19
CNR	11.5	110	$43.34	$4,767.35	$165.21	$18,173.10	$561.45
ENB	5.9	195	$41.97	$8,184.00	$47.87	$9,334.65	$81.05
TD	10.6	175	$43.07	$7,538.10	$96.50	$16,887.50	$323.30
GOOGL	14.4	8	$794.49	$6,355.92	$2,859.32	$22,874.56	$0
UNH	12.7	45	$112.47	$5,061.15	$446.02	$20,070.90	$1,057.29
WMT	9.8	115	$108.82	$12,514.30	$135.47	$15,579.05	$560.05
Cash	0.3			$421.79		$421.79	
Total	100.0			$75,509.06		$158,253.10	$3,016.61
Inception				$49,945.40			

A TELEHEALTH IPO WITH STRONG PARTNERS

By Adam Mayers, Contributing Editor

I'm not a fan of investing in new stock issues, because too much about initial public offerings (IPOs) is risky.

They come to market at the best time for insiders to cash out, often at the peak of their economic cycle. The good news is all out, while the bad is hidden. You don't know much about the company, so it is hard to determine whether the product or service is really better than others like it. Plus, IPOs tend to sell off after the initial hype around launch.

But, every once in a while, I come across an exception to the rule. Babylon Holdings Ltd. (NYSE: BBLN), which went public on Oct. 21 at $9 a share is one of them (figures in US dollars).

Babylon is in the telehealth business, with a healthcare app and related mobile services that connects doctors, patients, and pharmacists via their phones or computers. It is subscription based for patients and insurers and offers consultations, referrals, personal care plans and tools, and advice for health and wellness. There are also services for doctors to manage their practices.

Babylon has 350,000 customers in 16 countries, including Canada, and an impressive client list, which is what makes it stand out.

The company was founded in 2013 by CEO Ali Parsa, a British-Iranian healthcare entrepreneur with a PhD in engineering physics. He worked for a time in investment management but left to set up a company called Circle Health, the first private company to run a UK National Health Service (NHS) hospital.

Soon after the launch of the Babylon app, he formed a partnership with the NHS. The relationship continues to expand. The company says its way of doing things is 35% cheaper than comparable services in the UK.

Telus Corp. (TSX: T, NYSE: TU) has been Babylon's Canadian partner since 2019 and uses the Babylon platform to power its Telus Health offerings. We updated this connection recently, noting that Telus Health is an $800 million a year business and may soon be spun off.

Telus Health uses Babylon's platform to link millions of Canadians without a family doctor to healthcare. The pandemic accelerated the use and acceptance of this type of interaction, as it is convenient for non-urgent matters. Telehealth has become particularly useful for mental health issues. Babylon and Telus created Babylon Health Canada but in January 2021, Telus acquired all of it.

The app allows patients and their doctors, nurses, and pharmacists to interact quickly and easily and share

Continued on page 6...

Telehealth—continued from page 5...

information 24 hours a day, seven days a week. Doctors can prescribe drugs and help with referrals. Patients can do this at the time of their choosing. The software helps doctors manage billings and appointments and store patient records. It collects high level information that can be used to spot trends and help with diagnoses. In Canada, most provinces cover the costs of these virtual visits.

In a letter to shareholders soon after the October listing, Mr. Parsa noted that Babylon's focus is on preventing illness and promoting wellness by using technology to keep patients and doctors in touch.

"Many argue the healthcare sector is broken," he wrote. "It is not broken, it is misnamed. It is a sick-care sector well-tuned to extract maximum economic benefit. [It] is designed to wait for crises and then get to work."

Babylon went public through a special purpose acquisitions company (SPAC), which raised $460 million for Babylon. (SPACs are shell companies set up with the sole purpose of raising money through an IPO.)

The SPAC deal was through Alkuri Global Acquisition Corp., which is controlled by Qatar's Sovereign Wealth Fund, which remains a shareholder. Other private investors include Palantir Technologies (NYSE: PLTR), a US software company that focuses on big data analytics, and AMF Pensionsförsäkring AB, one of Sweden's largest insurers.

The cash is earmarked for an aggressive US expansion. Babylon has laid the groundwork for this with the purchase of two California-based medical practices with a network of several thousand GPs and specialists. Mr. Parsa has noted that the US accounts for 40% of global healthcare spending.

Babylon's revenue is growing rapidly. Its losses are high, although they are shrinking as a portion of revenue. In its third quarter, reported Nov. 12, revenue grew 371% year-over-year to $74.5 million. The loss was $66 million.

For the first nine months of the fiscal year, revenue rose 430% to $203.2 million with an operating loss of $141.7 million. The loss as a percentage of revenue fell year-over-year from 336% to 70%.

By the beginning of 2022, new contracts will add 80,000 members in Georgia, California, and Mississippi and 55,000 members in the UK.

Babylon has announced a partnership with Microsoft Corp. (NDQ: MSFT) to enhance its platform and make it available for sale on Microsoft's Azure cloud marketplace. This will allow healthcare insurers to process claims.

Telehealth has been around for a while but advances in technology and the pandemic are acting as a catalyst. It is

Continued on page 7...

Telehealth—continued from page 6...

also competitive. Loblaw Cos. Ltd. (TSX: L) has an app tied in with its Shopper's Drug Mart unit. Well Health Technologies Inc. (TSX: WELL), based in Vancouver, recently went public. Teladoc Health Inc. (NYSE: TDOC) is among the biggest US players.

But if you judge people by the company they keep, the same goes for a business. Babylon has an A-list of clients, a CEO with a history of entrepreneurship, and a leading technology in a growing area of healthcare.

It is a higher risk investment even so. The shares have bounced around as they find their level and closed on Friday at $6.93, about 23% below the issue price.

The company may be suitable for patient, aggressive investors but, as always, discuss it with your advisor. As a disclaimer, I have added Babylon to the aggressive portion of my portfolio.

Action now: Buy.

Adam Mayers is a contributor to The Globe & Mail's Report on Business and a former investing columnist at The Toronto Star. His website is adammayers.com. He lives in the Toronto area.

ADAM MAYERS'S UPDATES

Recommendations are colour-coded:
Green indicates Buy
Yellow indicates Hold
Red indicates Sell

The healthcare sector offers safety and stability. These companies tend to perform well in all economic conditions because they provide things we need in good times and bad.

Medical technology had a good first half year as hospitals resumed more normal schedules, but a recent selloff has centred around uncertainty about the Omicron variant.

Here are two updates.

Continued on page 8...

HOLIDAY SPECIAL

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Happy Holidays!

iShares U.S. Medical Devices ETF NYSE: IHI

HOLD

Originally recommended on June 10/19 (#21922) at $38.66 (adjusted for a 6-1 split on July 19, 2021). Closed Friday at $61.87. (All currency figures in US dollars.)

Background: This ETF was launched in 2006 and holds US manufacturers who make and distribute medical devices. It has $8.2 billion in assets.

Portfolio: The ETF holds 66 stocks with the top five accounting for 50% of the fund. They are Thermo Fisher Scientific (14.2%), Abbott Labs (13.1%), Danaher Corp (11%), Medtronic (7.6%), and Intuitive Surgical (4.6%).

Performance: The ETF is 60% higher than its 2019 recommended price. Its total 1-year return to Nov. 30 is 19.2%. The strong performance of the top holdings explains the gains**.** Thermo Fisher and Abbott Labs are both having record years, in part because they are benefitting from the testing boom associated with the pandemic. Abbott Lab's earnings rose 69% in its latest quarter with COVID-testing sales at $1.9 billion. Of course, this business did not exist two years ago.

Key metrics: The ETF has a management fee of 0.43% and modest trailing 12-month dividend yield of 0.32%. It also has a very high p/e ratio of 47.3, which means high growth expectations are built into the price. Any distributions would be subject to U.S. withholding tax.

Action now: Hold. While this ETF owns the leaders in the sector and regularly outperforms the S&P 500, the Omicron variant's impact on it is unclear.

PRICE INCREASE REMINDER

A reminder that the membership fee for IWB will increase by $10 plus tax on Jan. 1, 2022. This increase is needed to stay abreast of rising costs.

You can beat the price hike by renewing for another year before Jan. 1, no matter when your membership expires. Call Customer Service toll-free at 1-888-287-8229 or go to www.buildingwealth.ca/subscribe.

Medtronic Inc. NYSE: MDT

BUY

Originally recommended June 10/19 (#21922 at $97.11. Closed Friday at $106.87. (All figures in US dollars.)

Background: Medtronic is the world's largest medical device company with a market capitalization of $170 billion. About 60% of its sales and profits come from outside the US.

Medtronic operates in four segments. Cardiovascular management devices, including pacemakers is the largest at 40% of sales. Wound closure products and imaging devices are another 28%. Robots, implants, and surgical tools are 26%. The remaining 7% is from the diabetes group, which makes insulin pumps and other consumables.

Performance: Medtronic's shares hit a high in late September and have sold off since. The shares are down 9% year-to-date and 7% in the latest 12 months.

Recent developments: Medtronic's second quarter revenue of $7.8 billion was 2% higher on an organic basis but missed the consensus forecast of about $8 billion. Profit of $1.31 billion ($0.97 per share) was 260% higher than the $490 million ($0.36 per share) last year.

CEO Geoff Martha said sales were hurt by a resurgence of COVID-19 in some US markets and staffing shortages at doctors' offices, hospitals, and clinics. Both reduced the volume of medical procedures where Medtronic's products are used.

Medtronic reduced its revenue guidance for the year and CFO Karen Parkhill said in a conference call she expects the pandemic to continue to affect business in the second half of the year. Since then, the arrival of the Omicron variant has created more COVID-related uncertainty.

Dividend: Medtronic raised its dividend 7.4% to $0.63 per quarter with the May payment, its 43rd consecutive year of increase. The annual total is $2.52 for a yield of 1.9% at current prices.

Outlook: In the short term, the pandemic will slow Medtronic's sales as procedures are delayed and hospitals target capital spending toward COVID-related equipment. However, the company stands to benefit from long term trends including aging in developed economies, which is increasing demand for its products. Its p/e ratio of 19.9 is reasonable.

Action now: Buy for long term gains.

RYAN IRVINE'S UPDATES

Recommendations are colour-coded:
Green indicates Buy
Yellow indicates Hold
Red indicates Sell

Trulieve Cannabis Corp. CSE: TRUL, OTC: TCNNF

BUY

Originally recommended on Nov. 16/20 (#22041) at C$27.25. Closed Friday at C$34.05, US$26.45.

Background: Headquartered in Quincy, Florida, Trulieve is primarily a vertically integrated "seed-to-sale" company and is the first and largest fully licensed medical cannabis company in the State of Florida.

Recent financials: The company recently released third quarter results. Some highlights:

- Net revenue increased 64% year-over-year to $224.1 million (the company reports in US dollars).
- Gross profit was $153.9 million and gross margin was 68.7% compared to $102.2 million and 75% in the third quarter of 2020.
- Net income of was $18.6 million, impacted by $16.4 million in one-time compensation and transaction costs primarily associated with the acquisition of Harvest Health & Recreation, which closed Oct. 1.
- Adjusted EBITDA was $98 million, or 43.7% of revenue.
- Trulieve and Harvest combined third quarter revenue was approximately $316 million. The net loss was approximately $9.8 million and adjusted EBITDA was about $121 million.
- Positive cash flow from operations was $75.1 million for the nine months ended Sept. 30.
- Cash was $213.6 million as of September 30, 2021.

Conclusion: Overall, Trulieve reported results that were ahead of expectations and highlighted by a strong adjusted EBITDA beat. Revenue increased 4% from the previous quarter and was up 64% from last year, powered by the acquisition of Keystone Shops in Pennsylvania. Organic performance was flat in a seasonally slow period for the company's core Florida business.

Adjusted EBITDA improved 3% from the second quarter and was up 43% from 2020 with margins holding relatively firm sequentially at 44%. On a pro forma basis for the acquisition of Harvest Health & Recreation, third quarter revenue would be $316 million with $121 million of adjusted EBITDA (an approximate 38% margin).

Continued on page 11...

Trulieve—continued from page 10...

During the quarter, each of 14 of the legacy Harvest stores in Florida were temporarily closed and relaunched under the Trulieve banner and have experienced a 35% improvement in run-rate revenue compared to pre-acquisition performance.

While comparable improvement across the balance of Harvest's asset base is unlikely for a number of reasons (including Trulieve's dominant brand recognition in the Florida market which is not present in other geographies currently), the swift integration of the Florida stores is nonetheless impressive and should contribute positively to strength in the fourth quarter.

Additionally, in the third quarter Trulieve executed a targeted pricing strategy, offering selective discounts to preserve margin and retain brand value in reaction to continued promotional activity by competitors in Florida. These actions combined with improved inventory flow-through and the onboarding of incremental capacity across its markets drove about 150 basis points (bps) of quarter-over-quarter gross margins percentage expansion despite some offsets from higher third-party brand sales.

Operating efficiency held relatively steady, helping to maintain adjusted EBITDA at 44%. This was a positive given the fact Trulieve's gross margin was down 260 bps to 67.2% and adjusted EBITDA margin was down 275 bps to 44.1% in the preceding period.

While margin pressure may continue, Trulieve's core Florida business should continue to grow into 2022. If investors are patient, the company will add significant growth momentum via the Harvest acquisition.

Based on the combined entities 2021 adjusted EBITDA guidance of $461 million, Trulieve is trading at approximately 12.27 times forward EBITDA. If the company can meet management's fiscal 2021 adjusted EBITDA guidance of $461 million, and trade with a justified EV/EBITDA multiple of just 16.5 times, we estimate fair value for the stock over the mid-term to be between C$52-$55 per share. Peer Multi-State-Operators (MSO) trade at significantly higher EV/EBITDA multiples.

Action now: Investments in the emerging Cannabis space are for risk tolerant investors. Expect above average volatility. We reiterate our Speculative Buy recommendation.

Quipt Home Medical Corp. TSX-V: QIPT, NDQ: QIPT

BUY

Originally recommended as Protech Home Medical Care on Nov. 16 /20 (#22041) at C$6.60 (post share consolidation). Closed Friday at C$7.29, US$5.71.

Background: Quipt Home Medical is a provider of clinical respiratory equipment to a network of over 18,500 referring physicians across the country and oversees the delivery of nearly 250,000 pieces of equipment each year. The company operates a largely subscription-based revenue model, providing the initial equipment delivery and implementation to thousands of patients each year, but also manages periodical resupply orders throughout the year. Quipt grows primarily through acquisition, having made twelve acquisitions over the past four years.

Recent strategic acquisitions: As expected, acquisition activity has picked up significantly over the past two months.

On Oct. 5, Quipt announced that it had acquired a business with operations in Mississippi for approximately $1.95 million in cash. The acquisition target has reported unaudited trailing 12-month annual revenues of approximately $2.7 million. Post integration, Quipt expects an adjusted EBITDA for the acquisition target of $0.5 million. The acquisition adds two locations, over 4,000 active patients, more than 10,000 unique orders, and 590 unique referring physicians. The business has a diverse payor mix and a full suite of products, with a focus on respiratory care representing over 65% of the mix.

On Nov. 9, Quipt revealed it had acquired a business with operations in Illinois for approximately $1.7 million in cash, and the real estate for $0.5 million. The target company has reported unaudited trailing 12-month annual revenues of approximately $2.5 million. Post integration, Quipt expects an adjusted EBITDA for the acquisition target of $0.6 million. The acquisition adds a strategic location servicing Central Illinois, over 3,700 active patients and a diverse payor mix and full suite of products with a focus on respiratory care, representing over 85% of the mix.

On Nov. 16, The company said it has executed a non-binding letter of intent (LOI) to acquire an arm's length private respiratory care company in the Midwestern United States. The company reported unaudited trailing 12-month annual revenues of approximately $13 million, $1.6 million in net income, and positive adjusted EBITDA. The target has several difficult-to-obtain insurance contracts and would significantly enhance Quipt's presence in the Midwest with a new location, covering an entire service area of a major metro hub. The target would be expected to increase Quipt's

Continued on page 13...

Quipt—continued from page 12...

active patient count by over 15,000, which would bring Quipt's total to approximately 170,000 active patients. Leveraging existing infrastructure, Quipt would expect to achieve additional revenue generated from organic growth, cross selling, and corporate synergies. Management has not yet provided an acquisition price for the non-binding LOI acquisition.

On Nov. 17, Quipt announced that it had acquired a privately held biomedical services company, with operations in the Southeastern United States, for approximately $0.7 million in cash. This acquisition reported unaudited trailing 12-month annual revenues of approximately $1.5 million, and $0.225 million in net income. The acquisition provides Quipt with a synergistic opportunity to expand into a brand-new service line of biomedical repair services for respiratory equipment including preventative maintenance.

Quipt will be able to assist healthcare providers to improve the operational efficiency of their respiratory equipment program and will have the opportunity to acquire used equipment and repair it in house, allowing it to redeploy equipment on its patient population. This provides the opportunity to lower equipment acquisition costs. Furthermore, Quipt will penetrate a new sales channel by engaging with customers in this new business unit. The acquisition serves as an additional organic growth driver as Quipt builds out this new service line.

On Nov. 22, Quipt announced that it had executed a non-binding LOI to acquire an arm's length private respiratory care company servicing seven states throughout the US. It reported unaudited trailing 12-month annual revenues of approximately $14 million, $1 million in net income, and positive adjusted EBITDA. Leveraging existing infrastructure, Quipt would expect to achieve additional revenue generated from organic growth, cross-selling, and corporate synergies. According to the LOI, Quipt expects to close the acquisition for $5 million, plus a $500,000 earn out based on certain revenue targets, payable in cash, that would immediately be accretive to Quipt's adjusted EBITDA and net income.

As part of the proposed acquisition, the company would not assume any long-term debt of the target. Closing is subject to due diligence, final negotiation, and execution of a definitive purchase agreement and is expected within the 90 days.

The target company specializes in providing high-quality, comprehensive respiratory care to patients in long-term care settings, including ventilator management, equipment, oxygen, and providing supplies. It provides these facilities with not only the necessary

Continued on page 15...

SHAWN ALLEN'S UPDATES

Recommendations are colour-coded:
Green indicates Buy
Yellow indicates Hold
Red indicates Sell

Aecon Group TSX: ARE, OTC: AEGXF

BUY

Originally recommended by Tom Slee on Feb. 3/14 (#21405) at C$15.48, US$13.79. Closed Friday at C$16.12, US$12.58.

Background: Aecon Group Inc. is a Canadian construction company that builds, repairs, and upgrades large infrastructure and industrial projects. Infrastructure projects include roads and bridges, pipelines, transit light rail, hydroelectric projects, tunnels, airports, and much more. Industrial projects include oil sands operations, LNG plants, plant maintenance turnarounds, nuclear reactor repairs and upgrades, electricity transmission and distribution lines, water and sewer line construction, and more.

Aecon's Concessions segment is involved with several "P3" type projects. In these projects, Aecon is involved not only in infrastructure construction but the financing and operating as well. Most notably, it has a 30-year contract to operate the airport in Bermuda, where it recently completed major redevelopment work that included replacing the terminal building. It also owns 20% of the Gordie Howe International Bridge Concessionaire and has concessionaire interests in several new LRT projects.

Performance: For the past five years the stock has mostly oscillated between about $15 and $20 and began trading in 2021 at $16.36. It peaked at $22.28 in September but is currently back down to about where it began the year. Overall, even accounting for its dividend, this performance can best be described as mediocre. That's unfortunate given the important and difficult work that the company performs on so many vital infrastructure projects.

Recent earnings: After deducting the net benefit, after related costs, of a very large Canada Emergency Wage Subsidy amount, the adjusted earnings were down 43% in the third quarter of 2021. Looking back ten years, the earnings have been volatile with no sustained upward trend.

Dividend: The quarterly dividend is $0.175 per share ($0.70 per year). The stock yields an attractive 4.3% at the current price.

Valuation: Analyzed at its recent price of $16.34. The dividend is attractive at 4.3%. The adjusted earnings p/e ratio is

Continued on page 15..

Aecon—continued from page 14...

arguably attractive at 15.0. The price to book value is attractive at 1.2. The trailing year adjusted earnings return on equity is modest at 8%.

Outlook: Near-term results should improve as they benefit from increased government infrastructure spending. It will also presumably be involved in repairing destroyed infrastructure in British Columbia. Earnings from its Bermuda airport operation are recovering sharply as air travel resumes. Offsetting this, there is some risk that two large contract disputes could result in losses.

Action now: Continue to hold. Despite disappointing historic returns, the valuation is attractive at this time.

Quipt—continued from page 13...

clinical personnel but also state-of-the-art respiratory tools and equipment, making it easy for them to care for patients with complex respiratory needs.

The target company also has a pulmonary rehabilitation service, which assists patients with an even wider variety of respiratory care issues. It services facilities in seven states, four of which would be new states for Quipt. This represents a new vertical of business for Quipt, which would leverage the company's highly successful clinical respiratory care platform serving patients in the home into the long-term care setting.

Conclusion: Since our last update on Quipt, the company has completed three strategic acquisitions, signed two LOI's, and recently updated its first quarter 2023 run rate guidance to factor in these developments. These acquisitions continue to be in line with Quipt's accretive growth strategy, paying reasonable valuation multiples of under six times post consolidated EBITDA and providing the company with synergistic opportunities through cross-selling and now biomedical repair services.

Looking forward the company maintains a reasonable debt load, with over $30 million in cash and an untapped $20 million credit facility which can support future growth.

On a valuation basis, Quipt remains relatively cheap in relation to its peers, trading at just 9.5 times 2021 adjusted EBITDA. If we are to value the company based on its current adjusted EBITDA run rate (factoring in recent acquisitions) and anticipate that it can continue to trade with a justified EV/EBITDA multiple of 10 times – we estimate Quipt's fair value at approximately C$10.00 per share.

Action now: Buy.