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2023 and Medexus could forge EU and ROW partnerships for this product going forward.

"We believe Medexus is a highly undervalued specialty pharma. We are changing our rating from 'buy' to 'speculative buy' and reducing our target share price from $10.50 to $8.70."

*Medexus Pharmaceuticals (formerly Pediapharm) is a fast-growing Canadian specialty pharma company with a diversified portfolio of Rx products marketed in both U.S. and Canada. The company was formed as a result of a merger of Pediapharm, the U.S. business of medac GmbH, and Medexus.*

## Profound Medical

**RAYMOND JAMES FINANCIAL**

*Fourth-quarter 2019 earnings match forecasts*

Digested from a March 3 report by analyst Rahul Sarugaser

**Profound Medical Corp.** (PRN-TSX, $17.46; PROF-NASDAQ, US$13.17) reported fourth quarter 2019 results, with pro-forma cash—after its recent capital raise and early retirement of its CIBC debt—of $53 million. The analyst says, "In these early days of commercialization, revenues are, and will continue to be, lumpy; we continue to focus, rather, on escalating the TULSA-PRO install base and, subsequently, recurring revenues. The analyst maintains his "strong buy" recommendation and $45 target share price.

Looking at the financial results, the analyst highlights, "Revenue of $2.8 million during the fourth quarter of 2019, driving $5.5 million for fiscal 2019, was roughly inline with management guidance and a mild beat to our estimates of $2.7 million and $5.4 million, respectively.

"Profound has adopted a pure-play recurring revenue model, wherein the company charges a 'pay-per-use' fee (US$2,500 per use) plus collecting recurring revenue from disposables (US$4,000 each), summing to approximately US$6,500 per patient. Management revealed during the fourth quarter of 2019 conference call that it expects to have approximately 20 TULSA-PRO installation agreements signed by year-end, with 15 of those in operation. We continue to take a conservative approach, estimating 10 device installations during 2020, running at an average utilization rate of three patients every other week (approximately 74 patients or US$490,000 annualized per site).

"To start this procession, PRN indicated that it had recently signed an additional stand-alone imaging centre, which it expects to be operational by April 2020; the name of and details surrounding this site will be announced in the coming weeks.

"We currently model Profound installing 10, 22, and 38 TULSA-PRO units in 2020, 2021, and 2022, respectively, so the company's recent install estimate would beat our 2020 target materially. These units, we've estimated, would yield [illegible] patients per device during those same years, driving revenues of $11.1 million, $27.2 million, and $63.4 million, respectively. Light 2020 revenues we see as a function of Profound substituting short-term capital equipment revenue with massive, long-term recurring revenue. We view this as a deft strategy enacted by Profound's veteran management.

"Shifting toward a recurring revenue model is astute, and the expansion of Profound's install base appears to be proceeding smoothly. We note that companies with recurring revenues are historically valued at 10 to 20 times sales. Greater traction driven by imaging centre installations—where the device could be used by more than a single urologist, driving several procedures a week—bodes well for strong recurring revenue."

*Profound Medical is a medical technology company focused on a therapeutics platform that provides the precision of real-time Magnetic Resonance Imaging combined with the safety and ablation power of directional and focused ultrasound technology for the incision-free ablation of diseased tissue.*

## Calibre Mining

**PI FINANCIAL**

*Right ingredients for free cash flow*

Digested from a Feb. 28 report by analysts Justin Stevens and Chris Thompson

Resource stocks could be the ones to lead us out of this carnage. The safest and most resilient companies right now would be producers. Gold production stories offer a safe haven and **Calibre Mining Corp.** (CXB-TSX, $0.94) has both excellent management and projects.

Growth and margins make up the recipe for free cash flow. According to Messrs. Stevens and Thompson, Calibre Mining has these ingredients in its proverbial pantry.

The analysts initiate coverage of the junior gold producer with a "buy" recommendation and $1.90-per-share target price, saying its two operating mines in Nicaragua offers investors decent production upside over the coming two years.

The analysts state, "Key reasons to own Calibre include: near-term increased production potential by trucking ore from El Limon and Pavon to La Libertad; significant exploration upside offered by under-explored ground both at La Libertad and El Limon; cash-generating assets with unhedged exposure to metal price increases through higher margins; a proven management team that has demonstrated the ability to operate and expand operations; and it's well-capitalized with US$33 million in cash and no long-term debt.

"Calibre's former focus on exploration and development projects in Nicaragua provides a significant advantage in pursuing resource expansion through exploration at El Limon, La Libertad, and Pavon. Geological familiarity and lower drilling costs are already yielding positive results in exploration programs completed since [illegible]

"We believe Calibre's 'hub-and-spoke approach' to its operations is the best arrangement to optimize milling capacity while maintaining flexibility. We expect the first transportation of ore from El Limon to La Libertad in early 2021 and anticipate ore from Pavon North will begin feeding the La Libertad mill in 2021 as well, pending receipt of mining permits (expected second-half 2020).

"Notable near-term potential catalysts include the anticipated resumption of blasting at Jabali Underground (expected third-quarter 2020), production and costs from the first full quarter of operations (period ending March 2020), and continued exploration results from the company's aggressive drill campaign focused on delineating and expanding resources that can be incorporated into a mine plan in the near term."

*Calibre Mining is a junior gold producer with two operating mines in Nicaragua.*

## Clearwater Seafoods

**BEACON SECURITIES**

*Strong fourth-quarter results offset by COVID-19 impact*

Digested from a March 3 report by analyst Doug Cooper

**Clearwater Seafoods Inc.** (CLR-TSX, $5.14) reported better than expected fourth quarter fiscal 2019 results. While revenue was in line with expectations of $167.1 million (4.5 per cent growth year-over-year), EBITDA (earnings before interest, taxes, depreciation and amortization), and shareholder EBITDA grew 35 per cent and 26 per cent, respectively, to $30.1 million and $27.8 million.

The quarter finished off a strong year for the company as it posted $616 million in revenue with record EBITDA of $110 million, 13 per cent growth year-over-year. The analyst maintains his "buy" recommendation and $9 target share price.

Looking further into financial details the analyst notes, "From a geographic perspective, the song remained the same with China continuing to lead the way. Sales to the country represented approximately 28 per cent of sales (a record) and were a 10.6 per cent growth year-over-year. For fiscal 2019, China represented 25 per cent of total sales with sales 19 per cent growth year-over-year.

"Sales to Asia are weighted towards food service (ie. restaurants), which have taken the bulk of the slow down. We believe this will impact Clearwater's revenue in first quarter and into the second quarter at a minimum. However, the company did indicate that it has seen an uptick in its retail and e-commerce revenue, albeit not enough to offset the decline in food service.

"Furthermore, from the darkest depths of a few weeks ago, management did say that it is seeing signs of a recovery with re-orders coming from food service. As a point of reference, container ships carrying its most recent cargo has

# 'Best Buys' from leading analysts

*Analysts follow as many as 20 stocks, most of which are rated "buys". Of those buys, an analyst has one or two special favourites seen as most suitable for new buying. This column is devoted to those one or two favourite "best buys".*

Sequestered in her home like so many other investors these days, Toronto portfolio manager Nicole Crawford nevertheless perceives a glimmer of light on the horizon, in spite (or perhaps because) of market irrationality since the end of February.

"I think we're right at the height of the panic at this point…so everything is being sacrificed," she told Investor's Digest over the phone in a March 18 interview. "This is not about fundamentals. This is about running for the exits. There is no rhyme or reason."

Ms. Crawford is founder and CEO of Navroc Investment Management Inc., which has been active since the beginning of 2017. As of the end of 2019, its balanced composite portfolio, split evenly between dividend-paying stocks and bonds, had achieved an average annual return of 7.1 per cent since inception. Holding a bachelor of commerce degree from McGill University, Ms. Crawford is a chartered financial analyst as well.

Signs that investors are acting based on feeling rather than logical thought include the breadth of the current sell-off, she argues. For example, the portfolio manager had expected grocers such as Metro Inc. and Loblaw Cos. Ltd. would rally due to panic buying in their stores. On the other hand, she expected utility Enbridge Inc. to hold its own because of its high dividend and very stable customer demand, set apart from health concerns. Like most of the market, all were losers on March 18. "None of that matters now. It's just pure emotion…You can't quantify it."

While all of the companies in her clients' portfolio s have strong balance sheets and solid brands, she says, "They're all getting killed."

Ms. Crawford says, "Enbridge has a yield of 8.5 per cent now. We couldn't resist." She adds, "If people have money, they should definitely be investing in these dividend stocks."

Although she has taken a more optimistic tack, Ms. Crawford suggests the recent share volatility and attendant dread are understandable considering the economic backdrop.

"This is unprecedented by any means. We have these two black swans hitting the market (COVID-19 and the oil price war between Russia and Saudi Arabia)."

Offering some consolation to investors whose savings have rapidly diminished in recent weeks, she also points out that earnings growth projections and many other metrics early in 2020, including rising share prices, justified staying in the market far more than pulling out completely.

"Nobody would have seen this coming. This is like a once-in-a-lifetime event. We're in this uncharted territory and really, we don't know what will happen."

In addition, the speed of the decline has been spectacular. Whereas stocks recently plummeted from all-time highs to pre-Great Recession lows in just a couple of weeks, the same drop in 2008-09 took a year, Ms. Crawford observes, though she has treated those drops as an opportunity.

"This market has tanked so quickly we've been deploying (cash) as it's been going down. I've never seen anything like that."

Since the stock market typically anticipates events two to three quarters in advance, she says, "We're probably seeing the worst-case scenario. Eventually people will come to terms with this and life will return to normal." Based on the trajectory of COVID-19's spread in China, Ms. Crawford predicts that by June or July, "We should be seeing a deceleration." She adds with a laugh, "God, if China can get it under control, I would hope that we can, too."

"The next three months are going to be really critical. We need to see more positive news headlines. Once the medical community gets a better handle on this virus and they understand it, then maybe we'll see some rationality coming back." By then, she also expects Saudi Arabia and Russia will have resolved their conflict. "I think Saudi can handle it, easily, but I don't think Russia can."

Ms. Crawford expresses confidence that governments are "willing to do whatever it takes" in terms of stimulus and interest rate cuts to get markets moving upward again.

"It's really a gift. I don't think we'll see this in another lifetime."

Accordingly, her "best buy" selections are defence firm **Lockheed Martin Corp.** (LMT-NYSE, US$314.20) and oil refiner **Valero Energy Corp.** (VLO-NYSE, US$37.41)

The portfolio manager's picks Lockheed Martin because the defence business is unlikely to decline, even if other economic sectors shrink. Her penchant for Valero is based on its extremely low valuation (trading at six times earnings) and 10 per cent dividend yield, plus its potential to rise when people start travelling again.

*(Disclosure: Ms. Crawford owns shares of both Lockheed Martin and Valero Energy.)*

Ms Crawford owns shares of Enbridge mentioned in this article.This material does not take into account your particular investment objective financial situation or needs and is not intended as recommendations appropriate for you. You must make independent decision regarding investments or strategies mentioned in this article. Before acting on information in this article, you should consider whether it is suitable for your particular circumstances and strongly consider seeking advice from your own financial or investment advisor.