

Copper Mountain Mining

CMMC-TSX

Rating
OutperformPrice: Nov-27
\$1.51Target ↑
\$1.80Total Rtn
19%

Further Expansion Detailed at Copper Mountain Mine

Bottom Line:

The proposed expansion, and new life-of-mine plan, delivers further growth to our asset level NAV for CMMC, including a strong reduction in operating costs. Positively, the expansion is expected to be funded by internal cash flow. Detailed engineering is targeted to be completed in 2021 which will support necessary permit amendments in 2022 for the increase in milling rates for 2024. We continue to expect additional reserve and resource growth is achievable. Our target price increases to \$1.80 (from \$1.60) on the back of the expansion results.

Key Points

This morning, CMMC detailed a new life-of-mine plan, which includes a proposed mill expansion to 65ktpd, for the Copper Mountain mine. We had [previously outlined](#) our thoughts ahead of the update, which we expected would be a positive result. The details of the technical report outline an after-tax NPV8% of just over US\$1B. Average annual copper production is expected at 106Mlb, gold production of 60koz and C1 cash costs of US\$1.19/lb over the first 10 years. LOM C1 cash costs are US\$1.21/lb.

In terms of development requirements, the 65ktpd expansion includes the installation of a HPGR circuit, the addition of a fourth ball mill, a regrind verti-mill, additional rougher and cleaner flotation circuit capacity, and electrical system upgrades. The capital required for the expansion is US\$123M, plus a US\$25M contingency, for a total of US\$148M. **Positively, CMMC has indicated that it expects to fund the expansion with internal cash flow.**

On timeline, construction is assumed to be completed at the end of 2023 for commissioning in the beginning of 2024. **The production plan is based on reserves only.** As a result, mine life is estimated to be 21 years, including three years of processing stockpiled ore.

Reserves and resources were also reported; however, they do not include the recent drilling completed in H2/20, which CMMC plans to include in its year-end estimate in Q1/21. **We continue to expect the reserve and resource update will be a further positive catalyst for CMMC and, in our view, believe that a mine life longer than 21 years is likely to be achievable.**

Key Changes

Target	Estimates	Q4 / 20E	2020E	2021E
\$1.80↑ \$1.60	Revenue (mm) <i>Previous</i>			\$375 \$365
	EPS <i>Previous</i>	\$0.09 \$0.08	\$0.17 \$0.16	\$0.48 \$0.40
	CFPS <i>Previous</i>	\$0.20 \$0.18	\$0.57 \$0.55	\$0.82 \$0.71

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IN Fact

Metals & Mining - International

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Company Data			in C\$
Dividend	\$0.00	Shares O/S (mm)	192.3
Yield	0.0%	Market Cap (mm)	\$290
NAV	\$3.94	P/NAV	0.4x

BMO Estimates				in C\$
(FY-Dec.)	2019A	2020E	2021E	
Revenue (mm)	\$288	\$327	\$375↑	
EPS	\$(0.01)	\$0.17↑	\$0.48↑	
CFPS	\$0.27	\$0.57↑	\$0.82↑	
EBITDA (mm)	\$30	\$91↑	\$174↑	
Cu Prod (kt)	24.48	24.96	30.90↑	

Consensus Estimates			
	2019A	2020E	2021E
EPS		\$0.14	\$0.32

Valuation			
	2019A	2020E	2021E
P/E	NM	8.9x	3.2x
P/CFPS	5.6x	2.6x	1.8x
EV/EBITDA	4.0x		

QTR. EPS	Q1	Q2	Q3	Q4
2019A	\$0.04	\$(0.03)	\$(0.02)	\$0.01
2020E	\$0.01a	\$(0.01)a	\$0.08a	\$0.09
2021E	\$0.13	\$0.12	\$0.11	\$0.11

Notes : All values in C\$.

Our Thesis

We rate Copper Mountain Outperform as the company has the most achievable and lowest-risk plans for growth among its peers with its New Ingerbelle deposit and mill expansion project. Copper Mountain has also outlined plans for an additional mill expansion at meaningfully higher throughput rates. High debt levels raise some concerns, however.

Copper Mountain Mining - Block Summary Model

Income Statement	2019A	2020E	2021E
Total Revenues	288	327	375
Cost of Sales	236	210	193
DD&A	27	23	29
SG&A	12	8	12
Interest Expense	16	15	6
Adjusted Net Income	(2)	33	100
Adjusted EPS	\$(0.01)	\$0.17	\$0.48
EBITDA	30	91	174
Cash Flow Statement	2019A	2020E	2021E
Operating Cash Flow	51	111	171
Investing Cash Flow	(48)	(43)	(55)
Financing Cash Flow	(16)	(34)	(93)
Change in Cash	(14)	34	23
Beg Cash Balance	46	32	66
Ending Cash Balance	32	66	90
Free Cash Flow	(4)	68	119
Balance Sheet	2019A	2020E	2021E
Cash & Equivalents	32.1	66.5	89.9
Total Assets	694	762	811
Long-Term Debt	188	110	40
ND/EBITDA	10.6x	1.5x	0.4x
Total Liabilities	416	420	373
Total Shareholders' Equity	278	342	438
Net Debt	321	140	67
Production	2019A	2020E	2021E
Cu Production (kt)	24	25	31
Copper Price (US\$/lb)	2.72	2.77	2.82

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

We value the shares of CMMC using a 50%/50% weighting of an adjusted multiple to NAV and a 6.0x multiple to our NTM EBITDA estimate.

Upside Scenario

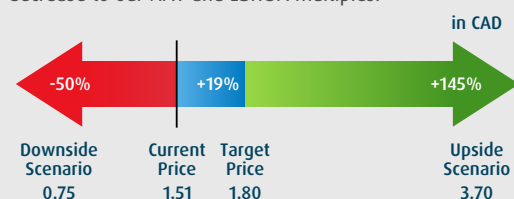
\$3.70

Our upside scenario share price is based on a 50% increase to our NAV and EBITDA multiples.

Downside Scenario

\$0.75

Our downside scenario share price is based on a 45% decrease to our NAV and EBITDA multiples.



Key Catalysts

The mill expansion at Copper Mountain mine; PFS for a future expansion at Copper Mountain mine; updated reserves and resources; project financing at Eva project; potential development partner at Eva project.

Company Description

Copper Mountain Mining Corp. is a Vancouver-based exploration, development and mining company. Its main asset is a 75% interest in the Copper Mountain copper-gold-silver mine (25% Mitsubishi Material Corporation) in southern B.C. CMMC also owns 100% of the permitted and development stage asset Eva located in Queensland, Australia.



CMMC-TSX
Research



Glossary



Company
Models

Exhibit 1: CMMC Block Model (BMO Metal Price Forecasts)

COPPER MOUNTAIN		CMMC	
Recommendation	OP	Analyst	RC
As at	28-Nov-20	BMO Capital Markets	
Year End	December		
Share Price	\$1.51 C\$/share	\$1.16 US\$/share	
Target Price	\$1.80 C\$/share	\$1.39 US\$/share	
Net Present Value	10% \$3.94 C\$/share	\$3.03 US\$/share	
	8% \$5.20 C\$/share	\$4.00 US\$/share	
Market Cap	290.4 C\$M	223.8 US\$M	
Ordinary Shares	192.3 M		
Options & Warrants	7.7 M		

PRICE ASSUMPTIONS - BMO PRICES		2019A	2020E	2021E	2022E	2023E
(December Year End)						
Exchange Rate	AUS:USD	0.70	0.69	0.75	0.75	0.76
Exchange Rate	CAD:USD	0.75	0.74	0.76	0.77	0.78
Exchange Rate	USD:ARS	48.28	1.14	1.21	1.23	1.25
Gold	US\$/oz	1,393	1,783	1,915	1,855	1,800
Silver	US\$/oz	16.20	21.32	27.61	22.49	23.01
Copper	US\$/lb	2.72	2.77	2.82	2.60	2.68
Oil	US\$/bbl	57.24	38.29	41.01	46.00	51.00

FINANCIAL SUMMARY		2019A	2020E	2021E	2022E	2023E
(December Year End)						
Earnings (Adj.)	(C\$M)	(22.5)	35.7	93.5	52.0	63.7
EPS	(C\$/share)	(0.01)	0.17	0.48	0.26	0.30
P/E	(x)	na	8.9x	3.2x	5.9x	5.1x
EBITDA	(C\$M)	3.6	100.4	167.4	108.6	126.7
EBITDA/share	(C\$/share)	0.02	0.52	0.80	0.52	0.61
EV/EBITDA	(x)	180.0x	5.1x	2.6x	4.4x	3.9x
Cash Flow	(C\$M)	51.2	111.0	171.0	114.5	133.1
CFPS	(C\$/share)	0.27	0.57	0.82	0.55	0.64
P/CF	(x)	5.6x	2.6x	1.8x	2.8x	2.4x
Free Cash Flow	(C\$M)	-4.0	68.2	118.7	-15.5	15.5
FCFPS	(C\$/share)	(0.02)	0.35	0.57	(0.07)	0.07
FCF Yield	(%)	-1.4%	23.3%	37.7%	-4.9%	4.9%
Dividend	(C\$/share)	0.00	0.00	0.00	0.00	0.00
Ordinary Shares	(M)	189.5	193.5	208.3	208.5	209.2

PROFIT AND LOSS STATEMENT - C\$M		2019A	2020E	2021E	2022E	2023E
(December Year End)						
Sales Revenue		302.7	331.6	399.5	368.0	396.3
Other Revenue		(14.3)	(4.3)	(24.7)	(23.9)	(20.3)
Operating Costs		(235.9)	(209.7)	(193.4)	(221.6)	(232.3)
Depreciation		(27.5)	(23.1)	(28.9)	(30.1)	(31.3)
Interest		(16.5)	(14.9)	(6.0)	(4.2)	(4.1)
Exploration		0.0	0.0	0.0	0.0	0.0
Corporate		(11.5)	(8.0)	(12.0)	(12.0)	(15.0)
Other Costs		(0.9)	(1.9)	(1.2)	(1.0)	(1.5)
Operating Profit Before Tax		(3.8)	69.6	133.3	75.3	91.8
Income Tax		13.2	(11.9)	(2.2)	(0.2)	0.0
Operating Profit After Tax		9.3	57.7	131.1	75.1	91.8
Minorities		3.5	(15.4)	(37.6)	(23.1)	(28.1)
Net Profit After Tax		(22.5)	35.7	93.5	52.0	63.7
Abnormals		35.3	6.6	0.0	0.0	0.0
Tax on Abnormals		0.0	0.0	0.0	0.0	0.0
Reported Profit		(22.5)	35.7	93.5	52.0	63.7
QUARTERLY SUMMARY						
ADJUSTED EPS	(C\$/sh)		Q1/20A	Q2/20A	Q3/20A	Q4/20E
CFPS	(C\$/sh)		0.01	-0.01	0.08	0.09
FCFPS	(C\$/sh)		0.09	0.08	0.20	0.20
			0.01	0.03	0.14	0.16

FINANCIAL METRICS		2019A	2020E	2021E	2022E	2023E
ROE	(%)	-8.1%	10.5%	21.4%	10.7%	11.4%
ROIC	(%)	-7.1%	8.5%	27.2%	14.6%	15.5%
Net Debt to Equity	(%)	115.5%	40.9%	15.2%	23.1%	22.8%
Net Debt/ EBITDA	(x)	59.3	1.4	0.1	0.4	0.5
Coverage Ratio	(x)	-0.2x	4.7x	22.3x	18.1x	22.6x

CASH FLOW ANALYSIS - C\$M		2019A	2020E	2021E	2022E	2023E
(December Year End)						
Cash Flows From Operating Activities						
Net Income		(25.9)	51.1	131.1	75.1	91.8
Non-Cash Items		64.6	59.5	40.0	39.4	41.3
Re-invested in Working Capital		12.5	0.4	0.0	0.0	0.0
Cash Flows From Investing Activities						
Property and Business Activities		2.6	0.0	(2.5)	0.0	0.0
Acq. of Property, Plant and Equip.		(55.2)	(42.8)	(52.4)	(130.0)	(117.6)
Other		5.0	(0.4)	0.0	0.0	0.0
Cash Flows From Financing Activities						
Proceeds From Borrowings		10.3	0.0	0.0	50.0	0.0
Repayment of Borrowings		(49.3)	(74.2)	(92.3)	(70.2)	(23.2)
Other		22.7	39.9	(0.4)	(9.7)	(29.4)
Net Free Cash Flow		(4.0)	68.2	118.7	(15.5)	15.5
Net Increase in Cash Held		(15.4)	35.2	23.5	(45.4)	(37.0)
Cash At Beginning of Year		46.1	32.1	66.5	89.9	44.5
Cash At End of Year		32.1	66.5	89.9	44.5	7.5

BALANCE SHEET ANALYSIS - C\$M		2019A	2020E	2021E	2022E	2023E
(December Year End)						
Current Assets						
Cash and Cash Equivalents		32.1	66.5	89.9	44.5	7.5
Other		63.2	63.3	63.3	63.3	63.3
Non-Current Assets						
Investments		0.0	0.0	0.0	0.0	0.0
Fixed Assets		501.7	544.4	570.4	670.3	756.6
Other		192.2	217.1	240.6	195.2	158.2
Current Liabilities						
Borrowings		60.3	92.3	70.2	23.2	56.6
Creditors		41.4	38.9	38.9	38.9	38.9
Other		105.9	4.9	46.8	67.2	67.2
Non-Current Liabilities						
Borrowings		188.1	110.1	40.5	67.9	11.4
Other		227.8	309.9	332.9	309.3	346.7
Shareholders Equity						
Net Debt		277.9	341.5	437.6	488.3	556.7
		216.3	136.0	20.8	46.6	60.6

PROJECT	8%	10%	COPPER PRODUCTION (kt)				
	NPV C\$M	NPV C\$M	2019A	2020E	2021E	2022E	2023E
COPPER MOUNTAIN (CANAL)	986.6	839.6	24.5	25.0	30.9	31.8	27.8
EVA (AUSTRALIA)	544.2	407.2	0.0	0.0	0.0	0.0	0.0
OTHER	0.0	0.0	0.0	0.0	0.0	0.0	0.0
			24.5	25.0	30.9	31.8	27.8
Hedge Book							
Corporate	0.0	0.0					
	(121.4)	(104.5)					
Net Cash	(328.4)	(328.4)					
Investments/Bullion	0.0	0.0					
Options & Warrants	20.2	20.0					
Total NPV	1,101.1	833.8					
Per Share	\$5.20	\$3.94	IRR = 16.7%		P/NPV 0.4x		

COPPER MOUNTAIN		2019A	2020E	2021E	2022E	2023E
Cash Operating Costs	US\$/lb	1.92	1.52	1.13	1.47	1.21
All-In-Sustaining-Costs	US\$/lb	2.06	1.72	1.42	2.32	1.41

RESERVES AND RESOURCES		P&P	Cu %	M&I	Cu %
(Exclusive Mlb)					
Copper Mountain		2,196	0.24%	1,018	0.19%
Copper Mountain Stockpile		177	0.15%	0	0.00%
Eva Copper		1,718	0.46%	701	0.35%

Source: BMO Capital Markets

Exhibit 2: CMMC Block Model (Spot Metal Prices)

COPPER MOUNTAIN		CMMC	
Recommendation	OP	Analyst	RC
As at	28-Nov-20	BMO Capital Markets	
Year End	December		
Share Price	\$1.51 C\$/share	\$1.16 US\$/share	
Target Price	\$1.80 C\$/share	\$1.39 US\$/share	
Net Present Value	10% \$5.54 C\$/share	\$4.27 US\$/share	
	8% \$7.09 C\$/share	\$5.46 US\$/share	
Market Cap	290.4 C\$M	223.8 US\$M	
Ordinary Shares	192.3 M		
Options & Warrants	7.7 M		

PRICE ASSUMPTIONS - SPOT PRICES		2019A	2020E	2021E	2022E	2023E
(December Year End)						
Exchange Rate	AUS:USD	0.70	0.70	0.74	0.74	0.74
Exchange Rate	CAD:USD	0.75	0.75	0.77	0.77	0.77
Exchange Rate	USD:ARS	48.28	1.15	1.19	1.19	1.19
Gold	US\$/oz	1,393	1,719	1,789	1,789	1,789
Silver	US\$/oz	16.20	19.67	22.71	22.71	22.71
Copper	US\$/lb	2.72	2.94	3.38	3.38	3.38
Oil	US\$/bbl	57.24	41.35	45.53	45.53	45.53

FINANCIAL SUMMARY		2019A	2020E	2021E	2022E	2023E
(December Year End)						
Earnings (Adj.)	(C\$M)	(22.5)	36.2	116.1	85.0	79.4
EPS	(C\$/share)	(0.01)	0.18	0.56	0.41	0.38
P/E	(x)	na	8.3x	2.7x	3.7x	4.0x
EBITDA	(C\$M)	3.6	101.0	227.8	202.9	202.6
EBITDA/share	(C\$/share)	0.02	0.52	1.09	0.97	0.97
EV/EBITDA	(x)	180.0x	5.1x	1.8x	2.1x	2.1x
Cash Flow	(C\$M)	51.2	111.6	201.1	158.3	153.6
CFPS	(C\$/share)	0.27	0.58	0.97	0.76	0.73
P/CF	(x)	5.6x	2.6x	1.6x	2.0x	2.1x
Free Cash Flow	(C\$M)	-4.0	69.0	149.2	27.9	34.8
FCFPS	(C\$/share)	(0.02)	0.36	0.72	0.13	0.17
FCF Yield	(%)	-1.4%	23.6%	47.4%	8.9%	11.0%
Dividend	(C\$/share)	0.00	0.00	0.00	0.00	0.00
Ordinary Shares	(M)	189.5	193.5	208.3	208.5	209.2

PROFIT AND LOSS STATEMENT - C\$M		2019A	2020E	2021E	2022E	2023E
(December Year End)						
Sales Revenue		302.7	334.5	453.1	458.9	471.7
Other Revenue		(14.3)	(6.5)	(19.4)	(20.0)	(17.5)
Operating Costs		(235.9)	(209.8)	(191.9)	(222.0)	(234.5)
Depreciation		(27.5)	(23.1)	(28.9)	(30.1)	(31.3)
Interest		(16.5)	(14.9)	(6.0)	(4.2)	(4.1)
Exploration		0.0	0.0	0.0	0.0	0.0
Corporate		(11.5)	(8.0)	(12.0)	(12.0)	(15.0)
Other Costs		(0.9)	(1.9)	(1.1)	(0.5)	(0.3)
Operating Profit Before Tax		(3.8)	70.2	193.8	170.2	168.9
Income Tax		13.2	(11.9)	(32.6)	(51.3)	(56.7)
Operating Profit After Tax		9.3	58.3	161.2	118.9	112.3
Minorities		3.5	(15.5)	(45.1)	(33.9)	(32.9)
Net Profit After Tax		(22.5)	36.2	116.1	85.0	79.4
Abnormals		35.3	6.6	0.0	0.0	0.0
Tax on Abnormals		0.0	0.0	0.0	0.0	0.0
Reported Profit		(22.5)	36.2	116.1	85.0	79.4
QUARTERLY SUMMARY						
ADJUSTED EPS	(C\$/sh)		Q1/20A	Q2/20A	Q3/20A	Q4/20E
CFPS	(C\$/sh)		0.01	-0.01	0.08	0.10
FCFPS	(C\$/sh)		0.09	0.08	0.20	0.21
			0.01	0.03	0.14	0.17

FINANCIAL METRICS		2019A	2020E	2021E	2022E	2023E
ROE	(%)	-8.1%	10.6%	25.1%	15.5%	12.6%
ROIC	(%)	-7.1%	8.7%	33.6%	23.4%	19.0%
Net Debt to Equity	(%)	115.5%	40.6%	9.0%	9.8%	8.7%
Net Debt/ EBITDA	(x)	59.3	1.3	(0.0)	(0.1)	(0.1)
Coverage Ratio	(x)	-0.2x	4.7x	32.4x	40.6x	41.4x

CASH FLOW ANALYSIS - C\$M		2019A	2020E	2021E	2022E	2023E
(December Year End)						
Cash Flows From Operating Activities						
Net Income		(25.9)	51.7	161.2	118.9	112.3
Non-Cash Items		64.6	59.5	40.0	39.4	41.3
Re-invested in Working Capital		12.5	0.4	0.0	0.0	0.0
Cash Flows From Investing Activities						
Property and Business Activities		2.6	0.0	(2.5)	0.0	0.0
Acq. of Property, Plant and Equip.		(55.2)	(42.6)	(52.0)	(130.4)	(118.8)
Other		5.0	(0.4)	0.0	0.0	0.0
Cash Flows From Financing Activities						
Proceeds From Borrowings		10.3	0.0	0.0	50.0	0.0
Repayment of Borrowings		(49.3)	(74.0)	(91.5)	(70.8)	(23.5)
Other		22.7	39.9	(7.3)	(18.7)	(35.8)
Net Free Cash Flow		(4.0)	69.0	149.2	27.9	34.8
Net Increase in Cash Held		(15.4)	36.2	47.8	(11.5)	(24.5)
Cash At Beginning of Year		46.1	32.1	67.4	115.2	103.7
Cash At End of Year		32.1	67.4	115.2	103.7	79.2

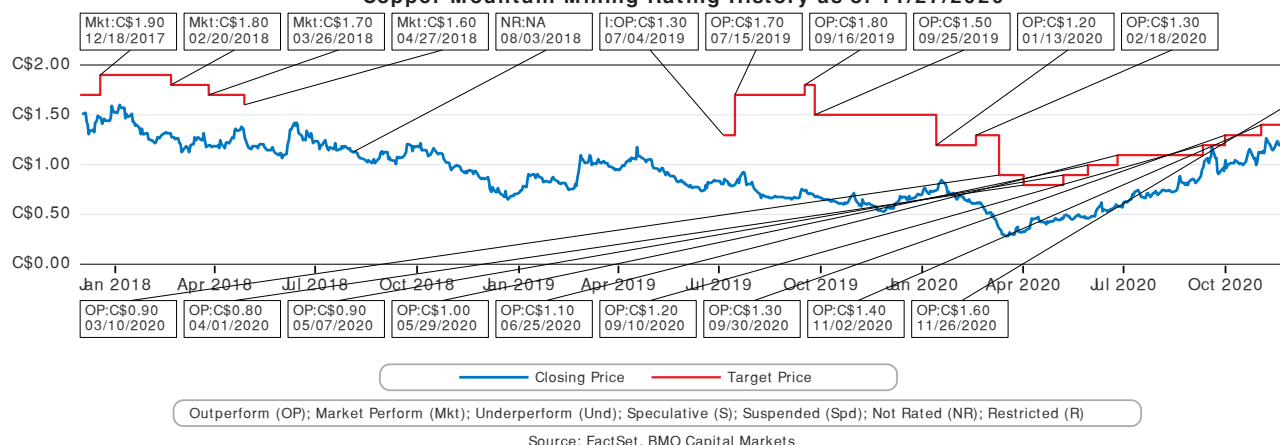
BALANCE SHEET ANALYSIS - C\$M		2019A	2020E	2021E	2022E	2023E
(December Year End)						
Current Assets						
Cash and Cash Equivalents		32.1	67.4	115.2	103.7	79.2
Other		63.2	63.3	63.3	63.3	63.3
Non-Current Assets						
Investments		0.0	0.0	0.0	0.0	0.0
Fixed Assets		501.7	544.3	569.9	670.2	757.6
Other		192.2	218.1	265.9	254.4	229.9
Current Liabilities						
Borrowings		60.3	91.5	70.8	23.5	56.6
Creditors		41.4	38.9	38.9	38.9	38.9
Other		105.9	4.9	46.4	67.2	67.2
Non-Current Liabilities						
Borrowings		188.1	111.1	40.9	67.9	11.4
Other		227.8	309.1	333.0	309.7	346.7
Shareholders Equity						
Net Debt		277.9	342.2	461.9	547.0	629.4
		216.3	135.2	(3.6)	(12.3)	(11.2)

PROJECT	8%	10%	COPPER PRODUCTION (kt)				
	NPV C\$M	NPV C\$M	2019A	2020E	2021E	2022E	2023E
COPPER MOUNTAIN (CANAL)	1,263.2	1,080.0	24.5	25.0	30.9	31.8	27.8
EVA (AUSTRALIA)	668.1	507.1	0.0	0.0	0.0	0.0	0.0
OTHER	0.0	0.0	0.0	0.0	0.0	0.0	0.0
			24.5	25.0	30.9	31.8	27.8
Hedge Book							
Corporate	0.0	0.0					
	(121.4)	(104.5)					
Net Cash	(328.4)	(328.4)					
Investments/Bullion	0.0	0.0					
Options & Warrants	20.2	20.0					
Total NPV	1,501.7	1,174.1					
Per Share	\$7.09	\$5.54	IRR = 20.8%		P/NPV 0.3x		

COPPER MOUNTAIN		2019A	2020E	2021E	2022E	2023E
Cash Operating Costs	US\$/lb	1.92	1.55	1.20	1.46	1.18
All-In-Sustaining-Costs	US\$/lb	2.06	1.74	1.49	2.31	1.37
RESERVES AND RESOURCES						
(Exclusive Mlb)		P&P	Cu %	M&I	Cu %	
Copper Mountain		2,196	0.24%	1,018	0.19%	
Copper Mountain Stockpile		177	0.15%	0	0.00%	
Eva Copper		1,718	0.46%	701	0.35%	

Source: BMO Capital Markets

Copper Mountain Mining Rating History as of 11/27/2020



IMPORTANT DISCLOSURES

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Methodology and Risks to Target Price/Valuation for Copper Mountain Mining (CMMC-TSX)

Methodology: The target price is derived using a blend of NAV and EV/EBITDA multiples.

Risks: Risks to our target price include a material difference of actual commodity prices or FX compared with our price assumptions, future revisions to tax/mining codes in countries in which Copper Mountain operates, and any potential significant delays in developing the New Ingerbelle and Eva projects.

Distribution of Ratings (November 29, 2020)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	49.6 %	27.9 %	56.7 %	50.5 %	58.0 %	57.7%
Hold	Market Perform	48.1 %	20.8 %	40.9 %	47.3 %	41.0 %	37.5%
Sell	Underperform	2.3 %	25.0 %	2.4 %	2.2 %	1.0 %	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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~ As of April 1, 2019.

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OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis;

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(April 2013 - October 2016)

http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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