Advantage Oil & Gas (TSX: AAV)

Industry: Oil, Gas & Consumable Fuels – Oil & Gas Exploration & Production

Rating: Buy

Target: CAD$7.50

Date: Dec 28, 2014

Executive Summary

Business Summary

Advantage Oil & Gas Ltd. (Advantage) is a pure play, upstream oil and gas exploration and production company with a focused asset base and operation in the Montney resource play at Glacier, Alberta. The current production breakdown of Advantage is 99% natural gas and 1% oil and NGLs.

Business Drivers

Advantage's key drivers lie in its world class Montney asset, low cost production structure, and robust three-year expansion plan. Externally, higher natural gas prices and demand for natural gas consumption can also positively impact the financial results.

Business Risks

Prolonged economic slowdown and large decline in natural gas prices, specifically the AECO, can materially impact the company's projects. Macroeconomic factors such as appreciation of the Canadian dollar and large swings in the global energy market can also negatively affect Advantage's stock price.

Recent Developments

Advantage reported its Q3 results in line with the street's estimates. Its third-quarter production averaged 22,087 boe/d compared with consensus of 22,299 boe/d. Q3 2014 CFPS also totalled $0.22, in line with consensus of $0.23. Overall, Advantage is on track with its Glacier development program.

Investment Thesis

Although the company essentially has no oil exposure, our Buy thesis is based on the notion that the stock is currently undervalued due to the recent decline in crude oil prices. Additionally, we believe that the market has yet to factor in the growth prospects of Advantage's Glacier development program.

Valuation Summary

We believe that Advantage is a well-managed corporation and is on track to ramp up production as planned according to the company's three-year objectives. We are initiating our Buy rating and target price of $7.50 based on a base EV/EBITDA multiple of 5.2x and DCF calculation estimate of $7.00.

Key Statistics

	Current		2012	2013	Current
Price	$5.41	Enterprise Value	$700	$1,280	$1,080
Date	12 28, 2014	Debt / Enterprise Value	0.23	0.30	0.20
52 Week Range	$7.85-$3.84	Debt / Equity	0.33	0.33	0.15
Shares Outstanding	170.1 M	Price / Book Value	0.54	0.70	0.89
Market Capitalization	$942.35 M	Price / Earnings	NA	NA	NA
Enterprise Value	$1.08 B	Cash	-	-	-
Beta	1.27	Earnings / Share	-0.53	-0.02	0.09

Balance Sheet *($CAD, thousands)*	2010	2011	2012	2013	2014E
Cash & Cash Equivalents	-	-	-	-	-
Current Assets (Excluding Cash)	$73,921	$48,389	$262,863	$35,516	$35,515
Total Assets	**$1,965,945**	**$1,972,789**	**$1,913,796**	**$1,765,244**	**$1,765,244**
Current Liabilities	$177,596	$141,765	$222,615	$102,233	$102,233
Total Debt	$424,440	$308,570	$351,620	$353,790	$272,000
Total Liabilities	**$753,632**	**$733,858**	**$705,086**	**$560,831**	**$490,000**
Total Equity	**$1,212,313**	**$1,238,931**	**$1,208,710**	**$1,204,413**	**$1,275,244**

Income Statement *($CAD, thousands)*	2010	2011	2012	2013	2014E
Revenue	$273,414	$302,317	$234,779	$255,911	$220,910
EBITDA	**$218,016**	**-$9,728**	**$32,741**	**$142,122**	**$138,000**
Depreciation & Amortization	$124,592	$152,927	$132,175	$111,188	$92,000
Interest	$34,388	$29,561	$26,299	$26,133	$26,133
Tax	$18,116	$-46,807	$28,605	$2,202	$1,376
Net Income	**$40,920**	**-$152,772**	**$89,125**	**-$3,382**	**-$4,300**

Historical Prices

Business Overview

Company Snapshot

Founded: 2001	**2013 sales:** $255 M	**Dividend Yield:** 0%
Address: E&Y Tower, Suite 300 440 2 Avenue S.W. Calgary, Alberta, Canada T2P 5E9	**Free Float:** 99% **1 Year Total Return:** 27%	**Auditor:** PwC LLP **Fiscal Year End:** Dec 31
Phone: 403.718.8000	**Major Shareholder:** Invesco Canada (6%)	**Employees:** 80

Company Description

Advantage Oil & Gas Ltd. is a pure play, upstream natural gas, and growth-oriented corporation with a significant position in the Montney resource play. Advantage's common shares are traded on both the Toronto and New York Stock Exchanges under the symbol AAV with its head office in Calgary, Alberta. With approximately 1,400 horizontal well locations in inventory, Advantage is focused on growing its 16 tcfe TPIIP Glacier Montney property and development of its 4.2 tcfe contingent resources and 1.7 tcfe 2P reserves. Advantage's current production at Glacier has grown to 135 mmcfe/d with cash flow and current financial flexibility to support increasing production to 245 mmcfe/d in early 2017. Advantage's daily production is composed of 99% natural gas and 1% light oil and NGLs. Its 2P reserves have a Reserves Life Index (RLI) of approximately 40 years.

The company has transitioned into a pure-play exploration and production position in 2009 by divesting all conventional oil and gas assets. Further, Advantage has completed its disposal of 45.1% interest in Longview Corp. in February 28, 2014 for total gross proceeds of $90.2 million, which were used to reduce its debt.

The Upstream Business

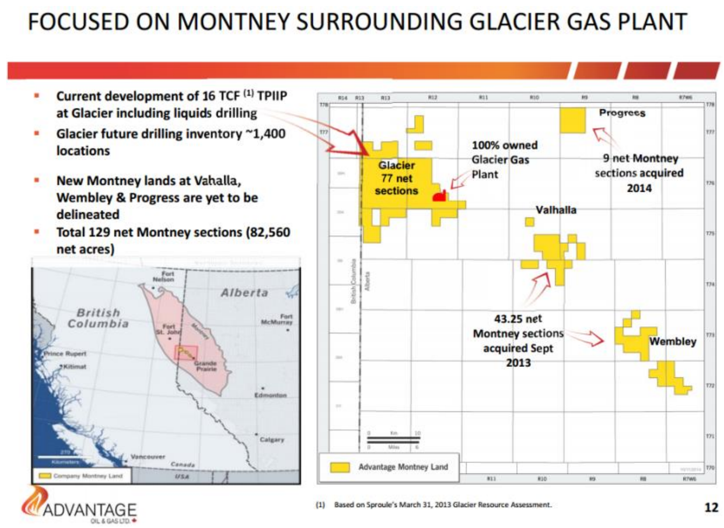
The oil and gas industry is divided into the upstream, midstream, and downstream sectors. Companies in the upstream sector deal primarily with the exploration and production stages of the oil and gas industry. The first step in the upstream segment is to first locate, test, and drill for oil and gas. Once reserves are proven, the extraction and production stages commence. Later in the supply chain, the midstream and downstream sectors deal with the transportation and marketing the gas to the market.

Revenue Model

Advantage's revenue model is a production model, whereby the company generates income through the sale of its gas based on the volume processed and natural gas price set by the Alberta terminal. The price at which the gas can be sold fluctuates daily based on demand and supply as well as the quality of the gas – gas with higher heating content will receive a higher price. Consequently, profit is obtained from the difference between the company's total cost and the price at which the gas is sold per mcfe.

It is important to note that the company has no control over the price at which the gas can be sold as the price is set by the daily supply and demand. However, to prevent itself from being affected by prolonged decline in natural gas prices, Advantage has a hedging program in place where 51% of total production is hedged for 2015.

The Montney Resource



The Montney is a massive siltstone gas reservoir that extends from the northeast corner of British Columbia into Alberta. A study conducted by the National Energy Board of Canada in November 2013 concluded that the Montney held 449 tcfe of marketable natural gas – gas that can be economically extracted using current technology, 14.5 billion barrels of marketable NGLs, and 1.125 billion barrels of crude oil. The Montney also ranks among the top natural gas basins in the world and has been the target of oil and gas exploration since the 1950s.

Advantage's operation is located in the heart of the Montney play at Glacier, giving the company a strategic location and convenient access to the TransCanada pipeline that it uses. Advantage currently has approximately 129 net Montney sections, representing 82,560 acres of land. Once the lands at Vahalla and Wembley are delineated and fully developed, the company will be able to further increase its production significantly. It is also worthy to note that Advantage's 100% owned gas plant is on schedule for expansion. Once completed, processing capacity will increase substantially to 260 mmcfe/d from its current capacity of 160 mmcfe/d. The company also has a large amount of land available for potential area expansion that could further drive its processing capacity to 750 mmcfe/d if utilized. Advantage's current development program and its strategic location at Montney make it an excellent candidate for investors looking to gain pure-play natural gas exposure.

Management & Governance

Andy J. Mah
President & CEO (2006)
Annual Compensation: $1,022,402

Mr. Mah has over 30 years of experience in the oil and gas industry. His past experience includes serving as President of Ketch Resources Trust from September 2005 until June 2006 and as CEO from January to September 2005. From August 1996 to January 2005, he was also the Executive Officer and Vice President, Engineering and Operations of Northrock Resources Ltd. He is a graduate of the University of Saskatchewan with a Bachelor of Science in Chemistry and Chemical Engineering in 1980 and 1982 respectively. He is also a member of the Society of Petroleum Engineers and the Board of Governors of the Canadian Association of Petroleum Producers (CAPP), and has served on other oil and gas boards.

Craig Blackwood
Vice President, Finance and CFO (2004)
Annual Compensation: $576,292

Mr. Blackwood has over 20 years of experience in various financial roles including with the capital markets, financial reporting, management and business processes controls, oil and gas acquisitions, and taxation. He also has experience within the resource sector including oil and gas producers, power producers, and energy trading. He was also the CFO of Longview Corp. from March 4, 2010 to February 4, 2014. Mr. Blackwood holds a Bachelor of Commerce degree and is a Chartered Accountant.

Neil Bokenfohr
Senior Vice President (2006)
Annual Compensation: $717,233

Mr. Bokenfohr has over 20 years of oil and gas experience in petroleum exploration, development, and operations. From January 2005 to June 2006, he was Vice President, Exploitation and Operations of Ketch Resources Trust. Prior to that, he served as Vice President, Engineering of Bear Creek from 2002 to 2005. Mr. Bokenfohr holds a Bachelor of Science degree in Petroleum Engineering from the University of Alberta and is a registered professional engineer with APEGGA.

Each of the three executives listed above are individuals who manage the day-to-day operations of Advantage. They seem to have a vast amount of experience both within their roles and within the oil and gas sector. It is also important to note that the named executives have been affiliated with Advantage in the past, either through Longview or Ketch Resources Trust, an upstream oil and gas company that Advantage acquired for $724 million in April 2006. The fact that they were appointed to serve on Advantage's management team perhaps can be explained by their deep understanding of the oil and gas industry and Advantage's operations. Their education background in the field of petroleum engineering, relevant certifications, and associations within the industry also reinforce their qualifications to be leading Advantage and looking after shareholder's interest. Besides these executives, Advantage is also supervised by a number of qualified Board of Directors, all of whom also possess similar credentials and experience within the sector.

Below is the breakdown of the three officers' compensation structure (source: Thomson One)

Compensation Structure	Andy Mah	Craig Blackwood	Neil Bokenfohr
Salary	$299,806	$172,722	$194,680
Bonus	$300,000	$175,000	$250,000
Other Compensation	$422,596	$228,570	$272,553
Fiscal Year Compensation	$1,022,402	$576,292	$717,233

Apart from the compensation listed above, the named officers (excluding the Chief Executive Officer) are also required to acquire and hold equity securities of Advantage with a minimum aggregate market value of two times their annual base salary. On the other hand, the Chief Executive Officer must similarly hold the securities but at three times his annual base salary. The share ownership structure as of December 2013 is described below.

Name	Mandatory minimum share ownership value	Actual Share Ownership value	Actual Share Ownership value as a Multiple of Annual Salary
Andy Mah	$1,174,251	$2,390,792	6.1x
Neil Bokenfohr	$508,334	$1,592,359	6.3x
Craig Blackwood	$451,000	$768,694	3.4x

The above shows that management has a significant amount of share ownership as a multiple of their annual salary. This implies that the executives have great confidence in the company and in their abilities to lead Advantage. Having a share ownership plan also helps ensure that the executives' objectives are aligned with other shareholders. However, Advantage still has a 99% stock float, which means in the big picture management still has an extremely small percentage of equity in the company.

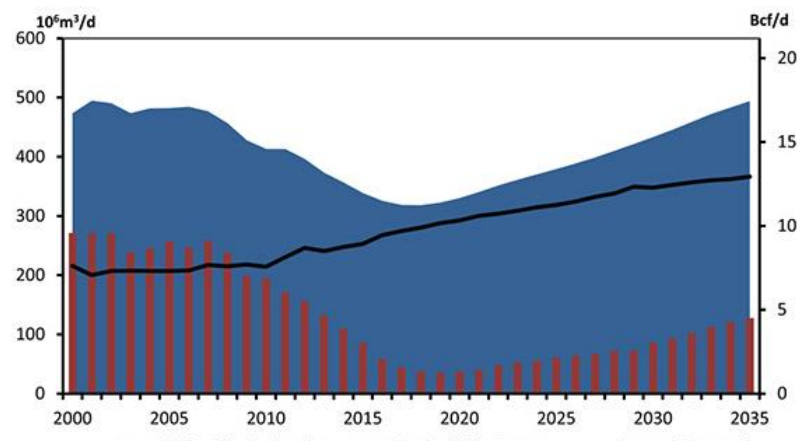
Industry Overview

Competitive Landscape

The upstream Canadian oil and gas landscape consists of large players as well as other several hundred small companies that engage in activities such as exploration, production, drilling, and field processing. Given the attractiveness of the Montney resource, Advantage is surrounded by a number of corporations including Encana, Shell, and Apache. The competitiveness of these companies is driven by their gas reserves, infrastructure, location, as well as the ability to maintain strong netbacks from producing at a low cost. Additionally, because the wellhead price is determined by the AECO benchmark, upstream companies must ensure that their all-in production costs per mcfe are economically viable to withstand any downward pressure from the market. Some of the controllable costs include distributions, production expense, and G&A. Finally, upstream companies benefit greatly from having a credit facility given the capital intensive nature of the business.

That said, Advantage's full cycle margin is among the top Montney producers. The company's current operating and cash flow netback is 88% and 80% of revenue respectively. Additionally, the company also has a $400 million credit facility to support its expansion projects, of which only 18% is drawn. Its 2P reserves have also increased dramatically by 580% to 1.7 tcfe in 2013. All of these factors indicate that Advantage is a competitive player compared to its peers given its strategic infrastructure, significant reserves, and economical cost structure.

Natural Gas Outlook



The National Energy Board of Canada has projected that total energy consumed by Canadians will continue to grow, but at a slower pace than the past. This is due to the notion that natural gas will continue to be the main source of energy for heating homes and businesses, transportation of goods, and other functions that are essential to Canadians' standard of living. The Board further suggests that demand for oil and natural gas will increase by 28% from 2014 to 2035 (see above). Moreover, the shift in focus toward clean energy and environmental concerns will further increase demand for natural gas.

Natural gas production is also expected to increase further due to rapid technological advancements and the advent of horizontal drilling and hydraulic fracturing. Such improvements have allowed companies such as Advantage to produce at a lower cost and access reserves that were previously uneconomical to extract.

Apart from the National Energy Board's forecast, Advantage has also projected the prices of natural gas using its own independent advisor, Sproule Associate, a Calgary based petroleum consultant. According to Sproule, the AECO-C spot price will remain stable throughout the next 2 years and will trend higher in 2017 (see below).

Based on the information above, the future landscape of the natural gas industry appears promising.

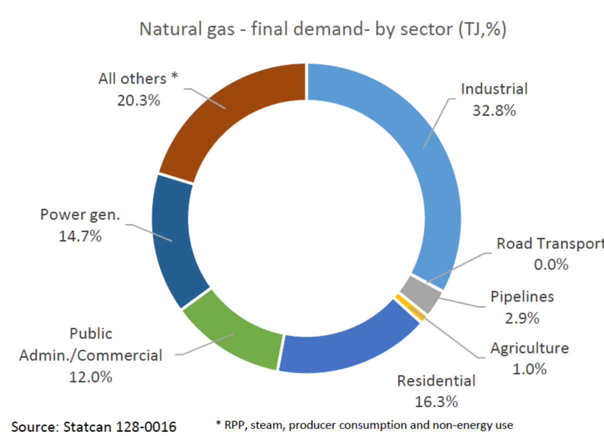
Year	WTI Crude Oil ($US/bbl)	Edmonton Light Crude Oil ($Cdn/bbl)	Alberta AECO-C Natural Gas ($Cdn/mmbtu)	Henry Hub Natural Gas ($US/mmbtu)	Exchange Rate ($US/$Cdn)
2014	94.65	92.64	4.00	4.17	0.94
2015	88.37	89.31	3.99	4.15	0.94
2016	84.25	89.63	4.00	4.17	0.94
2017	95.52	101.62	4.93	5.04	0.94
2018	96.96	103.14	5.01	5.12	0.94
2019	98.41	104.69	5.09	5.19	0.94
2020	99.89	106.26	5.18	5.27	0.94

Formation of Natural Gas

Natural gas is a form of hydrocarbons and is made up of just two elements – carbon and hydrogen. The gas is stored deep under the ground and is formed by microscopic plants and animals living in the ocean millions of years ago. These living things absorbed energy from the sun and stored the energy in their bodies as carbon molecules. When they died, they sank to the bottom of the sea. Over millions of years, layers and layers of these carbon molecules are formed and as a result of being highly compressed beneath thousands of metres of soil and rock, the carbon molecules are turned into natural gas.

Uses of Natural Gas

Natural gas is one of the cleanest, safest, and most versatile form of energy source. It is used primarily by manufacturing and industrial plants to produce steel, glass, forest products, clothing, cement, fertilizer, and petrochemicals. Households also rely on natural gas for heating and cooling purposes. Other uses of natural gas also include power generation and transportation.



Investment Thesis

Three Year Plan on Track

To grow production and increase cash flow, Advantage's management team has implemented a three year plan whereby the company aims to achieve the following:-

1) 245 mmcfe/d (40,830 boe/d) in 2017
2) $735 million Capital Expenditures
3) 33 New Montney wells per year
4) $3.75/GJ Aeco Cdn average price
5) 1.5x Average Total Debt to Forward Cash Flow
6) 190% CFPS growth
7) 100% PPS growth

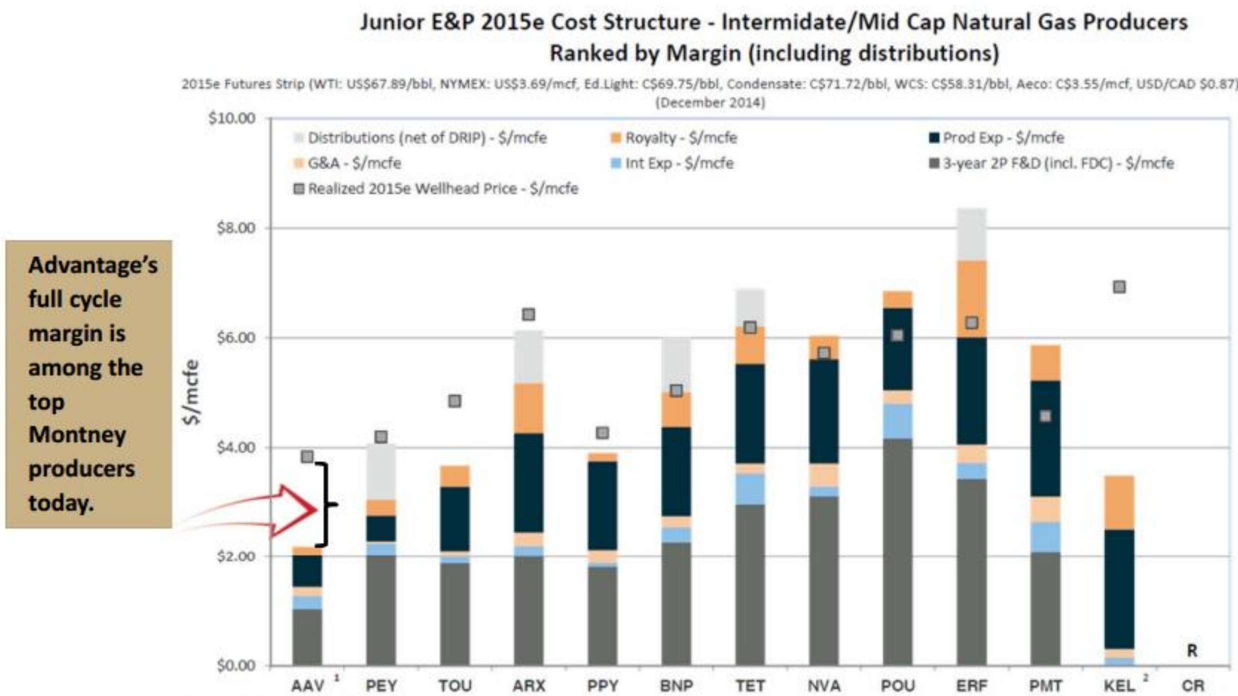
Advantage's third quarter results suggest that the company is on track with its production target and gas facility expansion, which once completed will significantly improve production to meet the 183 mmcfe/d target by the end of Q1 2015. That said, Q3 2014's results were generally in line with the street's expectations. Production was up 18% as compared to Q3 2013 to 132.5 mmcfe/d (22,087 boe/d) despite TransCanada's northwest Alberta mainline sales gas restrictions due to maintenance activities. Q3 CFPS also came in at $0.22, in line with the consensus estimate of $0.22. Operating netback was also in line with expectations of $3.33/mcfe. To date, the company has also drilled 21 of the 33 planned Phase VII wells to support and sustain the 183 mmcfe/d trajectory. Lastly, Advantage has also secured its transportation provider for the Phase VII gas volumes of up to 205 mmcfe/d.
Going forward, Advantage will be able to ramp up production significantly if the company is able to achieve its growth objectives.

Nevertheless, the company's performance must be carefully monitored given the pure-play nature of Advantage and weakness in commodity prices.

Low Cost Production Structure

A low cost production structure helps the company maintain its gross margin and withstand fluctuations in the natural gas price.

Advantage's full cycle margin is among the top compared to its peers (see right). The company has an operating and cash flow netback of 88% and 80% of revenue respectively. The company's low cost structure is also demonstrated by a 26% decrease in total cash costs during the third quarter of 2014 to $0.85/mcfe ($5.10/boe). The company's YTD operating and cash G&A costs are also tracking on budget at $0.31/mcfe ($1.89/boe) and $0.17/mcfe ($1.02/boe), respectively.



Furthermore, Advantage's past performance suggests that management has been able to continually decrease costs. For instance, its completion cost per frac has decreased by 73% from $475,000/frac stage to $130,000/frac stage. Its 3 year rolling average 2P F&D cost has also decreased by 43% from 2008 to 2013 to $1.06/mcfe. Lastly, operating cost was reduced to approximately $0.30/mcfe currently as the company grew its production to 135 mmcfe/d.

Significant Reserve Base

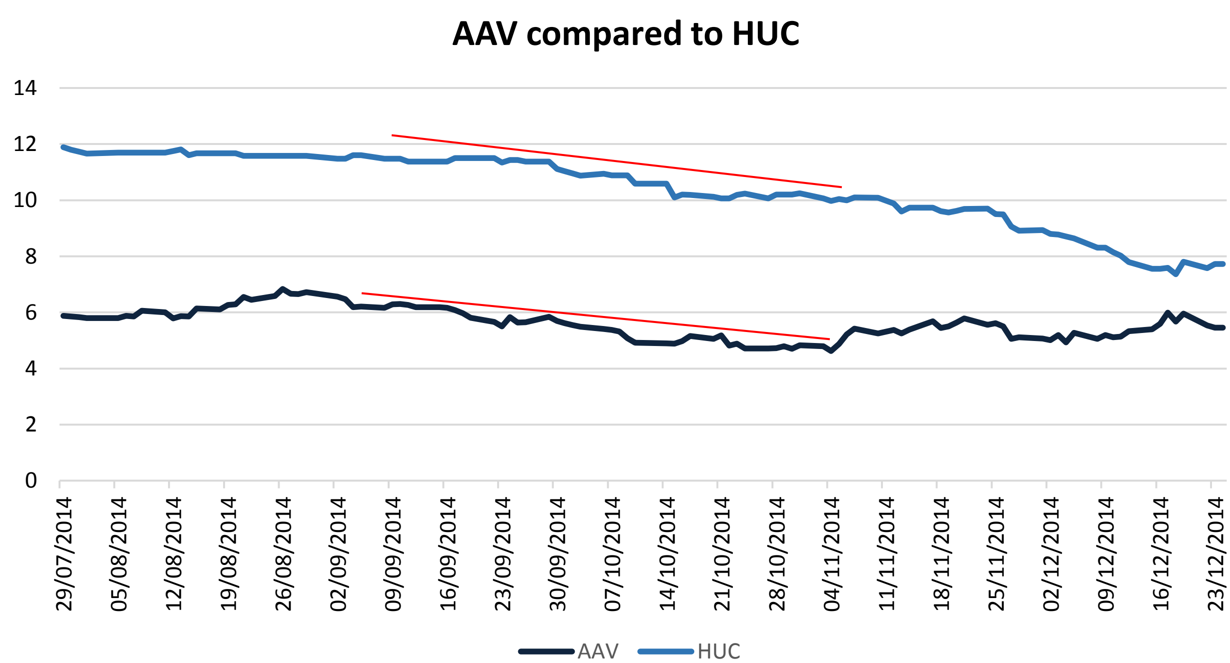
Advantage's main asset lies in its strong reserve base, which ensures that the company will have a stable production. As of December 31, 2014, Advantage recorded a 2P reserve of 1.7 tcfe of natural gas and NGLs, with 1.6 tcfe being natural gas. Advantage's proven reserves have also increase by 17% to 1.03 tcfe, which represents 61% of the total 2P reserves. Moreover, the additional availability of 52.25 net sections of new undeveloped Montney lands will provide further upside potential to production.

Valuation

We believe that Advantage is a well-managed corporation and is on track to ramp up production as planned according to the company's three-year Glacier objectives. Consequently, we are initiating a Buy rating and target price of $7.50 based on a 2015e EV/EBITDA multiple of 5.2x and DCF calculation estimate of $7.00. We believe that the target price is justified by three main reasons. First, we believe that the market has not yet realized the company's growth prospects and factored its growth potential into the current price, thereby leaving room for potential upside. Second, Advantage trades at a discounted 2015e EV/EBITDA of 4.9x versus the gas peers at 5.2x. Lastly, although Advantage essentially has no exposure to crude oil prices (as 99% of its production is natural gas), its stock has been affected by the declining crude oil prices since the beginning of September 2014. This trend can be observed below as the graph compares the stock performance of Advantage with HUC, an ETF that tracks the performance of WTI oil.

Therefore, we believe that once the market has factored in Advantage's growth potential and negated the declining oil prices, the company's stock price will rise to the target price of $7.50.

Further explanation, assumptions, and calculations can be found at the end of this report.



Risks

Commodity Price Risk

Advantage's financial results and conditions are dependent on the price it receives for the gas it produces. Therefore, prolonged decline in natural gas price can cut into Advantage's margin, rendering its projects economically unviable. However, to mitigate this risk, Advantage has a hedging program in place whereby production is currently hedged until 2017 (see below).

Production Hedged	% Forecast Production	Year	AECO Cdn $/mcf
71.7 mmcf/d	56%	2014 Q4	$3.90
78.2 mmcf/d	51%	2015	$3.90
56.9 mmcf/d	31%	2016	$3.93
47.4 mmcf/d	25%	2017 Q1	$3.95

Supply & Demand Risk

Surplus in supply or a decrease in demand can send natural gas prices downward. However, demand from both the commercial and residential sector is expected to increase based on the fact that more than half of Canadian homes rely on natural gas for their space heating. Similarly, industrial demand will likely rise as Canada's Energy Board predicted economic growth to stay at 2% until 2035. Risks of supply and demand shocks are also mitigated by Advantage's hedging program shown above.

Costs Risk

A rise in operational costs can decrease the company's netback and raise its break-even point. Dramatic cost incremental may arise from onerous regulations and drilling difficulties. It appears that Advantage has been significantly lowering its operating costs and keeping them under control in the past. However, due to the capital intensive nature of the business, investors must remain vigilant to any potential increase in operating costs.

Geological Risk

Geological risk refers to both the difficulty of extraction and the possibility that the accessible reserves in any deposit will be smaller than estimated. Currently, Advantage's Montney asset is estimated to have a Reserve Life Index (RLI) of approximately 40 years and 2P reserves of 1.7 tcfe. It is rare that estimates are substantially inaccurate, however, this is a possibility and should be closely observed.

Third Party Risk

Advantage relies on the TransCanada pipeline to transport its natural gas. Damages to the pipeline or activities that involve restricting the use of the facility can impact Advantage's production. Recently in Q3 2014, maintenance activities were carried out on the pipeline which led to a slight decrease in production volume.

WestPeak Research

Comparable Analysis

Peer Analysis Company	Ticker	Market Data Share Price ($/share)	Mkt Cap (bn)	EV (bn)	Natural Gas Weighting 2015E	Natural Gas (Mmcf/d) 2015E	EV/EBITDA 2015E	P/CF 2015E	D/CF 2015E	P+P (mmboe) 2013	EV/Boed 2015E ($)
Advantage Oil & Gas	AAV	5.41	0.90	1.08	98%	158.7	4.9	4.8	1.7	193.1	28,483
Bellatrix	BXE	4.09	0.78	1.16	63%	182.4	3.2	2.5	1.2	211.4	27,461
Birchcliff Energy	BIR	7.81	1.19	1.66	85%	na	4.7	5.3	2.3	317.8	42,392
Bonavista	BNP	7.23	1.56	2.54	65%	332.8	4.8	3.6	1.6	433.2	38,348
Crew Energy	CR	5.92	0.73	0.85	66%	108.0	4.3	4.3	2	153.1	32,782
Perpetual	PMT	0.97	0.14	0.44	86%	119.5	4.3	1.9	3.9	98.7	29,081
Peyto	PEY	33.05	5.08	5.94	89%	480.2	7.9	7.2	1.7	392.1	65,455
Tourmaline	TOU	39.31	7.98	8.76	85%	834.6	7.4	7.7	1.1	589.9	48,609
Trilogy	TET	8.25	1.08	1.74	60%	144.0	4.9	4	1.4	105.2	44,369
Lowest					60%	108.0	3.2	1.9	1.1	98.7	27,461
Median		7.23	1.08	1.66	85%	170.5	4.8	4.3	1.7	211.4	38,348
Average					77%	295.0	5.2	4.6	1.9	277.2	39,664
Highest					98%	834.6	7.9	7.7	3.9	589.9	65,455
Advantage Oil & Gas	**AAV**	**5.41**	**0.90**	**1.08**	**98%**	**158.7**	**4.9**	**4.8**	**1.7**	**193.1**	**28,483**

Advantage Oil & Gas Multiple Analysis	2015		
	Pessimistic	**Base**	**Optimistic**
EV/EBITDA	3.2	5.2	7.9
EBITDA 2015 (M)	$ 206	$ 206	$ 206
EV (M)	**$ 659**	**$ 1,071**	**$ 1,627**
Debt (M)	$ 219	$ 219	$ 219
Cash	0	0	0
Equity Value (M)	$ 878	$ 1,290	$ 1,846
Diluted Shares Outstanding	171,400,000	171,400,000	171,400,000
Implied Price Per Share	**$ 5.1**	**$ 7.5**	**$ 10.8**

Our selection criterion for the comparable analysis is based on junior and intermediate oil and gas producers whose gas weighting is above 60%. Advantage is projected to trade at a 2015e EV/EBITDA multiple of 4.9x, a discount below the average of 5.2x. Using the base case scenario, Advantage's implied share price is $7.50 representing a potential upside of 38%. On the other hand, a pessimistic EV/EBITDA multiple of 3.2x implies a share price of $5.10, representing a downside of only 6%. Our valuation is further supported by a discounted cash flow analysis that estimates a share price of $7.00. However, we believe that an EV/EBITDA multiple of 5.2x is a reasonable multiple given the company's track record and satisfying Q3 2014 results.

Discounted Cash Flow Analysis

		Projection Period				
		2014E	2015E	2016E	2017E	2018E
Unlevered Free Cash Flow		**- 161,021**	**- 97,936**	**25,027**	**146,747**	**238,834**
Discount Period		0.5	1.5	2.5	3.5	4.5
Present Vale of Free Cash Flow		- 153,692	- 85,162	19,827	105,912	157,039
Sum of PV FCF	**43,924**					

Terminal Value ($CAD, *thousands)*	
Long term growth rate	2%
WACC	9.8%
Free Cash Flow	160,180
Terminal Value	2,062,835
Present Value of Terminal Value	**1,356,364**

Enterprise Value to Equity Value ($CAD)	
Enterprise Value	1,400,288,005
Less: Net Debt	205,600,000
Equity Value	1,194,688,005
Diluted Shares Outstanding	171,400,000
Equity Value Per Share	**$ 7.0**
Implied Upside	**29%**

Key Assumptions ($CAD, *thousands)*	2014	2015	2016	2017	2018
Revenue	197,262	259,258	372,112	408,582	475,744
Operating Expense	14,800	17,900	20,500	23,200	25,800
SG&A	10,600	12,000	12,000	13,000	14,000
Other Expense	17,754	23,333	33,490	36,772	42,817
EBITDA	154,108	206,025	306,122	335,610	393,127
D&A	78,905	103,703	148,845	163,433	190,297
Taxes	26,321	35,813	55,047	60,262	70,990
Capital Expenditures	275,000	250,000	200,000	100,000	50,000
Change in Net Working Capital	13,808	18,148	26,048	28,601	33,302

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