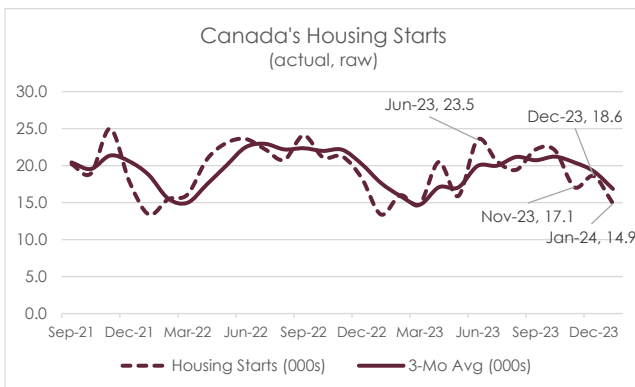
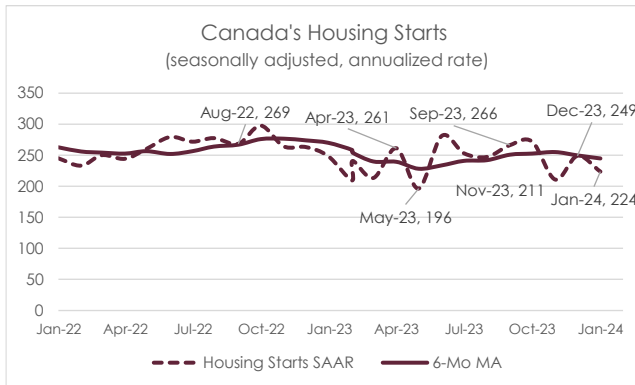


Atlas Engineered Products Ltd. (AEP-V)

January Starts Miss but Up 11% y/y in Raw Terms

Raw Starts Up 11% y/y While SAAR Misses Consensus – The Canada Mortgage and Housing Corporation (CMHC) reported that January housing starts totaled 224k on a seasonally adjusted annualized basis (SAAR), slightly short of consensus at 230k. The SAAR declined 10% m/m and 5% y/y. We add that prior month totals were revised downward slightly for the October-through-December period. Raw housing starts, which are more relevant for projecting quarterly results for AEP, totaled 14.9k in January, declining 20% m/m (in line with the 26% average decrease for January over the prior 2 years) and increasing 11% y/y.



Source: CMHC, Beacon Securities

The Gap is Closing, Get on Board – AEP trades at 5.8x our F2025 adjusted EBITDA forecast, representing a 41% discount to the 9.8x at which Builders FirstSource (BLDR-NYSE, Not Rated) trades (see page 3 for our latest comparable table). We expect AEP to produce a 41% EBITDA CAGR during the F2023-F2025 period v. the *negative* 1% implied by consensus estimates for BLDR. While BLDR has outperformed AEP since November 1st (up 58% v. the 21% return on AEP), that gap has closed since December 5th (AEP up 45% v. BLDR up 30%). We therefore believe the catch-up trade is in progress but still has room to go given these stocks are plays on the same thesis: increasing demand for value-added products that enable homebuilders to reduce onsite labour and time-to-completion, given structural housing deficits in both markets (Canada for AEP, US for BLDR). As shown on pp. 4-5, the stock looks set for a test of its 6-month intraday high at \$1.45, while the weekly chart shows it breaking out of the \$1.00-\$1.30 trading range, with the height of that range implying a target of \$1.60+/sh.

January Housing Starts Miss

Buy (unch)	\$2.25	(unch)
Recent/Closing Price		\$1.39
12-month Target Price		\$2.25
Potential Return		62%
52 Week Price Range		\$0.89 - \$1.45

Estimates			
YE: Dec 31	FY22A	FY23E	FY24E
Revenue (\$M)	\$62	\$51	\$67
Adjusted EBITDA (\$M)	\$16	\$10	\$14

Valuation			
YE: Dec 31	FY22A	FY23E	FY24E
EV/Revenue	1.8x	2.2x	1.7x
EV/Adj. EBITDA	7.0x	11.4x	8.1x

Stock Data	
Shares Outstanding (M)	
Basic	59
Fully Diluted	62
Market Cap (\$M)	
Basic	\$82
Fully Diluted	\$86
Cash/Securities (\$M)	\$15
Debt / Leases (\$M)	\$39
Fully Diluted EV (\$M)	\$111

About the Company

Headquartered in Nanaimo, BC, Atlas Engineered Products designs, manufactures and sells engineered roof trusses, floor trusses and wall panels. AEP also distributes a range of engineered wood products. These products are sold to builders of residential and commercial wood-framed buildings, including single family homes, townhouses, multi-story residential buildings, commercial buildings, and agricultural structures.

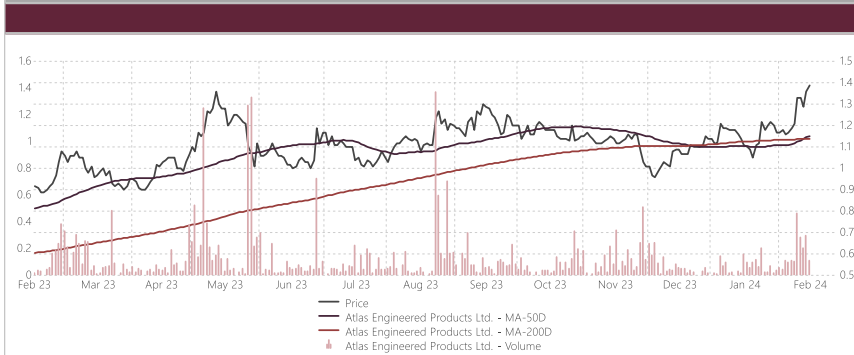
All prices in CAD\$ unless otherwise stated

Stock Performance



Atlas Engineered Products

BUY | Target: \$2.25



Key Statistics (C\$ unless noted)	
Recent/Closing Price	\$1.39
52-Week High	\$1.45
52-Week Low	\$0.89
Volume (30-day Avg, 000s)	104
Basic Shares OS (M)	59
Fully Diluted OS (M)	62
FD Market Cap. (\$M)	\$86.2
Cash/Securities (\$M)	\$15.0
Total Debt/Leases (\$M)	\$39.4
Enterprise Value (\$M)	\$110.5

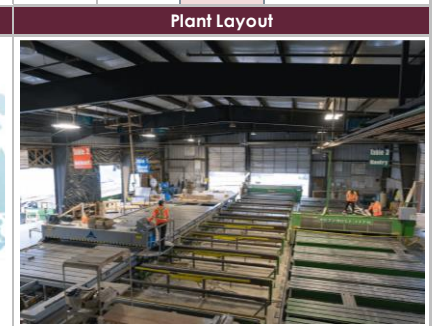
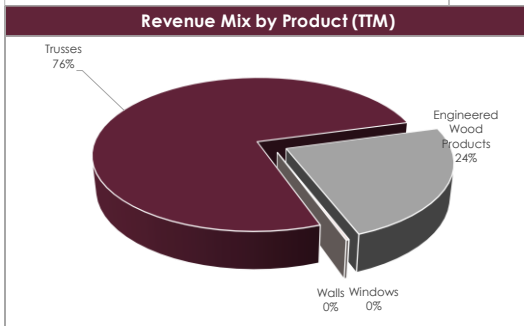
Company Description

Headquartered in Nanaimo, BC, Atlas Engineered Products designs, manufactures and sells engineered roof trusses, floor trusses and wall panels. AEP also distributes a range of engineered wood products. These products are sold to builders of residential and commercial wood-framed buildings, including single family homes, townhouses, multi-story residential buildings, commercial buildings, and agricultural structures.

Investment Thesis

- AEP products alleviate two major pain points for builders: onsite labour costs, and time-to-lockup (financing).
- Further product adoption (floor trusses, wall panels) supports strong organic growth.
- Industry is ripe for consolidation, while AEP balances M&A with active share buyback.

Valuation Sensitivity (2025E EBITDA)				
Adjusted EBITDA Forecast (\$M)				
	\$16	\$19	\$23	\$28
6.0x	\$1.15	\$1.46	\$1.83	\$2.27
7.0x	\$1.41	\$1.77	\$2.20	\$2.72
8.0x	\$1.66	\$2.07	\$2.57	\$3.16
9.0x	\$1.92	\$2.38	\$2.94	\$3.60



Core Products (left to right): Roof Trusses, Floor Trusses and Wall Panels



Financials (CAD)	2022A	Q1/23A	Q2/23A	Q3/23A	Q4/23E	2023E	2024E	2025E	EV/EBITDA Multiples
Revenue (\$M)	\$61.9	\$9.6	\$11.2	\$14.4	\$15.4	\$50.7	\$67.0	\$81.0	12.0x
Consensus Revenue (\$M)	na	na	na	na	\$15.6	\$50.5	\$66.4	\$75.7	10.6x
Gross Margin	32%	30%	30%	30%	28%	29%	31%	33%	8.1x
Adj. EBITDA (\$M)	\$15.7	\$1.7	\$2.1	\$3.2	\$2.7	\$9.7	\$13.7	\$19.1	9.8x
EBITDA Margin	25%	18%	18%	22%	18%	19%	20%	24%	5.8x
Consensus EBITDA (\$M)	na	na	na	na	\$2.8	\$9.9	\$13.8	\$17.0	
Operating CF (before WC)(\$M)	\$11.7	\$1.4	\$1.6	\$2.1	\$1.4	\$6.5	\$8.1	\$11.6	
Operating CF Margin	19%	14%	14%	14%	9%	13%	12%	14%	
Cash From (Used In) Operations (\$M)	\$11.3	\$0.8	(\$0.4)	\$2.7	\$3.3	\$6.5	\$8.5	\$9.7	
CFO Margin	18%	9%	(3%)	19%	21%	13%	13%	12%	
Coverage Ratio (EBITDA/interest)	23.3x	8.2x	8.5x	7.6x	2.5x	4.9x	3.4x	5.2x	
Leverage Ratio (Net Debt/EBITDA)	(0.1x)	(0.2x)	0.4x	1.9x	1.9x	2.2x	0.9x	0.2x	

Source: Company Reports, FactSet, Beacon Securities. For consensus estimates, quarterlies may not add to annuals, depending on data availability.

Ticker	Company	Market Cap. (\$M)	Enterprise Value (\$M)	EV / Sales			EV / EBITDA			F2024E Revenue Growth	F2025E Revenue Growth	2023-2025 EBITDA CAGR	F2023E EBITDA Margin	F2024E EBITDA Margin	F2025E EBITDA Margin
				F2023E	F2024E	F2025E	F2023E	F2024E	F2025E						
ADEN-CA	ADENRA Inc	\$494	\$1,580	0.5x	0.5x	0.5x	6.7x	6.6x	6.1x	(3%)	4%	4%	7.9%	8.2%	8.5%
DBM-CA	Doman Building Materials Group Ltd	\$398	\$1,305	0.5x	0.5x	0.5x	6.6x	6.6x	6.4x	3%	4%	2%	7.9%	7.6%	7.6%
RCH-CA	Richelieu Hardware Ltd	\$2,222	\$2,668	1.5x	1.5x	1.4x	11.6x	11.9x	11.6x	3%	1%	-	12.9%	12.2%	12.5%
MAS	Masco Corporation	US\$14,716	US\$19,026	2.4x	2.4x	2.3x	12.8x	12.4x	11.6x	1%	4%	5%	18.7%	19.2%	19.7%
BLDR	Builders FirstSource, Inc.	US\$8,831	US\$26,764	1.6x	1.5x	1.4x	9.6x	10.6x	9.8x	4%	5%	(1%)	16.4%	14.4%	14.8%
BCC	Boise Cascade Co.	US\$2,675	US\$4,884	0.7x	0.7x	0.7x	6.4x	6.9x	7.1x	5%	2%	(5%)	11.1%	9.9%	9.4%
LPX	Louisiana-Pacific Corporation	US\$5,023	US\$5,176	2.0x	1.9x	1.8x	10.8x	9.7x	8.8x	7%	5%	11%	18.5%	19.3%	20.3%
UFPI	UFP Industries, Inc.	US\$4,742	US\$6,815	0.9x	0.9x	0.9x	8.3x	8.6x	8.0x	1%	3%	2%	11.2%	10.7%	11.3%
	Canadian-Listed Avg			0.8x	0.8x	0.8x	8.3x	8.4x	8.0x	1%	3%	2%	9.5%	9.3%	9.5%
	US-Listed Avg			1.5x	1.5x	1.4x	9.6x	9.6x	9.0x	3%	4%	3%	15.2%	14.7%	15.1%
	High			2.4x	2.4x	2.3x	12.8x	12.4x	11.6x	7%	5%	11%	18.7%	19.3%	20.3%
	Low			0.5x	0.5x	0.5x	6.4x	6.6x	6.1x	(3%)	1%	(5%)	7.9%	7.6%	7.6%
	Average			1.3x	1.2x	1.2x	9.1x	9.2x	8.7x	3%	4%	2%	13.1%	12.7%	13.0%
AEP-CA	Atlas Engineered Products Ltd.	\$86	\$111	2.2x	1.7x	1.4x	11.4x	8.1x	5.8x	32%	21%	41%	19.1%	20.4%	23.6%

AEP.V Atlas Engineered Products Ltd. TSXV

15-Feb-2024 1:56pm

 © StockCharts.com
Open 1.32 High 1.45 Low 1.28 Last 1.39 Volume 894.5K Chg +0.06 (+4.51%) ▲

- AEP.V (Weekly) 1.39

- MA(50) 1.12

- MA(200) 0.63

- Volume 894,488



Source: Company Reports, FactSet, Beacon Securities



Source: Stockcharts.com, Beacon Securities

Source: Stockcharts.com, Beacon Securities

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As of January 31, 2024	#Stocks	Distribution
BUY	68	70.8%
Speculative Buy	19	19.8%
Hold	2	2.1%
Sell	1	1.0%
Under Review	6	6.3%
Tender	0	0.0%
Total	96	100%

BUY Total 12-month return expected to be > 15%

Speculative Buy Potential 12-month return is high (>15%) but given elevated risk, investment could result in a material loss

Hold Total 12-month return is expected to be between 0% and 15%

Sell Total 12-month return is expected to be negative

Under Review

Tender Clients are advised to tender their shares to a takeover bid or similar offer

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