



## Canaccord Genuity

# Sweet Canaccord O' Mine

Canaccord Genuity (CG, TSX: CF.TO) is a powerhouse Canadian financial services firm perhaps best known for its two premier divisions: CG Capital Markets and CG Wealth Management. These eponymous businesses define CG's product offering: capital markets advisories, wealth management, financing, and investment banking.

A victim of the last two year's brutal slowdown in deal flow and volatile economic climate, Canaccord has finally composed the strength and catalysts it needs to garner the profound momentum it has seen in years past, ultimately bearing monumental windfall upon the stock.

### Company Thesis I: Riding the Durable Trends

Canaccord's absolute competitive advantage is namely credited to a single distinguishing factor: its agility. CG is thus able to capture value and exposure from an array of highly profitable, scalable, and most importantly durable trends like clean energy, A.I., and precious metals. Its serial acquisition activity and bulletproof client network anchor the firm's durability while giving it the agility it needs to once more spur a great tailwind.

### Company Thesis II: Fundamental Undervaluation... Canaccord is Last in Line.

While fellow boutique firms like Piper Sandler, Evercore, Lazard, Moelis, and Oppenheimer have all soared upwards of +25% to +50% through 2024, Canaccord seems to have been left in the dust of the markets, barely breaking even on the year. This disconnect leaves CG at a glaring undervaluation considering the enduring growth in their titanic client network, distinguished exposure to countless durable trends, robust acquisition activity, and steadfast revenue rebound following the industry's 2023 shakedown.



Canaccord Genuity

## RESEARCH REPORT

ANDREW GRIGNANO  
FEBUARY 2025

TSX: **CF.TO**

Price (3/05/2025): **\$8.61 CAD**

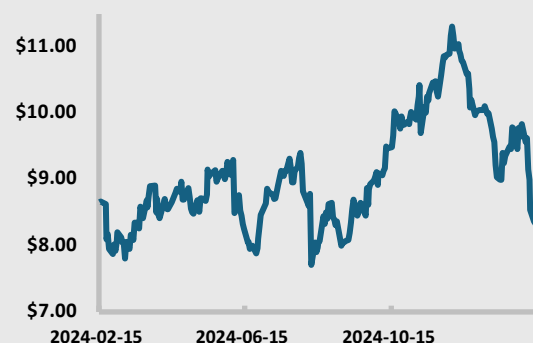
### BASIC STATISTICS:

Market Cap:	\$828.17M
Sector:	Financials
Dividend Y%:	3.95
Forward P/E Ratio:	8.29x
EV/EBIDTA TTM:	2.41x

### PERFORMANCE:

Stock YTD:	<b>-13.81%</b>
Stock 6M:	<b>+6.96%</b>

### Canaccord Genuity Performance 52w



ALL FIGURES IN \$USD UNLESS OTHERWISE NOTED

WORKS CITED AND SOURCES LISTED ON FINAL PAGE

## Abstract: Canada's Financial Services Starboy

"Pretentious excellence" is how one surveyed employee dubbed the culture at CG. Canaccord has spent the last seventy years quietly embedding itself into the fabric of the Canadian financial industry, harnessing a remarkable aptitude to hold up an unshakable reputation at such a small size.

Despite having the smallest market cap of any major global boutique firm, Canaccord nevertheless wrestles dollar-to-dollar with billion-dollar rivals like Evercore, Raymond James, and Jefferies. Indeed, the Canaccord Genuity name has historically been held in high regard within the Canadian financial services landscape.

With its hands dipped in the profitable oceans of quite literally every durable trend worldwide backed by a rock-solid business model and propelled by a robust acquisition strategy, it is only a matter of 'me before the market once more recognizes Canaccord Genuity's true potential and magnitude. For now, the stock is a shining star amidst financial services titans and thus presents a monumental value investment opportunity in the meantime.

EXHIBIT 1: MARKET CAP OF ELITE BOUTIQUE WEALTH / BANKING FIRMS



*Canaccord is, by all means, a heavy hitter. No rival firm holds a candle to its potential at the crossroads of growth and value via durable trends and unwavering merit.*

EXHIBIT 2: DURABLE GLOBAL TRENDS IN THE CANACCORD VALUE CHAIN

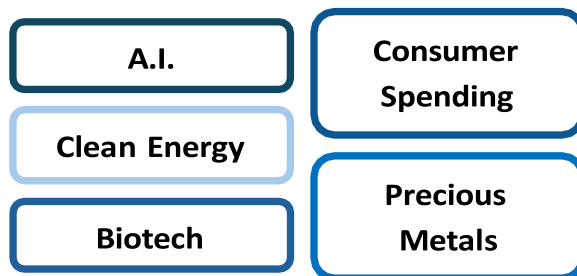
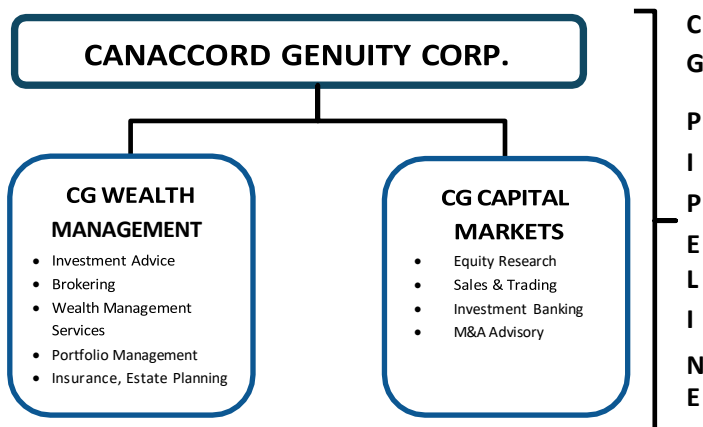


EXHIBIT 3: CANACCORD GENUITY STRUCTURE



## Company Overview

*Clean Energy. Biotech. A.I. Alternative Assets.*

What sounds like a Bloomberg headline is none other than Canaccord Genuity's network of disciplines. The company is divided into two main business segments, each operating independently yet synonymized by their exposure to highly profitable durable trends: CG Wealth Management (WM) and CG Capital Markets (CM).

Between these two divisions stands CG's product offering and full-suite pipeline involving an array of financial services from M&A Advisory to Estate Planning.

Canaccord has a defensive revenue split strategically prioritizing Wealth Management—a historically more durable business—to Capital Markets, which are typically more volatile than WM. This anchors CG in stability while exposing the company to needed risk for the means of capturing value from global capital markets, thus hedging Canaccord against broader macroeconomic uncertainty. CG's exceptional performance in years like 2021, which saw record-high international trading volume and market activity, is an example of how the company adds compelling value when markets are accommodative whilst taking a more conservative approach to bearish years like 2022.

CG's revenue is additionally split between four main geographic regions: Canada, the United Kingdom, the United States, and Australia.

## Excellence: The CG Advantage

Canaccord finds themselves in the heart of what are likely the two most cutthroat industries in the financial services sector: capital markets and wealth management. The WM industry in particular embodies this "winner-takes-it-all" sentiment, where battles are fought with deal flow numbers and clients are won over on a dollar-for-dollar basis.

Canaccord therefore applies a single critical thesis to its solutions approach, through which it can tap into the client value chain: customer loyalty. Through its founding to the present, CG prioritizes offering highly tailored client solutions under the conviction that lifetime customer value and loyalty are principle to success in the capital markets and wealth management. While larger competitors like Evercore prefer to emphasize selling white-labelled, commercial client offerings, emphasizing minimal Customer Acquisition Costs (CAC) and maximal Customer Lifetime Value (CLV) is what makes Canaccord so successful.

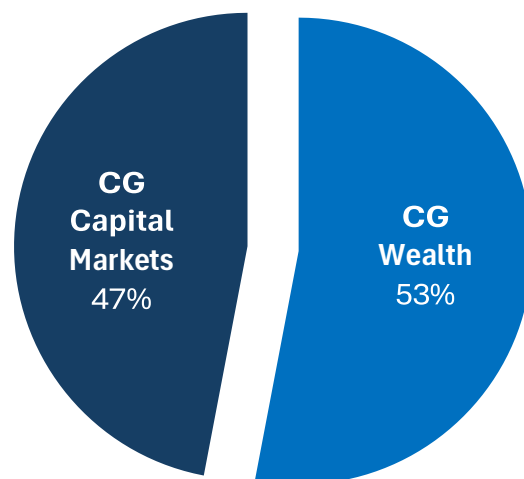
Ultimately, this unique approach to client solutions is what gives Canaccord the "excellence" they so dearly pride themselves on—a genuine obsession with creating meaningful customer value, distinguishing them from fierce competition.

### EXHIBIT 7: CG WEALTH VALUE PIPELINE VERSUS EVERCORE (VIA FILINGS)



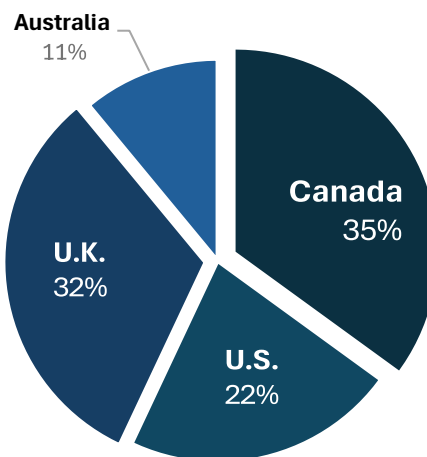
### EXHIBIT 4: CG REVENUE BY OPERATIONS SEGMENT

#### CG Revenue by Operations



### EXHIBIT 5: CANACCORD GENUITY REVENUE BY COUNTRY

#### CG Revenue by Country



### EXHIBIT 6: CANACCORD GENUITY REVENUE STREAMS

#### CG WEALTH MANAGEMENT

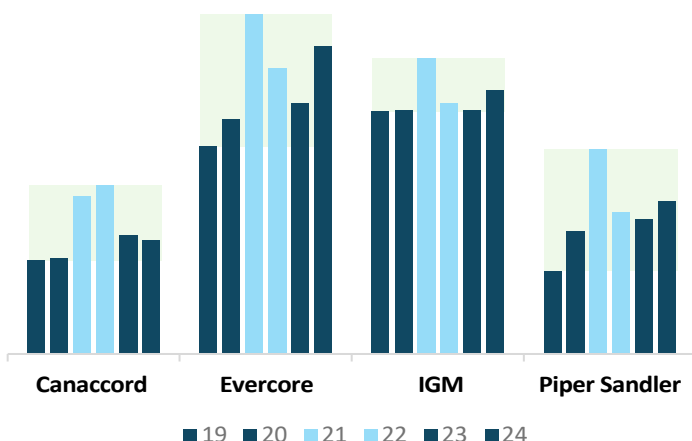
- Brokerage Commissions
- Advisory Fees
- Interest Earned
- Fees on Proprietary Products

#### CG CAPITAL MARKETS

- Investment Banking Transaction Fees
- Commissions on Institutional S&T
- Proprietary Trading Gains

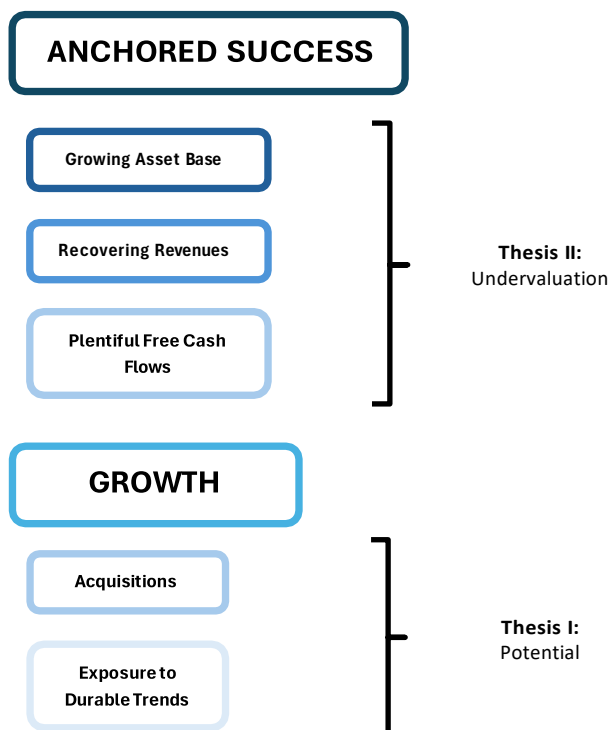
EXHIBIT 8: 2019-2024 REVENUE BY ELITE BOUTIQUE FIRMS

### 2021-22 Banking Bull Run



No elite boutique firm has been able to top their 2021-2022 numbers. Despite Canaccord's enduring performance, the stock has been overlooked against its peers.

EXHIBIT 9: CANACCORD COMEBACK FEATURES



## 2023: The Ballad of Canaccord Genuity

After 2021 and 2022 proved to be a roaring success for the global financial markets, investment bankers, PE advisors, and equity research analysts alike reveled in their trillion-dollar successes.

The last two years, however, have proved to be a merciless reality check for the global finance industry. With Investment Banking (IB) deal flows barely recovering from 2023's historical low and a similarly bleak outlook on Wealth Management, Canaccord was beat down by the markets particularly hard in 2023 and through 2024.

What's notable, however, is that while CG has signaled a clear reversal in their temporary decline marked by a robust recovery in revenue and net incomes coupled with enduring growth in their client network, the market has seemingly yet to price in this recovery into Canaccord stock post-industry meltdown.

While fellow boutique firms like Oppenheimer, Lazard, Evercore, and Piper Sandler have since returned upwards of 30% to 50% in 2023 and through 2024, Canaccord has been entirely neglected in this post-meltdown bull run. Investors are seemingly blind to the stock's glaring value opportunity and subsequent return potential.

## 2025: Canaccord's Comeback SZN

Canaccord's agility and excellence were put to the test once again through 2024 as the firm was forced to make a quick recovery following the 2023 crisis. In this time, CG posted great numbers, explicitly signaling their return:

- **+15.9%** revenues Q3 2025 (FY begins April 1<sup>st</sup>)
  - **+74%** growth in IB revenues
  - **+20%** YoY in Wealth Management revenues
  - **+11%** YoY in recovering Capital Markets revenues
- **+16.0%** YoY increase in firm-wide client assets

This comeback, however, was wholly ignored by the markets considering the stock's disappointing performance throughout 2024. While smart money consciously recognizes Canaccord's potential and continues to throw their billions at the firm, the broader markets have been seemingly dazed by the ridiculous yet ultimately underserved performance of rivals like Evercore and Piper Sandler.

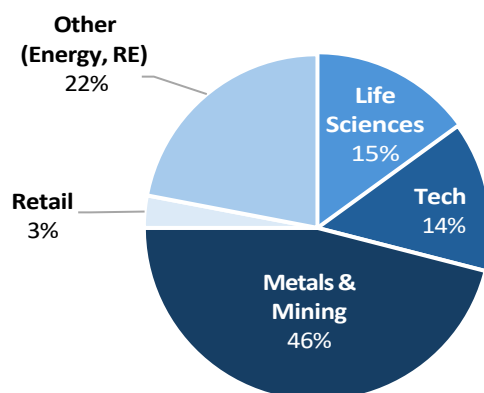
This recovery and newfound momentum are expected to continue into 2025, but it once again seems that investors are ignorant to CG and its potential, turning a blind eye to its profound catalysts and egregious undervaluation.

## Company Thesis I: Durable Trends

Canaccord's investment banking deal flow (via CG Capital Markets) captures rare and significant exposure to quite literally every lucrative durable trend worldwide. In particular, the company's network of disciplines reaps the benefits of the following trends:

EXHIBIT 10: CG BANKING REVENUES BY DURABLE TREND/SECTOR

### CGCM Revenue by Durable Trend



Canaccord taps into these enduring and hyper scalable trends via their advisory, financing, underwriting, and M&A segments. This gives CG defensive midstream exposure to what are quite literally the world's most profitable sectors while partially hedging the firm against volatility assumed from frenzied trends like biotech and A.I.

Moreover, Canaccord's ongoing history of strategic acquisitions allows the company to scale its asset network and value base. In 2022, for instance, the company bought out British advisory firm "Results" to expand its dominance in the explosive European tech and healthcare markets.

With continued acquisition activity through 2024 and now into 2025, this strategic expansion strategy, coupled with hedged exposure to highly profitable durable trends, gives Canaccord the catalysts it needs to spur the tailwinds necessary for a comeback.

At its core, Canaccord Genuity lies in the ideal climate to ignite itself back into the financial services spotlight. After falling out of the markets favour through 2023 and 2024, the firm can finally restore the Canaccord name to its former glory by way of incendiary catalysts like their exposure to durable trends and scaling strategy.

## Company Thesis II: Undervaluation

Notwithstanding its prospect as a growth stock, the true enigma behind Canaccord Genuity is its egregious undervaluation.

Following a 24% decline from its December 2024 high, the stock has hovered in the \$8 to \$10 CAD range in the twilight of 2025. Historically, Canaccord has been a speculative investment, moving in volatile bull and bear cycles driven by earnings and relevant macroeconomic catalysts.

Therefore, considering the stock's shakedown in the final days of 2024, my thesis on Canaccord is simple: the stock is clearly undervalued at \$8.00, and is poised for another bullish cycle as it reaches fair value.

On a broader scale, the stock's underperformance against its elite boutique peers through 2024 despite its strong recovery suggests a deeper, less quantifiable value opportunity. I believe this can be largely credited to the simple fact that Canaccord is too small of a firm to catch the eyes and wallets of the markets.

Catalysts for the stock like its defensive exposure to lucrative global trends, enduring scale, and continued recovery in revenue are poised to conjure the tailwinds needed to propel the stock upwards, reflecting its true value.

Canaccord Genuity is the heavy-hitting underdog of the financial services industry, and with the right catalysts gesturing its potential for growth being paired with its durable business model and persistent success, the firm finally has the metaphorical lighter it needs to ignite its own flame.

EXHIBIT 11: CG BULL/BEAR CYCLES

### CG Volatility 2011 — Present



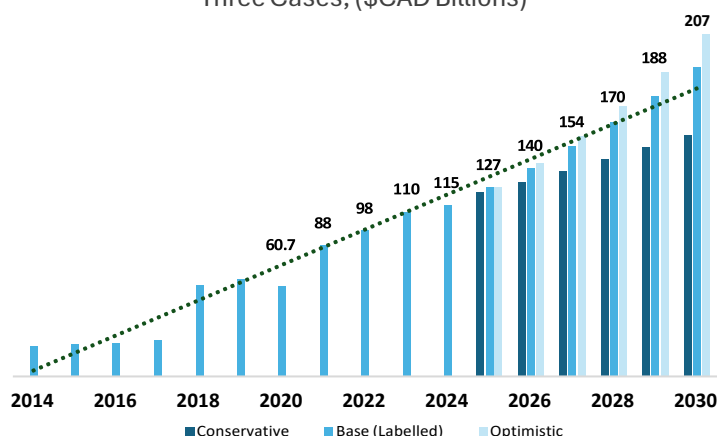


## Broader Thesis: The Grigshaw Method

Ultimately, Canaccord checks off all the boxes as to what makes a good Grigshaw investment. This is what distinguishes the company with its aforementioned excellence. CG trades at a significant undervaluation and is backed by defensive exposure to an array for durable trends. With clear potential for growth via its robust scaling strategy and plentiful free cash flows to boot, Canaccord has everything it needs to pull off its needed comeback to stardom. Like Michael Jordan in 1995, I have full conviction to the fact that Canaccord will see abundant success into perpetuity, with 2025 being a landmark year for the firm.

EXHIBIT 12: CG ASSET BASE FORECASTING

### CG Client Asset Forecasting Three Cases, (\$CAD Billions)



## Growing Assets, Not Growing Pains

Exhibit 12 outlines what I believe to be the underlying fundamental of Canaccord's continued success: exponential growth in their fee-generating asset base, reaching \$207B CAD through 2030. The model above assumes the following drivers considering historicals:

- **Conservative Case:** 5% CAGR
- **Base Case:** 9% CAGR
- **Optimistic Case:** 10% CAGR

Ultimately, this growing client network—which is anticipated to only be further scaled through acquisitions—is what spurs revenue for Canaccord.

I will again reiterate that CG has seen unwavering growth in spite of disappointing stock performance—something the market is seemingly blind to whilst pricing it in.

## Bear Case: The Downfall

Most arguments against CG stem from negative guidance into 2025 assumed via a harsh global macroeconomic outlook and its ongoing struggle for survival in such a cutthroat industry. Bears will point to the firm's slight decline in revenues and near break-even profits as a sign of instability and poor health, overlooking Canaccord's contingency measures (defensive revenue mix, partially hedged against economic and market uncertainty) and valuation potential.

Moreover, they are oblivious to its recovery and strong growth potential catalyzed by strategic acquisitions and value captured from durable trends.

My thesis is, again, that the next few years will not be Canaccord's "Welcome to the Jungle" moment as they fight for survival to claw their way back from a poor 2023.

They've already done it.

Rather, Canaccord Genuity will prove the story of a roaring comeback, not a thrashing clawback.

Therefore, the majority of bear theses can be defeated under this simple fact, recognizing the *future* potential of the firm regardless of a single year's poor performance.

## Trends: The Profiteer's Playbook

I've used the term "durable trends" quite liberally without explaining its relevance to CG.

### *Du · ra · ble*

*Enduring dominance in a highly  
profitable and scalable discipline.*

A.I. is perhaps history's greatest example of a durable trend, hyperscaling from a niche study to a trillion-dollar industry. As such, companies like Nvidia—formerly a nerdy gaming firm—have exploded to the top of global the markets. CG's advantage stems from its diverse midstream exposure to these trends, capturing holistic value across their pipeline.

In Canaccord's context, the company's M&A deal flows, financing, and IPO activities offer defensive exposure to these enduring, highly profitable trends. With a specialty in particular sectors like precious metals, real estate, and clean energy, CG captures diverse exposure to these ventures as a mid-market firm.

This diversity, aside from serving as a comfortable hedge, also contributes to Canaccord's **agility**. The firm is distinguished by its ability to quickly spin immense profits out of any global trend.

A case study of this would be their work with Canadian cannabis companies as the drug became legalized in 2018. In this time, CG performed exceptionally well as they topped every other Canadian bank—including rivals *hundreds* of times their size like TD—in annual deal flow numbers. This drug-fueled ordeal also netted CG hundreds of millions in the process.

In fact, despite its market cap still being under a billion Canadian dollars, Canaccord nevertheless repeatedly surpasses its hundred billion-dollar peers like RBC and CIBC in annual deal volumes.

EXHIBIT 14: INVESTMENT BANK DEAL VOLUME TO MARKET CAP

Deal Volume to Market Cap Ratio	
Canaccord Genuity	1.6540x
BMO Capital Markets	0.0269x
RBC Capital Markets	0.0132x
National Bank	0.0346x
Scotiabank	0.0128x
TD Securities	0.0055x
CIBC Capital Markets	0.0095x

## Cash Rules Everything Around CG

Surges in free cash flow have typically brought tremendous growth to CG's stock, whether they be the passive byproduct of an industry cycle or independent tailwind. Through 2024, Canaccord scaled its free cash flow from -\$38.56M CAD in March to \$647M CAD by the end of the year. Despite this 1778% increase, the stock practically broke even on the year.

In the past, however, even a record cash surge like 2020-21 of approx. 200% YoY brought over a 300% return in CG's stock.

An egregious value opportunity arises as there is thus a clear disconnect between Canaccord's pricing and their growth via cash flows.

EXHIBIT 13: CG RANKING IN THE "EQUITY LEAGUE" FY2024 BY ECM DEALS

RANK	BANKING FIRM	DEALS	% SHARE	VOL \$M
1	Canaccord Genuity	48	7.4%	\$961
2	BMO Capital Markets	37	15.6%	\$2,030
3	RBC Capital Markets	25	17.4%	\$2,266
4	National Bank	25	6.9%	\$893
5	Scotiabank	19	6.1%	\$792
6	TD Securities	17	4.4%	\$579
7	CIBC Capital Markets	16	4.2%	\$542

## The Canaccord Moneyline

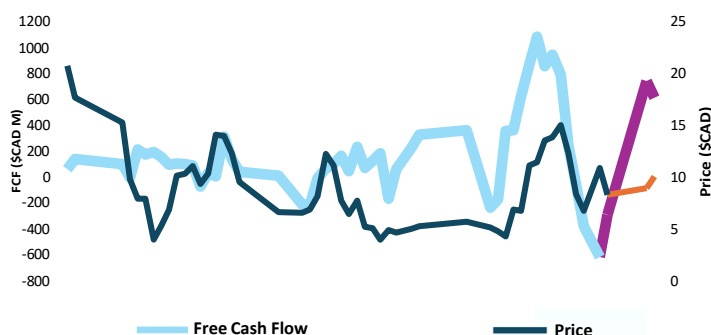
Exhibit 13 and 14 outline precisely why Canaccord is considered to be "the best" at what it does. Despite its small market cap of \$540M USD, the company still nets the greatest deal flow volumes of any of its Canadian peers year after year. This high volume by deal *numbers* is what I believe highlights Canaccord's agility and diverse exposure to durable trends. With such a large raw number of transactions, the firm has its hands in quite literally every profitable trend worldwide.

Even by deal *value* numbers, Canaccord's 7.4% pipeline share and \$961M USD transaction value beats that of billion-dollar rivals like Scotiabank, CIBC, TD, and National Bank.

We can measure this degree of efficiency with the multiplier between its deal flow value and market cap. Canaccord shatters the industry with **its 2024 deal flows (\$961M) being 1.6x larger than the firm itself (\$540M)**. In contrast, a rival like RBC—with a \$167B market cap nearly *three hundred times* that of Canaccord Genuity—has deal volumes making up approx. 1% of its market cap.

This unparalleled degree of efficiency and scale, especially in such a small firm, is what makes Canaccord such an enigmatic value investment considering their lengthy history of sustained excellence.

EXHIBIT 15: CANACCORD STOCK PRICE VS FREE CASH FLOW SINCE IPO



## Money... It's A Gas (Free Cash Flow)

Despite being the smallest of all major global boutiques, Canaccord's free cash flows top that of firms hundreds of times their size, making up 80% of their market cap. Again, in face of challenging financial times, the company has more than enough room to grow considering these plentiful cash flows.

## The Art of the Acquisition

In any mature industry, mergers and acquisitions are often the only means by which a firm can expand in face of a lack of organic growth.

Canaccord shines in the particularly cutthroat financial services industry with its serial acquisitions used to achieve strategic vertical integration and scale its customer base.

Their most recent acquisition of Cantab Asset Management in the twilight of 2024 broke their ground in the U.K. financial planning markets, while other purchases like their 2023 buyout of Mercer Private Wealth add to revenue and ROIC numbers (8x recovery from 0.1% to 0.8% leading into 2024) as their customer base expands.

This robust acquisition strategy gives Canaccord necessary momentum in an otherwise understated market, acting as the company's own self-fulfilling catalysts.

EXHIBIT 16: FREE CASH FLOW % OF MARKET CAP FOR ELITE BOUTIQUES

### Free Cash Flow to Market Cap of Elite Boutiques

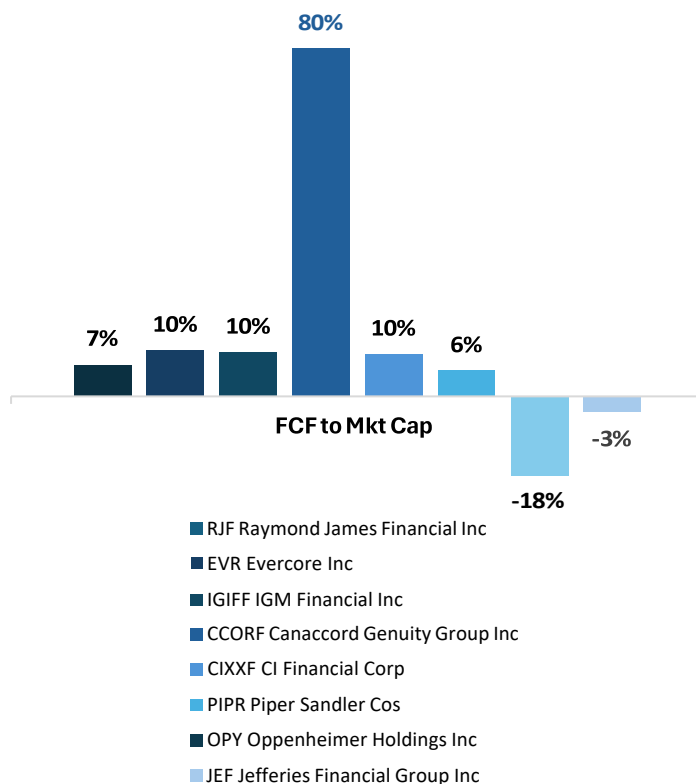
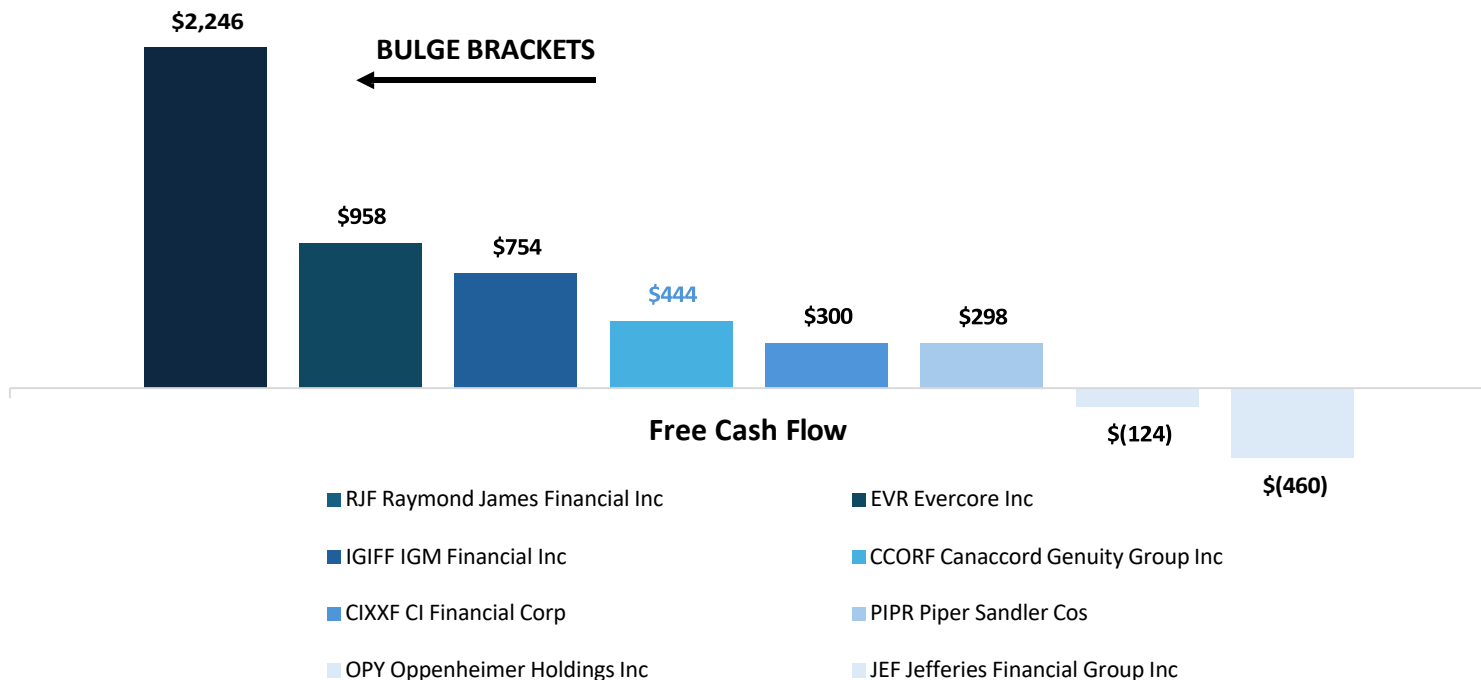


EXHIBIT 17: ELITE BOUTIQUES BY ANNUAL FREE CASH FLOWS

### Elite Boutiques by Free Cash Flow





## The Price is Right (Valuation)

I've valued Canaccord at both **14.61x** forecasted 2025 EPS and **0.6x** 2025 revenue estimates, reflecting an amalgamation of industry medians across a range of percentiles.

In a base case, my hypothesized undervaluation materializes as the stock could be trading at upwards of a 49% discount, with as much as a 77% upside in a bull case. Even in the most conservative bear cases, the stock trades at a 14% implied discount.

EXHIBIT 19: FINANCIAL SERVICES PE COMPS TABLE

CANACCORD COMPS TABLE — PE			
Firm	Ticker	2024	2025F
Canaccord Genuity	CF.TO	NM	11.38x
IGM Financial	IGM.TO	11.31x	10.13x
CI Financial	CIX.TO	NM	7.81x
Power Corp	PWCDF	13.95x	NM
Evercore	EVR	24.21x	15.74x
Macquarie	MCQEF	22.81x	NM
Lazard	LAZ	17.49x	12.51x
Stifel	SF	15.92x	12.04x

EXHIBIT 21: FINANCIAL SERVICES MEAN / MEDIAN / PERCENTILE PE RATIOS

Mean	17.61x	11.60x
Median	16.70x	11.71x
25th Percentile	14.44x	10.45x
75th Percentile	24.21x	10.13x

EXHIBIT 23: CANACCORD VALUATION BY PE

Canaccord Valuation		
2025F EPS	\$	0.73
Implied Share Price	\$	10.66
Implied Discount		28%

EXHIBIT 25: SENSIVITY ANALYSIS

		Revenue Multiple							
		0.45x	0.50x	0.55x	0.60x	0.65x	0.70x	0.75x	0.80x
2025F Revenue	\$ 1,326	\$9.12	\$9.81	\$10.50	\$11.23	\$11.88	\$12.57	\$13.26	\$13.95
	\$ 1,476	\$9.82	\$10.59	\$11.36	\$12.17	\$12.89	\$13.66	\$14.43	\$15.20
	\$ 1,626	\$10.52	\$11.37	\$12.22	\$13.11	\$13.91	\$14.76	\$15.60	\$16.45
	\$ 1,776	\$11.23	\$12.15	\$13.08	\$14.05	\$14.93	\$15.85	\$16.77	\$17.70
	\$ 1,926	\$11.93	\$12.93	\$13.93	\$14.99	\$15.94	\$16.94	\$17.95	\$18.95
	\$ 2,076	\$12.63	\$13.71	\$14.79	\$15.93	\$16.96	\$18.04	\$19.12	\$20.20
	\$ 2,226	\$13.34	\$14.49	\$15.65	\$16.87	\$17.97	\$19.13	\$20.29	\$21.45
	\$ 2,376	\$14.04	\$15.28	\$16.51	\$17.82	\$18.99	\$20.22	\$21.46	\$22.70

EXHIBIT 18: CANACCORD VALUATION SUMMARY

Canaccord Valuation Summary		
Case	Implied Share Price	Implied Discount
Bear Case	\$9.49	14%
Base Case	\$12.36	49%
Bull Case	\$14.72	77%

EXHIBIT 20: FINANCIAL SERVICES EV / REVENUE COMPS TABLE

CANACCORD COMPS TABLE — EV TO REVENUE			
Firm	Ticker	2024	2025F
Canaccord Genuity	CF.TO	0.33x	0.32x
IGM Financial	IGM.TO	4.57x	4.39x
CI Financial	CIX.TO	2.43x	2.60x
Power Corp	PWCDF	0.96x	0.79x
Evercore	EVR	2.95x	2.42x
Macquarie	MCQEF	NM	NM
Lazard	LAZ	1.50x	1.45x
Stifel	SF	1.86x	1.63x

EXHIBIT 22: FINANCIAL SERVICES MEAN / MEDIAN / PERCENTILE EV TO REVENUE RATIOS

Mean	2.09x	1.94x
Median	1.86x	1.63x
25th Percentile	1.23x	1.12x
75th Percentile	4.57x	1.49x

EXHIBIT 24: CANACCORD VALUATION BY EV TO REVENUE

Canaccord Valuation		
2025F Revenue	\$	1,776
Implied EV	\$	1,070
+ Cash	\$	1,178
- Debt	\$	899
Implied Equity Value	\$	1,349
Shares Outstanding		96.04
Implied Share Price	\$	14.05
Implied Discount		69%

## The Interest Rate Gambit

It's no secret that Canaccord's stock is hypersensitive to rate changes in the Canadian, U.S., and U.K. economies. Exhibit 25 outlines how rate cuts often rocket the stock directly upwards while rate hikes are usually bad news. The stock seems to also do fairly well under flat rates, under the assumption that market uncertainty is limited whilst rates are flat.

However, regardless of Trump's tariff troubles or flares in inflation, every major bank nevertheless anticipates further rate cuts or at least maintenance as the Canadian and British economies in particular slow down. Moreover, despite the United States historically making up less than 1/3 of Canaccord's revenue, they falsely seem to be the most sensitive to Fed rate cuts specifically.

The Bank of England recently halved their forecasted GDP growth for 2025 from 1.5% to 0.75%, dropping from one historical low to another. In this same time, unemployment forecasts have spiked to project 4.5% in 2025 backed by volatile quarterly GDP growth, barely breaking positive numbers in the final days of 2024.

Canada sees similar despair with a projected 1.8% GDP growth rate through 2025. Following a spike in early 2025, inflation is also expected to ease. It is perhaps this initial bearish outlook on rate cuts that has sparked CG's decline in the last eight weeks.

Thankfully—as with any Grigshaw stock pick—Canaccord is largely hedged from this potential macroeconomic decline considering their wealthier and institutional client base with a stronger stomach for a poor economic climate. The firm will nevertheless capture value if rates are cut whilst turning their back to the headwind of today's economic climate.

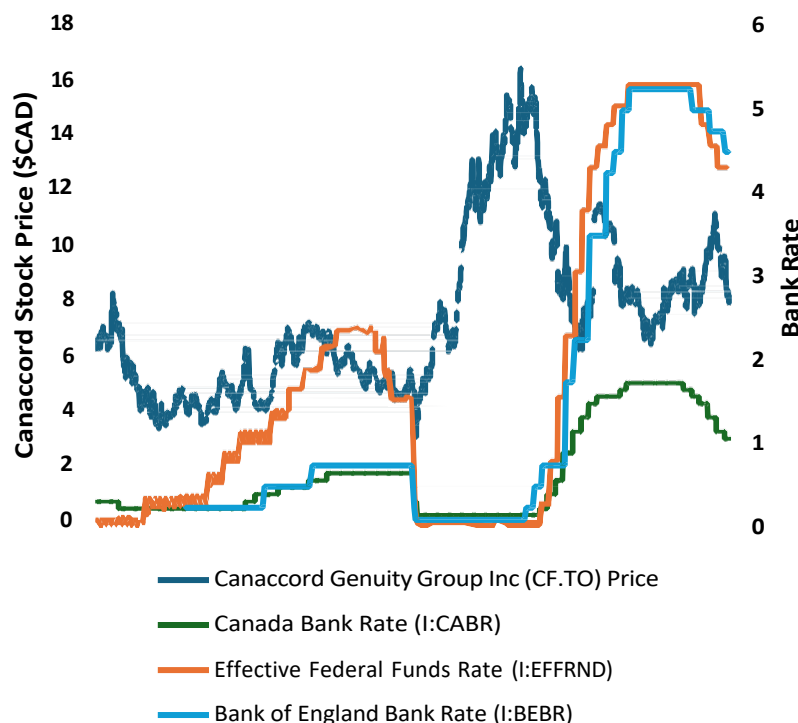
## Risks Observed

### More Money, More Problems

Canaccord's Return on Assets numbers have come back negative for the last few quarters (-0.39%), largely credited to their high fixed-cost based stemming from the fixed compensation of their 3,000 employees on investment banker salaries.

This works great when markets perform well and revenues far eclipse salaries but presents challenges in tighter years. Market optimism and Canaccord's tightening control over its compensation expense partially hedges the firm from such exposure.

EXHIBIT 26: CANACCORD STOCK VS GLOBAL INTEREST RATES



### Market Share Evaporation

The highly-fragmented financial services industry is, as mentioned previously, largely defined by mergers and acquisitions. Despite CG's small size, their niche approach to solutions and wide moat complemented by a robust acquisition strategy hedges the firm against threats to its market share.

### Net Income Volatility

Since its inception, Canaccord has often seen streaks of lucrative years followed by troughs of unprofitability. This performance is obviously credited to industry cycles and seems to plague small boutiques in particular (IGM Financial and CI Financial). What's clear, however, is that Canaccord is better positioned to capture value against these competitors in respective economic booms. In 2022's bull run, for instance, CG *tripled* their annual revenues whilst IGM and CI struggled to break even in a record-shattering industry climate. While inescapable, this volatility ultimately drives exceptional momentum in CG's stock price, thus making today a great opportunity to snipe a monumental value opportunity.

### Market Uncertainty

Canaccord's defensive revenue mix anchored by their rock-solid wealth management disciplines hedges the firm against broader market uncertainty. Their growing asset base also perpetually drives revenues regardless of market conditions.

## Conclusion

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Marrying its immense growth potential via exposure to durable trends with an egregious value opportunity, 2025 is the year Canaccord Genuity may finally have the momentum it needs to once again spur a monumental tailwind. Despite having the smallest market cap of any global financial services firm, CG punches far above their weight with chart-topping deal numbers and record free cash flows.

With a rock-solid business model able to capture defensive exposure to trends in every corner of the market, Canaccord is hedged to broader market volatility whilst carving out a distinct competitive edge with its bulletproof approach to client solutions and wide moat. In an unforgiving industry, Canaccord's durability and agility prove a distinguished advantage, especially at such a small size. Between nearly every positive catalyst aligned in an accommodating market environment and a robust value opportunity to boot, I have complete conviction that 2025 will be the year Canaccord sees a long overdue resurgence.

## Works Cited

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