



Figure 11: Our DCF framework for CP translates to an implied P/E multiple of 17.5x

CP - DCF Framework	2016	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	Terminal Value
Gross Revenue	6,232	6,543	6,831	7,265	7,556	7,858	8,172	8,499	8,839	9,193	9,537
YoY Change (%)	(7.2%)	5.0%	4.4%	6.4%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	3.75%
EBIT	2,578	2,747	2,960	3,226	3,400	3,536	3,678	3,825	3,978	4,137	4,292
% margin	41.4%	42.0%	43.3%	44.4%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
Implied Off BS Interest	22	23	24	25	26	27	29	30	31	32	33
EBIT + Interest adjustment	2,600	2,770	2,984	3,251	3,426	3,564	3,706	3,854	4,008	4,169	4,325
% margin	41.7%	42.3%	43.7%	44.8%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%	45.3%
Cash tax rate (%)	23.3%	15.0%	15.0%	15.0%	16.6%	18.3%	19.9%	21.6%	23.2%	24.9%	26.5%
<b>Unlevered Free Cash Flow</b>											
NOPAT	1,995	2,355	2,536	2,764	2,856	2,912	2,967	3,023	3,078	3,133	3,179
% of revenue	32.0%	36.0%	37.1%	38.0%	37.8%	37.1%	36.3%	35.6%	34.8%	34.1%	33.3%
D&A	640	660	683	719	758	789	822	856	891	928	963
% of revenue	10.3%	10.1%	10.0%	10.0%	10.0%	10.0%	10.1%	10.1%	10.1%	10.1%	10.1%
Net Capex	(1,066)	(1,235)	(1,275)	(1,325)	(1,417)	(1,478)	(1,541)	(1,607)	(1,675)	(1,747)	(1,812)
% of revenue	(17.1%)	(18.9%)	(18.7%)	(18.7%)	(18.8%)	(18.8%)	(18.9%)	(18.9%)	(19.0%)	(19.0%)	(19.0%)
Working capital	(55)	11	(10)	7	0	0	0	0	0	0	0
<b>Unlevered FCF</b>	<b>1,514.0</b>	<b>1,790.1</b>	<b>1,934.1</b>	<b>2,165.2</b>	<b>2,196.3</b>	<b>2,223.0</b>	<b>2,248.3</b>	<b>2,272.1</b>	<b>2,294.2</b>	<b>2,314.4</b>	<b>2,330.1</b>
Time factor	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Discount factor			100.0%	92.7%	85.8%	79.5%	73.7%	68.3%	63.3%	58.6%	54.6%
<b>PV of cash flows</b>				<b>2,006.1</b>	<b>1,885.5</b>	<b>1,768.2</b>	<b>1,656.9</b>	<b>1,551.4</b>	<b>1,451.4</b>	<b>1,356.6</b>	<b>32,679.6</b>
<b>Price Target Derivation</b>											
NPV	44,356										
Net Debt (3Q '17)	7,991										
PV of Operating Leases	288										
Implied Equity Value	36,077										
4Q '18e Sharecount	138										
USD/CAD	\$1.25										
<b>Implied Share Price</b>	<b>\$209</b>	← Translates to ~17.5x our 2019 EPS estimate									
<b>Other Assumptions</b>											
Revenue growth 2020-2025	4.0%										
Terminal revenue growth	3.75%										
Terminal EBIT Margin	45.0% ← Reached by 2020										
Terminal Tax Rate	26.5%										
Terminal D&A (% of rev.)	10.1%										
Terminal Capex (% of rev.)	(19.0%)										
<b>WACC calculation</b>											
Historical RFR	2.35%										
Equity Risk Premium (ERP)	7.00%										
Beta	1.01										
<b>Cost of equity</b>	<b>9.4%</b>										
WACD	5.5%										
Tax rate	26.5%										
<b>Cost of debt</b>	<b>4.0%</b>										
% equity	72%										
% debt	28%										
<b>WACC</b>	<b>7.9%</b>										

Source: Deutsche Bank, Company filings, FactSet

While our DCF framework for CNL translates to an implied P/E multiple of 15.5x our 2019 EPS estimate.