

We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have questions regarding any observations.

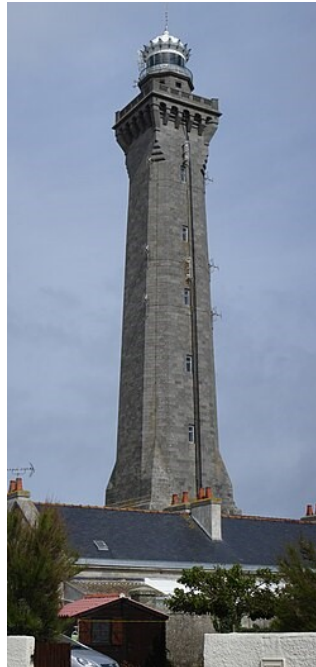


MACNICOL & ASSOCIATES
ASSET MANAGEMENT

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BEACONS OF THE WEEK

The two main purposes of a Lighthouse are to serve as a navigational aid and to warn ships (Investors) of dangerous areas. It is like a traffic sign on the sea.



Phare d'Eckmühl, Brittany, France

This active lighthouse is one of the tallest traditional lighthouses in the world. The lighthouse is located on the northwest coast of France. The granite lighthouse was originally built in 1897.



Voslapp Rear Range Light, Wilhelmshaven, Germany

This lighthouse is located in northern Germany. The light station was built in 1907, and the current structure was built in 1962.

**Feel free to send us your photos of Lighthouses to be featured in our weekly market observations. **

Convenience favourite

A longtime holding of ours reported its earnings late last week, and investors (including us) were very pleased. Shares jumped 5% after the earnings report was released.

Alimentation Couche-Tard Inc. (ATD) is a Laval-based multinational operator of convenience stores. The brands operated by ATD include Circle K, On the Run, Holiday Stationstores, Couche Tard, and Ingo.

This is a company we have talked about in-depth over the last few years due to some major news. We have talked about ATD for a variety of reasons, but one news story has dominated our commentary over the last 12-15 months. For those of you who are new here, here is a summary of that news piece.

ATD was formerly attempting to acquire Seven & I Holdings (the Japanese parent company of 7/11), a large competitor. According to industry data, ATD and 7-Eleven are the largest operators of convenience stores in the world. A consolidation of the two firms would create a global behemoth. The combined firm would have a monopoly across the industry.

Last summer, ATD made an unsolicited bid to buy Seven & I (the original deal offer was \$47 billion US, the offer was eventually sweetened by 22% after being originally rejected by the Japanese holding company. In May 2025, ATD was granted access to Seven & I's financial data after signing an NDA. ATD then proposed that Seven & I sell some U.S. stores to address antitrust concerns before this acquisition was agreed upon. Despite major efforts by ATD to close this deal, the company withdrew its acquisition proposal in July. ATD cited a "lack of constructive engagement" from Seven & I Holdings and concerns over market issues in Japan as reasons for abandoning this deal.

We were very pleased when this proposal was withdrawn from ATD. The deal (in our opinion) had a high risk-reward profile, the opposite of how ATD management has run ATD since its founding. On top of the operating execution and financial issues this deal could cause for ATD, regulatory scrutiny could have tied up a potential deal for years.

Over the last year, ATD shares have moved lower; a driving factor in that move has been this pending acquisition. Investors did not like this deal; it was expensive, it would require a large amount of debt to finance the acquisition, and ATD shareholders would get diluted.

Fast forward to last week, ATD reported earnings for the first time since this acquisition was abandoned. The company reported mixed results driven by solid revenue growth and significant improvements in same-store sales, particularly in the U.S. market. ATD reported growth in Canada and Europe. Earnings-per-share beat analyst estimates but slipped slightly year-over-year. Management blamed the EPS slippage YoY on worsening economic conditions and margin pressure in select business segments. Revenue slipped YoY as well and was driven by lower prices in fuel. ATD reported strong merchandise results and stated that its merchandise conversion rate continues to improve.

ATD also resumed its share buyback program last month, in which it will repurchase 10% of the public float over the next 12 months. ATD abandoning the acquisition gives investors some clarity in terms of

the company's balance sheet. Right now, ATD's balance sheet remains strong. ATD's balance sheet remains robust with manageable liabilities, underpinning its ongoing growth, share buyback program, and acquisition strategy.

In the company's management discussion and analysis, a focus on maintaining operational efficiency, continuing acquisitions, and investments in growth was reiterated.

ATD shares are currently undervalued in our eyes. Shares trade below 20 times forward earnings, and well below competitor enterprise value multiples.

Disclaimer: MacNicol & Associates Asset Management holds shares of Alimentation Couche Tard Inc. across various client accounts.

Massive deal in mining

Anglo American Plc agreed to acquire Teck Resources Ltd. on Monday night. The deal creates a mining giant that is worth over \$50 billion. The deal is one of the largest mining deals ever. The deal creates the world's fifth-largest copper miner.

According to the terms of this deal, Anglo will pay 1.3301 shares for each Tech share (in an all-stock deal), a 17% premium to Teck's closing price on Monday. Anglo will also pay its own investors \$4.5 billion in special dividends ahead of the business combination to decrease the premium (Anglo presented the deal as a zero-premium transaction). Anglo shareholders will own more than 60% of the combined company.

Anglo American Plc is a British-based mining company that is a major producer of diamonds, copper, nickel, iron ore, polyhalite, and steelmaking coal. Teck Resources is a Canadian-based global miner with a broad copper and zinc portfolio. This deal is a big bet on copper by Anglo.

Both Anglo and Teck shares jumped on this news substantially on Tuesday. The combined entity, Anglo Teck, will be headquartered in Vancouver, and its primary shares will be listed in London. The combined firm's board will be split 50/50 between Anglo and Teck. According to analysts, the deal has the support of both companies' boards, which include the Keevil family, who control Teck through "super voting" class A shares. However, the deal requires two-thirds of Teck's class B shareholders, which include China Investment Corp. The deal has provisions for both firms to terminate the deal in the event of a superior outside proposal. According to industry insiders, the offer from Anglo American, which is essentially a no-premium offer, could bring forth bids from other giants like BHP and Glencore in the industry.

The combined firm would become a global leading miner with a diverse and growing resource base.

Both firms have been pursued by larger miners in recent years but have been unsuccessful so far. Executives across the industry have been assessing more potential transactions over the last two years as copper demand has increased from the global energy transition.

Teck's flagship mine is located in Chile, right next to an existing Anglo mine. This offers the combined firm an opportunity to increase production, decrease costs, and realize synergies. According to industry analysts, overall synergies could reach \$800 million per year, with the potential of another \$1.4 billion by integrating the two Chilean mines.

The deal will face heavy regulatory scrutiny as it must be approved by regulators in China, Canada, and the U.S. The Canadian government will reportedly conduct a deep dive into this deal as the country has been highly critical of certain foreign firms buying domestic companies.

We forecasted an increase in deal-making in the mining industry sometime last year. Although it has been slightly slower than expected, we expect deals to come. High-quality assets will garner a lot of interest, especially when there is a race for majors to continue to expand their resource base and production. We think this trend holds for both the precious and industrial metals industries.

U.S. job market revision

According to the Bureau of Labor Statistics, the U.S. added 911,000 fewer jobs than initially reported in the 12 months through March 2025. This markdown signals weakness in the job market that looks like it began last summer. Most economists expected a downward revision to the data point, but estimates varied.

The latest data suggests nearly 76,000 fewer jobs were added per month than previously reported from April 2024 through March 2025. In the private market, trade transportation, and utilities saw the biggest markdowns.

These data points paint a clearer picture of the job market last year and at the beginning of this year. However, they do not contribute much to the current labor market picture, and it will not be enough to shift the decision-making to the FED at next week's meeting.

Despite these weak numbers being released, we do not expect the FED to jump and cut interest rates by 50 basis points next week. However, it could push Chairman Powell and the FED to conduct more cuts through the end of 2025.

Tuesday's revisions are only a preliminary estimate with the final number due in February. Last year, the original revision was a downward movement of 818,000, with the final update only showing 589,000 fewer jobs than originally reported.

Despite this original large downward revision, do not apply this trend to data beyond March, as the job market has seen gains since April. The average monthly payroll gain from April to August was 53,000.

Another big IPO

This week, another private firm made its intentions known and priced its IPO, in which it raised \$1.37 billion. Klarna, a Swedish-based buy-now, pay-later service provider, began trading on Wednesday on the New York Stock Exchange. Underwriters priced shares above the expected range. The raise values Klarna at \$15.1 billion.

Klarna's public offering comes amid a hot market for technology-based IPOs. Over the last few months, we have seen Circle Internet Group, Figma, Bullish, Gemini, and CoreWeave, as well as many other private companies, go public. This trend reflects the appetite of investors, despite some economic uncertainty, who are buyers of these risky tech-based IPOs.

Klarna's CCO said going public gives the company "a type of credibility". Klarna was founded in 2005 as a buy-now, pay-later platform (it is often an option when buying products online on certain websites, including eBay and Walmart), but has since expanded into other areas of banking. Today, the company's product portfolio includes debit and credit cards. Klarna also holds a full banking license in the European Union. Klarna chose the NYSE for its IPO as the U.S. is by far the company's largest market.

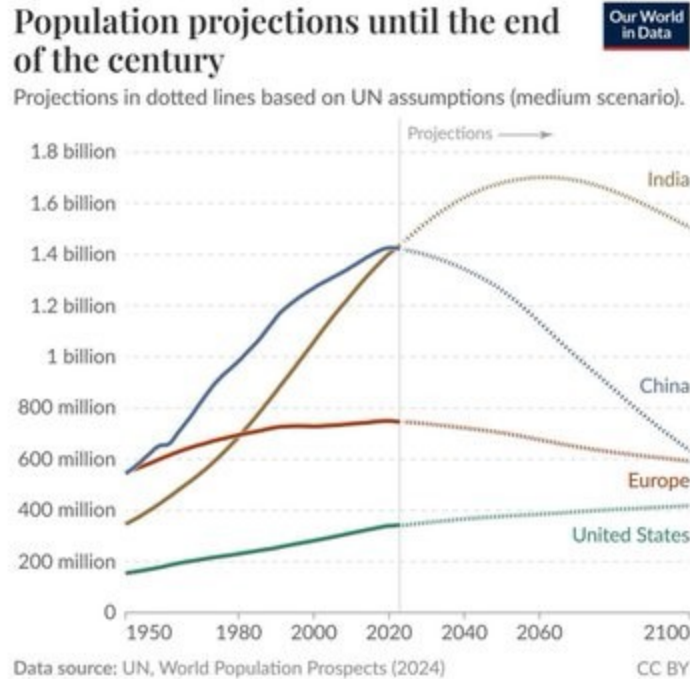
Klarna has been rapidly growing in recent years. It currently works with merchants in 26 countries and has seen its customer base grow by 26 million active consumers in the past 12 months. Klarna reported in May that customers were defaulting on their loans, which contributed to a first-quarter loss of \$99 million and a second-quarter loss of \$52 million. These numbers both grew substantially year-over-year.

We will not be buyers in Klarna's early trading sessions and will continue to watch the company's quarterly results to see if there is upside in the company. We will warn our readers not to chase IPO returns as this year, many companies' early IPO gains have vanished over the next few weeks or months. These IPOs are making large pullbacks due to negative quarterly earnings, soft investor demand, and sponsor / issuer selling. Figma shares are down 57% since their first close, Circle Internet Group shares are down 25% over the last month, and Bullish shares are down 21% since their first close.

Buyer beware (for now).

Population projections

The United Nations and World Population Prospects released population projections until the end of the century based on current data sets. The data assumes immigration as well as falling birth rates. The picture is quite grim for China, which could see its population collapse in the coming years. India will see its population begin to decrease closer to 2060, while the U.S. could see minimal growth over the next 75 years.



China's population collapse could severely impact the country's productivity, labor advantage, and technological advancement.

The chart above reaffirms part of our thesis for India. The developing nation is still growing and has tremendous potential. We think India will be a major beneficiary in a rotation away from China and other nations that could struggle in the coming decades.

Population growth is an under-discussed issue that could severely impact the world. As the population ages, who will look after the elderly and remain productive? After all, productivity and growth must outpace debt growth to avoid a debt crisis.

New top dog

For the first time in nearly two years, the world has a new richest man. Elon Musk is no longer the world's richest man, and this time the title goes to a first timer who is 81 years old. On Wednesday morning, Larry Ellison became the world's richest man after the company he founded, Oracle, reported earnings. For those of you who do not know, Oracle is a Texas-based technology firm that provides enterprise software and cloud computing services. Oracle's main business segments are cloud, license, hardware, and services. Oracle is capitalizing on the AI revolution through infrastructure expansion, strategic partnerships, and embedding AI deeply across its cloud infrastructure. Oracle has partnerships with Nvidia, OpenAI, and more.

Coincidentally, Oracle slightly missed revenue and earnings estimates. The reason Oracle's stock surged (by more than 40%) on Wednesday is due to the company's order backlog, which reached \$455 billion and is expected to surpass \$500 billion next year. The order backlog for cloud bookings grew by more than 350% YoY. This signals an enormous pipeline of future business and further supports the thesis that Oracle is transitioning from a traditional software provider into a firm that is critical for AI. Oracle also raised its full-year revenue guidance, driven by multiple multi-billion-dollar contracts announced during the past quarter. Oracle's CEO stated that they expect more deals to be announced moving forward.



Oracle announced capital spending will likely rise by 65% this fiscal year to \$35 billion. This will eat up a portion of Oracle's cash flow in the coming quarters. However, Oracle has a lot of runway when it comes to spending, as they are tied to the U.S. government-backed AI venture Stargate, which will invest \$500 billion over the long term into domestic AI infrastructure.

Wednesday marks Oracle's largest single-day gain since 1999. As of lunchtime on Wednesday, Ellison's wealth had grown by more than \$100 billion since Oracle's earnings were released the night before.

Disclaimer: MacNicol & Associates Asset Management Inc. holds shares of Oracle (ORCL) in various client accounts.

MacNicol & Associates Asset Management
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