

Grande West Transportation (BUS-V) New Canadian Order, Bolsters Management Team

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Continued Growth in Canadian Market: Today before market open, Grande West ("GW") announced new orders for 20 Vicinity buses for Canadian public transit agencies, worth \$7.5 million. The new orders are from St. John's Transportation Commission (3 buses), City of Oakville (8 buses), City of Burlington (7 buses) and the City of Welland (2 buses). We note that St. John's Transportation commission is a new customer of the Vicinity, while Oakville, Burlington and Welland are repeat orders.

Backlog Continues To Be Strong: With the new order, GW's backlog now sits at a total of 267 buses for delivery in FY17 and 1H/FY18. We remind that almost all of this backlog is for Canadian deliveries (apart from one order of 13 buses for Hartsfield-Jackson Atlanta International Airport). Our current forecast call for 200 deliveries in FY17 and 300 deliveries in FY18.

Adds a Chief Operating Officer: Additionally, Grande West announced the appointment of Mr. Taras Kindzersky to the position of Chief Operating Officer. Mr. Kindzersky has over 20 years of experience working at a variety of large corporations including GE Capital, Wells Fargo and most recently Finning Canada. We view this as a positive as it allows GW's CEO Mr. William Trainer to dedicate his time to focus on growing GW's partnerships in China and the U.S.

U.S. Transit Opportunity: Our current estimates continue to be based on our assumption for GW to capture a 10-20% market share from the replacement of similar-sized buses (ie. 30 and 35-foot models) and cutaways, a market segment that we estimate to be more than ~1,000 units annually in the U.S. Thus, the right-sizing opportunity (ie. replacing 40-foot buses, a 4,000 – 5,500 units market) in the U.S. continue to represent the biggest upward bias to our analysis. Additionally, average selling prices in the US are significantly higher than GW's current ASPs in Canada (>\$560k vs GW's ASP ~\$350-\$400k). We maintain our ASP assumptions (in line with Canadian prices) until we gain more colour on the pricing level that GW could be competitive at with its first U.S. public transit win. We estimate that GW can generate \$0.03-0.05 in earnings from each incremental 100 buses in sales.

We maintain our BUY rating and \$3.00 target price (DCF_{10%}).

New Bus Order

BUY (Unch.)	\$3.00 (Unch.)
Last Price	\$2.80
12-month Target Price	\$3.00
Potential Return	7%
Dividend Yield	0.0%
52 Week Price Range	\$0.46 - \$2.92

YE: Dec 31st	Estimates		
	FY16E*	FY17E	FY18E
Revenue (\$MM)	\$14.5	\$73.3	\$120.0
EBITDA (\$MM)	(\$3.5)	\$8.1	\$14.4
FD EPS	(\$0.09)	\$0.10	\$0.15
Previous Estimates			
Revenue (\$MM)	\$14.5	\$73.3	\$120.0
EBITDA (\$MM)	(\$3.5)	\$8.1	\$14.4
FD EPS	(\$0.09)	\$0.10	\$0.15

* 16 months year ending Dec. 31st, includes stub quarter

	Valuation		
	FY16E*	FY17E	FY18E
EV/Sales	12.5x	2.5x	1.5x
EV/EBITDA	nmf(neg)	22.3x	12.6x
P/E	nmf(neg)	28.0x	18.7x
FCF Yield %	0%	0%	0%

Stock Data (MM)	
Shares Outstanding	
Basic	69.6 Assumes conversion of debentures
FD	77.1
Market Cap	
Basic	\$194.9
FD	\$215.8
Net Debt	
	-\$13.84 Pro-forma
EV	
	\$181.0

About the Company

Grande West Transportation Group is a Canadian company that design, engineers and manufactures heavy-duty, medium-sized buses for public transits and private entities in Canada and the U.S. The company's main product is the Vicinity bus which comes in 27.5, 30 and 35-foot sizes and was developed in cooperation with BC Transit.

All prices in C\$ unless otherwise indicated



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As at February 28, 2017	#Stocks	Distribution
Buy	65	74.7%
Speculative Buy	11	12.6%
Hold	4	4.6%
Sell	0	0.0%
Under Review	5	5.7%
Tender	2	2.3%
Total	87	100.0%

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

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