

Grande West Transportation (BUS-V) Execution Remains on Track

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Stub Quarter Results: Grande West reported results for its transitional stub quarter, the four months ending December 31, 2016. The company generated net revenue of \$2.98 million and an EBITDA loss of \$1.26 million. Revenue from bus sales was \$2.67 million on delivery of 8 buses, yielding an average selling price of \$334k. Note that the company could not recognize full revenue on sale of 10 buses to Calgary Transit due to a deferred payment agreement from 2 years earlier (50% upfront, 50% amortized over two years, booked as "lease revenue"). Going forward, the company will report ~\$150k in quarterly lease revenue on the 10 Calgary Transit buses.

Execution Remains on Track: The company provided detailed corporate update highlighting its ongoing initiatives and pipeline.

- On its manufacturing partnership with Wei Chai (buses for Canada and non-federally funded market, and shells for U.S public transit), the company confirmed it has ramped up its production capacity to 40 per month with an option for 50 per month (ie. annual capacity 480 up to 600) and that its senior engineer is currently spending ~50% of their time on-site in China.
- The company's Atlanta-based facility will be operational in Q3/FY17, as expected, with an initial production scale of 5 buses/month, which the company expects to quickly ramp up to 10 buses/month once it is fine tuned. The company is also expecting to conclude the Buy America validation and verification process during initial its ramp up process.

Grande West and ABG Integration: As part of the agreement with ABG (see our note from March 28th, 2017), GW confirmed that the integration process is ongoing, with the addition of a direct liaison between engineers at Wei Chai and those at ABG, and a planned visit for ABG's CEO Doug Dunn to Wei Chai facilities in China to work closely on integration. We remind that ABG is investing US\$1 million into its existing, 70,000 square foot facility in Atlanta.

Execution and Quality Track Record Is Building Up: We continue to like GW's management timely execution, which we believe is helping the company prove its credentials as a high-quality, up and coming transit bus provider of significant scale. To date, management has been able to ramp up production from its early, "prototype" days' level of 2/month to 40/month currently with no major issues. Additionally, this is supported by a high-quality product that continues to prove its credentials in the market. To date, the Vicinity bus has amassed significant mileage (with 80 buses operating for over 3 years now) with not a single significant warranty claim.

Our estimates are unchanged. We maintain our BUY rating and \$3.60 target price (DCF_{8%})

Quarterly Results	
BUY (Unch.)	\$3.60 (Unch.)
Last Price	\$2.89
12-month Target Price	\$3.60
Potential Return	25%
Dividend Yield	0.0%
52 Week Price Range	\$0.46 - \$3.45

YE: Dec 31st	Estimates		
	FY16A*	FY17E	FY18E
Revenue - net (\$MM)	\$8.1	→ \$73.3	→ \$120.0
EBITDA (\$MM)	(\$4.5)	→ \$8.1	→ \$14.4
FD EPS	(\$0.11)	→ \$0.10	→ \$0.15
Previous Estimates			
Revenue - net (\$MM)	\$11.4	\$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	23.7x	2.6x	1.6x
EV/EBITDA	nmf(neg)	23.6x	13.3x
P/E	nmf(neg)	28.9x	19.3x

Stock Data (MM)			
Shares Outstanding			
Basic	71.0	Assumes conversion of debentures	
FD	77.4		
Market Cap			
Basic	\$205.3		
FD	\$223.8		
Net Debt		-\$13.84 Pro-forma	
EV	\$191.5		

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 April 30, 2017	#Stocks	Distribution
BUY	68	74.7%
Speculative Buy	11	12.1%
Hold	5	5.5%
Sell	0	0.0%
Under Review	5	5.5%
Tender	2	2.3%
Total	91	100.1%

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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