

# Grande West Transportation (BUS-V) New Order for 39 Buses with BC Transit

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- Yesterday after market close, Grande West announced a new order with BC Transit for 39 buses valued at \$13 million.
- We note that this is BC Transit's third order of Vicinity buses in the last 9 months, bringing total outstanding orders to 97 buses, of both 30 and 35-foot models. We understand that this is a fulfillment of BC Transit's 5-year contract with Grande West, which has a guarantee for minimum of 112 buses. Delivery of the this order is slated for FY17 and early FY18.
- With that order, GW's current backlog stands at 214 for delivery in FY17 and early FY18. We are currently modelling 200 deliveries in FY17.
- We view this as a positive for GW as it confirms continued confidence from its main customer, BC Transit, in the Vicinity. Consequently, with some of these deliveries slated for early FY18, we keep our FY17 deliveries of 200 buses unchanged. We remind that prior to this order GW's confirmed order book for FY17 stood at 175 buses.
- GW qualified for "Buy America" program earlier this month, and the company is currently working on securing its assembly facility in the U.S. and bidding for public RFPs, concurrently.
- Our analysis for the replacement cycle of the U.S. transit agencies for buses where the Vicinity can be placed (ie. 35-foot and shorter, buses and cutaways on fixed route) yields a total of ~7,800 vehicles that are "ripe for replacement". Our current long-term forecast for GW reflects a market share in the range of 10-20%, not accounting for the potential downsizing opportunity (ie. agencies replacing 40-foot buses with smaller ones for the "right size").
- We maintain our BUY rating and \$2.50 target price (DCF<sub>12%</sub>).

New Order	
BUY (Unch.)	\$2.50 (Unch.)
Last Price	\$1.77
12-month Target Price	\$2.50
Potential Return	41%
Dividend Yield	0.0%
52 Week Price Range	\$0.35 - \$1.99

YE: Dec 31st	Estimates		
	FY16E*	FY17E	FY18E
Revenue (\$MM)	\$14.5	\$73.3	\$105.8
EBITDA (\$MM)	(\$3.5)	\$8.1	\$12.5
FD EPS	(\$0.09)	\$0.10	\$0.15

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

	Valuation		
	FY16E*	FY17E	FY18E
EV/Sales	7.7x	1.5x	1.1x
EV/EBITDA	nmf(neg)	13.9x	8.9x
P/E	nmf(neg)	17.0x	12.1x

Stock Data (MM)	
Shares Outstanding	
Basic	62.6 Assumes conversion of debentures
FD	70.5
Market Cap	
Basic	\$110.8
FD	\$124.8
Net Debt	\$0.90 Pro-forma
EV	\$111.7

#### 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 December 31, 2016	#Stocks	Distribution
Buy	67	77%
Speculative Buy	12	14%
Hold	3	3%
Sell	0	0%
Under Review	5	6%
Tender	0	0%
<b>Total</b>	<b>87</b>	<b>100%</b>

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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