

Grande West Transportation (BUS-V) Quarterly Results; Outlook Remains Solid

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Ahmad Shaath, CFA, MBA

Analyst - (416) 507-3964

ashaath@beaconsecurities.ca

Q1/FY17 Results: Grande West reported Q1/FY17 results, with consolidated revenue of \$4.6 million and adjusted EBITDA loss of \$423k. The company generated \$4.2 million of revenue from sale of 12 buses (average selling price was \$350k), with parts revenue contributing \$130k and lease revenues contributing \$217k. Gross margins on bus sales were 16.7%, up from 12.2% registered in the stub quarter, which is positive. Overall consolidated gross margins were 20.9%, excluding lease revenues (assuming ~100% margin) gross margins were still respectable 19.2%.

Volatility In Deliveries Is Expected: Grande West delivered 12 buses during the quarter, while it received 32 buses that were prepared for delivery in the quarter. The delay in delivering the remaining 20 buses was more a function of transit agencies' personnel finalizing their final inspection before Q1/FY17 end. Normal industry practice is that revenue is only recognized once the transit agencies finalize their pre-delivery inspection, and any delays from their part to do so could result in revenue spilling over, which was the case in Q1/FY17. We remind that contacts with transit agencies usually stipulate deliveries on quarter by quarter basis, and GW works closely with these agencies in the final steps of delivery, hence these delays raise no risk from GW's transit contracts perspective.

Order Backlog and Deliveries Outlook Remain Solid: The company reiterated its backlog figures of 267 deliveries for the remainder of FY17 through 1H/FY18, reaffirming its expectations to deliver 200 buses in FY17. Management indicated that Q2/FY17 will witness the delivery of at least 30 buses.

Investments in Canadian Operations, US Facility Remains on Track: GW continues to invest in personal and equipment at its Canadian facilities to ramp up its retrofitting/customization capacity in preparation for 2H/FY17 ramp up in deliveries. The company reaffirmed its guidance for the US-based facility to start production by Q3/FY17. Management indicated that work on the facility continues to be conducted in collaboration between itself, ABG and its partners in China, which we view very positively. All the parties involved have approved the final layout of the facility, and the company started working on customization and upgrades to the facilities already.

Revisions Neutral To Our Estimates: We have reflected the quarterly results in our model, with the major changes being a backend-loaded delivery schedule in FY17 and slight uptick in costs driven by new hires. Overall our revenue and EBITDA estimates remain unchanged.

We maintain our BUY rating and \$3.60 target price (DCF_{8%})

Q1/FY17 Results

	BUY (Unch.)	\$3.60 (Unch.)
Last Price		\$2.74
12-month Target Price		\$3.60
Potential Return		31%
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)	\$0.08	\$0.17

	Previous Estimates	
	FY16E	FY17E
Revenue - net (\$MM)	\$73.3	\$120.0
EBITDA (\$MM)	\$8.1	\$14.4
FD EPS	\$0.10	\$0.15

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

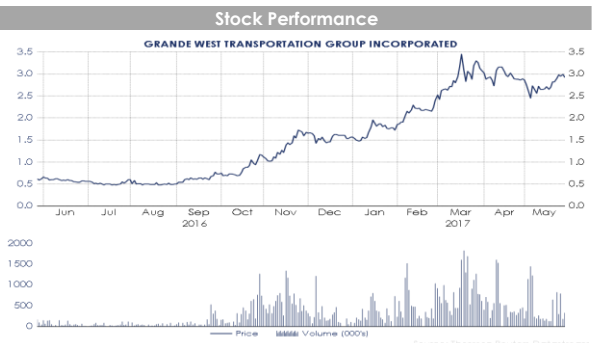
	Valuation		
	FY16E	FY17E	FY18E
EV/Sales	23.9x	2.6x	1.6x
EV/EBITDA	nmf(neg)	23.8x	13.4x
P/E	nmf(neg)	34.3x	16.1x

Stock Data (MM)		
Shares Outstanding		
Basic	71.0	Assumes conversion of debentures
FD	77.4	
Market Cap		
Basic	\$194.7	
FD	\$212.2	
Net Debt		
	-\$2.01	Pro-forma
EV		
	\$192.6	

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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