

Quick Comment

GR Engineering Ltd (GNG \$1.18) Buy



Analyst	Date	Price Target
Trent Barnet	2 nd February 2021	\$1.57/sh

Disclaimer

ASX Limited ABN 98 009 642 691 and its related bodies corporate ("ASX") did not prepare any part of the report and has not contributed in any way to its content. The role of ASX in relation to the preparation of this research report is limited to funding its preparation, by Euroz Hartleys Securities Limited in accordance with the ASX Equity Research Scheme.

ASX does not provide financial product advice. The views expressed in this research report may not necessarily reflect the views of ASX. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by ASX as to the adequacy, accuracy, completeness or reasonableness of the research report.

FY21 revenue guidance upgrade

Key Points

- GNG has increased FY21 revenue guidance \$340-\$360m (from \$280-\$300m);
- There is no guidance for 1H, other than "*the balance sheet has been strengthened and this has been underpinned by strong cash generation*";
- Before the guidance update today, we expected 1H revenue ~\$150m and EBITDA ~\$12.0m, with a 4cps DPS. We assume net cash of \$35m at end December;
- The new guidance suggests upside to both to our 1H and FY21, including our DPS estimate.
- The 1H result is due on 24 February;
- We maintain our Buy recommendation. Upgrade is obviously positive. We have a \$1.57/sh twelve month price target.
- Resource companies have contingency plans to manage WA covid19 lockdown/quarantines and are now executing those plans. While there is some potential for disruption, we expect limited financial impact given one of GNG (and its clients) core competencies is managing the potential for disruptions to logistics, people and safety risks in remote locations.

Investment Thesis

With an emerging resources boom in construction imminent, the medium-term outlook for GNG is very strong. Meanwhile, industry rationalisation is occurring. This should be positive for growth and margins. We see potential for some very large revenue and profit years ahead. In FY22, there is potential that there is a significant shortage of EPC capability, coupled with urgency to get projects into production, and we see potential for both strong revenue and margins. We maintain our Buy.

GR Engineering Ltd (GNG)

Share Price	1.18	A\$/sh	Enterprise Value	149.0	A\$/m
Price Target	1.57	A\$/sh	Debt	3.4	A\$/m
Valuation	2.17	A\$/sh	Cash	37.5	A\$/m
Shares on issue	155	m(dil)	Largest Shareholder	Spheria	m(dil)
Market Capitalisation	183.1	A\$m			

Euroz Hartleys Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Copyright & Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Hartleys Securities Ltd (ACN 089 314 983) and Euroz Hartleys Limited (ACN 104 195 057) only.

Euroz Hartleys Securities Limited is the holder of an Australian Financial Services Licence (AFSL 243302) and is a participant of the Australian Securities Exchange Group.

Euroz Hartleys Limited is the holder of an Australian Financial Services Licence (AFSL 230052) and is a participant of the Australian Securities Exchange Group.

The information contained herein is confidential. If you are not the intended recipient no confidentiality is lost by your receipt of it. Please delete and destroy all copies, and contact Euroz Hartleys Securities Limited on (+618) 9488 1400. You should not use, copy, disclose or distribute this information without the express written authority of Euroz Hartleys Securities Limited.

Disclaimer & Disclosure

Euroz Hartleys Securities Limited and Euroz Hartleys Limited, and their associates declare that they deal in securities as part of their securities business and consequently may have an interest in the securities recommended herein (if any). This may include providing equity capital market services to the issuing company, hold a position in the securities, trading as principal or agent and as such may effect transactions not consistent with the recommendation (if any) in this report.

Euroz Hartleys Securities Limited and Euroz Hartleys Limited declares that they may have separately or jointly acted as an underwriter, arranger, co-arranger or adviser in equity capital raisings, and will have received a fee for its services, from or any company mentioned within this report during the last 12 months.

You should not act on any recommendation issued by Euroz Hartleys Securities Limited without first consulting your investment adviser in order to ascertain whether the recommendation (if any) is appropriate, having regard to your objectives, financial situation and needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz Hartleys Securities Limited believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of Euroz Hartleys Securities Limited accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference.

The author of this publication, Euroz Hartleys Securities Limited, and Euroz Hartleys Limited, its directors and their associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Both Euroz Hartleys Securities Limited and Euroz Hartleys Limited, and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of transactions arising from any advice mentioned in publications to clients.

Analyst Certification

We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities, and we are not in possession of, nor does this Research contain any inside information.

No part of our compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in this research, nor has any attempt been made to influence this Research.

Contact Details

Euroz Hartleys Securities Limited +61 8 9488 1400

Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Mike Millikan - Resources Analyst	+61 8 9268 2805
Michael Scantlebury - Resources Analyst	+61 8 9268 2837
Steven Clark - Resources Analyst	+61 8 9488 1430
Trent Barnett - Senior Analyst	+61 8 9268 3052
Gavin Allen - Senior Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizee - Associate Research Analyst	+61 8 9488 1414

Euroz Hartleys Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Hartleys Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.