

# Quick Comment

## GR Engineering Services (GNG \$1.02) Buy

Analyst	Date	Price Target
Harry Stevenson	2 <sup>nd</sup> October 2020	\$1.27/sh

### Contract Win

#### Key Points

- GR engineering has been appointed as EPC contractor by Wiluna Mining Corporation for stage 1 works relating to the concentrator development program.
- Contract sum is \$25.7m, with work to commence in early December and commissioning scheduled for October 2021.

We recently initiated on GR Engineering Services with a Buy Recommendation and Price Target of \$1.27.

The following summarises our FY'21 forecasts

	2020	2021	2022
Revenue	222.4	299.8	308.8
EBITDA*	11.2	11.3	22.1
EBIT*	8.6	19.5	20.6
NPAT	-7.2	13.4	14.2
Underlying*			

GNG has guided revenue of between \$280m - \$300m; with recent contract wins and healthy orderbook we continue to look to the upper side of guidance.

Historically the company has generated ~50% of revenue in projects related to gold sector, leaving the company well placed to benefit from wider gold sector momentum.

- We look for FY'21 dividend of 8cps, offering attractive 7.8% yields at current price.

### Investment Thesis

Delivery of \$280m-300m in contracted revenue should leave GNG well placed to continue to pay investors healthy dividends, while additional contract wins and wider cyclical growth in the sector should see the stock trade up. Buy.

#### GR Engineering (GNG)

Share Price	1.02	A\$/sh	Enterprise Value	126.7	A\$/m
Price Target	1.27	A\$/sh	Debt	7.5	A\$/m
Shares on issue	154	m(dil)	Cash	37.5	A\$/m
Market Capitalisation	156.7	A\$m			

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## Contact Details

**Euroz Securities Limited** +61 8 9488 1400

### Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Andrew Clayton - Resources Analyst	+61 8 9488 1427
Steven Clark - Resources Analyst	+61 8 9488 1430
Gavin Allen - Industrials Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizée - Associate Research Analyst	+61 8 9488 1414

### Institutional Sales

Andrew McKenzie - Executive Chairman	+61 8 9488 1407
Rob Black - Managing Director	+61 8 9488 1423
Jay Hughes - Executive Director	+61 8 9488 1406
Russell Kane - Executive Director	+61 8 9488 1426
Simon Yeo - Executive Director	+61 8 9488 1404
Timothy Bunney - Executive Director	+61 8 9488 1461
Peter Schwarzbach - Executive Director	+61 8 9488 1492
Stacy Kitsantas - Institutional Adviser	+61 8 9488 1486
Jayne Walsh - Institutional Adviser	+61 8 9488 1418

### Private Client Advisers

Chris Webster - Head of Private Clients	+61 8 9488 1412
Ben Statham - Executive Director	+61 8 9488 1417
Brian Bates - Executive Director	+61 8 9346 0314
Cameron Murray - Executive Director	+61 8 9488 1440
James Mackie - Executive Director	+61 8 9488 1416
Ryan Stewart - Executive Director	+61 8 9488 1441
Tim Lyons - Executive Director	+61 8 9346 0324
Brett Stapleton - Associate Director	+61 8 9488 1435
Giles McCaw - Associate Director	+61 8 9488 1462
Michael Bowden - Associate Director	+61 8 9346 0307
Richard Gardner - Associate Director	+61 8 9488 1444
Paul Berson - Associate Director	+61 8 9346 0314
Paul Cooper - Associate Director	+61 8 9346 0316
Ian Harrison - Investment Adviser	+61 8 9488 1422
Lauren Walker - Investment Adviser	+61 8 9488 1495
Michael Bartley - Investment Adviser	+61 8 9346 0352
Tom Kenny - Investment Adviser	+61 8 9488 1431
Zac Vinten - Associate Adviser	+61 8 9488 1473
Laurence Grescos - Associate Adviser	+61 8 9488 1419
Katrina Ryan - Associate Adviser	+61 8 9488 1453
Brandon Oosthuizen - Associate Adviser	+61 8 9488 1471

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