

GR Engineering Services Ltd

(GNG \$1.00) Buy - Initiation of Coverage

EUROZ

Analyst Harry Stevenson	Date 25 th September 2020	Price Target \$1.27/sh
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Initiation of Coverage

Introduction

GR Engineering Services Ltd (GNG) is a leading process engineering and contracting company headquartered in WA with a global footprint. The company employs around 450 staff specialising in providing high quality engineering, design and construction services across the mining and mineral and processing industries and the provision of operations and maintenance services to the oil and gas sector. GNG's origins can be traced back to 1986, with the company listing on the ASX in 2011 following a \$30m IPO. Over listed life GNG has experienced cyclical growth and established a reputation for delivering projects on time and within budget.

GNG provided a solid set of FY'20 results with a slight beat on FY'20 guidance, a good result in the midst of wider disruptions. GNG maintained healthy cash flows and balance sheet position and declared a final dividend of 4cps (interim 2cps) yielding 6%.

GNG has provided early FY'21 guidance expecting revenue to be in the range of \$280m to \$300 with improved EBITDA margins, with this outlook being supported by \$250m in new contract wins since the beginning of FY year. In our opinion GNG is well placed to deliver investors capital growth and dividend yields over the coming financial year.

We initiate coverage with a Buy Recommendation and a Price Target of \$1.27

Valuation

Currently trading at a discount to peers, our 12-month price target of \$1.27/sh is derived on EV/EBIT multiple, at \$1.00 GNG offers attractive 8% dividend yield on our forecasts.

Forecasting

Our forecasts are in line with company guidance, given the healthy orderbook and outlook we look to this with upwards bias, while we look for a return to historical EBITDA margins at -7-8%. We anticipate a second half skew as a number of new projects ramp up towards the back end of the year.

Our segmental forecasts look for solid growth in the resources sector, as the oil and gas segment remains broadly in line with PY.

Other Matters

We also examine the balance sheet, risks, shareholder base, board and management and current projects all of which are fit for purpose.

Summary

GNG has delivered a strong set of FY'20 results having navigated Covid-19 with minimal disruptions to operations. GNG's FY'21 guidance is largely supported by existing order book and in our opinion GNG could outperform on the upside. The company has paid a dividend to investors in every financial year since listing and the company is well placed to pay a healthy dividend in FY'21. GNG looks set to benefit from an improving global resource market and a particularly strong global gold market as new projects continue to come online.

GR Engineering Services	Year End 30 June	
Share Price	1.00	A\$/sh
Price Target	1.27	A\$/sh
Valuation EV/EBIT	1.27	A\$/sh

Shares on issue	154	m
Market Capitalisation	152.1	A\$m
Enterprise Value	122.0	A\$m
Cash (30 June)	37.5	A\$m
Debt (30 June)	7.5	A\$m

Key Financials	2020a	2021f	2022f
Revenue (A\$m)	222.4	299.8	308.8
EBITDA underlying(A\$m)	11.3	22.1	23.2
EBIT (A\$m)	8.6	19.5	20.6
Reported NPAT (A\$m)	-7.2	13.4	14.2
Normalised NPAT (A\$m)	5.3	13.4	14.2
Gross Cashflow (A\$m)	-5.2	14.8	15.6
Capex (A\$m)	-1.0	-1.2	-1.1
Op. Free Cashflow (A\$m)	12.2	8.3	14.4
Revenue Growth (%)	22%	35%	3%
EBITDA Growth (%)	1%	95%	5%
Norm. NPAT Growth (%)	-17%	152%	6%
Normalised EPS (Ac)	3.46	8.74	9.26
Norm. EPS growth (%)	-17%	152%	6%
PER (x)	-20.3	11.0	10.4
EV:EBITDA (x)	10.4	5.3	5.1
EV:EBIT (x)	13.7	6.0	5.7
DPS (Ac)	6.0	8.0	6.0
Dividend Yield (%)	6%	8%	8%

Net Cash (A\$m)*	30.1	26.3	28.5
Net Cash:Equity (%)	87%	74%	75%

*includes deferred consideration

Share Price Chart



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Financial Statements	2019a	2020a	2021f	2022f	Performance Ratios	2019a	2020a	2021f	2022f
Income Statement					Growth & Margins				
Revenue	182.3	222.4	299.8	308.8	Revenue Growth	-36%	22%	35%	3%
OPEX	-171.0	-211.1	-277.7	-285.6	EBITDA Growth	-34%	1%	95%	5%
EBITDA	11.2	11.3	22.1	23.2	EBIT Growth	-35%	-12%	127%	6%
Depreciation and Amortisation	-1.4	-2.7	-2.6	-2.5	Normalized Net Profit Growth	-14%	-17%	152%	6%
Impairment	0.0	0.0	0.0	0.0	EBITDA margin	6%	5%	7%	8%
EBIT	9.8	8.6	19.5	20.6	EBIT margin	5%	4%	6%	7%
Borrowing Costs	-0.1	-0.3	-0.3	-0.3	Normalized net profit margin	4%	2%	4%	5%
Interest Income	0.0	0.0	0.0	0.0	Effective tax rate	23%	25%	30%	30%
Reported (EBT)	9.7	-9.7	19.2	20.3	Liquidity				
Tax expense	-2.2	2.4	-5.8	-6.1	Capex/depreciation (x)	0.7	0.4	0.4	0.4
Reported Earnings	7.5	-7.2	13.4	14.2	Current ratio (x)	2.1	1.3	1.3	1.3
Abnormal Expenses / (Incomes)	-1.3	12.6	0.0	0.0	Quick ratio (x)	2.7	1.7	1.6	1.7
Normalized Net Profit	6.4	5.3	13.4	14.2	Receivable days	71	64	64	64
Cash flow (A\$m)					Payable days	53	77	69	69
Profit before Tax	9.7	-7.2	19.2	20.3	Risk Measures				
(+) D&A	1.4	2.7	2.6	2.5	Dividend Cover (x)	0.8	-0.8	1.1	1.5
(-) Lease Expense	0.0	-1.2	-1.2	-1.2	Payout ratio (%)	123%	-127%	92%	65%
(+/-) Other	0.3	0.6	0.0	0.0	Net interest cover (x)	7.8	4.1	8.4	9.1
(-) Tax Paid	-1.5	-0.1	-5.8	-6.1	Net cash/equity (%)	67%	87%	74%	75%
Gross Cashflow	10.0	-5.2	14.8	15.6	Returns				
(-) Capital Expenditure	-1.0	-1.0	-1.2	-1.1	ROIC(%)	17.4%	25.0%	53.3%	52.3%
(-) Change in WC	4.9	18.4	-5.4	-0.1	Return on assets (%)	9.2%	-7.4%	12.5%	12.8%
Operating Free cashflow	13.8	12.2	8.3	14.4	Return on average equity (%)	16.2%	-20.9%	37.5%	37.7%
(+) Other	0.0	0.0	0.0	0.0	Share Data/Valuation				
(-) Acquisition of Subsidiary	0.0	-3.4	0.0	0.0	Share Data				
(-) Dividends Paid	-13.8	-6.1	-12.3	-12.3	Issued shares (m)	154	154	154	154
(+) Equity issued	0.0	0.0	0.0	0.0	Weighted ave shares (m)	154	154	154	154
Net Cashflow	0.0	2.6	-4.0	2.1	Fully diluted shares (m)	154	154	154	154
Bop Net Cash*	30.9	30.9	30.1	26.3	Basic EPS (c)	4.9	-4.7	8.7	9.3
(+/-) Net Cashflow	0.0	2.6	-4.0	2.1	YoY change (%)	53%	-196%	-285%	6%
(-) AASB 16 Adjustment	0.0	-3.5	0.3	0.0	Fully diluted EPS (c)	4.9	-4.7	8.7	9.3
EOp Net Cash	30.9	30.1	26.3	28.5	YoY change (%)	-53%	-196%	-285%	6%
Balance Sheet (\$m)					Fully diluted normalised EPS (c)	4.2	3.5	8.7	9.3
Cash	31.4	37.5	33.8	35.9	YoY change (%)	-53%	-17%	152%	6%
Receivables	35.5	38.8	52.4	53.9	Dividend/share (c)	6.0	6.0	8.0	6.0
Other	1.4	1.4	1.4	1.4	Franking (%)	60%	0%	0%	0%
Current Tax Assets	1.6	0.0	0.0	0.0	Gross cashflow/share (c)	6.5	-3.4	9.7	10.1
Total Current Assets	69.9	77.8	87.6	91.3	NBV/share (c)	30.2	22.6	23.3	24.6
Property/plant/equipment	3.4	6.4	6.2	6.1	NTA/Share (c)	27.3	19.7	20.4	21.7
Financial Assets	7.9	5.3	5.3	5.3	Valuation				
Other	0.4	8.6	8.2	8.2	PER (Basic) (x)	19.6	-21.2	11.4	10.8
Total Non-Current Assets	11.7	20.2	19.7	19.5	PER (Fully diluted) (x)	19.6	-21.2	11.4	10.8
Total Assets	81.6	98.0	107.3	110.8	PER (Fully diluted, normalized) (x)	22.9	28.9	11.4	10.8
Payables	24.8	44.6	52.8	54.3	P/CFPS (x)	14.8	-29.3	10.4	9.9
Provisions	7.0	9.4	9.4	9.4	Price/NBV (x)	3.2	4.4	4.3	4.1
Interest Bearing liabilities	0.5	5.0	5.0	5.0	Price/NTA (x)	3.5	5.1	4.9	4.6
Other	1.5	1.1	1.1	1.0	Dividend Yield (%)	6%	6%	8%	6%
Total Current Liabilities	33.8	60.1	68.3	69.8	market Cap	147.5	153.7	153.7	153.7
Provisions	1.3	0.7	0.7	0.7	EV	123.6	123.6	123.6	123.6
Borrowings	0.0	2.5	2.5	2.5	EV/EBITDA (x)	11.0	10.9	5.6	5.3
Total Non-Current Liabilities	1.4	3.2	3.2	3.2	EV/EBIT (x)	12.6	14.4	6.3	6.0
Total Liabilities	35.2	63.3	71.4	72.9	EV/Revenue (x)	0.7	0.6	0.4	0.4
Net Assets	46.4	34.7	35.8	37.8	Other Information				
Issued capital	30.6	30.6	30.6	30.6	Estimated free float				56%
Reserves	0.9	2.2	2.2	2.2	12-mth High/Low (A\$/sh)				1.03/0.60
Retained profits	15.0	1.9	3.0	5.0	Average daily volume (A\$'000s)				0.030491329
Total Equity	46.4	34.7	35.8	37.8	ASX Code				GNG
					Next result				Feb-2021

Company Description

GR Engineering Services Limited operates as an engineering, consulting, and contracting company that provides engineering, design, procurement and construction services to the mining, mineral processing and oil and gas industries in Australia and Internationally.

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The Business

GNG is a W.A based engineering construction contractor operating in domestic and international resource sectors. GNG provides technical engineering and construction of mineral processing plants and associated infrastructure. GNG's typical commodity exposures include Gold, nickel, copper and recently SOP.

GNG was established in October 2006 and listed on the ASX in April 2011; following a \$30m IPO. The key management team have an operational history dating back to 1986 at which time they co-founded JR Engineering Services. JR Engineering Services was an engineering construction contractor which was subsequently sold to Downer EDI in 2001 for ~\$34m.

Headquartered in Perth, GNG has offices in Brisbane, Indonesia and Tuscon, Arizona. The company is capable of delivering multiple concurrent projects across jurisdictions; through the workforce and additional subcontractors depending on the project requirements.

The company also provides services to the oil and gas sectors through the wholly owned Subsidiary Upstream Production Solutions Pty Ltd (Upstream PS). Upstream PS is a leading provider of fully integrated capabilities for asset optimisation and production solutions to the oil, gas and energy industries. The company supports a number of tier 1 and tier 2 clients across Australia.

Mineral Processing

Mineral processing revenue can be broadly broken into two categories, engineering and construction.

Engineering

Engineering activities (scoping, prefeasibility, definitive, bankable studies) have historically averaged between 5-10% of annual revenue. The services are provided on a cost-reimbursable basis, either as an agreed hourly rate or a cost-plus fixed fee. Typically, feasibility study fees represent ~1/2% of a projects capital value and normally completed over a 12-month period.

The involvement in the feasibility studies provides GNG a competitive advantage when tendering for construction projects opportunities. It also enables GNG to strengthen relationships with the project proponents. GNG has had a historical conversion of ~50% where studies are put out for construction tender. As at year end GNG was engaged to complete 26 studies across Australia and abroad, providing GNG with a strong tender outlook.

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Construction

Construction revenue is typically generated through EPC and EPCM contracts.

EPC

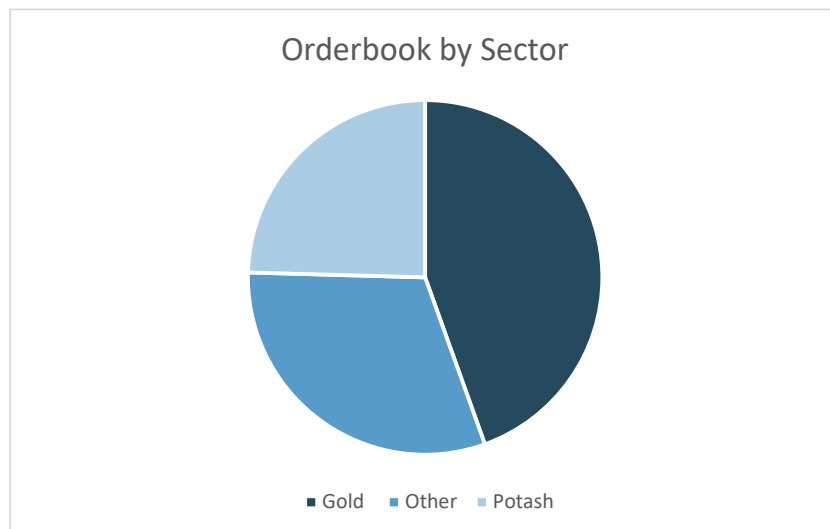
Construction contracts primarily on a fixed price engineering, procurement, construction basis (EPC). Fixed price contracts generate a margin based on the project's capital value, with GNG typically liable for the for costs above the guaranteed price. Some contracts include a variable consideration (penalties and incentives) for example where the project is running ahead or behind an agreed schedule.

EPCM

GNG also undertakes the construction contracts on an (engineering, procurement and construction management). Under these contracts GNG facilitates the project management role, and physical construction remains the responsibility of the client or a third-party contractor.

As a rule of thumb EPCM revenue represents -10/15% of projects capital value.

The following depicts GNG's current orderbook by sector. There is a clear weighting towards gold sector, which historically has accounted for ~50% of GNG's projects.



(GNG/EUROZ)

Oil and Gas

GNG's oil and gas services business "Upstream Production Solutions" generates revenue through the delivery of operations, maintenance, wellsite management and engineering and production assurance services. These arrangements are typically structured as an overarching master agreement with the individual work orders made by the customer. Revenue in this segment is recognised over time as the customer simultaneously receives and consumes the benefits of the services being provided as they are performed.

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During the FY'20 Financial year the revenue contributions in this sector were primarily from maintenance work in the Bowen and Surat Basins (Origin Energy Ltd and Santos Ltd), Timor Sea operations (Australian Government and Eni Australia Ltd) and maintenance work on assets in the Perth Basin (Mitsui Co.)

Operations in the FY'20 financial year were negatively impacted by the impairment of \$17.6m relating to an outstanding receivable owed by Timor Sea Oil & Gas Australia Pty Ltd (TOGA). Management do not anticipate any further recovery of this outstanding.

FY20 Results

GNG ended the FY'20 financial year with revenue from operations of \$222m slightly ahead of FY'20 guidance of revenues between \$200m - \$220m, a strong result in the context of wider market disruptions. GNG reported an underlying EBITDA of \$11.3m, which excluded the one-off bad debt expense of \$17.6m primarily associated with TOGA debtor write off and an additional \$0.4m relating to miscellaneous write offs.

The company also maintained a healthy dividend declaring 6 cps (unfranked) dividend for the full year yielding 6.3%.

The company completed the acquisition of a multi-disciplinary engineering and services firm based in Tucson, Arizona. The acquisition is set to further increase GNG's North American Footprint.

Outlook

GNG provided FY'21 guidance of expected revenue to be in the range of \$280m - \$300m, with improved EBITDA margins. On this basis we drive our forecasts of revenue of \$299m (up 35%) and EBITDA of \$22.1m margin 7.4% (up from PY 5.1%).

In our opinion this guidance is supported by a number of recent contracts wins in the lead up to end of FY'20.

The following is a summary of GNG's on going projects as at 30 June, we provide the details of each project in Appendix 1.

Company	Project	Type	\$m	Country	Sector	Completion
Salt Lake Potash Ltd	Lake Way Project	EPC	107	Australia	Potash	Mar'21
Siver Lake Resources Ltd	Deflector Flotation Tails	EPC	23	Australia	Gold	Jun'21
Saracen Minerals Holdings	Thunderbox Paste Plant	EPC	22	Australia	Gold	Dec'21
Saracen Minerals Holdings	Carosue Dam Operations	EPC	32.6	Australia	Gold	Dec'20
Ora Banda Mining	Davyhurst Restart Project	EPC	10.8	Australia	Gold	Mar'21
Tellus Holdings Ltd	Sandy Ridge Waste Storage	EPC	46	Australia	Other	Dec'20
First Majestic Corp	San Dimas Silver Mine Project	EPCM	6	Mexico	Silver	Dec'21
Bluestone Mines Tasmania	Renison Tin upgrade	EPC	8.7	Australia	Other	Jan'21
Golden Star Resources	Wassa Underground Paste	EP	13.2	Australia	Gold	Dec'20
Galena Mining Limited	Abra Base Metals	EPC	74	Australia	Lead/Zinc	NA
Geopacific Resources	Woodlark Gold Project	EPC	92.4	PNG	Gold	NA
Calidus Resources	Warrawoona Gold Project	EPC	80*	Australia	Gold	NA

(Euroz estimates)

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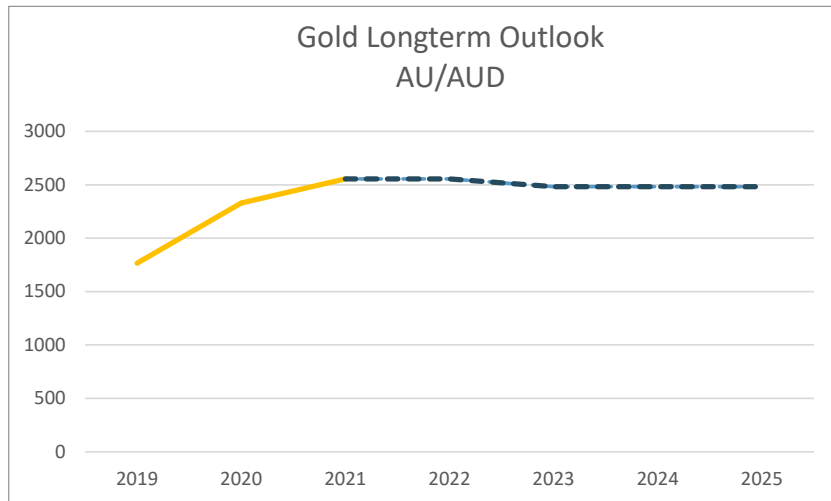
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As at 30 June 2020 GNG was engaged on 26 studies across a broad range of commodities for projects in both Australia and abroad, 11 of these studies related to prospective gold projects.

The order book consists of ~50% gold projects; which is broadly in line with GNG historical revenue breakdown.

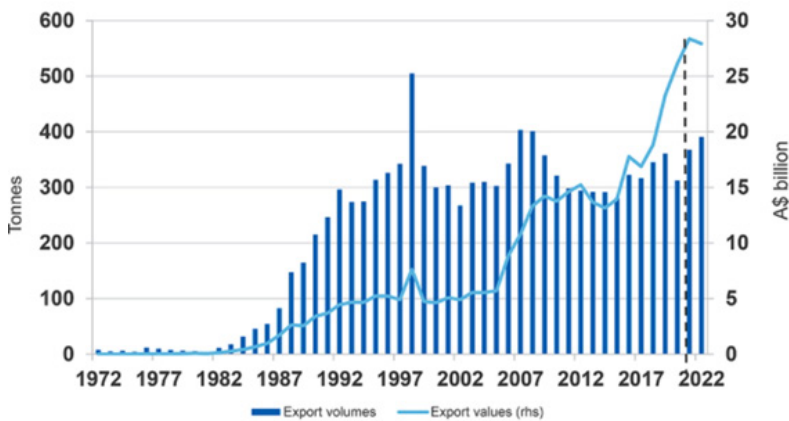
Our long-term gold outlook forecasts look for a sustainment of the current gold price.



(Source: Euroz)

While the ABS look for continued growth in Australia’s exported gold volumes and values over the coming periods.

Figure 1: Australia’s gold export volumes and values



Source: Australian Bureau of Statistics (2020); Australian Government Department of Industry, Science, Energy and Resources (2020)

Clearly the strong long-term outlook will provide GNG with a number of new opportunities that are now economical with improved market conditions.

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Earnings

The following table summarises historical and forecast numbers:

FY	Units	2019	2020	2021	2022
P&L Statement					
Revenue					
(+) Mineral Processing	A\$m	93.8	138.0	211.2	217.5
(+) Oil and Gas	A\$m	88.4	84.4	88.6	91.2
Total Revenue	A\$m	182.3	222.4	299.8	308.8
Revenue Growth	%	-35.7%	22.0%	34.8%	3.0%
(-) COGS	A\$m	-162.4	-205.0	-266.4	-273.7
Gross Profit	A\$m	19.9	17.5	33.4	35.0
GP Margin	%	10.9%	7.8%	11.1%	11.3%
(-) Administration	A\$m	-9.5	-10.5	-11.3	-11.9
(+) Other income	A\$m	0.9	4.4	0.0	0.0
EBITDA	A\$m	11.2	11.3	22.1	23.2
EBITDA Margin	%	6.2%	5.1%	7.4%	7.5%
(-) Depreciation	A\$m	-1.4	-2.7	-2.6	-2.5
EBIT	A\$m	9.8	8.6	19.5	20.6
(-) Net Finance	A\$m	-0.1	-0.3	-0.3	-0.3
(-) Abnormals	A\$m	0.0	-18.0	0.0	0.0
PBT	A\$m	9.7	-9.7	19.2	20.3
PBT Growth	%	-16%	-199%	-298%	6%
PBT Margin	%	5.3%	-4.3%	6.4%	6.6%
(-) Tax Expense	A\$m	-2.2	2.4	-5.8	-6.1
NPAT	A\$m	7.5	-7.2	13.4	14.2
NPAT Margin	%	4.1%	-3.3%	4.5%	4.6%

We note in very broad terms:

- We are looking for top line revenue of \$299.8m (GNG guidance of expected revenue between \$280/\$300m. Given the number of recent projects wins and improved market conditions we are bullish GNG's ability to deliver at the top end.
- We look for improvement in the GP margins (return to FY'19 levels).
- GNG is set to complete a number of projects in 2'H 2020, we expect margins to improve as contingencies are released.
- We look for EBITDA margins increase to 7%
- We are expecting a second half skew as projects won in the 2H'20 begin to ramp up.
- Given the weaker conditions in the oil and gas market we look to GNG to maintain current levels of activity in this segment.

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Valuation Metrics

GNG is exposed to the engineering and construction phases of domestic and international mineral developments, we have detailed the trading metrics of a number of a number of GNG's ASX listed engineering and contracting peers below.

	Ticker	EV/EBIT			PE		
		FY20	FY21	FY22	FY20	FY21	FY22
Civmec Limited	CVL	11.2x	8.1x	10.9x	8.8x	7.6x	7.6x
Primero Group	PGX	5.8x	3.7x	11.3x	6.8x	5.8x	5.7x
Decmil Group Limited	DCG	na	9.1x	-0.8x	28.2x	5.6x	6.0x
Downer EDI Limited	DOW	14.3x	11.3x	15.8x	12.3x	9.6x	9.1x
Sth Crs Elect Engrnr	SXE	4.6x	4.6x	11.2x	11.7x	10.2x	10.2x
SRG Global Ltd	SRG	16.8x	12.2x	30.9x	12.1x	9.1x	10.0x
Average		10.5	8.2	13.2	13.3	8.0	8.1
Median		11.2	8.6	11.2	11.9	8.3	8.4
Min		4.6	3.7	-0.8	6.8	5.6	5.7
Max		16.8	12.2	30.9	28.2	10.2	10.2

Our price target is derived through an EV/EBIT methodology; which is applicable for the capital light business.

Historical and forecast capex runs close to depreciation (and we forecast this to continue), making EBIT a close proxy for free cashflows.

The average for our group of peers is 8x, while the median is 8.5x

Applying an 8.5x multiple to our FY'21 forecasts drives our valuation of \$1.27/sh

		2021
EBIT	A\$m	19.47
Multiple		8.5
		165.5
	(-) Debt*	-7.5
	(+) Cash*	37.5
Equity Value		195.5
		153.7
A\$/sh.		1.27

\$1.27/sh maintains a dividend yield of 6.7%

Share price catalysts in the short term include:

GNG offers further operational leverage with additional contract wins better covering overhead capacity further improving margins.

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Balance Sheet

We provide a summary of the balance sheet as at 30 June 2020

Balance Sheet	FY'20	FY'19
Assets		
Cash	37.5	31.4
Receivables	38.8	35.5
Inventories	0.0	0.3
Prepayments	1.4	1.1
Current Tax assets	0.0	1.6
Total Current Assets	77.8	69.9
PPE	6.4	3.4
Financial Assets	5.3	7.9
Intangible Assets	4.4	-
Deferred Tax	4.2	0.4
Total Non-Current Assets	20.2	11.7
Liabilities		
Trade and other payables	44.6	24.8
Borrowings	5.0	0.5
Provisions	9.4	7.0
Contract Liabilities	1.1	1.5
Total Current Liabilities	60.1	33.8
Borrowings	2.5	0.0
Provisions	0.7	1.3
Total Liabilities	3.2	1.4
Net Assets	34.7	46.4

- GNG maintains a strong balance sheet with net cash (including leases) of \$30.1m, enabling GNG to deliver on FY'21 pipeline of work.
- We forecast FY'21 Capex of \$1.2m to run inline with depreciation (excluding AASB 16)
- We look for full year dividend of 8cps.
- Borrowings relate to 3.4m bank loan, with the balance relating to lease liabilities.
- As at 30 June GNG maintained \$3.2m in unused bank loan facilities.
- The company maintains an unused bank overdraft facility of \$15m.
- Balance sheet is fit for purpose.

Risks

Key risks to our earnings forecasts include

- Contracting transfers risks away from owners to the contractors, consequently investors are reliant on GNG to accurately assess and price the risk.
- increased competition impacting project opportunities and bid-margins;
- reliance on senior executives; and
- Project scheduling, mobilisation, labour productivity and commercial contract execution impacting revenue recognition.

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Top 20 Shareholders

GNG's share registry remains tightly held with the 20 largest shareholders holding 85.51% of the issued capital.

43.63% of shares held by individuals/insiders.

Shareholder	Shares	% Held
1 Citicorp Nominees Pty Ltd	20,890,065	13.60%
2 Mr David Joseph Sala Tenna + Ms Jane Frances Sala Tenna	12,325,000	8.02%
3 Joley Pty Ltd	10,524,000	6.85%
4 Paksian Pty Ltd	9,798,578	6.38%
5 Kingarth Pty Ltd	9,795,000	6.37%
6 HSBC Custody Nominees (Australia) Limited	9,641,258	6.27%
7 Quintal Pty Ltd	8,500,000	5.53%
8 Ms Beverley June Schier	8,100,000	5.27%
9 Mr Giuseppe Totaro	8,000,000	5.21%
10 Polly Pty Ltd	7,500,000	4.88%
11 Ledgking Pty Ltd	6,000,000	3.90%
12 J P Morgan Nominees Australia Limited	4,713,610	3.07%
13 Ms Barbara Ann Woodhouse	3,500,000	2.28%
14 Mr Stephen Paul Kendrick	3,491,000	2.27%
15 National Nominees Limited	2,862,571	1.86%
16 Sistar Pty Ltd	1,486,000	0.97%
17 Kendrick Investments Pty Ltd	1,384,000	0.90%
18 BNP Paribas Noms Pty Ltd	1,053,689	0.69%
19 Mr Cono Antonino Angelo Ricciardo	1,010,000	0.66%
20 Mr Michael Gerald Woodhouse + Mrs Barbara Ann Woodhouse	813,950	0.53%
Total	131,388,721	

Board and KMPS

We provide the company biographies of the Board and KMP.

Of note is the considerable experience the Board and MD have in the industry.

Phillip Lockyer - Non-Executive Chairman

Phil Lockyer is a Mining Engineer and Metallurgist who has over 50 years' experience in the mineral industry, with a focus on gold and nickel in both underground and open pit operations. He was employed by WMC Resources for 20 years and, as General Manager for Western Australia, was responsible for WMC's nickel division and gold operations. Mr Lockyer also held the position of Director Operations for Dominion Mining Limited and Resolute Limited. He holds a Diploma of Metallurgy from the Ballarat School of Mines, an Associateship of Mining Engineering from the WA School of Mines and a Masters of Minerals Economics from Curtin University.

Geoff Jones - Managing Director

Geoff is a Civil Engineer with over 30 years' experience in construction, engineering, mineral processing and project development in Australia and overseas. Geoff previously worked for Boulderstone Hornibrook, John Holland, Minproc Engineers and Signet Engineering before serving over six years as Group Project Engineer for Resolute Mining Limited, where he was responsible for the development of its mining projects in Australia, Ghana and Tanzania. He also founded a project management and engineering consultancy concentrating on the management of projects for ASX listed companies in the resources sector.

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Geoff was General Manager of Sedgman Limited's metals engineering business and also responsible for the strategic development of the metals engineering division internationally prior to joining GR Engineering as Chief Operating Officer in 2011.

Geoff is currently Non-Executive Director of Firefly Resources Limited and a non-executive director of Plusgold Limited.

Peter Hood- Non-Executive Director

Peter is a Chemical Engineer and has over 40 years' experience in the resources and energy sectors. He formerly served in senior management and project development roles for WMC in nickel and gold production. Peter was formerly the chief executive officer of Coogee Chemicals and then oil and gas operator Coogee Resources.

Peter has considerable board experience and is currently a Non-Executive Chairman of Matrix Composites and Engineering Limited and the President of the Chamber of Commerce and Industry of Western Australia. He was formerly Chairman of Apollo Gas Limited.

Tony Patrizi – Executive Director

Tony co-founded GR Engineering. Tony is a mechanical engineer with over 30 years experience in the mining and mineral processing industry as a company director, operations manager, project manager and maintenance engineer. Tony was previously the operations manager of JR Engineering which had over 300 personnel and provided workshop, maintenance, engineering and construction services to mining and mineral processing project in Western Australian and interstate.

Barry Patterson- Non-Executive Director

Barry is a mining engineer with over 50 years experience in the mining and mineral processing industry and is a co-founder of GR Engineering.

He co-founded contract mining companies Eltin, Australian Mine Management and National Mine Management. Barry was also a founding shareholder of leading engineering services provider JR Engineering.

Barry has served as a director of a number of public companies across a range of industries and is also a Non-Executive Director of Dacian Gold Limited. He was formerly a non-executive chairman of Sonic Healthcare Limited and Silex Systems Limited.

Joe Totaro- Non -Executive Director

Joe co-founded GR Engineering. Joe is a certified practicing accountant (CPA) with over 30 years' experience in commercial and public practice specialising in mining and mining services. Joe was formerly company secretary of and business consultant to JR Engineering. Joe's experience includes corporate advisory services having consulted on and managed numerous commercial transactions involving private and publicly listed companies.

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GR Engineering Services Ltd

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Summary

GNG has delivered a strong set of FY'20 results in the midst of wider market disruptions, in our opinion the company is set to continue to deliver in FY'21, supported by a strong orderbook and balance sheet. Delivery of guidance should leave GNG well placed to continue to pay investors a healthy dividend, while additional contract wins and wider cyclical growth in the sector should deliver investors capital growth.

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

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Appendix 1 – Current projects underway

Salt Lake Potash Ltd - Lake Way Project - \$107m EPC and EPCM Contracts

- Services for non-processing engineering design and the management of procurement, construction and commissioning of the Lake Way Project processing facility.
- Separately engaged to undertake the civil, structural, mechanical, electrical and piping construction works for those project areas.
- Majority of the revenue to be recognised in FY'21

Silver Lake Pty Ltd – Deflector Flotation Tails Leach Project - \$23m EPC Contract

- Upgrade works involving the flotation tailings leach process at Deflector gold copper operations.
- Work commenced in June 2020 and is expected to be completed in the second half of CY 2021.

Saracen Gold Mines Pty Ltd – Carosue Dam Operations Plant Expansion Project - \$32.6m EPC contract.

- Engineering design, procurement and construction of expansion works on the mineral processing plant at the Carosue Dam gold operations.

Tellus Holdings Limited – Sandy Waste Storage Project - \$46.0m EPC Contract

- Supply engineering, procurement and construction management services to the San Dimas Silver Mine in Durango
- GR Engineering Services Americas, Inc supported by Hanlon Engineering & Associates (newly acquired subsidiary) engaged to provide EPMC services and commissioning of a new HIG mill circuits.
- Work commenced in January 2020 with progressive completion and handover to the end of 2021.

Saracen Mineral Holdings - Thunderbox Paste Plant Project - \$22m EPC Contract

- Design supply installation and commissions of the new paste backfill plant.
- Work commenced in June 2020 and is expected to be completed in the second quarter of calendar year 2021.

Ora Banda Mining Limited – Davyhurst Restart Project - \$10.8m EPC Contract

- Restart of the existing Davyhurst gold processing plant in WA.
- Refurbishment, Optimisation, and recommissioning
- Work is expected to be completed in early calendar year 2021.

Majestic Silver Corp – San Dimas Silver Mine Project – US\$4.5m – EPCM services Agreement.

- Supply engineering and procurement services to San Dimas Silver Mine in Durango.
- Work expected to be completed end of 2021.

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Bluestone Mines JV – Renison Tin Operations – \$8.7m EPC Contract

- To provide a fully integrated 24 stream on line sampling system including.
- Expected to be completed Q1 FY'21.

Golden Star Resources Limited – Wassa Underground Paste Backfill Project.

- Design and supply of all the equipment and materials necessary to contract and commission the plant in Ghana.
- Expected to be completed in Q4 2020.

Galena Mining Ltd – Abra Base Metals Project – \$74.0m – EPC Contract

- For the design and construction of the 1.2 Mtpa lead sulphide flotation plant.

Geopacific Resources Ltd – Woodlark Gold Project - \$92.4m – Letter of intent

- Proposed construction of the 2.4 Mtpa gold process plant in PNG.

EcoGraf – WA Battery Graphite Manufacturing Facility – Letter of intent.

- Proposed construction of a 20,000 tpa battery graphite facility in WA.

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