EDISON

Windar Photonics

FY16 results and contract award

Good progress establishing platform for growth

Alternative energy

During FY16 Windar took some important strategic steps in rolling out its innovative LiDAR: implementing additional functionality to enlarge the addressable market and modifying its sales channels to focus on the IPP market. While y-o-y revenue growth of 26% was lower than management guidance, the results show substantial reductions in the cost-base and lower losses. Management note that recent order wins are likely to result in high double digit revenue growth during H117 and the company approaching EBITDA breakeven. We are withdrawing our estimates and valuation until the interims when there should be more clarity on test programmes converting to sales.

Year end	Revenue (€m)	EBITDA (€m)	PBT* (€m)	EPS (c)	DPS (c)	P/E (x)
12/15	0.9	(2.8)	(3.3)	(0.08)	0.0	N/A
12/16	1.2	(2.4)	(3.0)	(0.07)	0.0	N/A
12/17e	N/A	N/A	N/A	N/A	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments

Management undertook a thorough review of operations during H216, switching from reliance on a direct sales force to non-exclusive regional distributors (currently 15 worldwide) who have strong relationships with local IPPs (Independent Power Producers). As a result, EBIT losses reduced by 39% y-o-y during H216, while in H116 they widened by 37%. The change in sales channel resulted in revenues from Asia almost doubling during FY16 and a more recent improvement in performance in Europe and North America. Key technology advances included starting a two-year programme funded by the EU for wake detection. This has already attracted several prestigious OEM partners.

FY16 free cash outflow totalled €2.0m (€0.7m H216). Windar raised £1.9m (€2.3m) gross in three placings, leaving the company with €0.8m net cash at end FY16.

Windar has received an order from a Mexican IPP for five WindEYE wind sensor units, scheduled for delivery by end June. These LiDAR units will be integrated into Vestas V112 turbines, potentially giving 1-3% more output power. The current order presents the opportunity to integrate WindEYE units into each of the turbines on the site, which operators intend to extend to over 1GW output over the couple of years.

27 June 2017

Price	**80.0p**
Market cap	**£32m**

Net cash (€m) at end December 2016 excluding Growth Fund loan	0.8
Shares in issue	40.3m
Free float	38.0%
Code	WPHO
Primary exchange	AIM
Secondary exchange	N/A

Share price performance

Business description

Windar Photonics is a Copenhagen-based developer and manufacturer of an innovative, low-cost light detection and ranging (LiDAR) system. Approaching wind direction and speed is measured ahead of a wind turbine, allowing appropriate yaw alignment.

Analysts

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