

12 November 2024

Windar Photonics plc

("Windar", the "Company" or the "Group")

Trading Update

Windar Photonics plc (AIM: WPHO), the technology group which has developed its WindEye and WindTimizer wind sensors and its related 'Nexus' software suite designed to efficiently increase the power output and reduce lifetime operating costs of electricity generating wind turbines, today provides an update on current trading and on its latest business development initiatives.

Current Trading

As we indicated in the announcement of 12th September, the order pipeline globally is substantial, with significant trial and repeat orders expected in the North American market in particular.

In the Americas and Australia, the Company is in advanced discussions with several independent power producers ("IPPs"), some of which are large multinational corporations who collectively own in excess of 1,750 V82 turbines and more than 700 Senvion turbines. If all these discussions were to translate into orders, the resultant turnover would be in the region of €60m, excluding software sales. Preliminary contact has also been established with IPPs who control a further 200 V82 turbines, and in Japan and China, we are in discussions with IPPs who control several hundred turbines of varying types and where test results have been encouraging.

The discrete size of a number of these potential orders is very large in the context of the Company's historic turnover. Discussions surrounding these capital projects are complex, detailed, labour intensive and time consuming. For some of the largest orders, the Company is considering a multi-year recurring revenue structure that may simultaneously improve the end user's cash flow and deliver a superior net present value to Windar. The quantity of new customer discussions has stretched our sales resources and capability and as a consequence, it is taking longer to conclude some of these discussions than we had previously anticipated.

Accordingly, we should reset expectations for 2024 and 2025. The Board sees no reason to alter its view regarding the growth opportunities for the Group nor its view that the Company is close to an inflection point with respect to its turnover and its profitability. However, until regular software income becomes a larger proportion of the Company's revenue (which we believe will occur over the next 2 to 3 years), the Company's financial results in a given year will be sensitive to the timing of large orders. In the current financial year, two specific orders with €4m of revenue attached are now more than likely to slip into 2025. These orders represent a follow-on order to an existing US customer and a delay in getting final results from a test with another US customer on the Senvion turbine platform - the initial results of which are extremely positive. Consequently, we believe that the company should achieve revenue of €6m - €7m of turnover (dependant on customer mix) (2023: €4.7m) implying EBITDA of between €0.4 and €0.9m in 2024 (2023: €0.2m) (both of which would constitute record highs) and that any shortfall for 2024 will be fully recovered in 2025. We shall update investors regarding these orders as they are received.

Production

The Board has worked with determination on this issue since the emergence of supply chain issues which arose late last year. Production has improved markedly to the point where the Board now believes that the Company has the requisite resource and flexibility to produce 2,500 units per annum when it needs to do so.

Sales Function

As stated above, the numerous discussions with IPPs have imposed a significant workload upon our sales team and this has demonstrated a need to provide more resources to strengthen further the sales function. Notwithstanding these pressures, the Board emphasises that no discussions have been terminated nor orders 'lost'. Discussions have simply taken longer to conclude.

Outlook

Current sales development with both existing and new customers on Vestas, and additional turbine platforms, gives us confidence in the medium to long term opportunity for global sales and improved quality of earnings. As indicated above, the quantum of the ultimate prize is considerable.

The scope for further developments in our suite of Nexus turbine performance enhancing software will in due course introduce new, recurring revenue streams which will support our accelerating sales activity, particularly in North America.

With a strong team, a robust sales pipeline, a strong balance sheet, ongoing successful product development, improved manufacturing capacity and greater supply chain resilience, the Board continues to look to the future with confidence.

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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