

WINDLAB LTD

BUY
FY17 result outperforms PDS forecast. FY18 shaping up to be another strong year.

Utilities / Renewable Electricity

13 March 2018

COMPANY UPDATE

Ticker	WND
Stock Price	\$1.530
Target Price	\$2.60
Forecast Capital Return	70.5%
Forecast Dividend Yield	0.0%
Estimated Total Return - 12 Mth Forward	70.5%

Company market data

Market Cap.	\$102.4m
Free Float (%)	58.0
Enterprise Value	\$96.1m
52 Week Range	\$1.48 - \$1.92
Shares Out.	67.2m
Avg. Daily Value	\$0.2m

Estimates changes	2017a	2018e	2019e	2020e
Core NPAT - <i>old</i>	9.6	14.6	20.8	229.8
Core NPAT - <i>new</i>	10.2	12.6	16.0	92.5
% Change	6.1	(13.9)	(23.2)	(59.7)
Core EPS dil. (€) - <i>old</i>	14.3	21.7	30.9	341.9
Core EPS dil. (€) - <i>new</i>	15.2	18.7	23.8	137.8
% Change	6.2	(13.8)	(23.1)	(59.7)
DPS (€) - <i>old</i>	0.0	0.0	0.0	0.0
DPS (€) - <i>new</i>	0.0	0.0	0.0	0.0
% Change	-	-	-	-

All figures are in AUD unless otherwise specified.

Share price performance

Windlab Ltd vs. AS51 (rebased index)



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EVENT

WND reported a solid FY17 result with underlying EBITDA of \$16.2m, +10% on our estimate and prospectus forecast of \$14.7m. Construction of Kennedy Phase 1 is underway with operations to commence Q4 CY18; 100MW Lakeland on track for financial close mid CY18.

KEY TAKEAWAYS

Solid FY17 result. Underlying EBITDA of \$16.2m (excluding IPO costs and FX losses), +10% on our estimate and prospectus forecast of \$14.7m, was largely driven by lower corporate and direct costs.

Good cash conversion. Reported operating cash flow of \$12.0m represents 78% gross cash conversion and reflects cash receipts from a number of projects achieving financial close during the period including Coopers Gap (\$10.3m) and Kennedy Phase 1 (\$5m). Net cash was \$9.4m (cash: \$14.2m) following the \$30m investment in Kennedy Phase 1.

Project developments on track. Key updates included: (1) Kennedy Phase 1 construction underway and on track for start of operations in Q4 CY18, (2) targeting financial close for Lakeland mid CY18 (Moelis: Q3: CY18) and (3) targeting DA submission for Kennedy Phase 2 in Q4 CY18.

Reduction to Moelis earnings estimates largely driven by additional assumed project development expenses in FY18 onwards, timing of 1 US success fee spread over FY19/20 and for conservatism, the assumed development of the 1,200MW KEP 2 project over 2 stages (FY20/FY22).

INVESTMENT VIEW

Since its IPO in August 2017, WND's **management has continued to meet key deliverables within targeted timeframes.** The expected financial close of Lakeland later this year underpins our FY18e estimates. By FY19e, we estimate **recurring pro forma revenues will increase to \$21.9m**, 44% of total pro forma revenue of \$50.3m. Despite regulatory uncertainty in Australia at the Federal level, we note that some State governments have continued to push ahead with their own renewable targets (SA: 75%, QLD: 50%, VIC: 40%). This combined with the expected "recommencement" of the South African REIPPPP and declining renewables costs is expected to continue to drive demand for renewables. We view WND as well placed to capitalise on this demand, particularly given the **competitive advantage delivered by its proprietary wind energy assessment technology, Windscape™.** With WND trading at 5.2x FY18e EV/EBITDA, 8.1x PE and below our **12 mth target price of \$2.60/share**, we view WND as undervalued and **maintain our BUY rating.**

Y/E Dec 31	2017a	2018e	2019e	2020e
EBITDA	16.2	18.5	23.1	133.1
EV/EBITDA	5.9x	5.2x	4.2x	0.7x
Core NPAT	10.2	12.6	16.0	92.5
Core EPS (Diluted) (€)	15.2	18.7	23.8	137.8
P/E	10.1x	8.1x	6.4x	1.1x
EPS growth	34.9%	23.5%	26.9%	480.1%
DPS (€)	0.0	0.0	0.0	0.0
Yield	0.0%	0.0%	0.0%	0.0%
DPS growth	-	-	-	-
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%

All figures are in AUD.

FY17 RESULT ANALYSIS

Figure 1: Result snapshot

\$m unless indicated otherwise	FY16a	FY17a	% chg vs pcp	Moelis FY17e	% diff vs Moelis	Prospectus Forecast	% diff vs actual
Sales							
Project development	15.1	20.1	33%	19.8	1%	19.8	1%
Equity interests	na	0.5	na	0.6	-25%	na	na
Asset management	1.2	2.3	99%	2.5	-6%	2.7	-13%
Other	0.9	0.9	0%	0.8	14%	0.7	20%
Corporate	-	-	na	-	na	-	na
Pro forma Sales¹	na	23.7	na	23.7	0%	na	na
Less: Equity interests	na	(0.5)	na	(0.6)	-25%	na	na
Reported Sales¹	17.1	23.3	36%	23.0	1%	23.2	0%
EBITDA							
Project development	12.5	19.2	54%	19.1	1%	na	na
Asset management	0.1	0.5	304%	0.9	-45%	na	na
Other	1.5	1.7	16%	0.7	139%	na	na
Corporate	(4.1)	(5.5)	34%	(6.3)	-12%	(6.3)	-12%
Equity interests NPAT	0.2	0.3	93%	0.4	-18%	0.3	9%
EBITDA¹	10.1	16.2	61%	14.7	10%	14.7	11%
D&A	(0.3)	(0.1)	-47%	(0.3)	-43%	(0.3)	-50%
EBIT	9.8	16.1	64%	14.4	12%	13.2	22%
Net Interest	(0.6)	(0.9)	51%	(0.7)	28%	(0.7)	28%
Profit Before Tax	9.2	15.2	65%	13.7	11%	14.3	6%
Tax	(1.8)	(4.9)	176%	(4.1)	19%	(5.0)	-2%
Tax rate (%)	19.3%	32.3%	13.1% pts	30.0%	2.3% pts	34.9%	-2.6% pts
Minorities	0.1	(0.1)	-208%	-	na	-	na
NPAT (Underlying)	7.5	10.2	35%	9.6	6%	9.3	10%
Non-recurring items	(4.2)	(0.8)	-81%	-	na	-	na
NPAT (Reported)	3.4	9.4	177%	9.6	-2%	7.4	28%
EPS (€) (Reported)	5.0	14.0	177%	14.3	-2%	-	na
EPS (€) (Underlying)	11.2	15.2	35%	14.3	6%	-	na
DPS (€)	-	-	na	-	na	-	na

Source: Company, Moelis Analysis. Note: 1. Under equity accounting rules, WND only records net profits from equity interests, not revenue or EBITDA.

WND reported a solid FY17 result including:

- Underlying EBITDA of \$16.2m (excluding \$682k in IPO costs, \$89k FX loss and \$9k asset disposal loss) +10% on our estimate and prospectus forecast of \$14.7m, largely driven by lower corporate costs of \$5.5m (excluding one-offs) vs prospectus forecasts and Moelis estimates of \$6.3m and lower direct costs (\$2.7m vs prospectus \$3.2m).
- Underlying NPAT of \$10.2m (+6% on our \$9.6m estimate +10% the prospectus forecast of \$9.3m).
- Reported NPAT of \$9.4m was +28% above prospectus forecast of \$7.4m.

Reported operating cash flow was \$12.0m, representing a 77.8% gross cash conversion and reflects cash receipts from a number of projects achieving financial close during the period including Coopers Gap (\$10.3m) and Kennedy Phase I (\$5m).

Cash as at 31 December 2017 was \$14.2m following the \$30m investment in Kennedy Phase 1 during the period. Debt was \$4.8m, comprised of a senior debt facility with The Clean Energy Finance Corporation (CEFC) which is due to be fully repaid by March 2019.

Project updates

Construction of the 58MW (43MW wind, 15MW solar and 2MW battery) Kennedy Energy Park Phase 1 is underway with WND reaffirming expected commencement of operations in October 2018. We note WND currently receives management fees during construction and is expected to receive equity distributions in addition to the ongoing management fees upon commencement of operations.

The 100MW Lakeland project in QLD remains on track for financial close mid CY18 (Moelis: Q3 CY18) following receipt of development approval in February 2018.

Management are also targeting submission of a development approval for the 1,200MW Kennedy Energy Park Phase 2 (KEP 2) in Q4 CY18, which should allow the project sufficient time to secure the necessary approvals/financing to achieve financial close in line with our target date assumption of CY20.

We also note the South African energy minister's recent announcement that the previously outstanding power purchase agreements (PPAs) under South Africa's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) are due to be signed on 13 March 2018. We view this as a positive development for WND's portfolio of South African projects, 5 of which hold development approvals and are targeting financial close over the next 3 years.

EARNINGS ESTIMATES

Figure 2: Moelis revised earnings estimates

<i>\$m unless indicated otherwise</i>	FY17a	1H18e	2H18e	FY18e	FY19e	FY20e	FY18e	FY19e	FY20e
Key Operational Statistics							<i>Change on pcp</i>		
Projects achieving financial close (n)	1	-	1	1	2	2	-	100%	-
Projects achieving financial close (MW)	58	-	100	100	222	640	72%	122%	188%
No. of equity int. in operating wind farms ¹	2	2	3	3	4	4	50%	33%	-
Attrib. capacity in operating wind farms ¹ (MW)	8.2	8.2	37.2	37.2	57.2	57.2	354%	54%	-
Avg. attrib. capacity in operating wind farms ¹ (MW)	1.3	8.2	13.0	10.6	38.9	57.2	701%	266%	47%
Asset management contracts (n)	4	4	5	5	7	9	25%	40%	29%
Sales									
Project development	20.1	-	25.0	25.0	28.4	140.7	24%	14%	396%
Equity interests	0.5	2.1	3.2	5.3	16.5	20.7	1,066%	214%	25%
Asset management	2.3	1.5	1.7	3.2	4.5	6.7	35%	44%	48%
Other	0.9	0.4	0.4	0.8	0.8	0.9	-6%	4%	4%
Corporate	-	-	-	-	-	-	-	-	-
Pro forma Sales²	23.7	4.0	30.2	34.2	50.3	169.0	44%	47%	236%
Less: Equity interests	(0.5)	(2.1)	(3.2)	(5.3)	(16.5)	(20.7)	1,066%	214%	25%
Reported Sales²	23.3	1.9	27.1	29.0	33.7	148.3	24%	17%	339%
EBITDA									
Project development	19.2	(0.8)	21.3	20.5	22.5	132.5	7%	10%	489%
Asset management	0.5	0.5	0.6	1.1	1.6	2.4	132%	44%	48%
Other	1.7	0.4	0.4	0.8	0.8	0.9	-53%	4%	4%
Corporate	(5.5)	(2.8)	(2.8)	(5.6)	(5.8)	(5.9)	2%	2%	2%
Equity interests NPAT	0.3	0.5	1.3	1.7	4.0	3.3	482%	129%	-18%
EBITDA²	16.2	(2.2)	20.7	18.5	23.1	133.1	14%	25%	475%
D&A	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	14%	25%	20%
EBIT	16.1	(2.2)	20.6	18.4	22.9	132.9	14%	25%	480%
Net Interest	(0.9)	(0.1)	(0.1)	(0.2)	0.1	0.2	-76%	-131%	245%
Profit Before Tax	15.2	(2.4)	20.5	18.1	23.0	133.1	19%	27%	479%
Tax	(4.9)	-	(5.4)	(5.4)	(6.9)	(39.9)	11%	27%	479%
<i>Tax rate (%)</i>	32.3%	-	26.5%	30.0%	30.0%	30.0%	-2.3pts	-0.0pts	-0.0pts
Minorities	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.6)	24%	16%	339%
NPAT (Underlying)	10.2	(2.4)	15.0	12.6	16.0	92.5	23%	27%	480%
Non-recurring items	(0.8)	-	-	-	-	-	-100%	-	-
NPAT (Reported)	9.4	(2.4)	15.0	12.6	16.0	92.5	34%	27%	480%
EPS (€) (Reported)	14.0	(3.6)	22.4	18.7	23.8	137.8	34%	27%	480%
EPS (€) (Underlying)	15.2	(3.6)	22.4	18.7	23.8	137.8	23%	27%	480%
DPS (€)	-	-	-	-	-	-	-	-	-

Source: Moelis estimates. Notes: 1. Excludes royalty interest in West Coast 1 wind farm (~4MW). 2. Under equity accounting rules, WND only records net profits from equity interests, not revenue or EBITDA.

Key assumptions include:

- 100MW Lakeland achieves financial close in 2H FY18. We estimate WND will receive a development fee of \$25m upon financial close, based on the industry benchmark of \$250k/MW, as well as ongoing asset management fees and equity distributions (once operational).
- Two projects with a combined capacity of 222MW achieve financial close in FY19.

- Receipt of success fees for 60MW Greenwich (\$5.3m) and 230MW Verdigre (\$6.1m) over FY19 and FY20.
- For development projects, we generally assume 1/3 of the development fee is received as cash with the remaining 2/3 retained as an equity interest unless otherwise indicated. For Lakeland, we assume WND retains ~24% of our estimated \$25m development fee, which will enable the company to retain a 20% carried interest in the project.
- Commencement of new asset management contracts upon construction/operation of late stage projects.
- 1,200MW KEP 2 and a 140MW RSA project achieves financial close in FY20. For conservatism, we have assumed the development of KEP 2 is undertaken over 2 stages: the initial development of 500MW in FY20 followed by the remaining 700MW in FY22. We note that in the event KEP 2's financial close is delayed into the following period, we estimate WND will generate \$23.0m revenue and \$13.1m EBITDA in FY20 from a combination of earnings from other project development, asset management, royalty and equity interests.
- Our key pricing assumptions are summarised below, with merchant pricing largely based on futures pricing by state and long term prices escalated at CPI. For potential new Australian development projects, we assume: (1) 80% bundled PPA sales and 20% merchant black + LGC, (2) 10 year PPA bundled price of \$65/MWh (real), escalating at CPI, (3) LT black price of \$60/MWh (real) and (4) FY20 LGC price of \$45/MWh declining to zero by 2030, when the LRET scheme ends.

Figure 3: Pricing assumptions

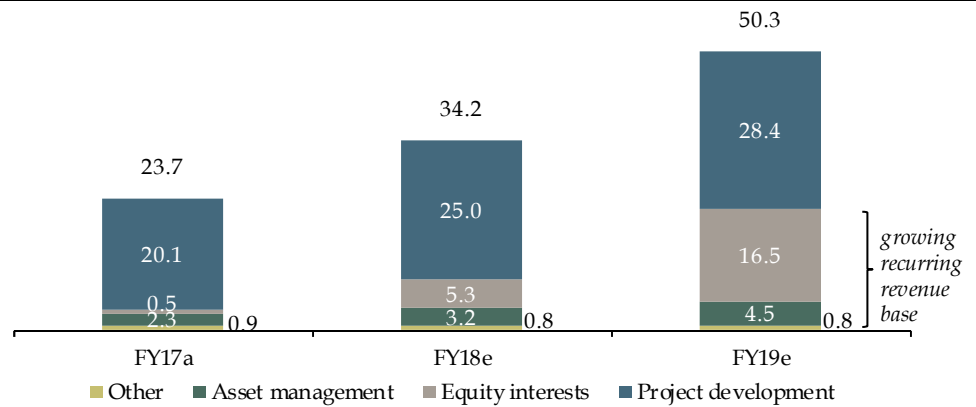
A\$/MWh, 31 Dec y/e	2018e	2019e	2020e	LT (real)
Electricity prices				
VIC	90	80	75	60
QLD	75	70	65	60
LGC Price	85	70	45	-
New Aust. developments 10yr PPA (80%, bundled)	65	67	68	65
New RSA developments 10yr PPA (100% bundled)	60	64	67	60

Source: Moelis estimates. Note: It is assumed the Australian LRET scheme ceases post 2030, as per the current policy.

Growing recurring revenue base

It is noted that while we expect overall earnings growth to be driven by development fees from a number of projects achieving financial close over the next few years, WND's proportion of recurring earnings is also expected to grow as a result of increasing contributions from (1) asset management contracts (existing and new) and (2) distributions from equity interests as new projects commence operations. As outlined in Figures 2 & 4, by FY19, we expect:

- WND will have equity interests in 4 operating wind farms (Coonooer Bridge, Kiata, Kennedy Phase 1 and Lakeland), 7 asset management contracts and a royalty interest in the West Coast 1 wind farm;
- the proportion of recurring pro forma revenue to increase to ~44% by FY19 (from 15% in FY17). We estimate \$21.9m of pro forma FY19e revenue will be generated from recurring revenue streams, which is comparable to total FY17 pro forma revenue of \$23.7m (which included \$20.1m of project revenue).

Figure 4: Moelis Pro forma Revenue Estimates¹ (\$m)


	FY17a	FY18e	FY19e
Recurring revenue (\$m)	3.6	9.2	21.9
% total PF revenue	15.3%	26.9%	43.5%

Source: Company, Moelis Analysis. Note: 1. Under equity accounting rules, WND only records net profits from equity interests and not revenue.

A summary of our key cashflow estimates are provided below.

Figure 5: Key cashflow estimates

<i>\$m unless indicated otherwise</i>	FY17a	1H18e	2H18e	FY18e	FY19e	FY20e
EBITDA	16.2	(2.2)	20.7	18.5	23.1	133.1
+/- Working Capital Changes	(2.0)	0.2	0.9	1.1	4.5	(2.5)
- Net interest paid	(0.6)	(0.1)	(0.1)	(0.2)	0.1	0.2
- Tax Paid	-	-	-	-	(7.4)	(9.0)
+/- Other	(1.6)	-	-	-	-	-
Cash Flow from Operations	12.0	(2.1)	21.5	19.4	20.3	122.0
- Capex for PP&E	(0.2)	(0.0)	(0.2)	(0.3)	(0.3)	(1.3)
- Equity contribution to project capex	(30.0)	-	(19.0)	(19.0)	(13.3)	(91.7)
Cash Flow from Investing	(30.2)	(0.0)	(19.2)	(19.3)	(13.6)	(93.0)
+ Debt Drawn/paid	-	(1.8)	(1.9)	(3.8)	(1.0)	-
- Dividends Paid	-	-	-	-	-	-
+ Equity Raised (Bought Back)	25.1	-	-	-	-	-
+/- Others	(1.4)	-	-	-	-	-
Cash Flow from Financing	23.8	(1.8)	(1.9)	(3.8)	(1.0)	-
Net Change in Cash	5.6	(4.0)	0.3	(3.6)	5.6	28.9
Cash at end of period	14.2	10.3	10.6	10.6	16.2	45.2
Debt at end of period	4.8	2.9	1.0	1.0	0.0	0.0

Source: Moelis estimates.

Key commentary/assumptions include:

- Net working capital movements include project development costs that have been capitalised.
- No tax expected to be paid in FY18 due to timing of tax reporting and availability of tax losses.
- \$4.8m CEFC senior debt facility repaid in full by March 2019.
- As mentioned above, we assume 1/3 of the development fee for Australian projects is retained as cash with the remaining 2/3 used as an equity contribution towards retaining an equity interest in the asset (unless otherwise indicated). For Lakeland, we assume 24% or \$6m of our \$25m development fee estimate is retained as cash with the remaining \$19m used as WND's equity contribution to the Lakeland project capex, enabling WND to retain a 20% project interest.
- Based on those assumptions, unless WND's seeks to retain a higher interest than what is able to be funded from the development fee (eg. Kennedy Phase 1 in FY17), we do not expect the company to require external funding to maintain minority equity interests in future projects.

VALUATION & SHARE PRICE TARGET

Our **12 month target price moves to \$2.60/share** (previous: \$2.80) and is based on our estimate of WND's adjusted Net Asset Value (\$2.30/share), grown forward at the cost of equity, less any dividends payable over the next 12 months. We believe this approach provides a risk adjusted measurement of the key components of WND's integrated business model. A summary of our valuation and key assumptions is provided below.

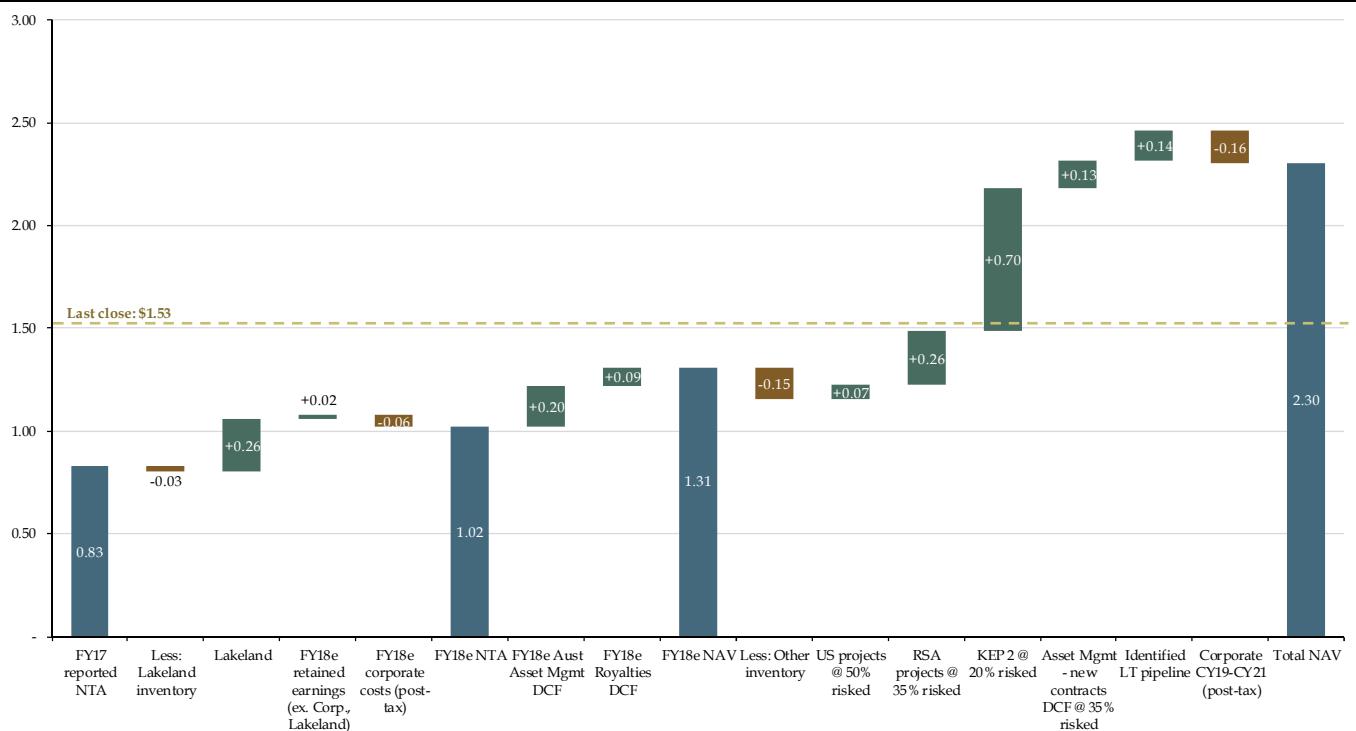
Figure 6: Valuation & Target Price Summary

	Risk weighting applied	Riskd valuation (\$m)	Riskd valuation (\$/share)	Key assumptions / commentary
FY17 reported NTA	100%	55.9	0.83	FY17a reported NTA less minorities
Less: Lakeland inventory	100%	(2.0)	(0.03)	Adjust for est. capitalised development costs in inventory
Lakeland	100%	17.4	0.26	Est. development fee less FY18e development cost & tax
FY18e retained earnings (ex. Corp., Lakeland)	100%	1.0	0.02	FY18e NPAT excluding Lakeland and corporate
FY18e corporate costs (post-tax)	100%	(3.9)	(0.06)	FY18e after tax corporate costs
FY18e NTA		68.5	1.02	
FY18e Aust Asset Mgmt DCF	100%	13.4	0.20	Existing 4 contracts + Lakeland
FY18e Royalties DCF	100%	5.8	0.09	Existing West Coast One royalty
FY18e NAV		87.7	1.31	
Less: Other inventory	100%	(10.1)	(0.15)	Adjust for est. capitalised development costs in inventory
US projects	50%	4.6	0.07	Success fees from Verdigre and Greenwich, post tax
RSA projects	35%	17.6	0.26	Est. development margin of 5 projects, total 642MW
Kennedy Phase 2	20%	46.9	0.70	Est. development margin
Asset Mgmt - new contracts DCF	35%	8.9	0.13	6 new contracts from KEP 2 and RSA projects
Identified LT pipeline	100%	9.7	0.14	Nominal value of \$2.5k/MW applied to total 3,866MW
Corporate CY19-CY21 (post-tax)	100%	(10.5)	(0.16)	Corporate costs to support delivery of above projects
Total NAV		154.7	2.30	
Avg. value grown for 12 mths at Ke			2.60	
Less: Forecast 12mth dividends			-	
12 month share price target			2.60	

Source: Moelis estimates

Our high level analysis suggests that the current price level of \$1.53/share does not appear to be factoring in potential upside from WND's US projects, RSA projects, Kennedy Phase 2, the asset management contracts associated with those projects and identified LT pipeline (or the implied value of the Windscape™ technology).

Figure 7: WND Adjusted NAV bridge (\$/share)



Source: Moelis estimates

As mentioned previously, WND's key competitors to date have largely been private players and include Wind Prospect, Continental Wind Partners, Mainstream Renewables, RES and Wind Power. Passive equity investors, independent power producers and utilities typically acquire late stage development projects or windfarms that are already operational. A summary of listed trading comparables of companies engaged in renewable energy development and generation is provided below.

Figure 8: Trading comparables

Company name	Mkt Cap (A\$m)	EV (A\$m)	EV/EBITDA (x)		EV/EBIT (x)		P/E (x)	
			2018e	2019e	2018e	2019e	2018e	2019e
Origin Energy	15,510	23,028	7.1	6.0	13.8	10.9	14.8	11.8
AGL Energy	14,356	16,478	8.1	7.3	10.7	9.4	14.5	12.8
Infigen Energy	568	1,009	6.8	6.2	12.2	10.2	14.6	14.3
Tilt Renewables	543	1,098	7.4	6.3	16.5	12.8	16.3	13.1
Carnegie Clean Energy	106	106						
Genex Power	93	180		13.8		31.9		
Average	5,196	6,983	7.3	7.9	13.3	15.0	15.1	13.0
Iberdrola	61,383	120,922	8.2	7.8	14.0	13.2	13.4	12.4
EDP Renovaveis	10,119	17,818	7.8	7.3	13.2	12.3	29.9	25.5
Brookfield Renewable Partners	7,012	38,954	10.4	9.9	19.9	18.5	203.3	103.6
Acciona	5,839	15,106	6.9	6.7	14.0	13.4	14.6	13.2
Northland Power	3,869	11,485	11.6	10.7	17.9	15.1	16.2	14.0
TransAlta Renewables	2,916	3,996	9.8	9.4	19.8	19.3	13.8	12.8
Capital Power	2,552	5,485	7.1	6.9	8.8	8.7	16.6	15.1
TerraForm Power A	2,162	7,705	10.8	8.9	29.7	23.5		172.9
Boralex A	1,689	4,421	11.8	10.9	29.2	25.2	46.4	32.3
Average	10,838	25,099	9.4	8.7	18.5	16.6	44.3	44.6
ASX Small Industrials			11.6	10.5	15.8	14.0	19.0	16.9
Windlab	102	96	5.2	4.2	5.2	4.2	8.1	6.4

Source: Factset, Moelis estimates

INVESTMENT VIEW

Since its IPO in August 2017, WND's **management have continued to meet key deliverables within targeted timeframes**. The expected financial close of Lakeland later this year underpins our FY18e estimates. We estimate **recurring pro forma revenues will increase to \$21.9m by FY19e** (44% of total pro forma revenue of \$50.3m) driven by increasing contributions from asset management contracts and project equity interests. This compares to FY17a total pro forma revenue (including project revenues) of \$23.7m.

Despite regulatory uncertainty in Australia at the Federal level, we note that some State governments have continued to push ahead with their own renewable targets (SA: 75%, QLD: 50%, VIC: 40%). This combined with the "recommencement" of the REIPPPP in South Africa and declining costs of renewable generation is expected to continue to drive demand for renewable energy projects.

We view WND as well placed to capitalise on this demand, particularly given the **competitive advantage delivered by its proprietary wind energy assessment technology, Windscape™**. With WND trading at 5.2x FY18e EV/EBITDA and 8.1x PE and below our **12 month target price of \$2.60/share**, we continue to view WND as undervalued, and **maintain our BUY rating**.

APPENDIX

Figure 9: Selected operating and late stage development projects

Asset	Location	Stage	Installed capacity (MW)	Equity interest	Attrib. capacity (MW)	Expected revenue stream			
						Develop. fee	Asset mgmt. fee	Equity distrib.	Other
Coonoer Bridge	VIC	Operating	20	3.5%	1	✓	20 yrs	3.50%	-
West Coast One	RSA	Operating	94	-	-	✓	-	-	Royalty
Ararat	VIC	Operating	240	-	-	-	10 yrs	-	-
Kiata	VIC	Operating	30	25%	8	✓	5 + 5 yrs	25.00%	-
Kennedy Phase 1	QLD	Construction	58	50%	29	✓	20 yrs	Yes	-
Lakeland	QLD	Financing	100	100%	100	Yes	Yes	Yes	-
Msenge Emoyeni	RSA	Financing	140	100%	140	Yes	Yes	Yes	-
Iziduli Emoyeni	RSA	Financing	82	100%	82	Yes	Yes	Yes	-
Greenwich	USA	Financing	60	100%	60	-	-	-	Success
Verdigre	USA	Approvals	230	51%	117	-	-	-	Success
Kennedy Phase 2	QLD	Approvals	1,200	100%	1,200	Yes	Yes	Yes	-
Ishwati Emoyeni	RSA	Financing	140	100%	140	Yes	Yes	Yes	-
Umsinde Emoyeni I	RSA	Financing	140	100%	140	Yes	Yes	Yes	-
Umsinde Emoyeni II	RSA	Financing	140	100%	140	Yes	Yes	Yes	-
Total			2,674		2,157				

Source: Company, Moelis estimates. Notes: ✓ denotes development fee that has already been received. Kennedy's 58MW capacity comprised of 43MW wind, 15MW solar photovoltaic, 2MW/4MWh battery storage

Windlab Ltd (WND)

Market Cap: \$102m

Last Price: \$1.530

Target Price: \$2.60

Buy

Y/E Dec 31

Profit and Loss (\$m)	2016a	2017a	2018e	2019e	2020e
Revenue	17.1	23.3	29.0	33.7	148.3
<i>Growth</i>	-	36.3%	24.4%	16.5%	339.3%
EBITDA	10.1	16.2	18.5	23.1	133.1
<i>Growth</i>	-	60.7%	14.2%	24.9%	475.3%
Dep'n & Amort	(0.3)	(0.1)	(0.2)	(0.2)	(0.3)
EBIT	9.8	16.1	18.4	22.9	132.9
<i>Growth</i>	-	63.7%	14.2%	24.9%	479.5%
Net Interest Expense	(0.6)	(0.9)	(0.2)	0.1	0.2
Profit Before Tax	9.2	15.2	18.1	23.0	133.1
Tax	(1.8)	(4.9)	(5.4)	(6.9)	(39.9)
<i>Tax Rate (%)</i>	19.3%	32.3%	30.0%	30.0%	30.0%
Minorities	0.0	0.0	0.0	0.0	0.0
NPAT (Underlying)	7.5	10.2	12.6	16.0	92.5
<i>Growth</i>	-	34.9%	23.5%	26.9%	480.1%
One-Off Items	(4.2)	(0.8)	0.0	0.0	0.0
NPAT (Reported)	3.4	9.4	12.6	16.0	92.5
EPS (Underlying) (¢)	11.2	15.2	18.7	23.8	137.8
<i>Growth</i>	-	34.9%	23.5%	26.9%	480.1%

Balance Sheet (\$m)	2016a	2017a	2018e	2019e	2020e
Cash	8.6	14.2	10.6	16.2	45.2
Inventory	10.4	12.1	11.5	6.8	2.7
Current Receivables	1.0	1.6	1.9	2.3	9.9
PPE	0.3	0.3	0.4	0.5	1.6
Intangibles	0.0	0.0	0.0	0.0	0.0
Other	14.1	44.8	63.3	74.0	162.1
Total Assets	34.4	73.1	87.8	99.8	221.5
Current Payables	1.5	1.8	2.7	2.7	3.9
ST Debt	0.0	2.8	0.0	0.0	0.0
LT Debt	15.0	2.0	1.0	0.0	0.0
Provisions	1.1	1.3	1.6	1.8	7.1
Other	3.4	8.3	8.3	8.3	8.3
Total Liabilities	21.0	16.2	13.5	12.8	19.3
Net Assets	13.4	56.9	74.3	87.0	202.2
Equity & Reserves	19.7	53.8	58.6	55.4	78.0
Retained Profits	(7.5)	2.0	14.6	30.6	123.1
Shareholders' Equity	12.2	55.9	73.2	85.9	201.1
Minorities	1.2	1.1	1.1	1.1	1.1
Total Equity	13.4	56.9	74.3	87.0	202.2

Cashflow (\$m)	2016a	2017a	2018e	2019e	2020e
EBITDA	10.1	16.2	18.5	23.1	133.1
Net Interest	(0.8)	(0.6)	(0.2)	0.1	0.2
Tax	0.0	0.0	0.0	(7.4)	(9.0)
Δ in Working Capital	(9.9)	(2.0)	1.1	4.5	(2.5)
Other	2.0	(1.6)	0.0	0.0	0.0
Operating Cash Flow	1.4	12.0	19.4	20.3	122.0
<i>Growth</i>	-	775.8%	61.5%	4.4%	502.0%
Capex	(0.3)	(0.2)	(0.3)	(0.3)	(1.3)
Acquisitions	0.0	0.0	0.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0
Other	0.0	(30.0)	(19.0)	(13.3)	(91.7)
Investing Cash Flow	(0.3)	(30.2)	(19.3)	(13.6)	(93.0)
Equity Raised	0.0	25.1	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Net Borrowings	6.7	0.0	(3.8)	(1.0)	0.0
Other	0.0	(1.4)	0.0	0.0	0.0
Financing Cash Flow	6.7	23.8	(3.8)	(1.0)	0.0
FX / Non Cash Items	0.1	0.0	0.0	0.0	0.0
Change in Cash	7.8	5.6	(3.6)	5.6	28.9
Free Cash Flow	1.1	11.8	19.2	20.0	120.7

Valuation Summary	
Current Mkt Capitalisation	102.4
Shares on Issue	67.2
Last Price	1.530
12 Mth Target Price	2.60
Total Estimated 12 Mth Return	70.5%
12 Mth Fwd Capital Return	70.5%
12 Mth Fwd Dividend Yield	0.0%

Valuation Ratios	2016a	2017a	2018e	2019e	2020e
EPS (Underlying) (¢)	11.2	15.2	18.7	23.8	137.8
<i>Growth</i>	-	34.9%	23.5%	26.9%	480.1%
P/E (x)	13.6x	10.1x	8.1x	6.4x	1.1x
Small Industrials (ex Fin's)	0.0x	0.0x	19.0x	16.9x	14.9x
Premium / (Discount)	nm	nm	(57.1%)	(62.1%)	(92.6%)
EV/EBITDA (x)	9.5x	5.9x	5.2x	4.2x	0.7x
Small Industrials (ex Fin's)	0.0x	0.0x	11.6x	10.5x	9.2x
Premium / (Discount)	nm	nm	(55.2%)	(60.5%)	(92.2%)
DPS (¢)	0.0	0.0	0.0	0.0	0.0
<i>Growth</i>	-	-	-	-	-
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	0.0%	0.0%	0.0%	0.0%	0.0%
NTA	13.4	56.9	74.3	87.0	202.2
NTA/Share (\$)	0.20	0.85	1.11	1.30	3.01

Performance Ratios	2016a	2017a	2018e	2019e	2020e
ROA	43.9%	18.9%	15.6%	17.0%	57.6%
ROE	123.4%	29.9%	19.5%	20.0%	64.5%
ROIC	80.0%	32.3%	22.9%	23.7%	81.7%
Net Debt (Cash) (\$m)	6.4	(9.4)	(9.6)	(16.2)	(45.2)
Net Debt/EBITDA (x)	0.6x	(0.6x)	(0.5x)	(0.7x)	(0.3x)
ND / (ND + Equity) (%)	32.4%	(19.9%)	(14.8%)	(23.0%)	(28.8%)
Interest Cover (x)	16.6x	15.4x	41.7x	199.6x	574.1x
Working Capital	8.5	7.0	5.6	0.9	(1.9)
Working Capital/Sales (%)	50.0%	30.1%	19.5%	2.8%	(1.3%)

Cash Flow Metrics	2016a	2017a	2018e	2019e	2020e
FCF/Share (\$)	0.02	0.18	0.29	0.30	1.80
Price/FCPS (x)	92.4x	8.7x	5.3x	5.1x	0.8x
Free Cash Flow Yield (%)	1.1%	11.5%	18.7%	19.5%	117.8%
Gross Cash Conversion	21.2%	77.8%	106.0%	119.3%	98.2%
Capex/Sales (%)	1.5%	0.9%	0.9%	0.9%	0.9%
Capex/Depreciation (x)	0.9x	1.4x	1.5x	1.4x	5.1x

Margins	2016a	2017a	2018e	2019e	2020e
EBITDA	59.1%	69.7%	64.0%	68.6%	89.8%
EBIT	57.5%	69.0%	63.4%	67.9%	89.6%
NPAT	44.2%	43.7%	43.4%	47.3%	62.4%

Valuation Methodology	2016a	2017a	2018e	2019e	2020e
WACC (%)					8.6%
Discounted Cash Flow Valuation					2.69
Sum-of-the-Parts Valuation					3.01
Average Valuation					2.30
12 Mth Target Price					2.60

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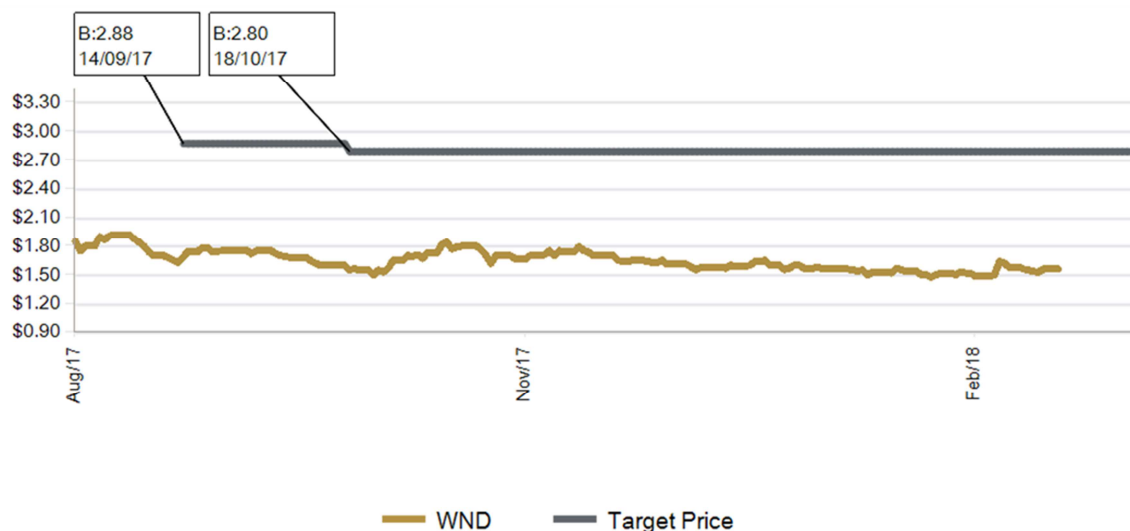
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