

EGUANA TECHNOLOGIES INC. – SPECULATIVE BUY

Very Positive Order Commentary In Q1 (Dec) Results

ACTION – Getting Closer To Consistent Quarterly Revenue & Exciting Growth

We are more optimistic after order book commentary & our management discussion. Q1 (Dec) F2017 results after market close last night included very encouraging order book commentary. During Q1, EGT received ~\$1.8 mln of orders from the company's Hawaiian partner. Further order intake post Q1 from Australia (first volume order expected in March) should put EGT's order book over ~\$5 mln, per the company's Q1 press release.

Current order book could make for an exciting C2017. Recall, previous annual revenue peak was ~\$6 mln in F2015 (Sept). With **no** additional orders, EGT's expected order book of ~\$5 mln could translate into nearly peak annual revenue in C2017. The current order book could have upside from EGT's German automotive customer (which has paid EGT for services in Q1), follow on orders from Hawaii and Australia, new commercial segment products & orders from one the largest US solar manufacturers. We hope to see consistent quarterly revenue from Q3 (Jun) / Q4 (Sept) F2017, which would be positive for EGT.

Industry-wide Hawaii permitting delays not EGT specific. We note EGT is growing its order book in Hawaii nicely, despite industry wide permitting delays in that state. As a result, orders in Hawaii have only just begun to translate into revenue. These delays pertaining to grid interconnection delays, appear to be industry-wide, leading to 194 (down ~50% y/y) PV (solar) permits issued in January 2017 in the island of Oahu (largest Hawaiian island), the smallest number in the past five years, according to industry data (<http://bit.ly/2ki7YDP>). Additionally, local building permits have also contributed to delays. These permitting delays could have finally begun clearing up in recent weeks. We eagerly await Hawaiian installations and revenue in Q2 (Mar) F2017.

DETAILS – Order Book Building; Core Opex Steady

Q1 (Dec) revenue improved q/q from negligible Q4 (Sept) to ~\$270K, of which ~\$240K pertained to services for EGT's German automotive partner (speculated to be Daimler). Core Energy Storage Systems revenue in Q1 was ~\$32K. Core Q1 cash opex was ~\$950K, within the ~\$1 mln/qtr run-rate we generally expect. EGT ended Q1 with cash of ~\$2.8 mln & ~\$1 mln debt, which should provide the company runway of a few quarters to convert existing design wins into revenue (cash burn ~\$1 mln/qtr). Given the company's vastly improved order book, we are not concerned and do not expect dilutive equity financings as an improving order book converts into revenue in C2017. We expect backlog/revenue to show continued improvement this year.

IMPACT – Re-iterate \$0.70/Sh Target, SPECULATIVE BUY

Our \$0.70/sh one-year target is based on our blue-sky upside (~\$60 mln/yr annual revenue run-rate) discounted back three years at 25%/yr. EGT traded at ~4.5x trailing sales in the summer of 2015, with revenue trending at an annual ~\$6 mln/yr run-rate. Applying historical valuation (4.5x Sales) to a blue-sky ~\$60 mln/yr annual revenue run-rate equates to a stock price ~\$1.30-1.40/sh; all else equal, IF EGT can successfully translate design wins into revenue as management expects.

Expect stock price volatility until meaningful revenue traction. We are not yet introducing quarterly estimates pending clarity on timing of design win-revenue translation. We expect news driven volatility until meaningful revenues commence.

EGT-TSXV	\$0.24
TARGET:	\$0.70
PROJ. RETURN:	192%
VALUATION:	EV/Sales

Share Data

Basic Shares O/S (mln)	202
Fully Diluted (mln)	202
Market Cap (basic) (\$ mln)	48
Enterprise Value (\$ mln)	47
Net Debt (Cash) (\$ mln)	(2)
Dividend	\$0.00
Yield	0.0%
Next Reporting Date	May

Thomson Chart – One Year



Corporate Profile

Eguana is based in Calgary with ~20 employees. Eguana designs and manufactures products for power control and conversion for Energy Storage Systems (ESS). Eguana's solutions are the point of contact between the regulated electric grid, consumption end-points & storage batteries. Eguana solutions are certified & field tested in major target markets i.e. USA, Europe, Australia, Japan.

Upcoming Events

- Q2 (Mar) F2017 Results May

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