

9m Results 2019

Opinion ⁽¹⁾: Above expectations.

Impact ⁽¹⁾: We will have to raise our estimates.

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Business description

Audax Renovables Audax Renovables (ADX) is an independent energy group focused on the supply of electricity and gas (96% of revenue; 61% of 9m19 EBITDA) to the SME segment (51% of the TWh supplied) with an international presence (only in the EU; 26% of revenue). It has 126.4MW of wind power capacity in Spain (64%), Poland (27%) and France (9%).

Market Data

Market Cap (Mn EUR and USD)	938.7	1,033.2
EV (Mn EUR and USD) ⁽²⁾	1,142.2	1,257.3
Shares Outstanding (Mn)	440.3	
-12m (Max/Med/Mín EUR)	2.78 / 1.92 / 1.29	
Daily Avg volume (-12m Mn)	1.34	
Rotation ⁽³⁾	36.4	
Thomson Reuters / Bloomberg	ADXR.MC / ADX SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

José Elías Navarro	88.7
Free Float	11.4

Relative performance -5y (Base 100)



Stock performance

(%)	-1m	-3m	-12m	-5Y
Absolute	38.6	31.6	27.7	420.0
vs Ibex 35	39.8	24.5	27.0	473.5
vs Ibex Small Cap Index	39.6	26.0	29.2	251.8
vs Eurostoxx 50	33.8	19.4	11.3	329.7
vs Sector benchmark ⁽⁴⁾	38.2	22.2	4.0	285.9

(1) The opinion about results is in respect of reported EBITDA and its relation to our estimate for the year (12m). The impact reflects whether, as a consequence of these results, we envisage a significant (>5%) upgrade or downgrade to our EBITDA estimates (for any of the estimated years).

(2) Please refer to Appendix 1.

(3) Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. Represents the % of the capitalisation traded -12m.

(4) vs Eurostoxx 600 Utilities.

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Thomson Reuters and Lighthouse

Revenue in line. The surprise is in margins

REVENUE GROWTH: +10.1% (EUR 783.1MN VS 711.1MN 9M18), in line with our estimates (revenues 2019e: +10.1% vs 2018): mainly due to the supply business as a result of an increase in revenues per GWh of c. 13% (which offset the 2% decline in the volume of energy supplied).

WITH A MUCH HIGHER THAN EXPECTED RECURRENT EBITDA MARGIN (6.8%; +2.3P.P. VS 9M18), which boosted EBITDA (adjusted for impairments and reversals) to EUR 53.5Mn (+67.5%). The increase in the EBITDA margin (vs 5.5% estimated for 2019e) is mainly explained by the surprising improvement in margins seen in the supply business: which is reaping the first fruits of the strategy of electricity procurement via PPAs (EBITDA margin 4.3% vs 2.0% in 9m18; vs our estimate of 3.4%). In addition, we would point up that the generation division contributed adjusted EBITDA of EUR 20.8Mn (+4% vs 9m18) boosted by the good performance both in terms of volume (greater wind resources) and prices of the wind farm in Poland (impact of EUR 1.6Mn on EBITDA), which offset the loss of volume after the divestment of 58.6MW in August 2019.

AND A REDUCTION IN NET DEBT (-22% VS 2018): ADX has reported ND of EUR 259.8Mn that, while still high, has decreased considerably (ND/adjusted LTM EBITDA 3.9x; 3.3x before adjustments vs 7.4x 2018). This reduction in ND is mainly due to the disinvestment of generation projects with a positive impact on ND of c. EUR 50Mn (from the reduction of Project Finance debt associated with these).

IN CONCLUSION: Results in line in revenues but better than expected in EBITDA (excellent improvement in margins); consolidating the improvement in the operating efficiency of the supply business. The positive surprise and its continuation in 4Q19 would result in an upgrade to numbers hinging on two (opposing) levers: (i) the improvement in supply business margins seen in 9m19 (4.3% vs 3.4% estimated) and (ii) its sustainability over time (in a highly competitive industry).

EUR Mn	9m19	9m18	9m19 vs 9m18	3Q19	3Q19 vs 3Q18
Total Revenues	783.1	711.1	10.1%	256.4	-9.5%
Supply business	755.8	683.7	10.5%	250.2	-8.6%
Generation business	27.3	27.4	-0.5%	6.2	-35.9%
Recurrent EBITDA*	53.5	31.9	67.5%	19.5	20.4%
Rec. EBITDA/Revenues	6.8%	4.5%	2.3 p.p.	7.6%	1.9 p.p.
EBITDA	53.5	31.9	67.5%	19.5	20.4%
EBITDA/Revenues	6.8%	4.5%	2.3 p.p.	7.6%	1.9 p.p.
EBIT	37.7	15.5	143.1%	18.8	63%
NP	18.5	2.0	843.1%	11.8	191%
Ordinary NP	18.5	2.0	843.1%	11.8	191%
Net Debt**	259.8	n.a.	n.a.	n.a.	n.a.
ND / LTM EBITDA	3.9 x	n.a.	n.a.	n.a.	n.a.

* EBITDA y Rec. EBITDA Rec. adjusted by impairments and reversals amounting to EUR 4.6Mn in 9m19 and EUR 1.9Mn in 9m18.

** Since the supply business was integrated in Nov. 2018, Sept. 2018 reported Net Debt only included the ND associated to the Generation business (EUR 111,4Mn), and therefore, not comparable with the Sept. 2019 and 2018 reported Net Debt.

In addition, Sept. 2019 reported Net Debt includes the effect of IFRS 16 (impact of + EUR 9.1Mn)

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Fuente
Market Cap	938.7	
+ Minority Interests	31.4	9m Results
+ Provisions & Other L/T Liabilities	35.1	6m Results
+ Net financial debt	259.8	9m Results
- Financial Investments	122.8	9m Results
+/- Others	-	9m Results
Enterprise Value (EV)	1,142.2	

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
14-Nov-2019	n.a.	2.13	n.a.	n.a.	9m Results 2019	David López Sánchez
24-Sep-2019	n.a.	1.70	n.a.	n.a.	Initial Coverage	David López Sánchez