

EQUITY - SPAIN

Sector: Utilities - Electric Utilities

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Review of estimates
Closing price: EUR 2.09 (12 Oct 2020)

Audax Renovables (ADX) is an independent energy group focused on the supply of electricity and gas to the SME segment (c. 50% of the TWh supplied) with an international presence. It has 91MW of wind power and a renewables portfolio (solar PV) of 477MW, of which 320MW will gradually come on stream between 2021 and 2022.

David López Sánchez – david.lopez@lighthouse-ief.com
+34 915 904 226

We downgrade our estimates (2020e), but on paper fundamentals are stronger

THE COVID-19 CRISIS HAS MADE A DOWNGRADE TO OUR 2020 ESTIMATES INEVITABLE... We estimate a sharp fall in revenue (EUR 839Mn; -19.6% vs 2019; -26.4% vs previous estimate) and Rec. EBITDA (-21.5% vs previous estimate) explained by the dramatic reduction of economic activity in 2Q20 that inevitably hit the supply business head on (-21.5% in 1H20).

...ALTHOUGH ADX SHOWS OBJECTIVE REASONS FOR GROWTH. Although visibility two years forward is still low, the main reasons for growth (once the current situation has ended) are: (i) the company's competitive position (with organic growth in the number of new clients in 1H20; +21.2%), (ii) the development of new markets (and inorganic growth from the acquisitions made in 2020), (iii) the momentum of cyclical recovery and (iv) the development of 320MW of solar PV capacity between 2021e and 2022e (a driver unaffected by the cycle). All this means growth.

THAT JUSTIFY HIGHER GROWTH EXPECTATIONS FOR ADX THAN FOR THE ECONOMY AS A WHOLE and for its sector. Revenue and EBITDA +8.8% and +11.2% CAGR (2019-2022e), respectively (2022e EV/EBITDA c. 11x vs 10x for the sector).

MAINTAINING DEBT UNDER CONTROL (ND/EBITDA C. 3X). The disposal of 94.6MW of wind power generation assets in 2019 allowed ADX to reduce ND significantly (2019 ND -40% vs 2018). We think this is especially interesting in the current context, enabling the company to maintain debt under control over the whole estimated period (even in 2022e when CAPEX for the development of the new plants will be more demanding).

IN CONCLUSION: DESPITE THE ESTIMATES DOWNGRADE FUNDAMENTALS ARE STRONGER. ADX's strategy has focused on improving its business margin via the increase in the energy acquired from renewable energy sources. Today, despite the backdrop, the improvement in margins is a fact (2020e EBITDA margin 6.5% vs 4.5% in 2018). Moreover, the company's strategy of asset rotation allows it to face this situation with its balance sheet in better shape (2020e ND/EBITDA 2.9x). This explains why the change in business model is, in itself, its equity story. The big challenge will remain sustaining the margin over time (growing volumes without paying an excessive toll in terms of margin).

Market Data

Market Cap (Mn EUR and USD)	920.2	1,087.1
EV (Mn EUR and USD) ⁽¹⁾	1,070.7	1,264.9
Shares Outstanding (Mn)	440.3	
-12m (Max/Med/Min EUR)	2.72 / 1.91 / 1.36	
Daily Avg volume (-12m Mn EUR)	2.64	
Rotation ⁽²⁾	73.1	
Thomson Reuters / Bloomberg	ADX.MC / ADX SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

José Elías Navarro	84.6
Free Float	15.4

Financials (Mn EUR)

	2019	2020e	2021e	2022e
Adj. nº shares (Mn)	440.3	440.3	440.3	440.3
Total Revenues	1,043.8	839.0	1,212.5	1,343.6
Rec. EBITDA ⁽³⁾	68.3	54.8	70.5	93.8
% growth	52.4	-19.7	28.5	33.2
% Rec. EBITDA/Rev.	6.5	6.5	5.8	7.0
% Inc. EBITDA sector ⁽⁴⁾	8.0	5.6	5.1	4.1
Net Profit	25.4	12.1	29.7	42.4
EPS (EUR)	0.06	0.03	0.07	0.10
% growth	202.5	-52.5	145.8	42.7
Ord. EPS (EUR)	0.05	0.04	0.07	0.10
% growth	n.a.	-22.0	83.8	42.7
Rec. Free Cash Flow ⁽⁵⁾	29.3	41.7	-26.2	-100.0
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	169.2	161.0	187.2	287.2
ND/Rec. EBITDA (x)	2.5	2.9	2.7	3.1
ROE (%)	22.3	9.4	19.9	22.9
ROCE (%) ⁽⁵⁾	10.9	8.8	13.8	14.3

Ratios & Multiples (x) ⁽⁶⁾

	2019	2020e	2021e	2022e
P/E	36.2	76.1	31.0	21.7
Ord. P/E	44.4	56.9	31.0	21.7
P/BV	7.5	6.9	5.6	4.5
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	1.03	1.28	0.88	0.80
EV/Rec. EBITDA	15.7	19.5	15.2	11.4
EV/EBIT	25.4	35.0	21.1	15.5
FCF Yield (%) ⁽⁵⁾	3.2	4.5	n.a.	n.a.

Relative performance -5y (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	20.9	21.4	35.9	-2.3	364.4	409.8
vs Ibex 35	20.8	27.8	81.3	34.2	586.6	651.4
vs Ibex Small Cap Index	19.5	11.7	32.8	-1.0	288.3	255.9
vs Eurostoxx 50	21.6	21.3	47.1	10.9	407.7	401.9
vs Sector benchmark ⁽⁴⁾	14.7	16.5	22.5	-7.8	244.7	246.3

(1) Please refer to Appendix 3.

(2) Rotation is the % of the capitalisation traded - 12m.

(3) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 1.7Mn higher due to IFRS 16..

(4) Sector: Eurostoxx 600 Utilities.

(5) Please see Annex 2 for the theoretical tax rate (ROCE) and recurrent FCF calculation.

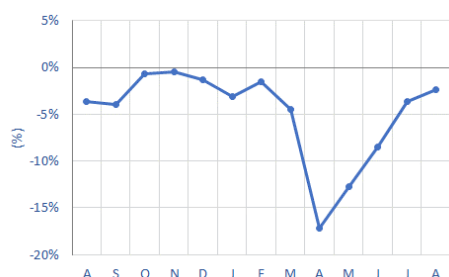
(6) Multiples and ratios calculated over prices at the date of this report.

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

We downgrade our estimates

2020e: A “bad” year (and known). But there are objective reasons for growth

Chart 1. Monthly variation (-1y) in electricity demand in Spain



Source: REE

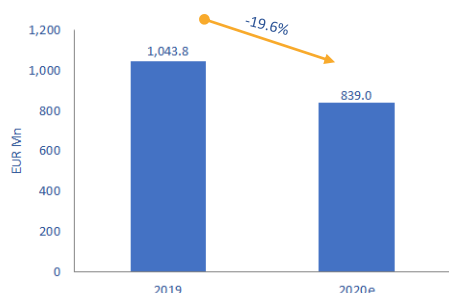
1H20 results reported by the company in September reflected the very difficult macro backdrop (1H20 revenue and EBITDA: -23.2% and -16.9%, respectively), resulting from the significant slowdown in economic activity in 2Q20 that mainly impacted the supply business (2Q20 supply revenue: -26.5% vs 1Q19). Despite the weak backdrop, these results confirmed that the two big challenges facing the company are feasible: (i) to improve margins (+0.5p.p. at the EBITDA level; 1H20 EBITDA margin of 6.8%) and (ii) to reduce debt (maintaining net debt at c. EUR 169Mn; similar to 2019 and -40% vs 2018).

Against this backdrop of global economic contraction, with a rate of recovery that is at the time of writing (October 2020) still uncertain, we need to ask: (i) How will ADX be impacted in 2020e by the crisis unleashed by the Covid-19 pandemic? and (ii) what can be expected after 2020e in a (theoretical) context of the normalisation of economic activity?

2020e impacted by Covid-19: Revenue and EBITDA -26.4% and -21.5% (vs previous estimate)

The shock caused by Covid-19 fully impacted ADX's 2Q results and the economic scenario being depicted post-lockdown after the Covid-19 pandemic advises caution. The Bank of Spain has reduced its most optimistic forecast for the contraction of domestic GDP to -10.5% y/y in 2020e (-12.6% in the worst-case scenario). This leads us to a downgrade of our 2020 estimates (that won't surprise anybody):

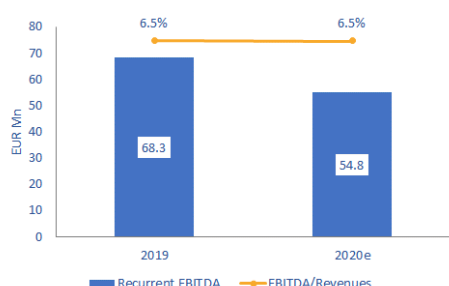
Chart 2. Revenues (2019-2020e)



- **Decline in revenues (-19.6% vs 2019)...** essentially due to the strong impact of Covid-19 on the supply business (with the domestic market accounting for c. 70% of its revenues), for which we estimate a strong contraction in both the volume of power supplied (-9.4%), and in prices (-10%). Despite the backdrop, the number of supply points exceeded 384 thousand in 1H20 (+14% vs 2019), which should allow ADX to grow (once the Covid-19 crisis has ended).

- **... which will translate to Rec. EBITDA (-19.7% vs 2019).** We estimate 2020e EBITDA of EUR 54.8Mn (EBITDA margin of 6.5%), a result of: (i) the fall in revenues caused by Covid-19 and (ii) the disposal of generation assets in 2019 (94.6MW; c. 50% of installed capacity in 1Q19). Despite this, improvements in procurement management, the “short” market position (with more power sold than generated) and the first fruits of procurement via PPAs, will boost supply business margins (and maintain a 2020e EBITDA margin of c. 6.5%; chart 3).

Chart 3. EBITDA Rec. (2019-2020e)



- **Maintaining debt under control (2020e ND/EBITDA c. 2.9x).** The disposal of 94.6MW of wind power generation assets in 2019 allowed ADX to reduce debt by c. EUR 77Mn (2020e ND: EUR 161Mn; in line with 2019). This, in our view, is especially interesting in the current context (that will cause significant problems for the sector's weakest players).

Table 1. Review of estimates

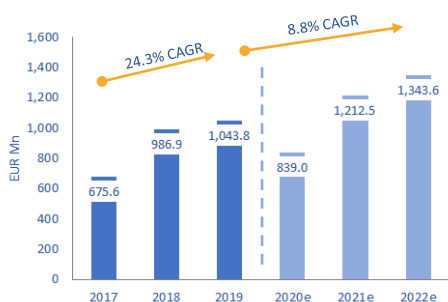
EUR Mn	2020e (New)	Review (%)	2021e (New)	Review (%)	2022e (New)
Total Revenues	839.0	-26.4%	1,212.5	3.1%	1,343.6
Recurrent EBITDA	54.8	-21.5%	70.5	-5.1%	93.8
<i>Recurrent EBITDA growth</i>	<i>-19.7%</i>	<i>-37 p.p.</i>	<i>28.5%</i>	<i>22 p.p.</i>	<i>33.2%</i>
<i>Rec. EBITDA/Revenues</i>	<i>6.5%</i>	<i>0.4 p.p.</i>	<i>5.8%</i>	<i>-0.5 p.p.</i>	<i>7.0%</i>
Net Profit	12.1	-47.7%	29.7	11.0%	42.4
Recurrent Free Cash Flow	41.7	23.2%	-26.2	-165.5%	-100.0
ND / EBITDA	2.9 x	0.2 x	2.7 x	0.6 x	3.1 x

Note: Rec. EBITDA excludes the impact of the provisions made to deal with the Covid-19 crisis (EUR 4.8Mn).

How will the business develop going forward? ADX presents objective reasons for growth (after Covid-19)

There are three main business drivers in 2021e and 2022e:

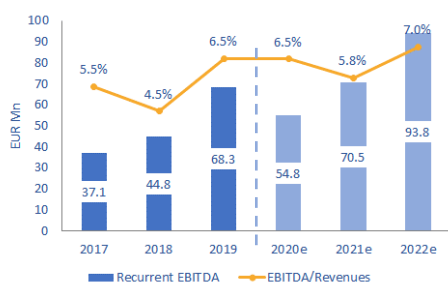
Chart 4. Revenues (2017-2022e)



- **The development of new markets (and inorganic growth).** ADX's growth strategy involves replicating the business model developed in Spain and Portugal in the international business. ADX is clearly intent on international expansion. The company is present in 8 countries, all in Europe (apart from Panama, where it is participating in the construction of a wind farm).

In September 2020, ADX completed the purchase of E.ON's power supply company in Hungary, a deal that we believe will be the main driver of business growth in coming years. According to ADX, the deal will significantly increase both its client portfolio (c. 20%) and the volume of energy supplied (c. 5 TWh/year vs an estimated volume for 2020e of c. 9TWh; which gives an idea of the volume it could contribute). Although ADX has not announced the final price of the acquisition, it has said that this is not a significant amount in relation to the company's assets and liquidity.

Chart 5. EBITDA Rec. and EBITDA Rec. Mg. (2017-2022)



- **The momentum of cyclical recovery from 2021e.** According to REE data, electricity demand in mainland Spain is already showing signs of a significant recovery in terms of consumption (-2.4% in August vs -17.2% in April). This should result in a "mathematical" recovery of the volume of energy supplied by the supply business.
- **The start-up of 320MW of solar PV capacity in 2022e (a growth driver unaffected by the cycle).** ADX has a strategy of asset development, construction, and rotation. At present it has installed capacity of 91MW of wind energy in Spain (49%), Poland (38%) and France (13%); and a renewables portfolio (solar PV) of 477MW, of which 67% is in Spain (320MW) and 33% in Portugal.

Our estimates envisage a gradual increase in the 320MW of solar PV energy up to an installed capacity at the end of 2022 of 411MW. Current installed capacity is 91MW, which gives some idea of the capacity for growth of the generation business in coming years. With an estimated cost of c. EUR 0.7Mn/installed MW, we estimate total CAPEX of c. EUR 220Mn (of which c. 70% will be funded via Project Finance debt). In addition, ADX has 157MW in Portugal (not included in our estimates as we believe it will be developed post-2022).

Chart 6. Rec. FCF vs CAPEX (2019-2022e)

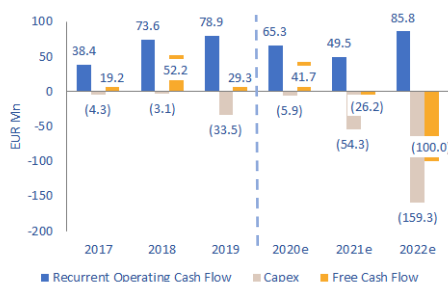


Chart 7. Installed capacity (MW) and renewables portfolio mix

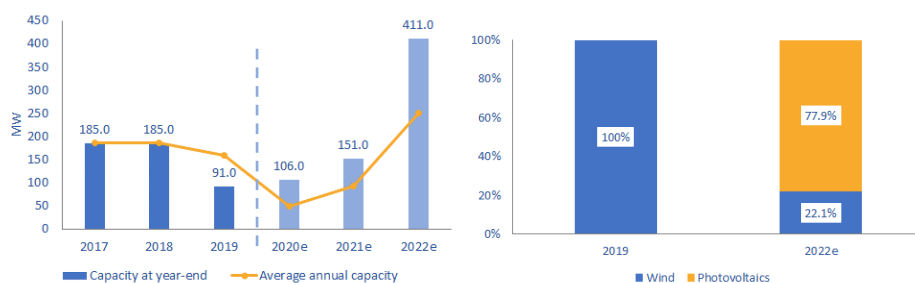
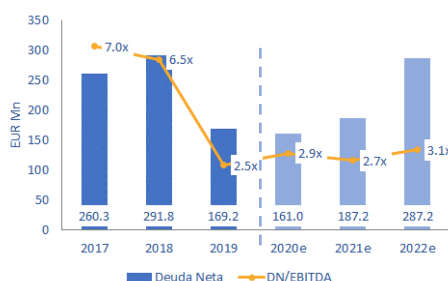


Chart 8. Net Debt vs DN/EBITDA (2017-2022e)



The scenario we envisage should allow ADX to achieve:

- **High single-digit growth in revenues (+8.8% CAGR 2019-2022e)...** We estimate that the incorporation of E.ON's Hungarian subsidiary will boost the volume of power supplied to c. 14.4TWh in 2022e, resulting in revenue for ADX of at least EUR 1,343Mn (8.8% CAGR 2019-2022e).
- **...with reasonable profitability (recurrent EBITDA > EUR 90Mn; EBITDA margin of c. 7%).** The strong growth in volumes of the supply business (explained by the inorganic growth) should inevitably reduce margins. However, we estimate that the start-up of the new installed capacity of the generation business (average capacity of c. 300MW

in 2022e; 411MW by the end of the year) will result in an EBITDA margin of c. 7% in 2022e (vs 5.8% in 2021e and 6.5% in 2020e and 2019).

- **And debt under control**, with ND < EUR 290Mn at all times (even in 2022e when the investment effort required to develop the generation business will be more demanding; ND/EBITDA 2022e c. 3x).

In conclusion: ADX has implemented a change in business model which is, in itself, its equity story

Since the acquisition of the assets of Fersa Renovables in 2016, ADX's strategy has revolved around growing its supply business margin via the increase in the energy acquired from renewable energy sources (with the lowest price of the energy mix). To achieve, this, ADX has adopted a two-pronged strategy: (i) the signing of PPA contracts, outsourcing the construction (and CAPEX) of generation assets to a third party, and (ii) the development (and subsequent rotation) of generation assets in order to make use of its own energy. All accompanied by a volume growth strategy driven by M&A (in 2020 alone it acquired E.ON's Hungarian subsidiary and the Portuguese supplier PH Simples).

In our view, the change of business model is, in itself, ADX's equity story which underpins our numbers and justifies higher growth expectations for ADX than for the economy as a whole (and for its own sector). Margin improvement is a fact (2020e EBITDA margin c. 6.5% vs 4.5% in 2018), and now the big challenge is to sustain this going forward (in a highly competitive industry).

Table 2. Operating result (EBITDA): main consolidated figures

EUR Mn	2017	2018	2019	2020e	2021e	2022e	CAGR 19-22e
Total Revenues	675.6	986.9	1,043.8	839.0	1,212.5	1,343.6	8.8%
COGS	(594.2)	(883.2)	(917.2)	(729.3)	(1,080.0)	(1,185.0)	8.9%
Gross Margin	81.4	103.7	126.6	109.7	132.6	158.5	7.8%
<i>Gross Margin (o/Revenues)</i>	12.0%	10.5%	12.1%	13.1%	10.9%	11.8%	
Operating Expenses	(44.3)	(58.9)	(58.3)	(54.9)	(62.1)	(64.7)	3.5%
Recurrent EBITDA	37.1	44.8	68.3	54.8	70.5	93.8	11.2%
<i>Rec. EBITDA/Revenues</i>	5.5%	4.5%	6.5%	6.5%	5.8%	7.0%	
Generation business main hypothesis							
<i>Average renewable capacity installed (MW)</i>	185.0	185.0	158.2	94.8	139.8	297.3	
<i>Renewable capacity at year-end</i>	185.0	185.0	91.0	106.0	151.0	411.0	
<i>Production (GWh)</i>	456.5	386.1	365.0	194.5	271.0	538.7	
Supply business main hypothesis							
<i>Energy supplied (TWh)</i>	7.9	10.1	9.9	9.0	13.1	14.4	
<i>Electricity acquired through PPAs (TWh)</i>				1.1	1.5	1.5	
<i>PPAs savings vs forward price</i>				20%	20%	20%	

Appendix 1. Financial Projections⁽¹⁾

Balance Sheet (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
Intangible assets		37.0	81.8	111.5	106.3	106.3	106.3	106.3		
Fixed assets		174.6	167.9	166.6	75.3	62.8	98.4	234.1		
Other Non Current Assets		13.3	8.0	12.5	14.3	14.3	14.3	14.3		
Financial Investments		22.1	30.3	99.0	76.3	76.2	78.2	80.2		
Goodwill & Other Intangibles		4.1	98.5	138.6	137.9	137.9	137.9	137.9		
Current assets		89.8	140.5	161.6	177.1	147.6	201.3	220.2		
Total assets		340.8	527.0	689.8	587.2	545.1	636.4	793.0		
Equity		63.3	57.9	106.3	122.2	134.3	164.0	206.5		
Minority Interests		0.0	13.1	33.3	33.5	5.4	7.0	9.2		
Provisions & Other L/T Liabilities		17.4	79.1	92.1	59.3	59.3	59.3	59.3		
Other Non Current Liabilities		-	-	-	9.6	9.6	9.6	9.6		
Net financial debt		195.6	260.3	291.8	169.2	161.0	187.2	287.2		
Current Liabilities		64.5	116.5	166.4	193.5	175.6	209.4	221.3		
Equity & Total Liabilities		340.8	527.0	689.8	587.2	545.1	636.4	793.0		
P&L (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	17-19	19-22e
Total Revenues			675.6	986.9	1,043.8	839.0	1,212.5	1,343.6	24.3%	8.8%
<i>Total Revenues growth</i>			<i>n.a.</i>	<i>46.1%</i>	<i>5.8%</i>	<i>-19.6%</i>	<i>44.5%</i>	<i>10.8%</i>		
COGS			(594.2)	(883.2)	(917.2)	(729.3)	(1,080.0)	(1,185.0)		
Gross Margin			81.4	103.7	126.6	109.7	132.6	158.5	24.7%	7.8%
<i>Gross Margin/Revenues</i>			<i>12.0%</i>	<i>10.5%</i>	<i>12.1%</i>	<i>13.1%</i>	<i>10.9%</i>	<i>11.8%</i>		
Personnel Expenses			(14.3)	(19.4)	(21.0)	(20.6)	(21.8)	(22.3)		
Other Operating Expenses			(29.9)	(39.5)	(37.3)	(34.3)	(40.3)	(42.4)		
Recurrent EBITDA			37.1	44.8	68.3	54.8	70.5	93.8	35.6%	11.2%
<i>Recurrent EBITDA growth</i>			<i>n.a.</i>	<i>20.7%</i>	<i>52.4%</i>	<i>-19.7%</i>	<i>28.5%</i>	<i>33.2%</i>		
<i>Rec. EBITDA/Revenues</i>			<i>5.5%</i>	<i>4.5%</i>	<i>6.5%</i>	<i>6.5%</i>	<i>5.8%</i>	<i>7.0%</i>		
Restructuring Expense & Other non-rec.			-	-	-	(4.8)	-	-		
EBITDA			37.1	44.8	68.3	50.0	70.5	93.8	35.6%	11.2%
Depreciation & Provisions			(18.5)	(25.1)	(25.1)	(18.4)	(18.7)	(23.6)		
Capitalized Expense			-	-	-	-	-	-		
Rentals (IFRS 16 impact)			-	-	(1.1)	(1.1)	(1.1)	(1.1)		
EBIT			18.6	19.7	42.1	30.6	50.7	69.2	50.4%	18.0%
<i>EBIT growth</i>			<i>n.a.</i>	<i>6.1%</i>	<i>113.1%</i>	<i>-27.4%</i>	<i>65.9%</i>	<i>36.5%</i>		
<i>EBIT/Revenues</i>			<i>2.8%</i>	<i>2.0%</i>	<i>4.0%</i>	<i>3.6%</i>	<i>4.2%</i>	<i>5.1%</i>		
Impact of Goodwill & Others			(0.1)	-	-	-	-	-		
Net Financial Result			(12.6)	(17.1)	(13.9)	(15.5)	(15.9)	(18.7)		
Income by the Equity Method			(0.1)	(0.0)	(0.1)	(0.1)	2.0	2.0		
Ordinary Profit			5.8	2.6	28.1	15.0	36.8	52.5	<i>n.a.</i>	23.2%
<i>Ordinary Profit Growth</i>			<i>n.a.</i>	<i>-55.0%</i>	<i>979.7%</i>	<i>-46.7%</i>	<i>145.8%</i>	<i>42.7%</i>		
Extraordinary Results			(0.1)	8.6	5.0	-	-	-		
Profit Before Tax			5.7	11.2	33.1	15.0	36.8	52.5	<i>n.a.</i>	16.7%
Tax Expense			0.5	(1.8)	(1.7)	(2.2)	(5.5)	(7.9)		
<i>Effective Tax Rate</i>			<i>n.a.</i>	<i>15.9%</i>	<i>5.1%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>15.0%</i>		
Minority Interests			2.0	(1.0)	(5.9)	(0.6)	(1.6)	(2.2)		
Discontinued Activities			-	-	-	-	-	-		
Net Profit			8.2	8.4	25.4	12.1	29.7	42.4	76.2%	18.6%
<i>Net Profit growth</i>			<i>n.a.</i>	<i>2.6%</i>	<i>202.5%</i>	<i>-52.5%</i>	<i>145.8%</i>	<i>42.7%</i>		
Ordinary Net Profit			7.8	1.2	20.7	16.2	29.7	42.4	63.5%	27.0%
<i>Ordinary Net Profit growth</i>			<i>n.a.</i>	<i>-84.6%</i>	<i>n.a.</i>	<i>-22.0%</i>	<i>83.8%</i>	<i>42.7%</i>		
Cash Flow (EUR Mn)	2015	2016	2017	2018	2019	2020e	2021e	2022e	17-19	19-22e
Recurrent EBITDA						54.8	70.5	93.8	35.6%	11.2%
Rentals (IFRS 16 impact)						(1.1)	(1.1)	(1.1)		
Working Capital Increase						11.6	(19.9)	(7.0)		
Recurrent Operating Cash Flow						65.3	49.5	85.8	43.4%	2.8%
CAPEX						(5.9)	(54.3)	(159.3)		
Net Financial Result affecting the Cash Flow						(15.5)	(15.9)	(18.7)		
Tax Expense						(2.2)	(5.5)	(7.9)		
Recurrent Free Cash Flow						41.7	(26.2)	(100.0)	23.5%	-75.6%
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestitures of assets						(28.7)	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						(4.8)	-	-		
Free Cash Flow						8.2	(26.2)	(100.0)	98.6%	-49.2%
Capital Increase						-	-	-		
Dividends						-	-	-		
Net Debt Variation						(8.2)	26.2	100.0		

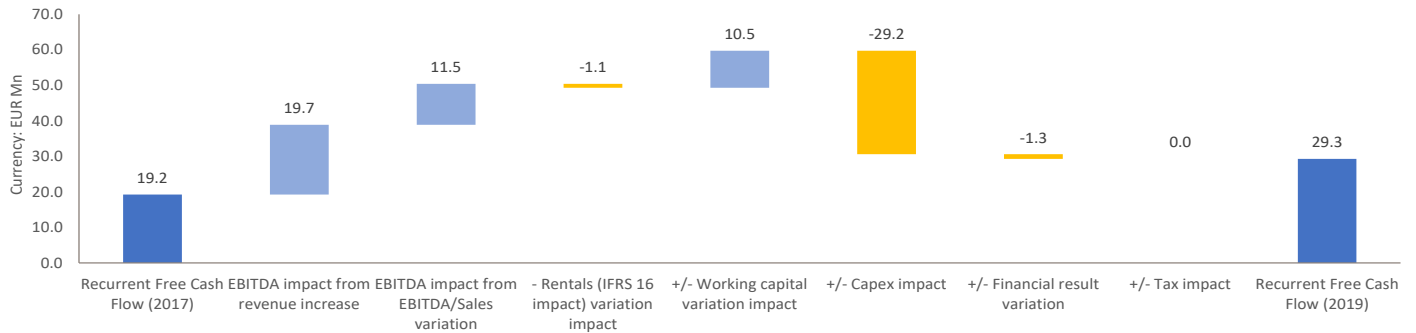
Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 1.7Mn higher due to IFRS 16.

Appendix 2. Free Cash Flow⁽¹⁾

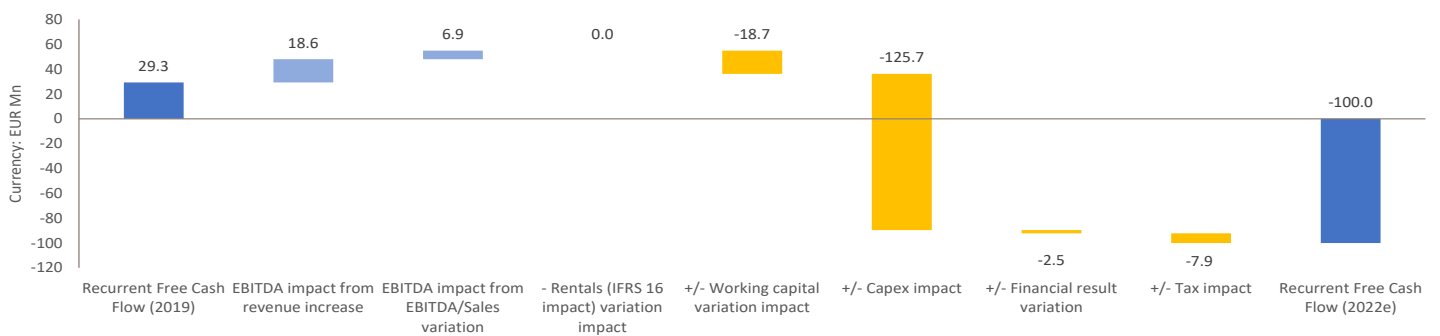
A) Cash Flow Analysis (EUR Mn)	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
								17-19	19-22e
Recurrent EBITDA		37.1	44.8	68.3	54.8	70.5	93.8	35.6%	11.2%
<i>Recurrent EBITDA growth</i>		<i>n.a.</i>	<i>20.7%</i>	<i>52.4%</i>	<i>-19.7%</i>	<i>28.5%</i>	<i>33.2%</i>		
<i>Rec. EBITDA/Revenues</i>		<i>5.5%</i>	<i>4.5%</i>	<i>6.5%</i>	<i>6.5%</i>	<i>5.8%</i>	<i>7.0%</i>		
- Rentals (IFRS 16 impact)		-	-	(1.1)	(1.1)	(1.1)	(1.1)		
+/- Working Capital increase		1.3	28.7	11.7	11.6	(19.9)	(7.0)		
= Recurrent Operating Cash Flow		38.4	73.6	78.9	65.3	49.5	85.8	43.4%	2.8%
<i>Rec. Operating Cash Flow growth</i>		<i>251.8%</i>	<i>91.6%</i>	<i>7.3%</i>	<i>-17.2%</i>	<i>-24.3%</i>	<i>73.4%</i>		
<i>Rec. Operating Cash Flow / Sales</i>		<i>5.7%</i>	<i>7.5%</i>	<i>7.6%</i>	<i>7.8%</i>	<i>4.1%</i>	<i>6.4%</i>		
- CAPEX		(4.3)	(3.1)	(33.5)	(5.9)	(54.3)	(159.3)		
- Net Financial Result affecting Cash Flow		(14.9)	(17.2)	(16.1)	(15.5)	(15.9)	(18.7)		
- Taxes		-	(1.1)	-	(2.2)	(5.5)	(7.9)		
= Recurrent Free Cash Flow		19.2	52.2	29.3	41.7	(26.2)	(100.0)	23.5%	-75.6%
<i>Rec. Free Cash Flow growth</i>		<i>176.0%</i>	<i>171.6%</i>	<i>-43.9%</i>	<i>42.4%</i>	<i>-162.8%</i>	<i>-281.7%</i>		
<i>Rec. Free Cash Flow / Revenues</i>		<i>2.8%</i>	<i>5.3%</i>	<i>2.8%</i>	<i>5.0%</i>	<i>n.a.</i>	<i>n.a.</i>		
- Restructuring expenses & others		-	-	-	-	-	-		
- Acquisitions / + Divestments		-	0.4	40.7	(28.7)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow		-	(31.3)	5.8	(4.8)	-	-		
= Free Cash Flow		19.2	21.3	75.8	8.2	(26.2)	(100.0)	98.6%	-49.2%
<i>Free Cash Flow growth</i>		<i>176.0%</i>	<i>11.1%</i>	<i>255.0%</i>	<i>-89.2%</i>	<i>-419.5%</i>	<i>-281.7%</i>		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>		<i>2.1%</i>	<i>5.7%</i>	<i>3.2%</i>	<i>4.5%</i>	<i>n.a.</i>	<i>n.a.</i>		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>		<i>2.1%</i>	<i>2.3%</i>	<i>8.2%</i>	<i>0.9%</i>	<i>n.a.</i>	<i>n.a.</i>		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2016	2017	2018	2019	2020e	2021e	2022e		
Recurrent FCF(FY - 1)			19.2	52.2	29.3	41.7	(26.2)		
EBITDA impact from revenue increase			17.1	2.6	(13.4)	24.4	7.6		
EBITDA impact from EBITDA/Sales variation			(9.4)	20.9	(0.1)	(8.8)	15.8		
= Recurrent EBITDA variation			7.7	23.5	(13.5)	15.6	23.4		
- Rentals (IFRS 16 impact) variation impact			-	(1.1)	-	-	-		
+/- Working capital variation impact			27.5	(17.0)	(0.2)	(31.5)	12.9		
= Recurrent Operating Cash Flow variation			35.2	5.4	(13.6)	(15.9)	36.3		
+/- CAPEX impact			1.2	(30.4)	27.6	(48.4)	(105.0)		
+/- Financial result variation			(2.3)	1.0	0.6	(0.4)	(2.8)		
+/- Tax impact			(1.1)	1.1	(2.2)	(3.3)	(2.4)		
= Recurrent Free Cash Flow variation			33.0	(22.9)	12.4	(67.9)	(73.8)		
Recurrent Free Cash Flow			52.2	29.3	41.7	(26.2)	(100.0)		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
EBIT		18.6	19.7	42.1	30.6	50.7	69.2	50.4%	18.0%
* <i>Theoretical Tax rate</i>		<i>0.0%</i>	<i>15.9%</i>	<i>5.1%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>15.0%</i>		
= Taxes (pre- Net Financial Result)		-	(3.1)	(2.2)	(4.6)	(7.6)	(10.4)		
Recurrent EBITDA		37.1	44.8	68.3	54.8	70.5	93.8	35.6%	11.2%
- Rentals (IFRS 16 impact)		-	-	(1.1)	(1.1)	(1.1)	(1.1)		
+/- Working Capital increase		1.3	28.7	11.7	11.6	(19.9)	(7.0)		
= Recurrent Operating Cash Flow		38.4	73.6	78.9	65.3	49.5	85.8	43.4%	2.8%
- CAPEX		(4.3)	(3.1)	(33.5)	(5.9)	(54.3)	(159.3)		
- Taxes (pre- Financial Result)		-	(3.1)	(2.2)	(4.6)	(7.6)	(10.4)		
= Recurrent Free Cash Flow (To the Firm)		34.1	67.3	43.3	54.9	(12.4)	(83.9)	12.7%	-57.9%
<i>Rec. Free Cash Flow (To the Firm) growth</i>		<i>234.7%</i>	<i>97.5%</i>	<i>-35.7%</i>	<i>26.8%</i>	<i>-122.6%</i>	<i>-576.4%</i>		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>		<i>5.0%</i>	<i>6.8%</i>	<i>4.1%</i>	<i>6.5%</i>	<i>n.a.</i>	<i>n.a.</i>		
- Acquisitions / + Divestments		-	0.4	40.7	(28.7)	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow		-	(31.3)	5.8	(4.8)	-	-		
= Free Cash Flow "To the Firm"		34.1	36.4	89.8	21.4	(12.4)	(83.9)	62.3%	-43.2%
<i>Free Cash Flow (To the Firm) growth</i>		<i>234.7%</i>	<i>7.0%</i>	<i>146.3%</i>	<i>-76.2%</i>	<i>-158.1%</i>	<i>-576.4%</i>		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>		<i>3.2%</i>	<i>6.3%</i>	<i>4.0%</i>	<i>5.1%</i>	<i>n.a.</i>	<i>n.a.</i>		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>		<i>3.2%</i>	<i>3.4%</i>	<i>8.4%</i>	<i>2.0%</i>	<i>n.a.</i>	<i>n.a.</i>		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 1.7Mn higher due to IFRS 16.

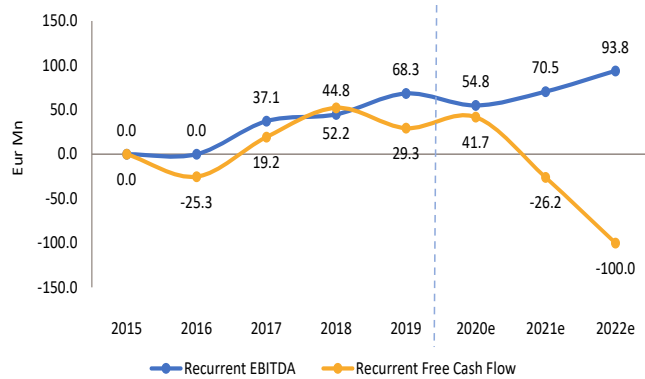
Recurrent Free Cash Flow accumulated variation analysis (2017 - 2019)



Recurrent Free Cash Flow accumulated variation analysis (2019 - 2022e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	920.2	
+ Minority Interests	4.8	6m Results 2020
+ Provisions & Other L/T Liabilities	100.5	6m Results 2020
+ Net financial debt	168.9	6m Results 2020
- Financial Investments	123.7	6m Results 2020
+/- Others	-	6m Results 2020
Enterprise Value (EV)	1,070.7	

Appendix 4. Historical performance (1)(2)

Historical performance (EUR Mn)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR	
															09-19	19-22e
Total Revenues	22.2	30.8	43.4	44.6	37.9	25.6	28.5	30.2	675.6	986.9	1,043.8	839.0	1,212.5	1,343.6	47.0%	8.8%
Total Revenues growth	9.2%	39.0%	40.9%	2.8%	-15.2%	-32.3%	11.1%	5.9%	n.a.	46.1%	5.8%	-19.6%	44.5%	10.8%		
EBITDA	12.0	19.6	29.9	31.9	25.8	18.9	17.7	17.0	37.1	44.8	68.3	50.0	70.5	93.8	19.0%	11.2%
EBITDA growth	-8.7%	63.9%	52.5%	6.6%	-19.0%	-26.8%	-6.2%	-3.8%	117.9%	20.7%	52.4%	-26.7%	40.8%	33.2%		
EBITDA/Sales	54.0%	63.7%	68.9%	71.4%	68.2%	73.7%	62.2%	56.5%	5.5%	4.5%	6.5%	6.0%	5.8%	7.0%		
Net Profit	1.1	(49.7)	(109.9)	(78.4)	1.3	1.4	(13.0)	(31.7)	8.2	8.4	25.4	12.1	29.7	42.4	37.0%	18.6%
Net Profit growth	-59.3%	n.a.	-121.4%	28.7%	101.6%	11.6%	n.a.	-144.3%	125.9%	2.6%	202.5%	-52.5%	145.8%	42.7%		
Adjusted number shares (Mn)	138.2	138.1	138.3	138.4	138.4	140.0	140.0	140.0	140.0	440.3	440.3	440.3	440.3	440.3		
EPS (EUR)	0.01	-0.36	-0.79	-0.57	0.01	0.01	-0.09	-0.23	0.06	0.02	0.06	0.03	0.07	0.10	22.0%	18.6%
EPS growth	-61.7%	n.a.	n.a.	28.7%	n.a.	10.3%	n.a.	n.a.	n.a.	-67.4%	n.a.	-52.5%	n.a.	42.7%		
Ord. EPS (EUR)	0.01	-0.35	-0.74	-0.50	0.01	0.00	-0.08	-0.23	0.06	0.00	0.05	0.04	0.07	0.10	18.3%	27.0%
Ord. EPS growth	-50.4%	n.a.	n.a.	32.7%	n.a.	-77.8%	n.a.	n.a.	n.a.	-95.1%	n.a.	-22.0%	83.8%	42.7%		
CAPEX	(24.3)	(103.1)	(24.6)	(16.4)	(5.3)	(15.6)	(34.9)	(0.8)	(4.3)	(3.1)	(33.5)	(5.9)	(54.3)	(159.3)		
CAPEX/Sales %	109.7%	334.6%	56.6%	36.7%	14.0%	61.0%	122.7%	2.8%	0.6%	0.3%	3.2%	0.7%	4.5%	11.9%		
Free Cash Flow	(12.2)	(86.6)	(10.8)	8.2	5.6	(6.8)	(29.9)	8.1	19.2	21.3	75.8	8.2	(26.2)	(100.0)	23.4%	-49.2%
ND/EBITDA (x) ⁽²⁾	11.3x	11.3x	7.2x	5.7x	6.0x	8.0x	7.2x	6.9x	7.0x	6.5x	2.5x	3.2x	2.7x	3.1x		
P/E (x)	n.a.	n.a.	n.a.	n.a.	42.3x	32.4x	n.a.	n.a.	7.5x	67.3x	37.0x	76.1x	31.0x	21.7x		
EV/Sales (x)	n.a.	13.36x	7.61x	5.22x	5.63x	7.81x	6.34x	6.22x	0.45x	0.87x	1.08x	1.28x	0.88x	0.80x		
EV/EBITDA (x) ⁽²⁾	38.5x	21.0x	11.1x	7.3x	8.3x	10.6x	10.2x	11.0x	8.2x	19.1x	16.5x	21.4x	15.2x	11.4x		
Absolute performance	0.2%	-45.6%	-41.1%	-52.1%	14.7%	-15.4%	12.1%	35.1%	-12.0%	192.0%	66.5%	-2.3%				
Relative performance vs Ibx 35	-22.8%	-34.1%	-32.2%	-49.8%	-5.5%	-18.4%	20.8%	37.9%	-18.1%	243.5%	48.9%	34.2%				

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices.

The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Thomson Reuters.

Note 2: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 1.7Mn higher due to IFRS 16.

Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main Competitors 2020e

Market data	EUR Mn	Utilities					Average	Renewable Energy			ADXR.MC
		Iberdrola	Endesa	Naturgy	EDP	Holaluz		Solaria	Solarpack	Scatec Solar	
Ticker (Reuters)		IBE.MC	ELE.MC	NTGY.MC	EDP.LS	HLZZ.MC		SLRS.MC	SPK.MC	SSOL.OL	ADXR.MC
Country		Spain	Spain	Spain	Portugal	Spain		Spain	Spain	Norway	Spain
Market cap		70,360.8	25,168.9	17,333.5	17,870.2	160.7		2,411.3	557.5	2,923.4	920.2
Enterprise value (EV)		117,402.2	31,177.4	35,066.3	38,017.7	140.7		2,694.4	910.9	3,904.1	1,070.7
Total Revenues		37,364.8	19,807.2	19,567.2	14,560.9	314.5		61.1	162.6	287.4	839.0
Total Revenues growth		2.5%	-1.7%	-15.1%	1.6%	50.6%	-3.2%	77.0%	96.2%	56.2%	-19.6%
2y CAGR (2020e - 2022e)		4.9%	0.8%	5.9%	1.9%	38.9%	3.4%	72.0%	-0.1%	21.6%	26.5%
EBITDA		10,600.0	3,928.4	3,948.2	3,596.7	6.5		49.2	66.3	228.1	50.0
EBITDA growth		8.9%	5.8%	-13.9%	9.5%	146.2%	2.6%	58.3%	134.6%	55.1%	-26.7%
2y CAGR (2020e - 2022e)		6.1%	1.8%	5.6%	3.2%	n.a.	4.2%	69.9%	18.0%	23.4%	36.9%
EBITDA/Revenues		28.4%	19.8%	20.2%	24.7%	2.1%	23.3%	80.5%	40.8%	79.4%	6.0%
EBIT		6,242.9	2,379.2	2,200.2	2,097.3	3.0		32.1	45.0	156.3	30.6
EBIT growth		6.4%	10.1%	-26.1%	15.1%	n.a.	1.4%	90.7%	188.4%	64.5%	-27.4%
2y CAGR (2020e - 2022e)		6.8%	0.9%	10.2%	4.7%	n.a.	5.6%	84.3%	20.0%	22.3%	50.5%
EBIT/Revenues		16.7%	12.0%	11.2%	14.4%	1.0%	13.6%	52.5%	27.7%	54.4%	3.6%
Net Profit		3,541.9	1,724.4	963.2	801.2	1.0		18.6	17.8	40.5	12.1
Net Profit growth		-8.7%	858.0%	-46.4%	-17.2%	n.a.	196.4%	-22.3%	48.7%	157.4%	-52.5%
2y CAGR (2020e - 2022e)		6.9%	0.4%	17.8%	9.5%	n.a.	8.7%	74.6%	22.8%	9.0%	87.3%
CAPEX/Sales %		-21.4%	-8.6%	-7.6%	-15.2%	-1.9%	-13.2%	-434.3%	-52.1%	-106.4%	-0.7%
Free Cash Flow		(72.3)	955.5	1,599.5	1,525.8	n.a.		(200.7)	44.2	(166.0)	8.2
Net financial debt		39,914.3	7,347.7	15,826.7	12,854.5	7.0		464.5	339.0	1,106.0	161.0
ND/EBITDA (x)		3.8	1.9	4.0	3.6	1.1	3.3	9.4	5.1	4.8	2.9
Pay-out		77.4%	98.9%	141.9%	87.2%	0.0%	101.3%	0.0%	0.0%	27.5%	0.0%
P/E (x)		20.0	14.7	18.2	21.1	n.a.	18.5	n.a.	31.3	75.1	76.1
P/BV (x)		1.7	3.2	1.8	1.8	4.8	2.1	11.4	2.9	6.9	6.9
EV/Revenues (x)		3.1	1.6	1.8	2.6	0.4	2.3	n.a.	5.6	13.6	1.3
EV/EBITDA (x)		11.1	7.9	8.9	10.6	21.6	9.6	n.a.	13.7	17.1	19.5
EV/EBIT (x)		18.8	13.1	15.9	18.1	46.9	16.5	n.a.	20.2	25.0	35.0
ROE		9.0	22.1	9.2	8.6	7.6	12.2	8.7	9.9	8.8	9.4
FCF Yield (%)		n.a.	3.8	9.2	8.5	n.a.	7.2	n.a.	7.9	n.a.	4.5
DPS		0.41	1.60	1.40	0.19	0.00	0.90	0.00	0.00	0.09	0.00
Dvd Yield		3.7%	6.7%	7.8%	4.2%	0.0%	5.6%	0.0%	0.0%	0.4%	0.0%

Note 1: Financial data, multiples and ratios based on market consensus (Thomson Reuters). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 6. Valuation inputs

Inputs for the DCF Valuation Approach

	2020e	2021e	2022e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	21.4	(12.4)	(83.9)	1,092.0		
Market Cap	920.2	At the date of this report				
Net financial debt	168.9	Debt net of Cash (6m Results 2020)				
					Best Case	Worst Case
Cost of Debt	4.4%	Net debt cost			4.2%	4.7%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.5%	Kd = Cost of Net Debt * (1-T)			3.3%	3.7%
Risk free rate (rf)	0.1%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	9.0%	R (own estimate)			8.5%	9.5%
Beta (B)	1.0	B (Thomson Reuters and Lighthouse)			0.9	1.1
Cost of Equity	9.5%	Ke = Rf + (R * B)			8.1%	10.9%
Equity / (Equity + Net Debt)	84.5%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	15.5%	D			=	=
WACC	8.5%	WACC = Kd * D + Ke * E			7.4%	9.8%
G "Fair"	1.5%				2.0%	1.5%

(1) Terminal value calculated on the recurrent Free Cash Flow "to the Firm" of the last estimated year using the normalised tax rate (T) indicated in the upper table.

(2) ADX hold a stake of c. 30% of a 66MW wind farm in Panama (consolidated by the equity method). The end of work is expected in 2021e.

Inputs for the Multiples Valuation Approach

Company	Ticker Reuters	Mkt. Cap	P/E 20e	EPS 20e-22e	EV/EBITDA 20e	EBITDA 20e-22e	EV/Sales 20e	Revenues 20e-22e	EBITDA/Sales 20e	FCF Yield 20e	FCF 20e-22e
Iberdrola	IBE.MC	70,360.8	20.0	6.1%	11.1	6.1%	3.1	4.9%	28.4%	n.a.	n.a.
Endesa	ELE.MC	25,168.9	14.7	0.4%	7.9	1.8%	1.6	0.8%	19.8%	3.8%	-29.7%
Naturgy	NTGY.MC	17,333.5	18.2	18.9%	8.9	5.6%	1.8	5.9%	20.2%	9.2%	5.9%
EDP	EDP.LS	17,870.2	21.1	8.9%	10.6	3.2%	2.6	1.9%	24.7%	8.5%	-32.4%
Holaluz	HLZZ.MC	160.7	n.a.	n.a.	21.6	n.a.	0.4	38.9%	2.1%	n.a.	n.a.
Utilities			18.5	8.6%	12.0	4.2%	1.9	10.5%	19.0%	7.2%	-18.7%
Solaria	SLRS.MC	2,411.3	n.a.	81.4%	n.a.	69.9%	n.a.	72.0%	80.5%	n.a.	-1.8%
Solarpack	SPK.MC	557.5	31.3	22.6%	13.7	18.0%	5.6	-0.1%	40.8%	7.9%	n.a.
Scatec Solar	SSOL.LOL	2,923.4	75.1	14.2%	17.1	23.4%	13.6	21.6%	79.4%	n.a.	16.9%
Renewable Energy			53.2	39.4%	15.4	37.1%	9.6	31.1%	66.9%	7.9%	7.6%
ADXR.MC	ADXR.MC	920.2	76.1	87.3%	19.5	36.9%	1.3	26.5%	6.0%	4.5%	n.a.

Free Cash Flow sensitivity analysis (2021e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 21e	EBITDA 21e	EV/EBITDA 21e
Max	6.4%	77.7	13.8x
Central	5.8%	70.5	15.2x
Min	5.2%	63.2	16.9x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

FCF Rec. EUR Mn	CAPEX/Sales 21e		
	EBITDA 21e	4.1%	4.5%
77.7	(14.1)	(18.9)	(23.8)
70.5	(21.4)	(26.2)	(31.1)
63.2	(28.6)	(33.5)	(38.3)

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
13-Oct-2020	n.a.	2.09	n.a.	n.a.	Review of estimates	David López Sánchez
24-Sep-2020	n.a.	1.73	n.a.	n.a.	6m Results 2020	David López Sánchez
14-May-2020	n.a.	1.95	n.a.	n.a.	3m Results 2020	David López Sánchez
28-Feb-2020	n.a.	2.44	n.a.	n.a.	12m Results 2019	David López Sánchez
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

