

12m Results 2020

Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

David López Sánchez – david.lopez@lighthouse-ieaf.com

+34 915 904 226

Business description

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 2.282MW with 125MW under construction.

Market Data

Market Cap (Mn EUR and USD)	900.4	1,084.9
EV (Mn EUR and USD) ⁽²⁾	1,150.1	1,385.8
Shares Outstanding (Mn)	440.3	
-12m (Max/Med/Min EUR)	2.39 / 1.86 / 1.36	
Daily Avg volume (-12m Mn EUR)	3.09	
Rotation ⁽³⁾	87.5	
Refinitiv / Bloomberg	ADXR.MC / ADX SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

José Elías Navarro	66.2
Indumenta Pueri	5.9
Free Float	27.9

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-1.4	19.6	-14.1	438.2
vs Ibex 35	-8.3	16.2	-10.5	453.1
vs Ibex Small Cap Index	-9.1	7.3	-34.1	167.7
vs Eurostoxx 50	-6.1	13.7	-22.8	335.0
vs Sector benchmark ⁽⁴⁾	5.0	23.0	-14.0	248.3

(1) The opinion regarding the results is on reported EBITDA with respect to our estimate for the year (12m). The impact reflects whether, due to the results, we envisage a significant revision (>5% - 10%, depending on the sector) of our EBITDA estimate (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation is 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, Refinitiv and Lighthouse

2020: EBITDA in line. And awaiting the new renewable capacity (that should boost 2021)

The main figures for 2020 (vs. 2019) are: Revenue EUR 969.3Mn (-7.1%), Gross Margin EUR 114.8Mn (-9.2%) and Recurrent EBITDA EUR 54.9Mn (-19.6%). As regards the balance sheet, Net Debt was EUR 194.9Mn (2020 ND/Rec. EBITDA: 3.5x). We highlight:

ADX HAS REDUCED THE DECLINE IN REVENUE (EUR 969.3Mn; -7.1% Y/Y, VS -20% 9M20). The integration of the Hungarian energy supplier acquired in September 2020 (that has contributed c. 14% of the total energy supplied) has meant that 2019 levels have been exceeded in terms of energy supplied (10.5TWh vs 9.9TWh in 2019; +6.1% y/y vs -13.3% 9m20), allowing ADX to generate revenue of EUR 969.3Mn (-7.1% vs 2019) and mitigate the dramatic fall in the average national market price of electricity (-22% vs 2019) and gas (-31% vs 2019).

ALTHOUGH THE INCREASE IN VOLUMES HAS REDUCED MARGINS. The Recurrent EBITDA margin declined to 5.7% (-0.9p.p. vs 2019) mainly due to: (i) the significant growth in volume provided by the supplier acquired in Hungary (with a smaller margin) and (ii) the divestment of 94.6MW of generation in 2019 (that provided EBITDA of EUR 17.1Mn in 2019). This has translated to Recurrent EBITDA fully in line with estimates (EUR 54.9Mn; -19.6% vs 2019).

WITH AN INCREASE IN NET DEBT (+12.8% VS 2019): Net Debt ex IFRS 16 closed 2020 at EUR 194.9Mn (+12.8% vs 2019; ND/Rec. EBITDA 3.5x), the result of the new issues made by ADX to finance the photovoltaic projects under development (ADX has a project portfolio totalling 2,498MW; 91MW in production and 125MW under construction).

A DIVIDEND PAYMENT HAS BEEN PROPOSED: ADX proposes (subject to approval at the AGM) payment of a EUR 10Mn dividend against 2020 results (EUR 0.02/share), which represents a pay-out of c. 38% (yield of 1.1%).

OUR ESTIMATES FOR 2021 ARE UNCHANGED (AS RESULTS ARE IN LINE): The significant growth in the supply business (underpinned by non-organic growth), with an increase both in the number of clients (+52.4%) and the volume of energy supplied (+6.1%; taking into account that the subsidiary acquired from E.ON in Hungary was integrated in September 2020), together with the coming on stream of the solar PV MWs under construction (we estimate c. 60MW will come on stream in 2021e), should enable ADX to achieve revenue > EUR 1,200Mn (+25% vs 2020) that, with flat margins (EBITDA Margin 5.8%), would take EBITDA to, at least, EUR 70Mn (2012e EV/EBITDA of c. 16x).

ALTHOUGH THE CHALLENGE IS TWOFOLD. Firstly, to digest the growth created by the acquisition of the Hungarian supplier (growing in volume without paying an excessive toll in terms of margins) and, secondly, the speed of the start-up of the new photovoltaic plants that should provide EBITDA already in 2021e. A quicker than expected start-up of the PV plants under construction (125MW) would enable ADX to increase its EBITDA margin > 6% (which would lead us to upgrade our estimates).

Appendix 1. Results table

EUR Mn	12m20		12m20 Real		12m20 Real		4Q20 vs
	Real	12m19	vs 12m19	2020e	vs 2020e	4Q20	4Q19
Total Revenues	969.3	1,043.8	-7.1%	839.0	15.5%	343.1	31.6%
Recurrent EBITDA¹	54.9	68.3	-19.6%	54.8	0.1%	11.7	-21.3%
<i>Rec. EBITDA/Revenues</i>	5.7%	6.5%	-0.9 p.p.	6.5%	-0.9 p.p.	3.4%	-2.3 p.p.
EBITDA²	50.0	68.3	-26.8%	50.0	-0.1%	9.9	-1.7%
<i>EBITDA/Revenues</i>	5.2%	6.5%	-1.4 p.p.	6.0%	-0.8 p.p.	2.9%	-1.0 p.p.
EBIT	30.4	42.1	-27.6%	30.6	-0.4%		
NP	26.4	25.4	3.7%	12.1	118.2%		
Supply points (thousand)	515	338	52.4%				
Energy supplied (TWh)	10.5	9.9	6.1%				
Electricity generation (GWh)	204.8	193.4	5.9%				
Net Debt³	194.9	172.8	12.8%	161.0	21.1%		
ND / EBITDA	3.5 x	2.5 x	1.0 x	3.2 x	-0.3 x		

(1) Recurrent EBITDA adjusted to strip out the impact of: (i) positive differences from the combination of businesses (EUR 16.3Mn in 2020; adjusted below EBIT) and (ii) provisions made to cover defaulting resulting from the Covid-19 situation (EUR 4.7Mn).

(2) Includes the impact of the provisions made to cover defaulting resulting from the Covid-19 situation (EUR 4.7Mn).

(3) Net Debt adjusted to strip out the impact of IFRS 16 (EUR 8.9Mn and EUR 9.6Mn in 2020 and 2019, respectively).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	900.4	
+ Minority Interests	7.8	12m Results 2020
+ Provisions & Other L/T Liabilities	73.7	12m Results 2020
+ Net financial debt	194.9	12m Results 2020
- Financial Investments	26.7	12m Results 2020
+/- Others		
Enterprise Value (EV)	1,150.1	

IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

LIGHTHOUSE

Lighthouse is a project of IEAF Servicios de Análisis S.L.U. Lighthouse is a research project funded by Bolsas y Mercados Españoles S.A. Lighthouse aims to improve the research coverage of the "orphan stocks" of the Spanish market: those which lack real and continuous research coverage. Lighthouse reports will not include valuation and target price. Lighthouse does not seek to provide investment advice to any natural or legal person. For this reason, Lighthouse will not provide a valuation, target price or investment recommendation for any of the securities analysed.

IEAF Servicios de Análisis S.L.U. is a Spanish company whose corporate purpose is:

1º) To provide information and financial analysis regarding securities issued by any class of legal person traded on official secondary markets, and specifically those securities which are not the object of the recurrent provision of information and analysis by financial analysts who participate in the markets.

2º) To publicise and update the aforementioned financial reports and analysis, in addition to the monitoring and following of the securities on which the information and analysis is provided.

3º) To prepare studies and projects aimed at proposing and implementing measures to improve the information and financial analysis of securities traded on official secondary markets.

IEAF Servicios de Análisis S.L.U. is a company whose sole shareholder is the Instituto Español de Analistas Financieros (IEAF), a professional, not for profit association.

DISCLAIMER

The Instituto Español de Analistas Financieros (IEAF) hereby certifies that the analyst of IEAF Servicios de Análisis S.L.U. whose name figures as the author of this report, expresses views that reflect their personal and independent opinion of the company analysed without these implying, either directly or indirectly, a personalised recommendation of the company analysed for purposes of providing investment advice. This report is based on the preparation of detailed financial projections from information available to the public and following traditional fundamental research methodology (i.e. it is not a technical or quantitative analysis report). For the analysis methodology used in the preparation of this report, please contact the analyst directly; contact details are included on the front page of this report.

The report includes basic information regarding the main parameters to be used by an investor when making their own valuation (whether by discounted cash flows or multiples). These parameters are the personal opinion or estimate of the analyst. The person receiving this report should use their own judgement when using these parameters and should consider them as another element in their decision-making process in respect of investment. These parameters do not represent a personalised investment recommendation.

Rules governing confidentiality and conflicts of interest

None of the following rules governing confidentiality and conflicts of interest (12) is applicable to this report:

1. This report is non-independent research as it has been commissioned by the company analysed (issuer).
2. In the last 12 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., has had Investment Banking mandates or has managed or co-managed a public offering of the securities of the issuer, or has received compensation from said issuer for Investment Banking services, that exclude brokerage services for prepaid fees.
3. In the next 6 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., expects to receive or intends to obtain compensation for Investment Banking services provided to this company that exclude brokerage services for prepaid fees.
4. The Investment Analyst or a member of the Research Department or a member of their household has a long position in the shares or derivatives of the corresponding issuer.
5. The Investment Analyst or a member of the Research Department or a member of their household has a short position in the shares or derivatives of the corresponding issuer.
6. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a long position of over 0.5% of the issuer's capital.
7. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a short position of over 0.5% of the issuer's capital.
8. At the end of the month immediately prior to the publication of this report, or of the previous month if the report is published in the ten days following the end of the month, the company analysed (the issuer) or any of its subsidiaries held 5% or more of any class of equity security of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U.
9. A senior director or officer of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., or a member of their department is a director, officer, advisor or member of the Board of Directors of the issuer and/or one of its subsidiaries.
10. The Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., acts as broker for the Issuer for the corresponding prepaid fees.
11. The contents of this report related to the financial analysis, financial projections, valuation, investment summary and opinion of the analyst have been reviewed by the issuer prior to its publication.
12. The issuer has made changes to the contents of this report prior to its distribution.

The Investment Analysts who have prepared this Investment Analysis are employees of IEAF Servicios de Análisis S.L.U. These analysts have received (or will receive) compensation according to the general earnings of IEAF Servicios de Análisis S.L.U. To obtain a copy of the Code of Conduct of IEAF Servicios de Análisis S.L.U. (in respect of the Management of Conflicts of Interest in the research department), please use the e-mail address secretaria@ieaf.es or consult the contents of this Code at www.ieaf.es.

IEAF Servicios de Análisis S.L.U. is compensated by Bolsas y Mercados Españoles, S.A. for the preparation of this report. This report should be considered as just another element in the taking of investment decisions.

A report issued by IEAF servicios de análisis S.L.U.

All rights reserved. The unauthorised use or distribution of this report is prohibited. This document has been prepared and distributed, according to the provisions of the MiFID II by IEAF Servicios de Análisis S.L.U. Its corporate activity is regulated by the CNMV (the Spanish Securities Exchange Commission). The information and opinions expressed in this document do not represent nor are they intended to represent an offer or a solicitation to buy or sell the securities (in other words, the securities mentioned in this report and related warrants, options, rights or interests). The information and opinions contained in this document are based upon information available to the public and have been obtained from sources believed to be reliable by IEAF Servicios de Análisis S.L.U., but no guarantee is given regarding their accuracy or completeness. All comments and estimates reflect solely the opinion of IEAF Servicios de Análisis S.L.U. and do not offer any implicit or explicit guarantee. All the opinions expressed are subject to change without prior warning. This document does not take into account the specific investment objectives, financial position, risk profile or other specific aspects of the person who receives this document, and accordingly they should exercise their own judgement in this respect. Neither the Instituto Español de Analistas Financieros nor its subsidiary, IEAF Servicios de Análisis S.L.U., assumes any responsibility for direct or indirect losses arising from the use of the published research, except in the event of negligent conduct by IEAF Servicios de Análisis S.L.U. The information contained in this report is approved for distribution to professional clients, eligible counterparties and professional advisers, but not for distribution to private individuals or retail clients. Its reproduction, distribution or

publication for any purpose without the written authorisation of IEAF Servicios de Análisis S.L.U. is prohibited. The Instituto Español de Analistas Financieros (IEAF) and/or its subsidiary IEAF Servicios de Análisis S.L.U., their employees and directors, may hold a position (long or short) in an investment knowing that this issuer will be the object of analysis and that this analysis will be distributed to institutional investors. Any further information regarding the contents of this report will be provided upon request. IEAF Servicios de Análisis S.L.U. intends to publish (at least) one quarterly report or note updating the information on the company analysed.

United States. IEAF Servicios de Análisis S.L.U. is not registered in the United States and, consequently, is not subject to the regulations of that country governing the preparation of research and the independence of analysts. This report is distributed solely to major US institutional investors, in reliance on the exemption from registration provided by Rule 15a-6 of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and interpretations of this made by the US Securities Exchange Commission.

Major US Institutional Investors. This report will be distributed to "major US institutional investors", as defined by Rule 15a-6 of the US Securities Exchange Commission and of the US Securities Exchange Act of 1934.

Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
02-Mar-2021	n.a.	2.04	n.a.	n.a.	12m Results 2020	David López Sánchez
12-Nov-2020	n.a.	2.07	n.a.	n.a.	9m Results 2020	David López Sánchez
13-Oct-2020	n.a.	2.09	n.a.	n.a.	Estimates downgrade	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.	Initiation of Coverage	David López Sánchez

