

3m Results 2021

Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain our estimates

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Business description

Audax Renovables (ADX) is an independent energy group whose core business is the supply of electricity and gas, focused on the SME segment (c. 50% of the TWh sold) with an international presence. It has 106MW of installed capacity (91MW of wind power and 15MW of solar), 115MW under construction and 2,277MW of PV at various stages of development.

Market Data

Market Cap (Mn EUR and USD)	856.4	1,034.5
EV (Mn EUR and USD) ⁽²⁾	1,160.5	1,401.9
Shares Outstanding (Mn)	440.3	
-12m (Max/Med/Min EUR)	2.36 / 1.90 / 1.51	
Daily Avg volume (-12m Mn EUR)	3.06	
Rotation ⁽³⁾	91.2	
Refinitiv / Bloomberg	ADXR.MC / ADX SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

José Elías Navarro	65.4
Indumenta Pueri	5.9
Free Float	28.7

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-5.9	-4.2	-0.3	309.5
vs Ibex 35	-10.6	-13.9	-26.2	298.3
vs Ibex Small Cap Index	-3.3	-6.7	-34.0	115.5
vs Eurostoxx 50	-5.6	-10.4	-29.1	206.3
vs Sector benchmark ⁽⁴⁾	-4.2	-5.7	-20.6	157.4

(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

Improvement in revenues (+45%). Worse margins (while waiting for the new generation capacity)

The main figures for 1Q21 (vs. 1Q20) are: Revenue EUR 340.2Mn (+45.3%) and Rec. EBITDA EUR 12.8Mn (+4.2% vs 1Q20), with the EBITDA margin declining to 3.8% (vs 5.2% in 1Q20) and NP of EUR 1.5Mn (+5.8%). As regards the balance sheet, net debt was EUR 319.2Mn (+63.8% vs 2020 close). We highlight:

REVENUE GROWTH HAS ACCELERATED (+45.3% VS 1Q20), due to: (i) the increase in energy prices in core markets (vs depressed prices in 1Q20) and (ii) the larger volume supplied, with an increase in the number of supply points after the integration of Hungary (3Q20) to over 540 thousand (vs 365 thousand in 1Q20; +47.8% and +26% in organic terms). The incorporation of the Hungarian subsidiary contributed c. EUR 90Mn to 1Q21 revenue (c. 25% of 1Q21 revenues).

ALTHOUGH THE INCREASE IN VOLUMES HAS REDUCED MARGINS (1Q21 EBITDA MARGIN: 3.8%). The gross margin fell to 8.8% (vs 12.8% in 1Q20) and the Rec. EBITDA margin shrank to 3.8% (-1.5p.p. vs 1Q20; although a +0.4p.p. improvement vs 4Q20) mainly as a result of: (i) large growth in the volume provided by Hungary (still low margins) and (ii) the 19% reduction in energy generated (48 GWh vs 60 GWh in 1Q20), the result of the exceptional generation of the Polish wind farm in 1Q20 (now in line with its historical average).

THE PV PROJECT PORTFOLIO CONTINUES TO GROW... At the start of 2021, ADX included in its generation portfolio a number of projects totalling 1,942 MW for c. EUR 100Mn (at various stages of development; acquired from ADX's controlling shareholder). This increases the total portfolio to 2,498MW, of which 106MW are in operation (+16.5% vs 4Q20), 115MW under construction (-8.0%) and a further 2,277MW at various stages of development (+124.1% vs 4Q20; for further detail see the following page).

AND HAS CAUSED AN INCREASE IN DEBT (+64% VS 2020). Net Debt (ex IFRS 16) ended 1Q21 at EUR 319.2Mn (+63.8% vs the 2020 close), driving ND/EBITDA 2021e to c. 4x (vs c. 3.5x in 2020).

IN CONCLUSION, RESULTS THAT CONFIRM THE STEP-UP IN REVENUES WHILE STILL AWAITING THE NEW GENERATION CAPACITY. The integration of the Hungarian subsidiary's supply business has allowed ADX to realise a significant step-up in size (Revenue 1Q21: +45.3%). Although not without paying a price in terms of margins. Now, the key is the development and start-up of the PV plants that should contribute EBITDA as early as 2021e (115MW under construction at present); this being the mainstay of the strategic change of direction made in 2020 to improve the profitability of the business.

THE CHALLENGE (AND OPPORTUNITY) FOR 2021E REMAINS DOUBLE. Firstly, digest the growth of the acquisition of the Hungarian supplier (that in our opinion still has room to improve margins). And, secondly, the speed of the start-up of the new photovoltaic plants, the main driver of the improvement in the EBITDA margin. The pressure on margins means we maintain our central scenario (EBITDA 2021e: EUR 70.5Mn) while waiting for the start-up of the new generation capacity, that, depending on the speed of this (a question that 1H21 results will help to answer), could lead us to upgrade our estimates. Currently the risk of changes to estimates is on the upside: EBITDA 2021e > EUR 75Mn? This would reduce 2021e EV/EBITDA to c. 15x.

Appendix 1. Results table

EUR Mn	3m21		3m21 Real		2021e vs 2020
	Real	3m20	vs 3m20	2021e	
Total Revenues	340.1	234.2	45.3%	1,212.5	25.1%
Recurrent EBITDA	12.8	12.3	4.2%	70.5	28.3%
<i>Rec. EBITDA/Revenues</i>	<i>3.8%</i>	<i>5.2%</i>	<i>-1.5 p.p.</i>	<i>5.8%</i>	<i>0.1 p.p.</i>
EBITDA	12.8	12.3	4.2%	70.5	40.9%
<i>EBITDA/Revenues</i>	<i>3.8%</i>	<i>5.2%</i>	<i>-1.5 p.p.</i>	<i>5.8%</i>	<i>0.7 p.p.</i>
EBIT	8.0	7.1	11.4%	50.7	66.5%
NP	1.5	1.4	5.8%	29.7	12.7%
Supply points (thousand)	540	365	47.9%		
Energy supplied (TWh)	4.4	2.7	63.0%		
Electricity generation (GWh)	48.0	60.0	-20.0%		
Net Debt¹	319.2	194.9	63.8%		

Note 1: Net Debt adjusted to strip out the impact of IFRS 16 (EUR 8.9Mn in 1Q21 and in 2020 at year end).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	856.4	
+ Minority Interests	8.1	3m Results 2021
+ Provisions & Other L/T Liabilities	51.8	3m Results 2021
+ Net financial debt	319.2	3m Results 2021
- Financial Investments	74.9	3m Results 2021
+/- Others		
Enterprise Value (EV)	1,160.5	

Appendix 3. Solar PV Project portfolio

MW	1Q21 vs 2020		
	2020	1Q21	2020
Early stage	0	781	n.a.
Grid Connection	50	376	652%
Backlog	966	1,120	16%
Under construction	125	115	-8%
Operation	91	106	16%
Total portfolio	1,232	2,498	103%

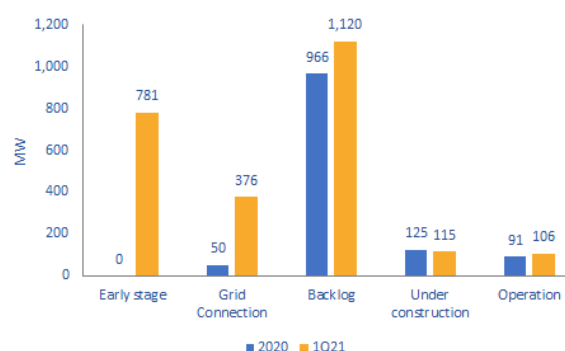
Early Stage: This has been applied to the connection point and less than 50% of the necessary land is guaranteed.

Grid Connection: The project is connected to the grid and at least 50% of the necessary land is guaranteed.

Backlog: Most of the licences have been requested.

Under Construction: The project is at the Ready to Build (RTB) stage or under construction.

Operation: The project is in operation.



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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
14-May-2021	n.a.	1.94	n.a.	n.a.	3m Results 2021	David López Sánchez
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

