

Business description

Audax Renovables (ADX) is an independent energy group whose core business is the supply of electricity and gas, focused on the Industrial and SME segment (c. 59% y 33%, respectively of the TWh sold) with an international presence. It has 226MW of installed capacity (91MW of wind power and 135MW of solar), 19MW under construction and 2,291MW of PV at various stages of development.

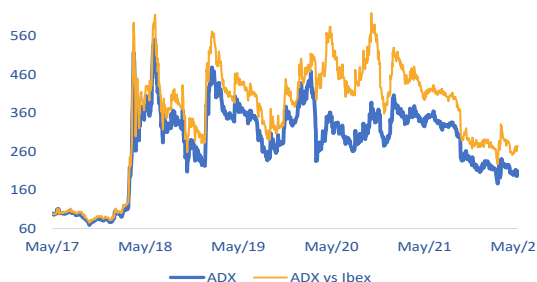
Market Data

Market Cap (Mn EUR and USD)	523.9	545.6
EV (Mn EUR and USD) ⁽²⁾	1,078.5	1,122.9
Shares Outstanding (Mn)	440.3	
-12m (Max/Med/Min EUR)	2.12 / 1.53 / 1.02	
Daily Avg volume (-12m Mn EUR)	1.54	
Rotation ⁽³⁾	75.1	
Factset / Bloomberg	ADX-ES / ADX SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

José Elías Navarro	77.7
Indumenta Pueri	6.8
Free Float	15.6

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-2.9	-5.3	-37.0	105.2
vs Ibex 35	1.6	1.7	-30.8	172.6
vs Ibex Small Cap Index	-1.2	-4.6	-36.1	46.4
vs Eurostoxx 50	3.0	9.0	-31.2	106.5
vs Sector benchmark ⁽⁴⁾	1.2	-3.8	-37.4	61.3

(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 Stoxx Europe 600 Utilities.

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

1Q22: EBITDA, +22% (boosted by new PV plants coming on stream)

VERY STRONG REVENUE GROWTH (EUR 736.2MN; +116% VS 1Q21)... as a result of: (i) higher prices for the energy sold in core markets and (ii) the coming on stream of new PV plants (energy generated in 1Q22: 67 GWh; +39% vs 1Q21, without taking into account the 66MW wind farm in Panama, consolidated by the equity method). This offset the loss of supply points (-14.1%; due to the prioritisation of profitability over volume) and the smaller volume of energy supplied (-11.4% vs 1Q21). Maintaining a high weighting of industrial type clients (60%) and SMEs (31%) vs 9% domestic (in line with 2021).

ALTHOUGH THE VOLATILITY OF ENERGY MARKET PRICES CONTINUES TO SQUEEZE THE GROSS MARGIN (-4 P.P.). Despite the high revenue growth, ADX ended 1Q22 with a gross margin of EUR 36.1Mn (+20% vs 1Q21). The energy market remains in the midst of a perfect storm with gas and electricity prices through the roof (impacting energy supply businesses head on). This has reduced ADX's gross margin to 4.9% (vs 8.8% in 1Q21 and 11.9% in 2020!).

THE START-UP OF NEW PV PLANTS HAS DRIVEN EBITDA (EUR 15.7MN; +22% VS 1Q21). The coming on stream of new PV plants (+69MW not including Panama) has boosted the EBITDA of ADX's generation business, that at the 1Q22 close contributed c. 45% of total EBITDA (vs 21% in 1Q21!). So, despite the narrowing of margins (1Q22 EBITDA margin 2.1%; -3.5% vs 1Q21) caused by the impact of high wholesale energy market prices on the supply business, 1Q22 EBITDA increased to EUR 15.7Mn (+22% vs 1Q21).

NET DEBT, EUR 527MN (+18.8% VS 2021)... Net debt at the 1Q22 close was EUR 527Mn mainly due to the increase in working capital (resulting from the high prices of the energy sold) and the development of the portfolio of PV projects (since 2020, cumulative CAPEX amounts to EUR 158Mn). In April 2022 (subsequent to the 1Q close), ADX announced it had registered a programme of promissory notes with the Alternative Fixed-Income Market or MARF, with a maximum outstanding balance of EUR 300Mn expiring on April 25, 2023.

IN THE LONG TERM, THE THEORY STILL POINTS TO HIGH POTENTIAL DUE TO A COMBINATION OF SIZE AND MARGIN. Comparing figures for 1Q22 with those for 1Q19 (pre Covid-19), today ADX has consolidated: (i) 464 thousand supply points (+51% vs 1Q19), (ii) a commercial structure capable of supplying 16TWh (+50%) and (iii) a renewable capacity in operation of 226MW (including the 66MW of the Panama wind farm; vs 158MW in 2019). At the 1Q22 close, ADX had 19MW under construction and a backlog (projects that have access and connection permits) of 1,246MW.

In other words, ADX has increased both the commercial structure of its supply business and its generation capacity by c. 50%, that points to high potential for growth in EBITDA but conditional on the recovery of margin levels seen in 4Q21 (c. 4% vs c. 2% at present; ¿EBITDA 2022e c. EUR 60-65Mn?). And that can be considered the benchmark in the likely scenario of the normalisation of energy prices in the long term (post 2022e). The increase in net debt and management of the current level of gearing would seem to be the only restrictions to ADX's business model.

Appendix 1. Results table

EUR Mn	3m22 Real	3m21	3m22 Real
			vs 3m21
Total Revenues	736.2	340.1	116.4%
Gross Margin	36.1	30.0	20.2%
<i>Gross Margin/Revenues</i>	<i>4.9%</i>	<i>8.8%</i>	<i>-3.9 p.p.</i>
Recurrent EBITDA	15.7	12.8	22.4%
<i>Rec. EBITDA/Revenues</i>	<i>2.1%</i>	<i>5.7%</i>	<i>-3.5 p.p.</i>
EBIT	10.0	8.0	25.5%
NP	0.9	1.5	-37.5%
Supply points (thousand)	464.0	540.0	-14.1%
Energy supplied (TWh)	3.9	4.4	-11.4%
MW in operation	226.0	91.0	148.4%
Electricity generation (GWh)	67.0	48.0	39.6%
Net Debt	527.1	443.5	18.8%

MW in operation	1Q22	%	1Q21	%
Spain	114.0	50.4%	45.0	49.5%
France	12.0	5.3%	12.0	13.2%
Poland	34.0	15.0%	34.0	37.4%
Panama ¹	66.0	29.2%	0.0	0.0%
Total	226.0	100.0%	91.0	100.0%

(1) Audax has a 30% stake in the Panama wind farm (equity accounted)

Electricity generation (GWh)	1Q22	%	1Q21	%
Spain	33.0	49.3%	19.0	39.6%
France	9.0	13.4%	9.0	18.8%
Poland	25.0	37.3%	20.0	41.7%
Total	67.0	100.0%	48.0	100.0%
Panama ¹	37.0		0.0	
Total (including Panama)	104.0		48.0	

(1) Audax has a 30% stake in the Panama wind farm (equity accounted)

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	523.9	
+ Minority Interests	12.6	3m Results 2022
+ Provisions & Other L/T Liabilities	79.1	3m Results 2022
+ Net financial debt	527.1	3m Results 2022
- Financial Investments	64.4	3m Results 2022
+/- Others		
Enterprise Value (EV)	1,078.5	

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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-May-2022	n.a.	1.19	n.a.	n.a.	3m Results 2022	David López Sánchez
01-Mar-2022	n.a.	1.30	n.a.	n.a.	12m Results 2021	David López Sánchez
16-Nov-2021	n.a.	1.30	n.a.	n.a.	9m Results 2021	David López Sánchez
01-Oct-2021	n.a.	1.50	n.a.	n.a.	6m Results 2021	David López Sánchez
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

