

**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.

## 1H22: EBITDA +35%. The challenge (and opportunity) remain margin improvement

### Market Data

Market Cap (Mn EUR and USD)	367.6	360.2
EV (Mn EUR and USD) <sup>(2)</sup>	839.0	821.9
Shares Outstanding (Mn)	440.3	
-12m (Max/Med/Mín EUR)	1.52 / 1.21 / 0.81	
Daily Avg volume (-12m Mn EUR)	1.07	
Rotation <sup>(3)</sup>	74.3	
Factset / Bloomberg	ADX-ES / ADX SM	
Close fiscal year	31-Dec	

**THE INCREASE IN ENERGY PRICES HAS CAUSED REVENUE TO ROCKET (+91%)...** ADX closed 1H22 with revenue of EUR 1,323.1Mn (+91.2% vs 1H21). This strong growth is explained solely by the increase in electricity and gas prices that offset: (i) the reduction in supply points to 421 thousand (-23% vs 1H21; due to a focus on the most profitable clients;) and (ii) the volume of power supplied (-12%).

**... HOWEVER, MARGINS CONTINUE TO BE SQUEEZED (EBITDA +35%).** The current price scenario together with changes to the regulatory framework in Poland, reduced the gross margin to 4.9% (-2.9p.p. vs 1H21) and the EBITDA margin to 1.9% (-0.8p.p.). This translates to 1H22 EBITDA of EUR 24.5Mn (+35% vs 1H21), boosted by new photovoltaic plants coming on stream in 2H21 that caused a significant change in the mix (the generation business provided 52% of EBITDA vs 29% in 1H21).

### Shareholders Structure (%)

José Elías Navarro	66.2
Indumenta Pueri	5.9
Free Float	27.9

**NET DEBT, EUR 469.5MN (+9.9%).** ND at the 1H22 close was EUR 469.5Mn due to the impact of working capital (that restricted cash flow generation) and the development of the portfolio of PV projects (currently with only 19MW under construction that should come on stream in 1Q23). In July ADX sold a 49% stake in the capital of the PV plants in operation to the IKAV fund (69.5MW) for EUR 8.8Mn. In addition, IKAV provided EUR 29.9Mn in funding (enabling ADX to recover part of the capital to reinvest in the development of its portfolio of PV projects).

Financials (Mn EUR)	2021	2022e	2023e	2024e
Adj. nº shares (Mn)	440.3	440.3	440.3	440.3
Total Revenues	1,690.0	2,610.2	2,417.2	2,411.3
Rec. EBITDA	53.1	54.6	76.0	105.0
% growth	6.0	2.9	39.1	38.2
% Rec. EBITDA/Rev.	3.1	2.1	3.1	4.4
% Inc. EBITDA sector <sup>(4)</sup>	11.6	23.9	12.5	6.4
Net Profit	2.8	4.6	20.5	43.2
EPS (EUR)	0.01	0.01	0.05	0.10
% growth	-89.2	61.5	347.7	110.6
Ord. EPS (EUR)	0.01	0.01	0.05	0.10
% growth	-59.5	-4.9	347.7	110.6
Rec. Free Cash Flow <sup>(5)</sup>	-107.3	-69.4	-11.9	21.5
Pay-out (%)	0.0	0.0	0.0	0.0
DPS (EUR)	0.00	0.00	0.00	0.00
Net financial debt	426.9	487.5	499.5	478.0
ND/Rec. EBITDA (x)	8.0	8.9	6.6	4.6
ROE (%)	2.1	3.3	13.5	23.5
ROCE (%) <sup>(5)</sup>	4.2	4.3	6.4	9.4

**THE KEY REMAINS THE RECOVERY OF MARGINS.** Today, ADX's numbers point to 2022e EBITDA of c. EUR 55Mn (vs EUR 60Mn in our previous estimate; EBITDA margin c. 2%). Looking to the long term, the key remains the recovery of supply business margins (with very significant upside; c. 2% at present vs > 4% in 2019), that has become ADX's de facto equity story while waiting for the generation business to take off (pipeline +2.3GW PV). The improvement in the EBITDA margin to levels of c. 4.5% in 2024e, our central scenario (vs 2% at present), would imply a 24e EV/EBITDA of c. 8x. Management of the high leverage (2022e ND/EBITDA c. 9x) is the main restriction on the business model.

### Ratios & Multiples (x)<sup>(6)</sup>

P/E	n.a.	80.2	17.9	8.5
Ord. P/E	76.3	80.2	17.9	8.5
P/BV	2.7	2.6	2.3	1.8
Dividend Yield (%)	0.0	0.0	0.0	0.0
EV/Sales	0.50	0.32	0.35	0.35
EV/Rec. EBITDA	15.8	15.4	11.0	8.0
EV/EBIT	27.1	26.1	16.1	10.7
FCF Yield (%) <sup>(5)</sup>	n.a.	n.a.	n.a.	5.8

### Relative performance (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-22.7	-26.5	-44.4	-33.7	-47.1	89.8
vs Ibex 35	-16.3	-19.2	-33.7	-21.6	-33.6	167.4
vs Ibex Small Cap Index	-14.6	-13.3	-32.2	-19.3	-49.3	60.4
vs Eurostoxx 50	-17.0	-23.5	-32.2	-14.2	-43.1	105.6
vs Sector benchmark <sup>(4)</sup>	-12.9	-20.2	-38.3	-17.1	-43.7	76.1

(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 3.

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

(4) Sector: Stoxx Europe 600 Utilities.

(5) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. 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, Factset and Lighthouse.

## 6m Results 2022

**Table 1. 1H22 Results**

EUR Mn	6m22 Real	6m21	6m22 Real vs 6m21	2022e 2022e	2022e vs 2021	2Q22	2Q22 vs 2Q21
<b>Total Revenues</b>	<b>1,323.1</b>	<b>692.1</b>	<b>91.2%</b>	<b>2,610.2</b>	<b>54.5%</b>	<b>586.9</b>	<b>66.8%</b>
<b>Gross Margin</b>	<b>65.1</b>	<b>53.9</b>	<b>20.7%</b>	<b>136.1</b>	<b>5.7%</b>		
<i>Gross Margin/Revenues</i>	<i>4.9%</i>	<i>7.8%</i>	<i>-2.9 p.p.</i>	<i>5.2%</i>	<i>-2.4 p.p.</i>		
<b>Recurrent EBITDA</b>	<b>24.5</b>	<b>18.2</b>	<b>34.7%</b>	<b>54.6</b>	<b>2.9%</b>	<b>8.9</b>	<b>62.8%</b>
<i>Rec. EBITDA/Revenues</i>	<i>1.9%</i>	<i>2.6%</i>	<i>-0.8 p.p.</i>	<i>2.1%</i>	<i>-1.0 p.p.</i>	<i>1.5%</i>	<i>0.0 p.p.</i>
<b>EBITDA</b>	<b>24.5</b>	<b>18.2</b>	<b>34.7%</b>	<b>54.6</b>	<b>3.2%</b>	<b>8.9</b>	<b>63.7%</b>
<i>EBITDA/Revenues</i>	<i>1.9%</i>	<i>2.6%</i>	<i>-0.8 p.p.</i>	<i>2.1%</i>	<i>-1.0 p.p.</i>	<i>1.5%</i>	<i>0.0 p.p.</i>
<b>EBIT</b>	<b>13.6</b>	<b>8.4</b>	<b>62.2%</b>	<b>32.2</b>	<b>3.8%</b>		
<b>NP</b>	<b>0.1</b>	<b>-3.6</b>	<b>103.9%</b>	<b>4.6</b>	<b>61.5%</b>		
Supply points (thousand)	421.0	549.0	-23.3%				
Energy supplied (TWh)	6.9	7.9	-12.7%				
MW in operation <sup>2</sup>	160.0	146.0	9.6%				
Electricity generation (GWh) <sup>2</sup>	132.0	97.0	36.1%				
Net Debt <sup>1</sup>	469.5	427.0	9.9%	487.5	14.2%		

Note 1: Net Debt adjusted to strip out the impact of IFRS 16 (EUR 17.3Mn and EUR 16.5Mn in 1H22 and 2021, respectively).

Note 2: Installed capacity (MW) and energy generated (GWh) excluding the wind farm in Panama (66MW, with a 30% stake; equity accounted).

**Table 2. Renewable Energy Pipeline**

MW	Early Stage	Grid		Under		Total	%
		Connection	Backlog	Construction	Operation		
<b>Solar PV</b>	<b>643</b>	<b>402</b>	<b>1,247</b>	<b>19</b>	<b>69</b>	<b>2,380</b>	<b>93.8%</b>
Spain	246	0	1,243	19	69	1,577	62.2%
Italy	0	198	4	0	0	202	8.0%
Portugal	397	204	0	0	0	601	23.7%
<b>Wind</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>157</b>	<b>157</b>	<b>6.2%</b>
Spain	0	0	0	0	45	45	0.0%
France	0	0	0	0	12	12	0.5%
Poland	0	0	0	0	34	34	1.3%
Panama*	0	0	0	0	66	66	2.6%
<b>TOTAL</b>	<b>643</b>	<b>402</b>	<b>1,247</b>	<b>19</b>	<b>226</b>	<b>2,537</b>	<b>100.0%</b>

Note\*: Audax has a 30% stake in the Panama wind farm (equity accounted).

## Valuation inputs

### Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value <sup>(1)</sup>		
Free Cash Flow "To the Firm"	(36.6)	13.1	46.4	n.a.		
Market Cap	367.6	At the date of this report				
Net financial debt	469.5	Debt net of Cash (6m Results 2022)				
					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%	$Kd = \text{Cost of Net Debt} * (1-T)$			3.3%	3.7%
Risk free rate (rf)	3.3%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	7.0%	R (own estimate)			6.5%	7.5%
Beta (B)	1.0	B (own estimate)			0.9	1.1
Cost of Equity	10.6%	$Ke = Rf + (R * B)$			9.4%	11.8%
Equity / (Equity + Net Debt)	43.9%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	56.1%	D			=	=
WACC	6.6%	$WACC = Kd * D + Ke * E$			6.0%	7.3%
G "Fair"	1.5%				2.0%	1.5%

(1) The terminal value calculated beyond the last FCF estimate does not reflect the company's growth potential (positive/negative) at the date of publication of this report.

### Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 22e	EPS 22e-24e	EV/EBITDA 22e	EBITDA 22e-24e	EV/Sales 22e	Revenues 22e-24e	EBITDA/Sales 22e	FCF Yield 22e	FCF 22e-24e
Iberdrola	IBE-ES	60,961.6	14.7	8.0%	8.9	8.0%	2.4	3.5%	27.3%	n.a.	-13.3%
Endesa	ELE-ES	16,326.0	9.3	5.2%	7.3	4.5%	1.3	-5.8%	17.4%	3.4%	36.3%
Naturgy	NTGY-ES	23,008.9	17.7	0.4%	9.1	2.2%	1.6	-3.8%	17.7%	4.6%	-33.1%
EDP	EDP-PT	17,607.6	21.5	18.5%	9.9	8.6%	2.6	8.4%	26.4%	n.a.	31.5%
<b>Integrated Utilities</b>			<b>15.8</b>	<b>8.0%</b>	<b>8.8</b>	<b>5.8%</b>	<b>2.0</b>	<b>0.6%</b>	<b>22.2%</b>	<b>4.0%</b>	<b>5.4%</b>
Solaria	SLR-ES	2,019.8	24.8	29.1%	16.9	35.7%	14.6	36.1%	86.5%	n.a.	13.6%
Grenergy	GRE-ES	952.0	29.5	53.8%	18.1	64.9%	6.5	40.4%	35.6%	n.a.	-19.8%
Scatec A	SCATC-NO	1,115.9	n.a.	66.1%	12.4	35.8%	7.8	29.0%	63.0%	n.a.	n.a.
<b>Renewable Energy</b>			<b>27.2</b>	<b>49.7%</b>	<b>15.8</b>	<b>45.4%</b>	<b>9.6</b>	<b>35.2%</b>	<b>61.7%</b>	<b>n.a.</b>	<b>-3.1%</b>
ADX	ADX-ES	367.6	80.2	n.a.	15.4	38.6%	0.3	-3.9%	2.1%	n.a.	53.4%

### Free Cash Flow sensitivity analysis (2023e)

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

Scenario	EBITDA/Sales 23e	EBITDA 23e	EV/EBITDA 23e
Max	3.4%	83.2	10.1x
Central	3.1%	76.0	11.0x
Min	2.8%	68.7	12.2x

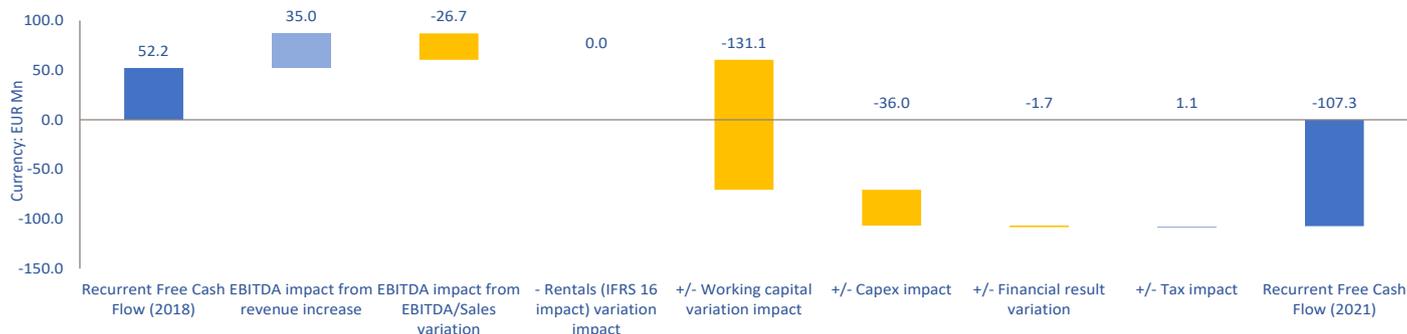
## Appendix 1. Financial Projections

<b>Balance Sheet (EUR Mn)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>		
Intangible assets	81.8	111.5	106.3	159.5	200.0	200.0	200.0	200.0		
Fixed assets	167.9	166.6	75.3	87.4	117.2	106.3	154.2	175.2		
Other Non Current Assets	8.0	12.5	14.3	14.8	23.4	23.4	23.4	23.4		
Financial Investments	30.3	99.0	76.3	25.6	105.7	109.9	114.1	118.3		
Goodwill & Other Intangibles	98.5	138.6	137.9	137.9	137.9	137.9	137.9	137.9		
Current assets	140.5	161.6	177.1	266.0	405.0	573.9	537.4	536.3		
<b>Total assets</b>	<b>527.0</b>	<b>689.8</b>	<b>587.2</b>	<b>691.3</b>	<b>989.3</b>	<b>1,151.4</b>	<b>1,167.1</b>	<b>1,191.2</b>		
Equity	57.9	106.3	122.2	135.2	137.0	141.5	162.1	205.3		
Minority Interests	13.1	33.3	33.5	7.8	12.0	14.9	17.8	20.8		
Provisions & Other L/T Liabilities	79.1	92.1	59.3	114.7	138.6	138.6	138.6	138.6		
Other Non Current Liabilities	-	-	9.6	8.9	16.5	16.5	16.5	16.5		
Net financial debt	260.3	291.8	169.2	202.9	426.9	487.5	499.5	478.0		
Current Liabilities	116.5	166.4	193.5	221.8	258.4	352.4	332.6	332.0		
<b>Equity &amp; Total Liabilities</b>	<b>527.0</b>	<b>689.8</b>	<b>587.2</b>	<b>691.3</b>	<b>989.3</b>	<b>1,151.4</b>	<b>1,167.1</b>	<b>1,191.2</b>		
									<b>CAGR</b>	
<b>P&amp;L (EUR Mn)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>18-21</b>	<b>21-24e</b>
<b>Total Revenues</b>	<b>675.6</b>	<b>986.9</b>	<b>1,043.8</b>	<b>969.3</b>	<b>1,690.0</b>	<b>2,610.2</b>	<b>2,417.2</b>	<b>2,411.3</b>	<b>19.6%</b>	<b>12.6%</b>
<i>Total Revenues growth</i>	<i>n.a.</i>	<i>46.1%</i>	<i>5.8%</i>	<i>-7.1%</i>	<i>74.4%</i>	<i>54.5%</i>	<i>-7.4%</i>	<i>-0.2%</i>		
COGS	(594.2)	(883.2)	(917.2)	(854.4)	(1,561.2)	(2,474.2)	(2,258.9)	(2,222.2)		
<b>Gross Margin</b>	<b>81.5</b>	<b>103.7</b>	<b>126.6</b>	<b>114.9</b>	<b>128.8</b>	<b>136.1</b>	<b>158.3</b>	<b>189.1</b>	<b>7.5%</b>	<b>13.7%</b>
<i>Gross Margin/Revenues</i>	<i>12.1%</i>	<i>10.5%</i>	<i>12.1%</i>	<i>11.9%</i>	<i>7.6%</i>	<i>5.2%</i>	<i>6.5%</i>	<i>7.8%</i>		
Personnel Expenses	(14.3)	(19.4)	(21.0)	(22.5)	(27.7)	(30.5)	(31.5)	(32.8)		
Other Operating Expenses	(29.9)	(39.5)	(37.3)	(42.3)	(47.9)	(51.0)	(50.9)	(51.3)		
<b>Recurrent EBITDA</b>	<b>37.2</b>	<b>44.8</b>	<b>68.3</b>	<b>50.1</b>	<b>53.1</b>	<b>54.6</b>	<b>76.0</b>	<b>105.0</b>	<b>5.8%</b>	<b>25.5%</b>
<i>Recurrent EBITDA growth</i>	<i>n.a.</i>	<i>20.6%</i>	<i>52.4%</i>	<i>-26.7%</i>	<i>6.0%</i>	<i>2.9%</i>	<i>39.1%</i>	<i>38.2%</i>		
<i>Rec. EBITDA/Revenues</i>	<i>5.5%</i>	<i>4.5%</i>	<i>6.5%</i>	<i>5.2%</i>	<i>3.1%</i>	<i>2.1%</i>	<i>3.1%</i>	<i>4.4%</i>		
Restructuring Expense & Other non-rec.	-	-	-	-	(0.2)	-	-	-		
<b>EBITDA</b>	<b>37.2</b>	<b>44.8</b>	<b>68.3</b>	<b>50.1</b>	<b>52.9</b>	<b>54.6</b>	<b>76.0</b>	<b>105.0</b>	<b>5.7%</b>	<b>25.6%</b>
Depreciation & Provisions	(18.5)	(25.1)	(25.1)	(19.7)	(22.0)	(22.4)	(23.8)	(26.3)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	-	(1.1)	-	-	-	-	-		
<b>EBIT</b>	<b>18.6</b>	<b>19.7</b>	<b>42.1</b>	<b>30.4</b>	<b>31.0</b>	<b>32.2</b>	<b>52.2</b>	<b>78.7</b>	<b>16.2%</b>	<b>36.5%</b>
<i>EBIT growth</i>	<i>n.a.</i>	<i>5.9%</i>	<i>113.1%</i>	<i>-27.7%</i>	<i>1.7%</i>	<i>3.8%</i>	<i>62.2%</i>	<i>50.8%</i>		
<i>EBIT/Revenues</i>	<i>2.8%</i>	<i>2.0%</i>	<i>4.0%</i>	<i>3.1%</i>	<i>1.8%</i>	<i>1.2%</i>	<i>2.2%</i>	<i>3.3%</i>		
Impact of Goodwill & Others	(0.1)	-	-	-	-	-	-	-		
Net Financial Result	(12.6)	(17.1)	(13.9)	(12.7)	(26.5)	(27.5)	(28.8)	(28.6)		
Income by the Equity Method	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	4.2	4.2	4.2		
<b>Ordinary Profit</b>	<b>5.8</b>	<b>2.6</b>	<b>28.1</b>	<b>17.7</b>	<b>4.5</b>	<b>8.9</b>	<b>27.6</b>	<b>54.3</b>	<b>19.7%</b>	<b>n.a.</b>
<i>Ordinary Profit Growth</i>	<i>n.a.</i>	<i>-55.4%</i>	<i>979.7%</i>	<i>-37.0%</i>	<i>-74.8%</i>	<i>98.6%</i>	<i>211.8%</i>	<i>96.7%</i>		
Extraordinary Results	(0.1)	8.6	5.0	16.3	-	-	-	-		
<b>Profit Before Tax</b>	<b>5.8</b>	<b>11.2</b>	<b>33.1</b>	<b>34.0</b>	<b>4.5</b>	<b>8.9</b>	<b>27.6</b>	<b>54.3</b>	<b>-26.4%</b>	<b>n.a.</b>
Tax Expense	0.5	(1.8)	(1.7)	(3.9)	(3.2)	(1.3)	(4.1)	(8.1)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>15.9%</i>	<i>5.1%</i>	<i>11.4%</i>	<i>72.1%</i>	<i>15.0%</i>	<i>15.0%</i>	<i>15.0%</i>		
Minority Interests	2.0	(1.0)	(5.9)	(3.8)	1.6	(2.9)	(2.9)	(2.9)		
Discontinued Activities	-	-	-	-	-	-	-	-		
<b>Net Profit</b>	<b>8.3</b>	<b>8.4</b>	<b>25.4</b>	<b>26.4</b>	<b>2.8</b>	<b>4.6</b>	<b>20.5</b>	<b>43.2</b>	<b>-30.4%</b>	<b>n.a.</b>
<i>Net Profit growth</i>	<i>n.a.</i>	<i>2.0%</i>	<i>202.5%</i>	<i>3.7%</i>	<i>-89.2%</i>	<i>61.5%</i>	<i>347.7%</i>	<i>110.6%</i>		
<b>Ordinary Net Profit</b>	<b>7.8</b>	<b>1.2</b>	<b>20.7</b>	<b>11.9</b>	<b>4.8</b>	<b>4.6</b>	<b>20.5</b>	<b>43.2</b>	<b>59.1%</b>	<b>n.a.</b>
<i>Ordinary Net Profit growth</i>	<i>n.a.</i>	<i>-84.7%</i>	<i>n.a.</i>	<i>-42.6%</i>	<i>-59.5%</i>	<i>-4.9%</i>	<i>347.7%</i>	<i>110.6%</i>		
									<b>CAGR</b>	
<b>Cash Flow (EUR Mn)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>18-21</b>	<b>21-24e</b>
<b>Recurrent EBITDA</b>						<b>54.6</b>	<b>76.0</b>	<b>105.0</b>	<b>5.8%</b>	<b>25.5%</b>
Rentals (IFRS 16 impact)						-	-	-		
Working Capital Increase						(74.9)	16.8	0.5		
<b>Recurrent Operating Cash Flow</b>						<b>-20.3</b>	<b>92.7</b>	<b>105.5</b>	<b>-38.7%</b>	<b>60.6%</b>
CAPEX						(20.3)	(71.8)	(47.3)		
Net Financial Result affecting the Cash Flow						(27.5)	(28.8)	(28.6)		
Tax Expense						(1.3)	(4.1)	(8.1)		
<b>Recurrent Free Cash Flow</b>						<b>(69.4)</b>	<b>(11.9)</b>	<b>21.5</b>	<b>-59.5%</b>	<b>30.1%</b>
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						8.8	-	-		
<b>Free Cash Flow</b>						<b>(60.6)</b>	<b>(11.9)</b>	<b>21.5</b>	<b>-89.5%</b>	<b>28.1%</b>
Capital Increase						-	-	-		
Dividends						-	-	-		
<b>Net Debt Variation</b>						<b>60.6</b>	<b>11.9</b>	<b>(21.5)</b>		

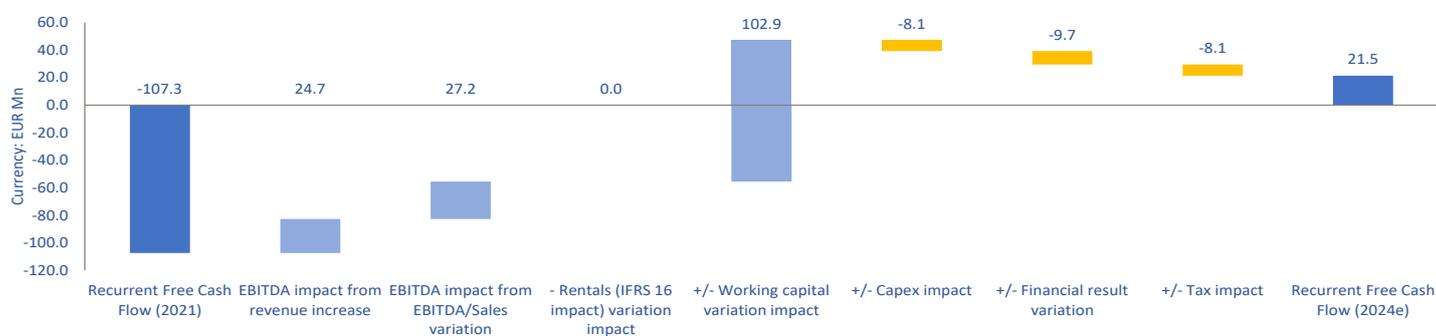
## Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
								18-21	21-24e
<b>Recurrent EBITDA</b>	<b>44.8</b>	<b>68.3</b>	<b>50.1</b>	<b>53.1</b>	<b>54.6</b>	<b>76.0</b>	<b>105.0</b>	<b>5.8%</b>	<b>25.5%</b>
<i>Recurrent EBITDA growth</i>	20.6%	52.4%	-26.7%	6.0%	2.9%	39.1%	38.2%		
<i>Rec. EBITDA/Revenues</i>	4.5%	6.5%	5.2%	3.1%	2.1%	3.1%	4.4%		
- Rentals (IFRS 16 impact)	-	(1.1)	-	-	-	-	-		
+/- Working Capital increase	28.7	11.7	(60.7)	(102.4)	(74.9)	16.8	0.5		
<b>= Recurrent Operating Cash Flow</b>	<b>73.6</b>	<b>78.9</b>	<b>(10.6)</b>	<b>(49.3)</b>	<b>(20.3)</b>	<b>92.7</b>	<b>105.5</b>	<b>-38.7%</b>	<b>60.6%</b>
<i>Rec. Operating Cash Flow growth</i>	459.7%	7.3%	-113.4%	-364.8%	58.9%	557.5%	13.7%		
<i>Rec. Operating Cash Flow / Sales</i>	7.5%	7.6%	n.a.	n.a.	n.a.	3.8%	4.4%		
- CAPEX	(3.1)	(33.5)	(17.0)	(39.1)	(20.3)	(71.8)	(47.3)		
- Net Financial Result affecting Cash Flow	(17.2)	(16.1)	(13.4)	(18.9)	(27.5)	(28.8)	(28.6)		
- Taxes	(1.1)	-	-	-	(1.3)	(4.1)	(8.1)		
<b>= Recurrent Free Cash Flow</b>	<b>52.2</b>	<b>29.3</b>	<b>(41.0)</b>	<b>(107.3)</b>	<b>(69.4)</b>	<b>(11.9)</b>	<b>21.5</b>	<b>-59.5%</b>	<b>30.1%</b>
<i>Rec. Free Cash Flow growth</i>	967.1%	-43.9%	-239.8%	-162.1%	35.3%	82.8%	279.8%		
<i>Rec. Free Cash Flow / Revenues</i>	5.3%	2.8%	n.a.	n.a.	n.a.	n.a.	0.9%		
- Restructuring expenses & others	-	-	-	-	-	-	-		
- Acquisitions / + Divestments	0.4	46.5	(91.1)	(77.4)	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(84.1)	46.8	118.2	(29.0)	8.8	-	-		
<b>= Free Cash Flow</b>	<b>(31.4)</b>	<b>122.6</b>	<b>(13.8)</b>	<b>(213.7)</b>	<b>(60.6)</b>	<b>(11.9)</b>	<b>21.5</b>	<b>-89.5%</b>	<b>28.1%</b>
<i>Free Cash Flow growth</i>	65.1%	490.2%	-111.3%	n.a.	71.6%	80.3%	279.8%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	14.2%	8.0%	n.a.	n.a.	n.a.	n.a.	5.8%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	n.a.	33.3%	n.a.	n.a.	n.a.	n.a.	5.8%		
<b>B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)</b>									
<b>Recurrent FCF(FY - 1)</b>	<b>(6.0)</b>	<b>52.2</b>	<b>29.3</b>	<b>(41.0)</b>	<b>(107.3)</b>	<b>(69.4)</b>	<b>(11.9)</b>		
EBITDA impact from revenue increase	17.1	2.6	(4.9)	37.2	28.9	(4.0)	(0.2)		
EBITDA impact from EBITDA/Sales variation	(9.5)	20.9	(13.3)	(34.2)	(27.4)	25.4	29.2		
<b>= Recurrent EBITDA variation</b>	<b>7.6</b>	<b>23.5</b>	<b>(18.2)</b>	<b>3.0</b>	<b>1.5</b>	<b>21.3</b>	<b>29.0</b>		
- Rentals (IFRS 16 impact) variation impact	-	(1.1)	1.1	-	-	-	-		
+/- Working capital variation impact	52.8	(17.0)	(72.4)	(41.7)	27.5	91.6	(16.3)		
<b>= Recurrent Operating Cash Flow variation</b>	<b>60.4</b>	<b>5.4</b>	<b>(89.6)</b>	<b>(38.7)</b>	<b>29.1</b>	<b>113.0</b>	<b>12.7</b>		
+/- CAPEX impact	1.2	(30.4)	16.6	(22.2)	18.8	(51.5)	24.5		
+/- Financial result variation	(2.3)	1.0	2.7	(5.5)	(8.6)	(1.3)	0.2		
+/- Tax impact	(1.1)	1.1	-	-	(1.3)	(2.8)	(4.0)		
<b>= Recurrent Free Cash Flow variation</b>	<b>58.2</b>	<b>(22.9)</b>	<b>(70.3)</b>	<b>(66.4)</b>	<b>37.9</b>	<b>57.5</b>	<b>33.4</b>		
<b>Recurrent Free Cash Flow</b>	<b>52.2</b>	<b>29.3</b>	<b>(41.0)</b>	<b>(107.3)</b>	<b>(69.4)</b>	<b>(11.9)</b>	<b>21.5</b>		
<b>C) "FCF to the Firm" (pre debt service) (EUR Mn)</b>									
<b>EBIT</b>	<b>19.7</b>	<b>42.1</b>	<b>30.4</b>	<b>31.0</b>	<b>32.2</b>	<b>52.2</b>	<b>78.7</b>	<b>16.2%</b>	<b>36.5%</b>
* <i>Theoretical Tax rate</i>	15.9%	5.1%	11.4%	30.0%	15.0%	15.0%	15.0%		
= Taxes (pre- Net Financial Result)	(3.1)	(2.2)	(3.5)	(9.3)	(4.8)	(7.8)	(11.8)		
<b>Recurrent EBITDA</b>	<b>44.8</b>	<b>68.3</b>	<b>50.1</b>	<b>53.1</b>	<b>54.6</b>	<b>76.0</b>	<b>105.0</b>	<b>5.8%</b>	<b>25.5%</b>
- Rentals (IFRS 16 impact)	-	(1.1)	-	-	-	-	-		
+/- Working Capital increase	28.7	11.7	(60.7)	(102.4)	(74.9)	16.8	0.5		
<b>= Recurrent Operating Cash Flow</b>	<b>73.6</b>	<b>78.9</b>	<b>(10.6)</b>	<b>(49.3)</b>	<b>(20.3)</b>	<b>92.7</b>	<b>105.5</b>	<b>-38.7%</b>	<b>60.6%</b>
- CAPEX	(3.1)	(33.5)	(17.0)	(39.1)	(20.3)	(71.8)	(47.3)		
- Taxes (pre- Financial Result)	(3.1)	(2.2)	(3.5)	(9.3)	(4.8)	(7.8)	(11.8)		
<b>= Recurrent Free Cash Flow (To the Firm)</b>	<b>67.3</b>	<b>43.3</b>	<b>(31.0)</b>	<b>(97.8)</b>	<b>(45.4)</b>	<b>13.1</b>	<b>46.4</b>	<b>-51.1%</b>	<b>35.3%</b>
<i>Rec. Free Cash Flow (To the Firm) growth</i>	662.2%	-35.7%	-171.7%	-215.0%	53.6%	129.0%	253.0%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	6.8%	4.1%	n.a.	n.a.	n.a.	0.5%	1.9%		
- Acquisitions / + Divestments	0.4	46.5	(91.1)	(77.4)	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(84.1)	46.8	118.2	(29.0)	8.8	-	-		
<b>= Free Cash Flow "To the Firm"</b>	<b>(16.3)</b>	<b>136.6</b>	<b>(3.9)</b>	<b>(204.1)</b>	<b>(36.6)</b>	<b>13.1</b>	<b>46.4</b>	<b>n.a.</b>	<b>30.6%</b>
<i>Free Cash Flow (To the Firm) growth</i>	78.3%	936.7%	-102.9%	n.a.	82.1%	135.9%	253.0%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	8.0%	5.2%	n.a.	n.a.	n.a.	1.6%	5.5%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	n.a.	16.3%	n.a.	n.a.	n.a.	1.6%	5.5%		

**Recurrent Free Cash Flow accumulated variation analysis (2017 - 2021)**



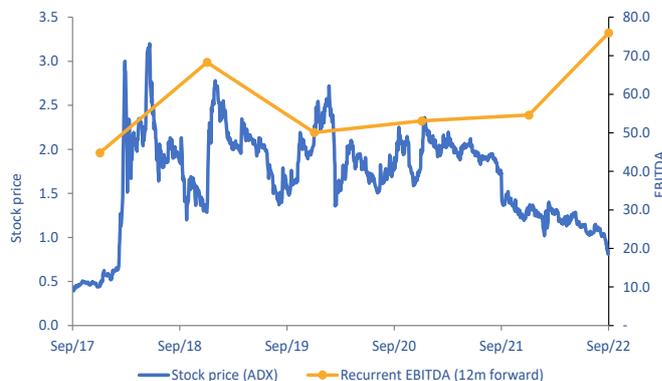
**Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)**



**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	367.6	
+ Minority Interests	14.0	6m Results 2022
+ Provisions & Other L/T Liabilities	75.4	6m Results 2022
+ Net financial debt	469.5	6m Results 2022
- Financial Investments	87.5	6m Results 2022
+/- Others		
<b>Enterprise Value (EV)</b>	<b>839.0</b>	

## Appendix 4. Main peers 2022e

EUR Mn		Integrated Utilities				Average	Renewable Energy			Average	ADX
		Iberdrola	Endesa	Naturgy	EDP		Solaria	Grenergy	Scatec A		
Market data	Ticker (Factset)	IBE-ES	ELE-ES	NTGY-ES	EDP-PT		SLR-ES	GRE-ES	SCATC-NO		ADX-ES
	Country	Spain	Spain	Spain	Portugal		Spain	Spain	Norway		Spain
	Market cap	60,961.6	16,326.0	23,008.9	17,607.6		2,019.8	952.0	1,115.9		367.6
	Enterprise value (EV)	110,515.9	30,625.5	37,373.0	40,240.2		2,582.9	1,272.8	2,783.0		839.0
Basic financial information	Total Revenues	45,369.2	24,170.2	23,199.0	15,440.6		176.8	196.9	356.2		2,610.2
	Total Revenues growth	16.0%	17.7%	4.8%	1.8%	10.1%	85.9%	138.7%	25.2%	83.3%	54.5%
	2y CAGR (2022e - 2024e)	3.5%	-5.8%	-3.8%	8.4%	0.6%	36.1%	40.4%	29.0%	35.2%	-3.9%
	EBITDA	12,376.7	4,206.0	4,099.7	4,074.5		152.9	70.2	224.2		54.6
	EBITDA growth	6.3%	19.3%	13.6%	45.5%	21.2%	71.6%	68.0%	12.0%	50.5%	3.2%
	2y CAGR (2022e - 2024e)	8.0%	4.5%	2.2%	8.6%	5.8%	35.7%	64.9%	35.8%	45.4%	38.6%
	EBITDA/Revenues	27.3%	17.4%	17.7%	26.4%	22.2%	86.5%	35.6%	63.0%	61.7%	2.1%
	EBIT	7,430.0	2,534.7	2,564.7	2,433.9		124.4	54.5	46.1		32.2
	EBIT growth	0.0%	27.1%	18.6%	132.2%	44.5%	81.2%	57.4%	-62.9%	25.2%	3.8%
	2y CAGR (2022e - 2024e)	8.5%	5.0%	1.7%	11.0%	6.5%	33.5%	61.4%	n.a.	47.4%	56.4%
	EBIT/Revenues	16.4%	10.5%	11.1%	15.8%	13.4%	70.4%	27.7%	12.9%	37.0%	1.2%
	Net Profit	4,205.1	1,783.8	1,278.3	855.0		80.6	26.6	(81.4)		4.6
	Net Profit growth	7.3%	24.3%	16.5%	30.2%	19.6%	67.7%	63.4%	-324.0%	-64.3%	61.5%
	2y CAGR (2022e - 2024e)	6.9%	4.3%	1.1%	17.9%	7.6%	29.9%	59.5%	70.5%	53.3%	n.a.
	CAPEX/Sales %	23.8%	10.4%	7.8%	28.2%	17.6%	231.0%	164.1%	77.8%	157.6%	0.8%
	Free Cash Flow	(1,752.2)	548.4	1,051.2	(762.4)		(329.6)	(266.0)	(70.5)		(60.6)
Net financial debt	45,165.5	10,095.6	13,259.7	14,632.3		819.9	497.6	1,627.9		487.5	
ND/EBITDA (x)	3.6	2.4	3.2	3.6	3.2	5.4	7.1	7.3	6.6	8.9	
Pay-out	71.2%	70.5%	93.2%	88.2%	80.8%	0.0%	0.0%	-56.3%	-18.8%	0.0%	
Multiples and Ratios	P/E (x)	14.7	9.3	17.7	21.5	15.8	24.8	29.5	n.a.	27.2	80.2
	P/BV (x)	1.4	2.8	3.7	1.8	2.4	6.3	3.7	1.4	3.8	2.6
	EV/Revenues (x)	2.4	1.3	1.6	2.6	2.0	14.6	6.5	7.8	9.6	0.3
	EV/EBITDA (x)	8.9	7.3	9.1	9.9	8.8	16.9	18.1	12.4	15.8	15.4
	EV/EBIT (x)	14.9	12.1	14.6	16.5	14.5	20.8	23.3	n.a.	22.0	26.1
	ROE	9.2	30.5	21.0	8.6	17.3	25.3	12.5	n.a.	18.9	3.3
	FCF Yield (%)	n.a.	3.4	4.6	n.a.	4.0	n.a.	n.a.	n.a.	n.a.	n.a.
	DPS	0.46	1.19	1.24	0.19	0.77	0.00	0.00	0.29	0.10	0.00
	Dvd Yield	4.9%	7.7%	5.2%	4.3%	5.5%	0.0%	0.0%	4.1%	1.4%	0.0%

Note 1: Financial data, multiples and ratios based on market consensus (Factset). 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).

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#### Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
03-Oct-2022	n.a.	0.84	n.a.	n.a.	6m Results 2022	David López Sánchez
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

