

AUDAX RENOVABLES

Cutting estimates after weak Q2 results

- Weak Q2 results, below estimates.** Gross margin grew by 4% to c.€24m, 5% below estimates. Spain gross margin fell by 26% to c.€11m, well below our €18m estimate, whilst International gross margin grew by 64% to €13m, above our €7m estimate. EBITDA fell by c.50% to €5m below our €10m estimate, whilst Audax reported €5m net loss in Q2 vs. our breakeven estimate.
- Sharp fall in supply margin in Spain.** Energy supplied doubled YoY, reaching 3.4TWh, whilst customers grew by 43% to 549K. However, gross margin per MWh sold fell sharply, especially in Spain, down by c.50% affected by the spike in the acquisition cost of the energy supplied and not hedged, given: a) higher than initially estimated consumption from Audax clients in Q2 (the company underestimated the consumption recovery of its Spanish clients); and b) lower-than-expected energy purchased from PPAs signed with third parties, given delays in the connection of these projects.
- Growing in renewables.** Capacity in operation grew by 40MW to 146MW (100MW Spain and 46MW abroad). In addition, there are 87MW under construction (21MW in Spain and 66MW in Panama). We expect capacity in operation to reach 200MW by year-end, growing by 400MW to 600MW in 2022 and by additional 500MW in 2023, reaching 1.1GW in operation by end-2023.
- Leverage is high.** Net debt increased from €328m to €373m in Q2, due to investments in renewables (€40m in Q2) and an increase in WC. We expect net debt to continue growing over 2022-23 driven by the expected increase in renewable capacity, reaching €703m in 2023. This implies c.5.5X debt/EBITDA on average, which is high and we believe should be cut, either through disposals and/or a capital increase.
- Cutting estimates.** We are cutting our EBITDA estimates by 35% in 2021 to €50m, 10% in 2022 to €90m and 5% in 2023 to c.€140m, to reflect a reduction in our supply margin estimates in Spain. The impact is lower in 2022-23, as we expect Audax to rebalance its market exposure (and its hedging policy), also helped by the expected increase in renewable capacity. As a result, we cut the range for our fair value estimates for Audax by 10% to €2.10-2.50 per share, which already includes a €100m capital increase.

Financial Ratios	FY19	FY20	FY21E	FY22E	FY23E	FY24E
EBITDA (€m)	73	66	47	90	137	163
Net profit (€m)	25	26	2	32	61	76
EPS (€)	0.06	0.06	0.00	0.07	0.14	0.17
Adj. EPS (*) (€)	0.05	0.03	0.00	0.07	0.14	0.17
P/E (x)	37.1	27.2	401.6	20.8	10.9	8.7
P/E Adj. (x)	43.4	50.8	401.6	20.8	10.9	8.7
EV/EBITDA (x)	14.7	14.4	20.9	13.1	9.9	9.6
Debt/EBITDA (x)	2.5	3.7	7.0	5.8	5.1	5.6
P/BV (x)	7.7	5.0	4.9	4.0	2.9	2.2
ROE (%)	19.0	10.6	1.2	21.1	30.7	28.7
DPS (€)	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	1.4	0.0	0.0	0.0	0.0

(*) Historical multiples based on average share price of the year

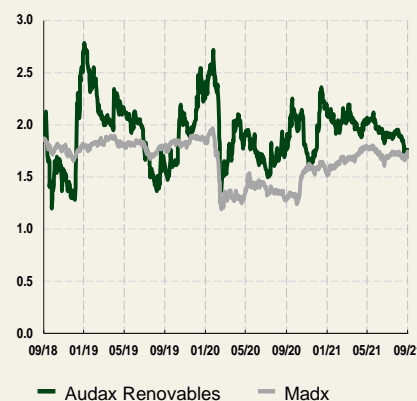
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Share Price € 1.50

ADX.R.MC / ADX SM

Market Cap € 662 m
 Enterprise Value € 979 m
 Free Float € 149 m
 N° Shares 440 m
 Average Daily Volume € 2 m

Performance	1m	3m	12m
Absolute %	-22.9	-22.3	-14.5
Relative %	-20.9	-21.3	-49.1



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AUDAX: QUARTERLY P&L REVIEW

(€ m)	2Q20	3Q20	4Q20	1Q21	2Q21	% YoY	2Q21E	Dif. Est
Gross Margin	23.0	29.0	32.9	30.0	23.9	4%	25.1	(5%)
o/w Spain	15.2	23.1	18.4	17.8	11.2	(26%)	18.4	(39%)
o/w International	7.8	5.9	14.5	12.2	12.7	64%	6.8	89%
EBITDA	10.4	17.4	26.4	12.8	5.4	(48%)	9.9	(45%)
o/w Spain	7.4	13.6	9.8	7.8	0.4	(94%)	10.4	(96%)
o/w International	3.0	3.7	16.6	5.0	5.0	65%	1.1	363%
Net profit	2.7	4.4	17.9	1.5	-5.1	-	0.2	-

Source: Alantra Equities

AUDAX: SUPPLY BUSINESS KPIs

	2Q20	3Q20	4Q20	1Q21	2Q21	% YoY	% QoQ
Supply Points ('000)	384.6	492.3	514.9	540.1	549.0	43%	2%
o/w Iberia	264.5	286.9	303.7	324.6	329.5	25%	2%
o/w Electricity	222.0	238.7	251.4	266.0	270.4	22%	2%
o/w Gas	42.5	48.2	52.3	58.5	59.1	39%	1%
o/w Rest of Europe	120.1	205.3	211.2	215.5	219.6	83%	2%
o/w Electricity	81.1	165.9	170.7	174.3	178.4	120%	2%
o/w Gas	39.0	39.4	40.6	41.2	41.2	6%	(0%)
Energy supplied (GWh)	1,649	1,920	4,182	4,421	3,456	110%	(22%)
o/w Iberia	837	1,002	1,352	1,291	1,133	35%	(12%)
o/w Electricity	700	808	1,139	914	934	33%	2%
o/w Gas	137	193	214	377	199	45%	(47%)
o/w Rest of Europe	812	918	2,830	3,130	2,323	186%	(26%)
o/w Electricity	545	520	2,229	1,941	1,866	242%	(4%)
o/w Gas	267	398	601	1,189	457	71%	(62%)

Source: Alantra Equities

AUDAX: SUPPLY MARGINS

(€ m)	2Q20	3Q20	4Q20	1Q21	2Q21	% YoY	% QoQ
Gross Profit	20.3	25.8	27.1	26.4	20.1	(1%)	(24%)
o/w Spain	14.4	21.9	15.6	16.6	9.8	(32%)	(41%)
o/w Rest of Europe	5.8	3.9	11.5	9.8	10.4	78%	6%
Unitary margin (€/MWh)	12.3	13.4	6.5	6.0	5.8	(53%)	(2%)
o/w Spain	17.2	21.9	11.5	12.8	8.6	(50%)	(33%)
o/w Rest of Europe	7.2	4.2	4.1	3.1	4.5	(38%)	42%

Source: Alantra Equities

AUDAX: GENERATION BUSINESS KPIs

	2Q20	3Q20	4Q20	1Q21	2Q21	% YoY	% QoQ
Total Generation (GWh)	43	43	58	48	49	12%	1%
o/w Spain	17	23	24	19	24	37%	23%
o/w France	7	6	9	9	7	9%	(19%)
o/w Poland	20	15	25	20	18	(9%)	(11%)
Installed Capacity (MW)	91	91	91	106	146	60%	38%
o/w Spain	45	45	45	60	100	124%	67%
o/w France	12	12	12	12	12	0%	0%
o/w Poland	35	35	35	35	35	0%	0%

Source: Alantra Equities

KEY DATA

P&L account (EURm)	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Sales	1,044	969	1,737	1,726	1,732	1,802
Cost of sales	(917)	(854)	(1,622)	(1,564)	(1,513)	(1,546)
Gross margin	127	115	115	162	218	255
Opex	(58)	(65)	(68)	(72)	(82)	(92)
EBITDA adjusted	68	50	47	90	137	163
Assets disposals	5	16	0	0	0	0
EBITDA reported	73	66	47	90	137	163
Depreciation & Amortization	(26)	(20)	(20)	(23)	(33)	(36)
EBIT	47	47	27	67	104	128
Financial costs	(16)	(13)	(24)	(28)	(33)	(40)
Associates	(0)	(0)	(0)	(0)	(0)	(0)
Ordinary profit	31	34	3	39	70	88
Extraordinary items	2	0	0	0	0	0
Pre-tax Profit	33	34	3	39	70	88
Taxes	(2)	(4)	0	(4)	(8)	(11)
Discontinued activities	0	0	0	0	0	0
Minorities	(6)	(4)	(1)	(2)	(1)	(1)
Net profit	25	26	2	32	61	76
Nº of shares (m)	440	440	440	440	440	440
Nº of shares adjusted (m)	440	440	440	440	440	440
Treasury stock (m)	0	0	0	0	0	0

YoY Growth	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Sales	5.8%	(7.1%)	79.2%	(0.6%)	0.3%	4.0%
EBITDA adjusted	52.4%	(26.7%)	(5.8%)	90.3%	52.2%	19.5%
EBITDA reported	37.2%	(9.3%)	(29.0%)	90.3%	52.2%	19.5%
Net profit	182.5%	3.8%	(93.8%)	1832.2%	90.5%	25.9%

Revenues by business	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Supply	96.9%	98.3%	98.9%	98.2%	96.3%	95.0%
Generation	3.1%	1.7%	1.1%	1.8%	3.7%	5.0%

EBITDA by business	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Supply	62.4%	82.4%	70.6%	75.1%	65.5%	60.2%
Generation	37.6%	17.6%	29.4%	24.9%	34.5%	39.8%

Per share data	FY19	FY20	FY21E	FY22E	FY23E	FY24E
EPS	0.06	0.06	0.00	0.07	0.14	0.17
EPS adjusted	0.05	0.03	0.00	0.07	0.14	0.17
CFPS	0.10	0.08	0.05	0.12	0.21	0.25
FCFPS	0.18	(0.04)	(0.08)	(0.44)	(0.40)	(0.50)
BVPS	0.28	0.33	0.31	0.38	0.52	0.69
DPS	0.00	0.02	0.00	0.00	0.00	0.00

Cash flow (EURm)	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Net profit	25	26	2	32	61	76
Depreciation	26	20	20	23	33	36
Minorities	6	4	1	2	1	1
Non-cash adjustments	(12)	(16)	(2)	(3)	(2)	(1)
Total cash-flow (CF)	45	33	21	54	93	112
Capex	(2)	(17)	(74)	(227)	(262)	(322)
Working capital	35	(32)	18	(20)	(9)	(9)
Operating FCF	79	(16)	(35)	(192)	(178)	(219)
Financial investments	0	0	0	0	0	0
Rights issues	0	0	0	0	0	0
Disposals/(acquisitions)	47	(135)	(40)	0	0	0
Other	(2)	85	0	0	0	0
FCF before dividends	124	(65)	(75)	(192)	(178)	(219)
Dividends	0	0	(10)	0	0	0
Free-cash-flow (FCF)	124	(65)	(85)	(192)	(178)	(219)
Buy-backs	0	0	0	0	0	0
FCF after buy backs	124	(65)	(85)	(192)	(178)	(219)

Balance sheet (EURm)	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Equity	122	143	135	167	227	303
Minority interests	33	8	8	8	8	8
Provisions & others	19	19	19	19	19	19
Net debt [cash]	182	248	333	525	703	922
Capital invested	357	418	494	718	957	1,252
Intangible assets	244	297	297	297	297	297
Tangible assets	75	87	181	385	614	900
Financial assets	108	72	72	73	73	73
Associates	7	7	7	7	7	7
Working capital	(78)	(46)	(64)	(44)	(35)	(26)
Capital employed	357	418	494	718	957	1,252
Working capital/sales	-7.4%	-4.7%	-3.7%	-2.6%	-2.0%	-1.4%

Financial ratios	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Net debt/EBITDA	2.5X	3.7X	7.0X	5.8X	5.1X	5.6X
Gearing	117.1%	164.1%	233.0%	300.8%	299.1%	296.2%
Interest cover	3.0X	3.6X	1.1X	2.4X	3.1X	3.2X

Margins & ratios	FY19	FY20	FY21E	FY22E	FY23E	FY24E
EBITDA margin	6.5%	5.2%	2.7%	5.2%	7.9%	9.1%
EBIT margin	4.5%	4.8%	1.6%	3.9%	6.0%	7.1%
Effective tax rate	5.1%	11.4%	-0.8%	11.5%	12.0%	12.1%
Pay-out	0.0%	37.9%	0.0%	0.0%	0.0%	0.0%
ROCE (EBIT/CE)	13.2%	11.2%	5.5%	9.3%	10.8%	10.2%
ROE	19.0%	10.6%	1.2%	21.1%	30.7%	28.7%

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