

AUDAX RENEWABLES

Increased focus on renewables makes sense

- Good Q4 results.** Gross margin grew by 17% to €33m in Q4, roughly in line with our estimate. Reported EBITDA reached €26m, with €7m net positive gains from the acquisition of the Hungarian portfolio. Excluding this, EBITDA increased by 26% to €19m, in line with our estimate. Net profit reached €18m, above estimates.
- Steady growth in customers.** Customers grew by 25% QoQ (+105K), reaching 515K, above our 500K estimate, and including 82K customers from the deal in Hungary. Excluding them, customers grew by 22K in Q4, +6% QoQ. On a FY basis and excluding acquisitions, customers increased by c.30%, or by c.95K, implying an average of 24K per quarter, accelerating vs. the 10-15K average in 2019. Growth in Spain was particularly strong, going from 225K to 304K, +35% YoY, with a very strong performance from online channels.
- Increased investment effort in renewables.** Back in December, Audax acquired a c.2GW PV pipeline, mostly in Iberia. This should allow the company to speed up growth in renewables, reaching a new capacity run-rate of 750MW p.a. from 2023, more than 2X our 300MW p.a. estimate. We value positively the increased effort in renewables, in a context in which Audax will be able to sell part of the new electricity produced to its customer base.
- How will growth be financed?** Net debt reached €204m in Q4, or €248m including a €44m loan with the main shareholder, implying 3.7X debt/EBITDA. We expect €720m capex over 2021-23 in renewables, and net debt to reach €765-770m in 2023 (5.2X). Whilst liquidity (>€360m cash in hand) is enough to cover capex over the next couple of years, leverage will be high and will need to be cut. In this context, we would welcome both disposals of "old" assets (91MW in operation) and/or a capital increase to finance the expected growth.
- Strong growth ahead.** We are raising our new renewable capacity estimates from 725MW to 1.4GW over 2021-23. As a result, we increase our 2021-23 EBITDA & EPS estimates by 2-3% p.a. (higher impact beyond 2024, as new capacity will be back end loaded). We expect strong growth over the coming years, with EBITDA & EPS CAGRs of 40% & 70% in 2020-23 respectively, both driven by the new generation capacity and also by the supply division, which should grow by double digit per annum over the period. Regarding our valuation scenarios, we increase them by 10-15% to €2.43-2.84 p.s., also to reflect the impact of the new capacity.

Financial Ratios	FY18	FY19	FY20	FY21E	FY22E	FY23E
EBITDA (€m)	45	68	50	73	103	148
Net profit (€m)	9	25	26	28	46	70
EPS (€)	0.02	0.06	0.06	0.06	0.10	0.16
Adj. EPS (*) (€)	0.03	0.05	0.03	0.06	0.10	0.16
P/E (x)	63.1	37.1	27.2	32.5	19.6	12.8
P/E Adj. (x)	41.6	43.4	50.8	32.5	19.6	12.8
EV/EBITDA (x)	18.0	15.8	19.1	16.4	13.6	11.2
Debt/EBITDA (x)	6.8	2.7	4.9	4.3	5.0	5.2
P/BV (x)	3.5	7.7	5.0	5.6	4.3	3.2
ROE (%)	10.1	19.0	10.6	18.2	24.9	29.0
DPS (€)	0.00	0.00	0.02	0.00	0.00	0.00
Dividend yield (%)	0.0	0.0	1.4	0.0	0.0	0.0

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

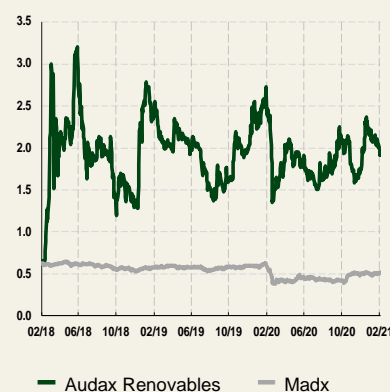
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Share Price € 2.04

ADX.MC / ADX SM

Market Cap € 898 m
Enterprise Value € 1,203 m
Free Float € 150 m
Nº Shares 440 m
Average Daily Volume € 3 m

Performance	1m	3m	12m
Absolute %	-10.2	9.6	-20.6
Relative %	-15.0	6.1	-13.4



— Audax Renovables — Madx

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AUDAX: QUARTERLY P&L REVIEW

(€ m)	4Q19	1Q20	2Q20	3Q20	4Q20	% YoY	4Q20E	Dif. Est
Gross Margin	28.1	30.0	23.0	29.0	32.9	17%	33.4	(1%)
o/w Spain	21.5	20.0	15.2	23.1	18.4	(14%)	22.2	(17%)
o/w International	6.6	10.1	7.8	5.9	14.5	118%	11.2	29%
EBITDA	15.0	12.3	10.4	17.4	26.4	75%	19.1	38%
o/w Spain	11.0	6.4	7.4	13.6	9.8	(11%)	14.5	(33%)
o/w International	4.0	5.8	3.0	3.7	16.6	311%	4.6	259%
EBIT	9.3	7.1	5.7	12.6	21.3	129%	13.6	57%
Net profit attributable	6.9	1.4	2.7	4.4	17.9	159%	7.6	136%

Source: Alantra Equities

AUDAX: SUPPLY BUSINESS KPIs

	4Q19	1Q20	2Q20	3Q20	4Q20	% YoY	% QoQ
Supply Points ('000)	338.1	365.5	384.6	492.3	514.9	52%	5%
o/w Spain	224.5	249.9	264.5	286.9	303.7	35%	6%
o/w Electricity	192.8	211.4	222.0	238.7	251.4	30%	5%
o/w Gas	31.7	38.5	42.5	48.2	52.3	65%	9%
o/w Rest of Europe	113.6	115.7	120.1	205.3	211.2	86%	3%
o/w Electricity	76.4	77.7	81.1	165.9	170.7	123%	3%
o/w Gas	37.2	37.9	39.0	39.4	40.6	9%	3%
Energy supplied (GWh)	2,679	2,721	1,649	1,920	4,182	56%	118%
o/w Spain	1,242	1,120	837	1,002	1,352	9%	35%
o/w Electricity	964	849	700	808	1,139	18%	41%
o/w Gas	278	271	137	193	214	(23%)	10%
o/w Rest of Europe	1,437	1,601	812	918	2,830	97%	208%
o/w Electricity	666	641	545	520	2,229	235%	329%
o/w Gas	771	960	267	398	601	(22%)	51%

Source: Alantra Equities

AUDAX: SUPPLY MARGINS

(€ m)	4Q19	1Q20	2Q20	3Q20	4Q20	% YoY	% QoQ
Gross Profit	22.7	25.5	20.3	25.8	27.1	19%	5%
o/w Spain	19.0	18.9	14.4	21.9	15.6	(18%)	(29%)
o/w Rest of Europe	3.7	6.6	5.8	3.9	11.5	212%	196%
Unitary margin (€/MWh)	8.5	9.4	12.3	13.4	6.5	(24%)	(52%)
o/w Spain	15.3	16.9	17.2	21.9	11.5	(25%)	(47%)
o/w Rest of Europe	2.6	4.1	7.2	4.2	4.1	59%	(4%)

Source: Alantra Equities

AUDAX: GENERATION BUSINESS KPIs

	4Q19	1Q20	2Q20	3Q20	4Q20	% YoY	% QoQ
Total Generation (GWh)	63	60	43	43	58	(7%)	35%
o/w Spain	30	18	17	23	24	(19%)	5%
o/w France	7	8	7	6	9	29%	53%
o/w Poland	26	33	20	15	25	(4%)	74%
Installed Capacity (MW)	91	91	91	91	91	(0%)	(0%)
o/w Spain	45	45	45	45	45	0%	0%
o/w France	12	12	12	12	12	1%	1%
o/w Poland	35	35	35	35	34	(2%)	(2%)

Source: Alantra Equities

KEY DATA

P&L account (EURm)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Sales	987	1,044	969	1,198	1,395	1,551
Cost of sales	(883)	(917)	(854)	(1,060)	(1,224)	(1,322)
Gross margin	104	127	115	137	172	229
Opex	(59)	(58)	(65)	(64)	(69)	(81)
EBITDA adjusted	45	68	50	73	103	148
Assets disposals	9	5	16	0	0	0
EBITDA reported	53	73	66	73	103	148
Depreciation & Amortization	(25)	(26)	(20)	(20)	(24)	(37)
EBIT	28	47	47	53	79	111
Financial costs	(16)	(16)	(13)	(21)	(24)	(30)
Associates	(0)	(0)	(0)	(0)	(0)	(0)
Ordinary profit	12	31	34	33	55	81
Extraordinary items	(0)	2	0	0	0	0
Pre-tax Profit	12	33	34	33	55	81
Taxes	(2)	(2)	(4)	(4)	(6)	(10)
Discontinued activities	0	0	0	0	0	0
Minorities	(1)	(6)	(4)	(1)	(2)	(1)
Net profit	9	25	26	28	46	70
Nº of shares (m)	440	440	440	440	440	440
Nº of shares adjusted (m)	290	440	440	440	440	440
Treasury stock (m)	0	0	0	0	0	0

YoY Growth	FY18	FY19	FY20	FY21E	FY22E	FY23E
Sales	46.1%	5.8%	(7.1%)	23.6%	16.5%	11.1%
EBITDA adjusted	20.7%	52.4%	(26.7%)	46.5%	39.9%	43.8%
EBITDA reported	44.0%	37.2%	(9.3%)	10.5%	39.9%	43.8%
Net profit	9.1%	182.5%	3.8%	4.8%	65.5%	53.0%

Revenues by business	FY18	FY19	FY20	FY21E	FY22E	FY23E
Supply	96.4%	96.9%	98.3%	98.5%	97.8%	95.4%
Generation	3.6%	3.1%	1.7%	1.5%	2.2%	4.6%

EBITDA by business	FY18	FY19	FY20	FY21E	FY22E	FY23E
Supply	44.0%	62.4%	82.4%	82.3%	78.4%	64.9%
Generation	56.0%	37.6%	17.6%	17.7%	21.6%	35.1%

Per share data	FY18	FY19	FY20	FY21E	FY22E	FY23E
EPS	0.02	0.06	0.06	0.06	0.10	0.16
EPS adjusted	0.03	0.05	0.03	0.06	0.10	0.16
CFPS	0.12	0.10	0.08	0.11	0.16	0.24
FCFPS	0.27	0.18	(0.04)	(0.13)	(0.45)	(0.58)
BVPS	0.37	0.28	0.33	0.37	0.47	0.63
DPS	0.00	0.00	0.02	0.00	0.00	0.00

Cash flow (EURm)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net profit	9	25	26	28	46	70
Depreciation	25	26	20	20	24	37
Minorities	1	6	4	1	2	1
Non-cash adjustments	(1)	(12)	(16)	(2)	(3)	(2)
Total cash-flow (CF)	34	45	33	48	69	106
Capex	(0)	(2)	(17)	(101)	(259)	(359)
Working capital	43	35	(32)	(2)	(8)	(5)
Operating FCF	77	79	(16)	(56)	(198)	(258)
Financial investments	0	0	0	0	0	0
Rights issues	0	0	0	0	0	0
Disposals/(acquisitions)	0	47	(135)	0	0	0
Other	(74)	(2)	85	0	0	0
FCF before dividends	3	124	(65)	(56)	(198)	(258)
Dividends	0	0	0	(10)	0	0
Free-cash-flow (FCF)	3	124	(65)	(66)	(198)	(258)
Buy-backs	0	0	0	0	0	0
FCF after buy backs	3	124	(65)	(66)	(198)	(258)

Balance sheet (EURm)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity	106	122	143	161	207	277
Minority interests	33	33	8	8	8	8
Provisions & others	20	19	19	19	19	19
Net debt [cash]	307	182	248	314	512	769
Capital invested	466	357	418	501	745	1,073
Intangible assets	250	244	297	297	297	297
Tangible assets	167	75	87	168	404	726
Financial assets	85	108	72	72	73	73
Associates	7	7	7	7	7	7
Working capital	(43)	(78)	(46)	(43)	(35)	(31)
Capital employed	466	357	418	501	745	1,073
Working capital/sales	-4.3%	-7.4%	-4.7%	-3.6%	-2.5%	-2.0%

Financial ratios	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net debt/EBITDA	5.7X	2.5X	3.7X	4.3X	5.0X	5.2X
Gearing	219.8%	117.1%	164.1%	186.0%	238.7%	270.5%
Interest cover	1.7X	3.0X	3.6X	2.6X	3.3X	3.7X

Margins & ratios	FY18	FY19	FY20	FY21E	FY22E	FY23E
EBITDA margin	4.5%	6.5%	5.2%	6.1%	7.4%	9.5%
EBIT margin	2.9%	4.5%	4.8%	4.4%	5.6%	7.2%
Effective tax rate	15.1%	5.1%	11.4%	11.3%	11.8%	12.0%
Pay-out	0.0%	0.0%	37.9%	0.0%	0.0%	0.0%
ROCE (EBIT/CE)	6.1%	13.2%	11.2%	10.6%	10.5%	10.4%
ROE	10.1%	19.0%	10.6%	18.2%	24.9%	29.0%

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