

## AUDAX RENOVABLES

### Raising estimates after Q3 results

- Weak Q3 results, but above estimates.** Revenues fell by 13% in Q3 to €222m (25% above estimates). Gross margin fell by 19% to €29m, 20% above, the difference due to higher than expected supply unitary margins offsetting weaker than expected energy sales. EBITDA fell by 31% in Q3 to €17m, above our €13m estimate, with the difference again due to the Supply division. Net profit reached €4m, above our €1m. Net debt grew from €112m to €194m (in line), impacted by: 1) €30-35m acquisitions (Hungary and UniEléctrica minorities); and 2) €25-30m capex in renewable capacity.
- Strong client evolution.** Audax added 107k new clients in Q3, or 25.5k excluding the acquisition in Hungary (82.5k), implying +35% QoQ and c.2X YoY. Spain was especially strong, with 22.5k new clients (+50% QoQ, +100% YoY), which is remarkable in the current context. Total clients in Spain reached 287k, +28% vs. 225k in 2019, and above our 270k estimate for FY 2020.
- Strong supply unitary margins.** Energy sales fell by 11% in Q3, with Iberia tumbling by 20% (electricity -26% and gas +18%) and Europe growing by 3% (mostly driven by higher gas sales). According to our estimates, supply unitary margin fell just by 2% YoY to €13.4/MWh, with Iberia jumping by >20% to c.€22/MWh, positively impacted by an increase in the number of retail clients, and Europe falling by 45% to €4.2/MWh, in this case impacted by higher weight of gas sales, with lower average margin.
- Increased focus on renewables?** In a press interview, Audax's CEO mentioned that the aim of the company is to increase its renewable capacity by 4-6GW over the next 5Y in Spain, Portugal and Italy (mostly solar PV). This is above the 1.2GW included in the strategic plan for 2020-22, and above our 1.4GW estimate for 2020-25. Pending further details on the new growth target, we believe that increasing the investment effort in renewables makes sense.
- Raising estimates.** Despite the Covid-related weakness in sales, results surprised us positively for the second quarter in a row, in this case due to client growth, which is performing much better than expected. This is very positive considering the increased competition in Spain, and will allow Audax to be better placed to benefit from the recovery in volumes once the pandemic starts to fade. As a result, we are raising our 2020 EBITDA and EPS estimates by 15-20% and by 5-7% p.a. in 2021-22.

Financial Ratios	FY18	FY19	FY20E	FY21E	FY22E	FY23E
EBITDA (€m)	53	73	59	81	105	145
Net profit (€m)	9	25	16	34	49	75
EPS (€)	0.02	0.06	0.04	0.08	0.11	0.17
Adj. EPS (*) (€)	0.03	0.05	0.04	0.08	0.11	0.17
P/E (x)	63.1	37.1	56.6	26.5	18.6	12.1
P/E Adj. (x)	41.6	43.4	56.6	26.5	18.6	12.1
EV/EBITDA (x)	15.1	14.7	18.2	14.0	11.5	8.6
Debt/EBITDA (x)	6.8	2.7	4.0	3.6	3.5	2.8
P/BV (x)	3.5	7.7	6.6	5.3	4.1	3.1
ROE (%)	10.1	19.0	12.4	22.1	24.9	29.0
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

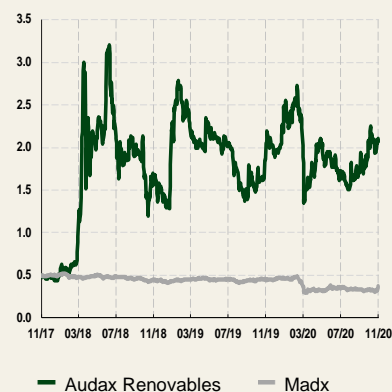
### SPONSORED RESEARCH

Share Price € 2.07

### ADX.MC / ADX SM

Market Cap € 911 m  
 Enterprise Value € 1,072 m  
 Free Float € 152 m  
 N° Shares 440 m  
 Average Daily Volume € 3 m

Performance	1m	3m	12m
Absolute %	0.5	34.6	1.5
Relative %	-12.0	28.1	16.7



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## AUDAX: QUARTERLY P&amp;L REVIEW

(€ m)	3Q19	4Q19	1Q20	2Q20	3Q20	% YoY	3Q20E	Dif. Est
<b>Revenues</b>	<b>256.4</b>	<b>260.7</b>	<b>234.2</b>	<b>169.6</b>	<b>222.4</b>	<b>(13%)</b>	<b>177.9</b>	<b>25%</b>
o/w Supply	250.2	255.3	229.7	166.9	219.2	(12%)	174.8	25%
o/w Generation	6.2	5.4	4.5	2.7	3.2	(72%)	3.1	2%
<b>Gross Margin</b>	<b>35.5</b>	<b>28.1</b>	<b>30.0</b>	<b>23.0</b>	<b>29.0</b>	<b>(19%)</b>	<b>24.1</b>	<b>20%</b>
<b>EBITDA</b>	<b>25.1</b>	<b>15.0</b>	<b>12.3</b>	<b>10.4</b>	<b>17.4</b>	<b>(31%)</b>	<b>13.0</b>	<b>34%</b>
o/w Supply	15.2	9.9	8.7	8.9	15.0	(28%)	11.0	37%
o/w Generation	9.9	5.1	3.6	1.5	2.3	(76%)	2.0	17%
<b>Net profit</b>	<b>11.8</b>	<b>6.9</b>	<b>1.4</b>	<b>2.7</b>	<b>4.4</b>	<b>(62%)</b>	<b>1.2</b>	<b>275%</b>

Source: Alontra Equities

## AUDAX: SUPPLY BUSINESS KPIs

	3Q19	4Q19	1Q20	2Q20	3Q20	% YoY	% QoQ
<b>Supply Points ('000)</b>	<b>326.4</b>	<b>338.1</b>	<b>365.5</b>	<b>384.6</b>	<b>492.3</b>	<b>51%</b>	<b>28%</b>
<b>o/w Iberia</b>	<b>210.3</b>	<b>224.5</b>	<b>249.9</b>	<b>264.5</b>	<b>286.9</b>	<b>36%</b>	<b>8%</b>
o/w Electricity	183.1	192.8	211.4	222.0	238.7	30%	8%
o/w Gas	27.1	31.7	38.5	42.5	48.2	78%	13%
<b>o/w Rest of Europe</b>	<b>116.1</b>	<b>113.6</b>	<b>115.7</b>	<b>120.1</b>	<b>205.3</b>	<b>77%</b>	<b>71%</b>
o/w Electricity	76.9	76.4	77.7	81.1	165.9	116%	105%
o/w Gas	39.2	37.2	37.9	39.0	39.4	1%	1%
<b>Energy supplied (GWh)</b>	<b>2,148</b>	<b>2,679</b>	<b>2,721</b>	<b>1,649</b>	<b>1,920</b>	<b>(11%)</b>	<b>16%</b>
<b>o/w Iberia</b>	<b>1,257</b>	<b>1,242</b>	<b>1,120</b>	<b>837</b>	<b>1,002</b>	<b>(20%)</b>	<b>20%</b>
o/w Electricity	1,093	964	849	700	808	(26%)	15%
o/w Gas	164	278	271	137	193	18%	41%
<b>o/w Rest of Europe</b>	<b>891</b>	<b>1,437</b>	<b>1,601</b>	<b>812</b>	<b>918</b>	<b>3%</b>	<b>13%</b>
o/w Electricity	671	666	641	545	520	(22%)	(5%)
o/w Gas	220	771	960	267	398	81%	49%

Source: Alontra Equities

## AUDAX: SUPPLY MARGINS

(€ m)	3Q19	4Q19	1Q20	2Q20	3Q20	% YoY	% QoQ
<b>Gross Profit</b>	<b>29.4</b>	<b>22.7</b>	<b>25.5</b>	<b>20.3</b>	<b>25.8</b>	<b>(12%)</b>	<b>27%</b>
o/w Spain	22.5	19.0	18.9	14.4	21.9	(3%)	52%
o/w Rest of Europe	6.9	3.7	6.6	5.8	3.9	(43%)	(33%)
<b>Unitary margin (€/MWh)</b>	<b>13.7</b>	<b>8.5</b>	<b>9.4</b>	<b>12.3</b>	<b>13.4</b>	<b>(2%)</b>	<b>10%</b>
o/w Spain	17.9	15.3	16.9	17.2	21.9	22%	27%
o/w Rest of Europe	7.7	2.6	4.1	7.2	4.2	(45%)	(41%)

Source: Alontra Equities

## AUDAX: GENERATION BUSINESS KPIs

	3Q19	4Q19	1Q20	2Q20	3Q20	% YoY	% QoQ
<b>Total Generation (GWh)</b>	<b>69.2</b>	<b>63.0</b>	<b>59.6</b>	<b>43.4</b>	<b>43.3</b>	<b>(37%)</b>	<b>(0%)</b>
o/w Spain	48.0	29.7	18.3	17.2	23.0	(52%)	34%
o/w France	5.3	6.9	8.3	6.5	5.8	9%	(11%)
o/w Poland	15.9	26.4	33.0	19.7	14.5	(9%)	(26%)
<b>Installed Capacity (MW)</b>	<b>127</b>	<b>91</b>	<b>91</b>	<b>91</b>	<b>91</b>	<b>(28%)</b>	<b>0%</b>
o/w Spain	81	45	45	45	45	(45%)	0%
o/w France	11	12	12	12	12	3%	0%
o/w Poland	34	35	35	35	35	1%	0%

Source: Alontra Equities

## KEY DATA

P&L account (EURm)	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Sales	987	1,044	781	1,107	1,295	1,497
Cost of sales	(883)	(917)	(665)	(971)	(1,128)	(1,284)
<b>Gross margin</b>	<b>104</b>	<b>127</b>	<b>115</b>	<b>137</b>	<b>166</b>	<b>213</b>
Opex	(59)	(58)	(56)	(56)	(61)	(68)
<b>EBITDA adjusted</b>	<b>45</b>	<b>68</b>	<b>59</b>	<b>81</b>	<b>105</b>	<b>145</b>
Assets disposals	9	5	0	0	0	0
<b>EBITDA reported</b>	<b>53</b>	<b>73</b>	<b>59</b>	<b>81</b>	<b>105</b>	<b>145</b>
Depreciation & Amortization	(25)	(26)	(20)	(22)	(27)	(37)
<b>EBIT</b>	<b>28</b>	<b>47</b>	<b>39</b>	<b>59</b>	<b>78</b>	<b>108</b>
Financial costs	(16)	(16)	(16)	(18)	(19)	(20)
Associates	(0)	(0)	(0)	(0)	(0)	(0)
<b>Ordinary profit</b>	<b>12</b>	<b>31</b>	<b>23</b>	<b>41</b>	<b>59</b>	<b>88</b>
Extraordinary items	(0)	2	0	0	0	0
<b>Pre-tax Profit</b>	<b>12</b>	<b>33</b>	<b>23</b>	<b>41</b>	<b>59</b>	<b>88</b>
Taxes	(2)	(2)	(3)	(5)	(7)	(11)
Discontinued activities	0	0	0	0	0	0
Minorities	(1)	(6)	(4)	(1)	(2)	(1)
<b>Net profit</b>	<b>9</b>	<b>25</b>	<b>16</b>	<b>34</b>	<b>49</b>	<b>75</b>
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	FY20E	FY21E	FY22E	FY23E
Sales	46.1%	5.8%	(25.2%)	41.8%	16.9%	15.7%
EBITDA adjusted	20.7%	52.4%	(13.3%)	36.7%	30.2%	37.6%
EBITDA reported	44.0%	37.2%	(19.2%)	36.7%	30.2%	37.6%
Net profit	9.1%	182.5%	(36.7%)	113.6%	42.7%	53.4%

Revenues by business	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Supply	96.4%	96.9%	98.0%	97.9%	97.2%	95.9%
Generation	3.6%	3.1%	2.0%	2.1%	2.8%	4.1%

EBITDA by business	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Supply	44.0%	62.4%	79.1%	77.3%	74.4%	68.2%
Generation	56.0%	37.6%	20.9%	22.7%	25.6%	31.8%

Per share data	FY18	FY19	FY20E	FY21E	FY22E	FY23E
EPS	0.03	0.06	0.04	0.08	0.11	0.17
EPS adjusted	0.03	0.06	0.04	0.08	0.11	0.17
CFPS	0.12	0.10	0.08	0.13	0.17	0.25
FCFPS	0.27	0.18	(0.01)	(0.14)	(0.17)	(0.10)
BVPS	0.37	0.28	0.31	0.39	0.50	0.67
DPS	0.00	0.00	0.00	0.00	0.00	0.00

Cash flow (EURm)	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Net profit	9	25	16	34	49	75
Depreciation	25	26	20	22	27	37
Minorities	1	6	4	1	2	1
Non-cash adjustments	(1)	(12)	(4)	(1)	(3)	(2)
<b>Total cash-flow (CF)</b>	<b>34</b>	<b>45</b>	<b>36</b>	<b>56</b>	<b>76</b>	<b>112</b>
Capex	(0)	(2)	(14)	(126)	(145)	(155)
Working capital	43	35	(26)	10	(4)	1
<b>Operating FCF</b>	<b>77</b>	<b>79</b>	<b>(4)</b>	<b>(60)</b>	<b>(73)</b>	<b>(42)</b>
Financial investments	0	0	0	0	0	0
Rights issues	0	0	0	0	0	0
Disposals/(acquisitions)	0	47	(48)	0	0	0
Other	(74)	(2)	0	0	0	0
<b>FCF before dividends</b>	<b>3</b>	<b>124</b>	<b>(52)</b>	<b>(60)</b>	<b>(73)</b>	<b>(42)</b>
Dividends	0	0	0	0	0	0
<b>Free-cash-flow (FCF)</b>	<b>3</b>	<b>124</b>	<b>(52)</b>	<b>(60)</b>	<b>(73)</b>	<b>(42)</b>
Buy-backs	0	0	0	0	0	0
<b>FCF after buy backs</b>	<b>3</b>	<b>124</b>	<b>(52)</b>	<b>(60)</b>	<b>(73)</b>	<b>(42)</b>

Balance sheet (EURm)	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Equity	106	122	138	173	222	297
Minority interests	33	33	18	18	18	18
Provisions & others	21	20	20	20	20	20
Net debt [cash]	307	182	234	295	368	410
<b>Capital invested</b>	<b>468</b>	<b>358</b>	<b>411</b>	<b>506</b>	<b>628</b>	<b>745</b>
Intangible assets	250	244	244	244	244	244
Tangible assets	167	75	102	207	325	443
Financial assets	87	109	109	109	109	109
Associates	7	7	7	7	7	7
Working capital	(43)	(78)	(52)	(61)	(58)	(59)
<b>Capital employed</b>	<b>468</b>	<b>358</b>	<b>411</b>	<b>506</b>	<b>628</b>	<b>745</b>
Working capital/sales	-4.3%	-7.4%	-6.6%	-5.5%	-4.5%	-3.9%

Financial ratios	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Net debt/EBITDA	5.7X	2.5X	4.0X	3.6X	3.5X	2.8X
Gearing	219.8%	117.1%	149.7%	154.4%	153.3%	130.0%
Interest cover	1.7X	3.0X	2.4X	3.2X	4.0X	5.3X

Margins & ratios	FY18	FY19	FY20E	FY21E	FY22E	FY23E
EBITDA margin	4.5%	6.5%	7.6%	7.3%	8.1%	9.7%
EBIT margin	2.9%	4.5%	5.0%	5.3%	6.0%	7.2%
Effective tax rate	15.1%	5.1%	12.5%	12.5%	12.5%	12.5%
Pay-out	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROCE (EBIT/CE)	6.1%	13.1%	9.5%	11.7%	12.5%	14.5%
ROE	10.1%	19.0%	12.4%	22.1%	24.9%	29.0%

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