

## 6m Results 2021

**Opinion** <sup>(1)</sup>: Below expectations

**Impact** <sup>(1)</sup>: We will have to lower our estimates

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### 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. 57% y 33%, respectively of the TWh sold) with an international presence. It has 146MW of installed capacity (91MW of wind power and 55MW of solar), 87MW under construction and 2,291MW of PV at various stages of development.

### Market Data

Market Cap (Mn EUR and USD)	661.8	766.5
EV (Mn EUR and USD) <sup>(2)</sup>	1,098.1	1,271.9
Shares Outstanding (Mn)	440.3	
-12m (Max/Med/Min EUR)	2.36 / 1.97 / 1.50	
Daily Avg volume (-12m Mn EUR)	2.98	
Rotation <sup>(3)</sup>	115.0	
Factset / Bloomberg	ADX-ES / ADX SM	
Close fiscal year	31-Dec	

### Shareholders Structure (%)

José Elías Navarro	66.2
Indumenta Pueri	5.9
Free Float	27.9

### Relative performance (Base 100)



### Stock performance (%)

	-1m	-3m	-12m	-5Y
Absolute	-22.9	-23.2	-21.1	230.3
vs Ibex 35	-22.3	-23.0	-39.8	229.7
vs Ibex Small Cap Index	-20.5	-18.0	-37.9	88.6
vs Eurostoxx 50	-20.1	-22.9	-37.8	145.0
vs Sector benchmark <sup>(4)</sup>	-16.0	-20.9	-26.5	119.5

(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.

## 6m, the (s/t) headwind offsets the (l/t) tailwind. 1H21 EBITDA: -20% vs 1H20

The energy market is in the middle of a perfect storm, with rocketing gas prices and the increase in the price of Co2 emission rights resulting in a sharp rise in the price of electricity (impacting energy supply businesses head on). We highlight:

**DESPITE STRONG REVENUE GROWTH (EUR 692.1MN; +71.4%) ...** essentially due to: (i) higher prices for the energy supplied in core markets (on average, +100% for electricity and +158% for gas) and (ii) the higher volume supplied (+80% vs 1H20), with an increase in the number of supply points of 43% to over 549,000 in 1H21 (+22% in organic terms, excluding the effect of the integration of Hungary in 3Q20).

**... THE ENERGY MARKET PRICE SCENARIO HAS HIT THE GROSS MARGIN (-5.3P.P. Y/Y) WITH EBITDA OF EUR 18.2MN (-20% VS 1H20).** The dramatic increase in the price of electricity on the wholesale market (c. 100% vs 1H20) impacts ADX's supply business head on, reducing the gross margin to 7.8% of revenue (vs 13.1% in 1H20). This has resulted in a contraction of EBITDA of c. -20% vs 1H20 (EBITDA 1H21: EUR 18.2Mn; EBITDA margin 2.6% vs 5.6% in 1H20).

**RESULTING IN LOSSES AT THE BOTTOM LINE (EUR -3.6MN).** The decline in EBITDA, together with an amortisation expense of EUR 9.8Mn (in line vs 1H20) and a financial expense of EUR 12.4Mn (+56% vs 1H20) translates to a net loss of EUR -3.6M (vs EUR 4.1Mn of net profit in 1H20).

**WITH NET DEBT OF EUR 359.6MN (+84% VS 2020).** Net debt (ex IFRS 16) ended 1H21 at EUR 359.6Mn (+84% vs the 2020 close; c. 35% o/EV). However, the company maintains a large amount of cash and other equivalent assets (EUR 439Mn; -2.9% vs 2020).

**ADX CONTINUES TO MAKE PROGRESS WITH ITS PLAN TO DEVELOP NEW PV PLANTS.** With a portfolio of 2,524MW, of which 146MW are in operation (vs 91MW at the 2020 close), 87MW under construction and a further 2,291MW at various phases of development (backlog of 1,116MW). In 1H21 some 15MWp were connected to the grid, the 40MWp plant having been fully executed (administrative procedures for start-up are expected by the end of October).

**IN CONCLUSION, THE PERFECT STORM IS IMPACTING THE SUPPLY BUSINESS. WE WILL DOWNGRADE OUR 2021E ESTIMATES.** 1H21 results reflect the adverse scenario being faced by the energy market that fully impacts suppliers' business (Bulb Energy is a case in point). A factor that threatens to become worse as winter approaches (the price of electricity on the wholesale market is recording new highs at the time of writing). This will lead us to downgrade our estimates for 2021e-2023e based on: (i) the capacity for margin recovery in 2H21 (with the management of the current price environment) and (ii) the speed of the start-up of the new PV plants that should already contribute EBITDA in 2H21. A potential return of energy prices to 2019 levels would have an obvious and significant impact on ADX's P&L but at the moment the timing of this is completely unknown.

## Appendix 1. Results table

EUR Mn	6m21		6m21 Real		2Q21 vs	
	Real	6m20	vs 6m20	2Q21	2Q20	
<b>Total Revenues</b>	<b>692.1</b>	<b>403.8</b>	<b>71.4%</b>	<b>351.9</b>	<b>107.5%</b>	
<b>Recurrent EBITDA</b>	<b>18.2</b>	<b>22.7</b>	<b>-19.8%</b>	<b>5.4</b>	<b>-47.9%</b>	
<i>Rec. EBITDA/Revenues</i>	<i>2.6%</i>	<i>5.6%</i>	<i>-3.0 p.p.</i>	<i>1.5%</i>	<i>-4.6 p.p.</i>	
<b>EBITDA</b>	<b>18.2</b>	<b>22.7</b>	<b>-19.8%</b>	<b>5.4</b>	<b>-48.1%</b>	
<i>EBITDA/Revenues</i>	<i>2.6%</i>	<i>5.6%</i>	<i>-3.0 p.p.</i>	<i>1.5%</i>	<i>-4.6 p.p.</i>	
<b>EBIT</b>	<b>8.4</b>	<b>12.8</b>	<b>-34.4%</b>	<b>0.5</b>	<b>-92.1%</b>	
<b>NP</b>	<b>-3.6</b>	<b>4.1</b>	<b>-188.4%</b>	<b>-5.1</b>	<b>-293.1%</b>	
Supply points (thousand)	549	384	43.0%	9.0	n.a.	
Energy supplied (TWh)	7.9	4.4	79.5%	3.5	106%	
Electricity generation (GWh)	96.8	103.0	-6.0%	48.8	13%	
<b>Net Debt<sup>1</sup></b>	<b>359.6</b>	<b>194.9</b>	<b>84.5%</b>			

Net Debt adjusted to strip out the impact of IFRS 16 (EUR 13.8Mn in 1H21 and EUR 8.9 in 2020 at year end).

## Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	661.8	
+ Minority Interests	10.2	6m Results 2021
+ Provisions & Other L/T Liabilities	109.6	6m Results 2021
+ Net financial debt	359.6	6m Results 2021
- Financial Investments	43.1	6m Results 2021
+/- Others		
<b>Enterprise Value (EV)</b>	<b>1,098.1</b>	

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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

