

## 12m Results 2019

David López Sánchez – david.lopez@lighthouse-ieaf.com

**Opinion** <sup>(1)</sup>: Above expectations.

+34 915 904 226

**Impact** <sup>(1)</sup>: We will raise our estimates.

## Business description

**Audax Renovables** Audax Renovables (ADX) is an independent energy group focused on the supply of electricity and gas (97% of revenue; 62% of 9m19 EBITDA) to the SME segment (51% of the TWh supplied) with an international presence (only in the EU; 25% of revenue). It has 91MW of wind power capacity in Spain (49%), Poland (38%) and France (13%).

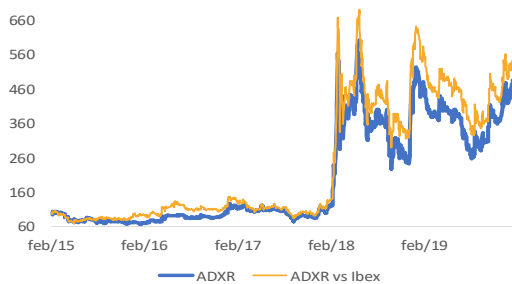
## Market Data

Market Cap (Mn EUR and USD)	1,073.4	1,180.8
EV (Mn EUR and USD) <sup>(2)</sup>	1,262.7	1,389.0
Shares Outstanding (Mn)	440.3	
-12m (Max/Med/Min EUR)	2.72 / 1.99 / 1.37	
Daily Avg volume (-12m Mn)	1.84	
Rotation <sup>(3)</sup>	43.8	
Thomson Reuters / Bloomberg	ADX.R.MC / ADX.SM	
Close fiscal year	31-Dec	

## Shareholders Structure (%)

José Elías Navarro	84.6
Free Float	15.4

## Relative performance -5y (Base 100)



## Stock performance

(%)	-1m	-3m	-12m	-5Y
Absolute	10.0	19.5	-1.8	n.a.
vs Ibex 35	12.9	19.6	-2.8	n.a.
vs Ibex Small Cap Index	15.7	20.4	-0.6	n.a.
vs Eurostoxx 50	16.2	23.8	-9.7	n.a.
vs Sector benchmark <sup>(4)</sup>	6.9	2.3	-26.2	n.a.

(1) The opinion about results is in respect of reported EBITDA and its relation to our estimate for the year (12m). The impact reflects whether, as a consequence of these results, we envisage a significant (>5%) upgrade or downgrade to our EBITDA estimates (for any of the estimated years).

(2) Please refer to Appendix 2.

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

(4) vs Eurostoxx 600 Utilities.

(\*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Thomson Reuters and Lighthouse

## 2019 results confirm the improvement in margins

The main figures for 2019 are: Revenue EUR 1,043.7Mn (+5.8%), Gross Margin EUR 126.6Mn (+22.1%), EBITDA EUR 68.4Mn (+52.5%) and Net Profit EUR 25Mn (vs EUR 8.4Mn 2018). As regards the balance sheet, the good news is the 44% reduction in ND to EUR 172.8Mn (ND/EBITDA 2019: 2.5x). We highlight:

**REVENUE GROWTH: +5.8% (EUR 1,043.7MN VS 986.9 2018)...** explained by the good performance of the supply business, with growth in revenue of 6.6% due to the increase in the number of customers (+11% vs 2018). And which offset the 8.2% reduction in revenues from the generation business (due to the disposal of renewable energy projects in Spain; in line with the company's asset rotation strategy).

**EBITDA FROM THE GENERATION BUSINESS REMAINS IN LINE (+2.3% VS 2018)** boosted by the good progress of the wind farm in Poland, which offset the loss of volume after the disposal of 58.6MW in August and 36MW in November 2019 of wind farm projects in Spain (Spanish generation revenues -20% vs 2018). Installed capacity at the end of 2019 after the disposals carried out was 91MW (wind power).

**... BUT THE SURPRISE LIES IN THE CONSOLIDATED MARGIN (6.6%; +2.0P.P. VS 2018)**, which drove EBITDA to EUR 68.4Mn (+52.6% vs 2018). The increase in the EBITDA margin (vs 5.5% estimated for 2019e) is mainly explained by the surprising improvement in margins seen in the supply business (4.2% vs 2.1% in 2018), where we would highlight: (i) the consolidation of the supply business outside Spain, which generated EBITDA of EUR 9.2Mn (vs losses of EUR 2.6Mn in 2018; c. 50% of the increase), and (ii) the first fruits of the strategy of electricity procurement via PPAs (c. 13% improvement in total EBITDA; LH estimate). The margin obtained in the supply division reached levels we hadn't expected until 2020e (EBITDA margin for the supply business 4.7%).

**AND A LARGE REDUCTION IN NET DEBT (-44% VS 2018):** ADX has reported ND of EUR 172.8Mn (vs 306.7Mn in 2018), a considerable decrease (ND/adjusted EBITDA 2.5x vs 6.8x 2018). This reduction in ND is mainly due to the disinvestment of generation projects with a positive impact on ND of c. EUR 66.9Mn (mainly from the reduction of Project Finance debt associated with these).

**IN CONCLUSION:** Slightly worse than expected results in terms of revenues (-4% vs estimates), but better than expected as regards EBITDA (significant improvement in margins) that consolidate the improvement in operating efficiency of the supply business seen in 3Q19, so we expect to upgrade our EBITDA and FCF estimates for 2020e-2022e hinging on two (opposing) levers: (i) the improvement in supply business margins seen in 2019 (4.2% vs 3.4% estimated) and (ii) its sustainability over time (in a highly competitive industry).

## Appendix 1. Results table

EUR Mn	12m19		12m19 Real		12m19 Real	
	Real	12m18	vs 12m18	2019e	vs 2019e	
<b>Total Revenues</b>	<b>1043.8</b>	<b>986.9</b>	<b>5.8%</b>	<b>1086.6</b>	<b>-3.9%</b>	
Supply business	1011.1	950.9	6.3%	1051.6	-3.8%	
Generation business	32.7	36.1	-9.4%	35.0	-6.6%	
<b>Recurrent EBITDA<sup>1</sup></b>	<b>68.4</b>	<b>44.8</b>	<b>52.6%</b>	<b>59.7</b>	<b>14.5%</b>	
<i>Rec. EBITDA/Revenues</i>	<i>6.6%</i>	<i>4.5%</i>	<i>2.0 p.p.</i>	<i>5.5%</i>	<i>1.1 p.p.</i>	
<b>EBITDA<sup>1</sup></b>	<b>68.4</b>	<b>44.8</b>	<b>52.6%</b>	<b>59.7</b>	<b>14.5%</b>	
<i>EBITDA/Revenues</i>	<i>6.6%</i>	<i>4.5%</i>	<i>2.0 p.p.</i>	<i>5.5%</i>	<i>1.1 p.p.</i>	
<b>NP</b>	<b>25.4</b>	<b>8.4</b>	<b>202.2%</b>	<b>13.6</b>	<b>86.4%</b>	
<b>Net Debt<sup>2</sup></b>	<b>172.8</b>	<b>306.7</b>	<b>-43.7%</b>	<b>224.5</b>	<b>-23.1%</b>	
<b>ND / EBITDA</b>	<b>2.5 x</b>	<b>6.8 x</b>	<b>-4.3 x</b>	<b>3.8 x</b>	<b>-1.2 x</b>	

(1) EBITDA adjusted to strip out the impacts of the impairment, reversal and result of disposals both in 2019 and 2018 (impact of EUR 4.9Mn and EUR 8.6Mn, respectively).

(2) 2019 Net Debt adjusted to strip out the impact of the application of IFRS 16 (EUR 9.6Mn in 2019; including the effect of IFRS 16 ND would amount to EUR 182,4Mn). Impact on EBITDA of c. EUR 1.7Mn.

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

	EUR Mn	Source
Market Cap	1,073.4	
+ Minority Interests	33.5	12m Results 2019
+ Provisions & Other L/T Liabilities	53.6	12m Results 2019
+ Net financial debt	172.8	12m Results 2019
- Financial Investments	76.3	12m Results 2019
+/- Others	5.7	12m Results 2019
<b>Enterprise Value (EV)</b>	<b>1,262.7</b>	

## IMPORTANT LEGAL INFORMATION REGARDING THIS REPORT

### LIGHTHOUSE

Lighthouse is a project of IEAF Servicios de Análisis S.L.U. Lighthouse is a research project funded by Bolsas y Mercados Españoles S.A. Lighthouse aims to improve the research coverage of the "orphan stocks" of the Spanish market: those which lack real and continuous research coverage. Lighthouse reports will not include valuation and target price. Lighthouse does not seek to provide investment advice to any natural or legal person. For this reason, Lighthouse will not provide a valuation, target price or investment recommendation for any of the securities analysed.

IEAF Servicios de Análisis S.L.U. is a Spanish company whose corporate purpose is:

1º) To provide information and financial analysis regarding securities issued by any class of legal person traded on official secondary markets, and specifically those securities which are not the object of the recurrent provision of information and analysis by financial analysts who participate in the markets.

2º) To publicise and update the aforementioned financial reports and analysis, in addition to the monitoring and following of the securities on which the information and analysis is provided.

3º) To prepare studies and projects aimed at proposing and implementing measures to improve the information and financial analysis of securities traded on official secondary markets.

IEAF Servicios de Análisis S.L.U. is a company whose sole shareholder is the Instituto Español de Analistas Financieros (IEAF), a professional, not for profit association.

### DISCLAIMER

The Instituto Español de Analistas Financieros (IEAF) hereby certifies that the analyst of IEAF Servicios de Análisis S.L.U. whose name figures as the author of this report, expresses views that reflect their personal and independent opinion of the company analysed without these implying, either directly or indirectly, a personalised recommendation of the company analysed for purposes of providing investment advice. This report is based on the preparation of detailed financial projections from information available to the public and following traditional fundamental research methodology (i.e. it is not a technical or quantitative analysis report). For the analysis methodology used in the preparation of this report, please contact the analyst directly; contact details are included on the front page of this report.

The report includes basic information regarding the main parameters to be used by an investor when making their own valuation (whether by discounted cash flows or multiples). These parameters are the personal opinion or estimate of the analyst. The person receiving this report should use their own judgement when using these parameters and should consider them as another element in their decision-making process in respect of investment. These parameters do not represent a personalised investment recommendation.

### Rules governing confidentiality and conflicts of interest

None of the following rules governing confidentiality and conflicts of interest (12) is applicable to this report:

1. This report is non-independent research as it has been commissioned by the company analysed (issuer).
2. In the last 12 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., has had Investment Banking mandates or has managed or co-managed a public offering of the securities of the issuer, or has received compensation from said issuer for Investment Banking services, that exclude brokerage services for prepaid fees.
3. In the next 6 months, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., expects to receive or intends to obtain compensation for Investment Banking services provided to this company that exclude brokerage services for prepaid fees.
4. The Investment Analyst or a member of the Research Department or a member of their household has a long position in the shares or derivatives of the corresponding issuer.
5. The Investment Analyst or a member of the Research Department or a member of their household has a short position in the shares or derivatives of the corresponding issuer.
6. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a long position of over 0.5% of the issuer's capital.
7. At the date of publication, the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U. held a short position of over 0.5% of the issuer's capital.
8. At the end of the month immediately prior to the publication of this report, or of the previous month if the report is published in the ten days following the end of the month, the company analysed (the issuer) or any of its subsidiaries held 5% or more of any class of equity security of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U.
9. A senior director or officer of the Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., or a member of their department is a director, officer, advisor or member of the Board of Directors of the issuer and/or one of its subsidiaries.
10. The Instituto Español de Analistas Financieros or its subsidiary, IEAF Servicios de Análisis S.L.U., acts as broker for the Issuer for the corresponding prepaid fees.
11. The contents of this report have been reviewed by the issuer prior to its publication.
12. The issuer has made changes to the contents of this report prior to its distribution.

The Investment Analysts who have prepared this Investment Analysis are employees of IEAF Servicios de Análisis S.L.U. These analysts have received (or will receive) compensation according to the general earnings of IEAF Servicios de Análisis S.L.U. To obtain a copy of the Code of Conduct of IEAF Servicios de Análisis S.L.U. (in respect of the Management of Conflicts of Interest in the research department), please use the e-mail address [secretaria@ieaf.es](mailto:secretaria@ieaf.es) or consult the contents of this Code at [www.ieaf.es](http://www.ieaf.es).

IEAF Servicios de Análisis S.L.U. is compensated by Bolsas y Mercados Españoles, S.A. for the preparation of this report. This report should be considered as just another element in the taking of investment decisions.

### A report issued by IEAF servicios de análisis S.L.U.

All rights reserved. The unauthorised use or distribution of this report is prohibited. This document has been prepared and distributed, according to the provisions of the MiFID II by IEAF Servicios de Análisis S.L.U. Its corporate activity is regulated by the CNMV (the Spanish Securities Exchange Commission). The information and opinions expressed in this document do not represent nor are they intended to represent an offer or a solicitation to buy or sell the securities (in other words, the securities mentioned in this report and related warrants, options, rights or interests). The information and opinions contained in this document are based upon information available to the public and have been obtained from sources believed to be reliable by IEAF Servicios de Análisis S.L.U., but no guarantee is given regarding their accuracy or completeness. All comments and estimates reflect solely the opinion of IEAF Servicios de Análisis S.L.U. and do not offer any implicit or explicit guarantee. All the opinions expressed are subject to change without prior warning. This document does not take into account the specific investment objectives, financial position, risk profile or other specific aspects of the person who receives this document, and accordingly they should exercise their own judgement in this respect. Neither the Instituto Español de Analistas Financieros nor its subsidiary, IEAF Servicios de Análisis S.L.U., assumes any responsibility for direct or indirect losses arising from the use of the published research, except in the event of negligent conduct by IEAF Servicios de Análisis S.L.U. The information contained in this report is approved for distribution to professional clients, eligible counterparties and professional advisers, but not for distribution to private individuals or retail clients. Its reproduction, distribution or publication for any purpose without the written authorisation of IEAF Servicios de Análisis S.L.U. is prohibited. The Instituto Español de Analistas Financieros (IEAF) and/or its subsidiary

IEAF Servicios de Análisis S.L.U., their employees and directors, may hold a position (long or short) in an investment knowing that this issuer will be the object of analysis and that this analysis will be distributed to institutional investors. Any further information regarding the contents of this report will be provided upon request. IEAF Servicios de Análisis S.L.U. intends to publish (at least) one quarterly report or note updating the information on the company analysed.

**United States.** IEAF Servicios de Análisis S.L.U. is not registered in the United States and, consequently, is not subject to the regulations of that country governing the preparation of research and the independence of analysts. This report is distributed solely to major US institutional investors, in reliance on the exemption from registration provided by Rule 15a-6 of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and interpretations of this made by the US Securities Exchange Commission.

**Major US Institutional Investors.** This report will be distributed to "major US institutional investors", as defined by Rule 15a-6 of the US Securities Exchange Commission and of the US Securities Exchange Act of 1934.

#### Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
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.	Initial Coverage	David López Sánchez