

9m Results 2021

Opinion ⁽¹⁾: Below expectations

Impact ⁽¹⁾: 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)	570.6	648.7
EV (Mn EUR and USD) ⁽²⁾	973.7	1,107.0
Shares Outstanding (Mn)	440.3	
-12m (Max/Med/Min EUR)	2.36 / 1.89 / 1.30	
Daily Avg volume (-12m Mn EUR)	2.90	
Rotation ⁽³⁾	129.6	
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	-12.8	-30.8	-39.2	184.8
vs Ibex 35	-13.8	-31.5	-47.9	172.0
vs Ibex Small Cap Index	-15.5	-31.5	-48.6	52.7
vs Eurostoxx 50	-16.9	-33.2	-52.4	98.0
vs Sector benchmark ⁽⁴⁾	-17.1	-31.5	-43.9	54.7

(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.

9m21: The current energy price scenario continues to impact results

The energy market remains in the middle of a perfect storm with gas and electricity prices through the roof (impacting energy supply businesses head on). We highlight:

REVENUES REMAIN AT HIGHS (EUR 1,143.3MN; +82.5% VS 9M20)... ADX has seen revenue growth accelerate as a result of the larger volume of energy supplied (+81.2% vs 9m20) explained by the incorporation of the Hungarian supplier (3Q20) and the increase in the number of supply points (544 thousand at the 9m21 close; +10.5% vs 9m20).

... ALTHOUGH THE GROSS MARGIN REMAINS UNDER PRESSURE. The current context for energy prices (in September the price of electricity on the wholesale market in Spain reached an all-time monthly average high of EUR 156MWh; +32% vs -1m and +73% vs -1y) continues to impact the margins of the supply business. And, despite the small improvement in the gross margin in percentage terms to 7.1% (+0.3p.p. vs 1H21), this remains below the levels seen in 9m20 and 1Q21 (13.1% and 8.8%, respectively).

PREVENTING THE GROWTH IN SALES TRANSLATING TO EBITDA (-27.9% VS 9M20). The contraction of the gross margin in percentage terms, together with higher operating costs (+31%; due to the integration of the Hungarian suppliers) translates to EBITDA of EUR 31.2Mn (-27.9% vs 9m20). This implies an EBITDA margin of 2.7% (vs 6.4% in 9m20). However, 3Q is already pointing to the possible beginning of the recovery (3Q21 EBITDA margin of 2.9% vs 1.5% in 2Q21 and 3.8% in 1Q21).

WITH LOSSES AT THE BOTTOM LINE CONTINUING. The decline in EBITDA, together with an amortisation expense of EUR 16.1Mn (+10% vs 9m20) and a financial results of EUR 18.2Mn (+78% vs 9m20) translates to a net loss for the year of EUR -4.2Mn (vs EUR 11.8Mn in 9m20). However, we would underscore that in 3Q net profit was already at breakeven (vs losses in 2Q).

AND AN INCREASE IN NET DEBT TO EUR 370MN (+81.8% VS 2020)... Net Debt (ex IFRS 16) ended 9m21 at EUR 370.6Mn (ND/LTM EBITDA > 7,5x vs 3.5x in 4Q20) mainly due to the increase in working capital (impact of c. EUR 100Mn; a result of the current price scenario) and the development of the company's portfolio of PV projects (ADX connected 15Mwp to the grid in 9m21, with work on 40Mwp already executed and undergoing administrative procedures for start-up, and a further 14.5Mwp with 95% of the work executed).

WE DOWNGRADE 2021E ESTIMATES ALTHOUGH 3Q POINTS TO THE POSSIBLE BEGINNING OF THE RECOVERY. 9m21 results reflect the current energy price situation. This will lead us to downgrade our estimates for 2021e, although also incorporating: (i) the capacity for margin recovery in 4Q21 (management of the current price scenario resulted in a 1.4pp improvement in the 3Q EBITDA margin vs 2Q) and (ii) the speed of the start-up of the already executed new PV plants (40Mwp; +27%) that should contribute EBITDA in 4Q21. All this should enable ADX to achieve 2021e revenue of c. EUR 1,500Mn and EBITDA of c. EUR 50Mn (-28% vs estimate prior to the current price scenario; EV/EBITDA c. 19,5x).

Appendix 1. Results table

EUR Mn	9m21		9m21 Real		3Q21 vs	
	Real	9m20	vs 9m20	3Q21	3Q20	
Total Revenues	1,143.3	626.2	82.6%	451.2	102.9%	
Recurrent EBITDA	31.2	43.2	-27.9%	13.0	-36.8%	
<i>Rec. EBITDA/Revenues</i>	<i>2.7%</i>	<i>6.9%</i>	<i>-4.2 p.p.</i>	<i>2.9%</i>	<i>-6.4 p.p.</i>	
EBITDA	31.2	40.1	-22.2%	13.0	-25.3%	
<i>EBITDA/Revenues</i>	<i>2.7%</i>	<i>6.4%</i>	<i>-3.7 p.p.</i>	<i>2.9%</i>	<i>-4.9 p.p.</i>	
EBIT	15.1	25.4	-40.8%	6.7	-47.3%	
NP¹	-4.2	11.8	-135.6%	0.2	-96.8%	
Supply points (thousand)	544.0	492.3	10.5%	-5.0	n.a.	
Energy supplied (TWh)	11.4	6.3	81.2%	3.5	85%	
Electricity generation (GWh)	140.5	146.3	-4.0%	43.7	1%	
Net Debt²	370.6	203.8	81.8%			

(1) Net Profit stripping out contribution from external partners (EUR 2.4Mn and EUR -3.3Mn in 9m21 and 9m20, respectively).

(2) Net Debt adjusted to exclude the impact of IFRS 16 (EUR 13.5Mn).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	570.6	
+ Minority Interests	10.4	9m Results 2021
+ Provisions & Other L/T Liabilities	79.5	9m Results 2021
+ Net financial debt	370.6	9m Results 2021
- Financial Investments	57.5	9m Results 2021
+/- Others		
Enterprise Value (EV)	973.7	

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
16-Nov-2021	n.a.	1.30	n.a.	n.a.	9m Results 2021	David López Sánchez
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

