

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. 59% y 33%, respectively of the TWh sold) with an international presence. It has 226MW of installed capacity (91MW of wind power and 135MW of solar), 19MW under construction and 2,291MW of PV at various stages of development.

Market Data

Market Cap (Mn EUR and USD)	572.4	642.9
EV (Mn EUR and USD) ⁽¹⁾	1,085.0	1,218.7
Shares Outstanding (Mn)	440.3	
-12m (Max/Med/Min EUR)	2.20 / 1.69 / 1.02	
Daily Avg volume (-12m Mn EUR)	1.77	
Rotation ⁽²⁾	78.9	
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	3.4	3.2	-33.9	122.2
vs Ibex 35	5.0	2.2	-35.9	150.4
vs Ibex Small Cap Index	0.4	-2.3	-32.7	45.2
vs Eurostoxx 50	9.0	7.5	-38.7	88.0
vs Sector benchmark ⁽³⁾	1.4	-1.0	-41.3	53.5

(1) Please refer to Appendix 2.

(2) Rotation is the % of the capitalisation traded - 12m.

(3) vs Stoxx Europe 600 Utilities.

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

2021: a year that cannot be extrapolated either in revenues or margins

VERY STRONG GROWTH IN REVENUES (EUR 1,690MN; +74.4%)... ADX has seen revenue growth accelerate due to: (i) the increase in prices and (ii) the larger volume of energy supplied (+46.7% vs 2020), basically due to the incorporation of the Hungarian supplier (only consolidated in 4Q20). At the 2021 close ADX had 518 thousand active supply points (in line with the number seen at the 2020 close; +70% vs 2018) maintaining a mix by type of client similar to that seen in 2020 (59% industrial, 33% SMEs and 8% domestic).

... ALTHOUGH THE VOLATILITY OF ENERGY MARKET PRICES HAS HIT THE GROSS MARGIN. 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). This reduced ADX's gross margin to 7.6% in 2021 (vs 11.9% in 2020).

PREVENTING THE STRONG GROWTH IN REVENUE TRANSLATING TO EBITDA (-3.3% VS 2020). The contraction of the gross margin in percentage terms, together with higher operating costs (+16.8%; due mainly to the integration of the Hungarian suppliers) translates to Rec. EBITDA of EUR 53.1Mn (in line with 2020 and still -20% smaller than in 2019). This implies an EBITDA margin of 3.1% (-2.5p.p. vs 2020 and -3.4p.p. vs 2019) although 4Q consolidated the recovery already seen in 3Q (4Q21 EBITDA margin 4%; vs 1.5% in 2Q21 and 3.8% in 1Q21).

WITH NET DEBT INCREASING TO EUR 443.5MN. Net debt (ex IFRS 16) closed 2021 at EUR 443.5Mn (ND/EBITDA c. 8x vs c. 3.5x in 2020) mainly as a result of the increase in working capital and the development of the PV project portfolio (ADX connected 135MW to the grid in 2021, with +19MW under construction).

IN CONCLUSION, A MIXED BAG OF RESULTS IN A YEAR THAT CLEARLY IMPROVED AS IT WENT ON. 2021 results reflect the adverse scenario experienced by the energy market in a year that clearly improved as it went on (EBITDA 4Q EUR 21.7Mn vs EUR 13Mn in 3Q21 and EUR 5.4Mn in 2Q21). Focusing on 2022e, we see the increase in installed renewable capacity to 226MW as positive (+19MW under construction; vs 91MW in 2020), as it should drive the generation business and enable the expected improvement in margins.

IN THE LONG TERM, THE THEORY POINTS TO HIGH POTENTIAL DUE TO A COMBINATION OF SIZE AND MARGIN. Comparing figures for 2021 with those for 2019 (pre Covid-19), today ADX has consolidated: (i) 518 thousand supply points (+53.3% vs 2019), (ii) a commercial structure capable of supplying 15.4TWh (+55%) and (iii) installed renewable capacity of 226MW (vs 158MW in 2019). In other words, ADX has increased both the commercial structure of its supply business and its generation capacity by c. 50%, that points to high potential for growth in EBITDA but conditional on the recovery of margin levels seen in 2019 (c. 6% vs c. 4% at present). And that can be considered the benchmark in the likely scenario of the normalisation of energy prices in the long term.

Appendix 1. Results table

EUR Mn	12m21		12m21 Real vs		4Q21 vs	
	Real	12m20	12m20	4Q21	4Q20	
Total Revenues	1,690.0	969.3	74.4%	546.7	59.3%	
Recurrent EBITDA	53.1	54.9	-3.3%	21.9	87.7%	
<i>Rec. EBITDA/Revenues</i>	3.1%	5.7%	-2.5 p.p.	4.0%	0.6 p.p.	
EBITDA	52.9	50.0	5.9%	21.7	119.3%	
<i>EBITDA/Revenues</i>	3.1%	5.2%	-2.0 p.p.	4.0%	1.1 p.p.	
EBIT	31.0	30.4	1.7%			
NP	2.8	26.4	-89.2%			
Supply points (thousand)	518.0	515.0	0.6%			
Energy supplied (TWh)	15.4	10.5	46.7%			
MW in operation	226.0	91.0	148.4%			
Electricity generation (GWh)	200.0	204.8	-2.3%			
Net Debt ¹	427.0	194.9	119.1%			
ND / EBITDA	8.0 x	3.5 x	4.5 x			

(1) Net Debt adjusted to exclude the impact of the IFRS 16 (EUR 16.5Mn and EUR 8.9Mn in 2021 and 2020, respectively).

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	572.4	
+ Minority Interests	12.0	12m Results 2021
+ Provisions & Other L/T Liabilities	85.6	12m Results 2021
+ Net financial debt	427.0	12m Results 2021
- Financial Investments	11.9	12m Results 2021
+/- Others		
Enterprise Value (EV)	1,085.0	

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
01-Mar-2022	n.a.	1.30	n.a.	n.a.	12m Results 2021	David López Sánchez
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

