

9m Results 2019

David López Sánchez – david.lopez@lighthouse-ieaf.com
+34 915 904 226

Opinion ⁽¹⁾: Above expectations.

Impact ⁽¹⁾: We will have to raise our estimates.

Business description

Audax Renovables Audax Renovables (ADX) is an independent energy group focused on the supply of electricity and gas (96% of revenue; 61% of 9m19 EBITDA) to the SME segment (51% of the TWh supplied) with an international presence (only in the EU; 26% of revenue). It has 126.4MW of wind power capacity in Spain (64%), Poland (27%) and France (9%).

Market Data

Market Cap (Mn EUR and USD)	938.7	1,033.2
EV (Mn EUR and USD) ⁽²⁾	1,142.2	1,257.3
Shares Outstanding (Mn)	440.3	
-12m (Max/Med/Mín EUR)	2.78 / 1.92 / 1.29	
Daily Avg volume (-12m Mn)	1.34	
Rotation ⁽³⁾	36.4	
Thomson Reuters / Bloomberg	ADXR.MC / ADX SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

José Elías Navarro	88.7
Free Float	11.4

Relative performance -5y (Base 100)



Stock performance

(%)	-1m	-3m	-12m	-5Y
Absolute	38.6	31.6	27.7	420.0
vs Ibex 35	39.8	24.5	27.0	473.5
vs Ibex Small Cap Index	39.6	26.0	29.2	251.8
vs Eurostoxx 50	33.8	19.4	11.3	329.7
vs Sector benchmark ⁽⁴⁾	38.2	22.2	4.0	285.9

(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 1.

(3) Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. 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

Revenue in line. The surprise is in margins

REVENUE GROWTH: +10.1% (EUR 783.1MN VS 711.1MN 9M18), in line with our estimates (revenues 2019e: +10.1% vs 2018): mainly due to the supply business as a result of an increase in revenues per GWh of c. 13% (which offset the 2% decline in the volume of energy supplied).

WITH A MUCH HIGHER THAN EXPECTED RECURRENT EBITDA MARGIN (6.8%; +2.3P.P. VS 9M18), which boosted EBITDA (adjusted for impairments and reversals) to EUR 53.5Mn (+67.5%). 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: which is reaping the first fruits of the strategy of electricity procurement via PPAs (EBITDA margin 4.3% vs 2.0% in 9m18; vs our estimate of 3.4%). In addition, we would point up that the generation division contributed adjusted EBITDA of EUR 20.8Mn (+4% vs 9m18) boosted by the good performance both in terms of volume (greater wind resources) and prices of the wind farm in Poland (impact of EUR 1.6Mn on EBITDA), which offset the loss of volume after the divestment of 58.6MW in August 2019.

AND A REDUCTION IN NET DEBT (-22% VS 2018): ADX has reported ND of EUR 259.8Mn that, while still high, has decreased considerably (ND/adjusted LTM EBITDA 3.9x; 3.3x before adjustments vs 7.4x 2018). This reduction in ND is mainly due to the disinvestment of generation projects with a positive impact on ND of c. EUR 50Mn (from the reduction of Project Finance debt associated with these).

IN CONCLUSION: Results in line in revenues but better than expected in EBITDA (excellent improvement in margins); consolidating the improvement in the operating efficiency of the supply business. The positive surprise and its continuation in 4Q19 would result in an upgrade to numbers hinging on two (opposing) levers: (i) the improvement in supply business margins seen in 9m19 (4.3% vs 3.4% estimated) and (ii) its sustainability over time (in a highly competitive industry).

EUR Mn	9m19	9m18	9m19 vs 9m18	3Q19	3Q19 vs 3Q18
Total Revenues	783.1	711.1	10.1%	256.4	-9.5%
Supply business	755.8	683.7	10.5%	250.2	-8.6%
Generation business	27.3	27.4	-0.5%	6.2	-35.9%
Recurrent EBITDA*	53.5	31.9	67.5%	19.5	20.4%
Rec. EBITDA/Revenues	6.8%	4.5%	2.3 p.p.	7.6%	1.9 p.p.
EBITDA	53.5	31.9	67.5%	19.5	20.4%
EBITDA/Revenues	6.8%	4.5%	2.3 p.p.	7.6%	1.9 p.p.
EBIT	37.7	15.5	143.1%	18.8	63%
NP	18.5	2.0	n.a.	11.8	191%
Ordinary NP	18.5	2.0	n.a.	11.8	191%
Net Debt**	259.8	n.a.	n.a.	n.a.	n.a.
ND / LTM EBITDA	3.9 x	n.a.	n.a.	n.a.	n.a.

* EBITDA y Rec. EBITDA Rec. adjusted by impairments and reversals amounting to EUR 4.6Mn in 9m19 and EUR 1.9Mn in 9m18.

** Since the supply business was integrated in Nov. 2018, Sept. 2018 reported Net Debt only included the ND associated to the Generation business (EUR 111,4Mn), and therefore, not comparable with the Sept. 2019 and 2018 reported Net Debt. In addition, Sept. 2019 reported Net Debt includes the effect of IFRS 16 (impact of + EUR 9.1Mn)

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Fuente
Market Cap	938.7	
+ Minority Interests	31.4	9m Results
+ Provisions & Other L/T Liabilities	35.1	6m Results
+ Net financial debt	259.8	9m Results
- Financial Investments	122.8	9m Results
+/- Others	-	9m Results
Enterprise Value (EV)	1,142.2	

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 or consult the contents of this Code at 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 IEF Servicios de Análisis S.L.U. is prohibited. The Instituto Español de Analistas Financieros (IEAF) and/or its subsidiary IEF 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. IEF 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. IEF 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
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