

EQUITY - SPAIN
 Sector: Electric Utilities

 Closing price: EUR 1.30 (24 Feb 2023)
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12m Results 2022
 Independent Equity Research

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Opinion ⁽¹⁾: In line

Impact ⁽¹⁾: We will maintain 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. 59% y 33%, respectively of the TWh sold) with an international presence. It has 245MW of installed capacity (91MW of wind power and 154MW of solar), 26MW under construction and 1,144MW of PV at various stages of development.

Market Data

Market Cap (Mn EUR and USD)	573.7	604.8
EV (Mn EUR and USD) ⁽²⁾	970.3	1,022.8
Shares Outstanding (Mn)	440.3	
-12m (Max/Med/Mín EUR)	1.40 / 1.07 / 0.70	
Daily Avg volume (-12m Mn EUR)	0.76	
Rotation ⁽³⁾	33.7	
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	-5.5	40.1	22.6	109.5
vs Ibex 35	-7.9	27.7	9.2	123.6
vs Ibex Small Cap Index	-7.7	23.9	14.3	71.6
vs Eurostoxx 50	-6.1	32.8	12.3	72.5
vs Sector benchmark ⁽⁴⁾	-5.6	40.3	24.3	55.6

(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.

2022 results in line. The improvement in margins is already a reality (2022 EBITDA: +15%)

THE SHARP RISE IN ELECTRICITY PRICES HAS CAUSED REVENUE TO SKYROCKET (+56.4% VS 2021). ADX ended 2022 with revenue of EUR 2.633Mn (+56.4%; fully in line with expectations). This strong growth is explained solely by the increase in electricity and gas prices that, as occurred in previous quarters, offset: (i) the reduction in supply points to 387 thousand due to a focus on the most profitable clients (-25.3% vs 2021; although in 4Q in isolation the decline had already slowed to -2% vs 3Q22) and (ii) the smaller volume of power supplied (-14.9% vs 2021).

THE VOLATILITY OF ENERGY MARKET PRICES IMPACTED THE GROSS MARGIN (-1.8P.P. VS 2021). In 2022 the energy market was immersed in a perfect storm that caused gas and electricity prices to go through the roof (impacting energy supply businesses head on). This reduced ADX's gross margin to 5.5% of revenue (vs 7% in 2021 and 12% in 2020!). ADX ended 2022 with a gross margin of EUR 143.8Mn (+17.2% vs 2021).

ALTHOUGH 4Q22 IN ISOLATION ALREADY REFLECTED A TURNING POINT FOR MARGINS. Looking at 4Q in isolation, the gross margin rebounded to 7% compared to 5% in 3Q21 and 5.5% for the year as a whole, recovering levels seen at the end of 2021. In our view, this was a turning point for the margins of the supply business (the most affected by the energy market situation in 2022).

THE START-UP OF NEW PV PLANTS BOOSTED EBITDA (EUR 54.1MN; +15.5% VS 2021). The coming on stream of new PV plants (+19MW without including Panama; equity consolidated) led to a 29% increase in generation to 258 GWh. This boosted the EBITDA of ADX's generation business, that in 2022 contributed 42% of total EBITDA (vs 27% in 2021). Despite the narrowing of margins (2022 EBITDA margin 2.1% vs 2.8% in 2021), this drove 2022 EBITDA to EUR 54.1Mn (+15.5% vs 2021); fully in line with expectations.

THE PORTFOLIO OF PV PROJECTS DECLINED TO 1.4GW. At the date of this report, the project portfolio was 1.4GW (vs the 2.5GW reported previously; prior to the filtering carried out to comply with RDL 23/2020). Out of the total portfolio, 245MW are in operation and 26MW under construction. Also, 141MW have a favourable environmental impact statement (EIS) and 323MW have a status close to RTB.

NET DEBT, EUR 347.3MN (-18.7% VS 2021). Net debt (ex IFRS 16) ended 2022 at EUR 347.3Mn (ND/EBITDA c. 6.5x vs c. 9x in 2021).

WE MAINTAIN ESTIMATES. THE KEY REMAINS THE RECOVERY OF MARGINS. ADX ended 2022 with two clearly distinct halves to the year, with a 1H22 fully impacted by the volatility and uncertainty of the energy market. This means that 2022 is not a year that can be extrapolated either in terms of revenue or margins. Putting the spotlight on 4Q in isolation, the improvement in margins is already a reality, that leads us to maintain our estimates for 2023e EBITDA (c. EUR 70Mn; +30% vs 2022); these basically envisage a gross margin of c. 7% (in line with 4Q22) and the contribution to 2023e results of the 19MW that came on stream at the end of 2022 and the 26MW currently under construction.

Appendix 1. Results table

EUR Mn	12m22 Real	12m21	12m22 Real vs 12m21	2022e	12m22 Real vs 12m21	4Q22	4Q22 vs 4Q21
Total Revenues	2,633.0	1,683.9	56.4%	2,610.2	0.9%	599.5	10.9%
Gross Margin	143.8	122.7	17.2%	134.8	6.7%	40.7	11.2%
Gross Margin/Revenues	5.5%	7.3%	-1.8 p.p.	5.2%	0.3 p.p.	6.8%	0.0 p.p.
EBITDA	54.1	46.9	15.5%	53.3	1.5%	18.1	15.3%
EBITDA/Revenues	2.1%	2.8%	-0.7 p.p.	2.0%	-1.1 p.p.	3.0%	0.1 p.p.
EBIT	32.3	24.9	29.7%	30.9	4.6%		
NP	3.5	-3.3	206.8%	2.2	60.1%		
Supply points (thousand)	387	518	-25.3%				
Energy supplied (TWh)	13	15	-14.9%				
MW in operation ²	179	160	11.9%				
Electricity generation (GWh) ²	258	200	29.0%				
	2022	2021					
Net Debt ¹	347.3	427.0	-18.7%	488.7	14.4%		
ND / EBITDA	6.4 x	9.1 x		9.2 x	-2.8 x		

(1) Net Debt adjusted to strip out the impact of IFRS 16 of EUR 20.7Mn and EUR 16.5Mn in 2022 and 2021, respectively.

(2) Installed capacity (MW) and energy generated (GWh) excluding the wind farm in Panama (66MW, with a 30% stake; equity accounted).

Table 2. Pipeline (MW)

MW	Early Stage	Grid Connection	Environmental approval	Backlog	Under Construction	Operation	Total	%
Spain	50	35	141	90	26	133	475	21.9%
Portugal	405	0	0	204	0	0	609	28.0%
Italy	0	190	0	29	0	0	219	10.1%
France	0	0	0	0	0	12	12	0.0%
Poland	0	0	0	0	0	34	34	1.6%
Panama*	0	0	0	0	0	66	66	3.0%
TOTAL	455	225	141	323	26	245	1,415	64.6%

* Audax has a 30% stake in the Panama wind farm (equity accounted)

Appendix 2. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	573.7	
+ Minority Interests	13.3	12m Results 2022
+ Provisions & Other L/T Liabilities	63.6	12m Results 2022
+ Net financial debt	347.3	12m Results 2022
- Financial Investments	27.6	12m Results 2022
+/- Others		
Enterprise Value (EV)	970.3	

LIGHTHOUSE

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
27-Feb-2023	n.a.	1.30	n.a.	n.a.	12m Results 2022	David López Sánchez
16-Nov-2022	n.a.	0.89	n.a.	n.a.	9m Results 2022	David López Sánchez
03-Oct-2022	n.a.	0.84	n.a.	n.a.	6m Results 2022	David López Sánchez
13-May-2022	n.a.	1.19	n.a.	n.a.	3m Results 2022	David López Sánchez
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

