AUDAX RENOVABLES

Initiating coverage

- **What is Audax Renovables?** Audax is a vertically integrated Spanish energy group with a presence in electricity & gas supply (>365k clients, o/w 250k in Spain & 165k in Europe) and renewable generation (91MW in Spain, France & Poland). Supply accounts for 75% of EBITDA and Generation 25%. 1) On Supply, 2/3 revenues are made through its "indexed tariff" (variable energy cost + margin) and 1/3 through the "fixed price". By client, c.60% of supply revenues come from SMEs, 30% industrial & 10% retail. Own production & PPAs account for 30-35% of (2020) energy sales; 2) On Generation, in addition to the 91MW in operation, Audax has 320MW solar PV under construction/development in Spain.
- **Positives.** 1) Vertically integrated business model in Spain; 2) International diversification; 3) Growth potential in Supply, from a small market share; 4) Significant operating leverage; 5) Potential to grow in renewables in Spain; 6) Consolidation in the Supply division. **Risks.** 1) High fragmentation & strong competition in Supply; 2) Rising client acquisition costs; 3) Margins exposed to commodity prices; 4) Bottlenecks in renewables in Spain (permitting & grid constraints); 5) Economic crisis could impact Audax's client base (65% SMEs); 6) Mismatch between energy consumption & supply curves.
- **Our estimates.** Audax is currently in a growth phase in its two divisions: 1) we expect Supply clients to increase by 16% CAGR 2020-23 from 338k (19) to 616k (23); and 2) Generation capacity should increase by 520MW from 91MW (19) to 611MW (23). 2020 will be a difficult year, impacted by the Covid-19 outbreak, with EBITDA down 30% from €68m to €48m, but we expect a quick recovery as: 1) energy demand & prices recover; 2) clients keep on growing; 3) new generation capacity is commissioned. EBITDA should jump by 70% in 2021 to €77m (>2019 levels), reaching €129m in 2023 (+17% CAGR 19-23). We expect growth to be financed organically, and adjusted leverage to peak at 3.5X in 2020, going down to c.2X in 2021-22 (2.7-3.0X reported).
- **Trading at a discount to peers.** We have assumed two scenarios to try and determine how much Audax could be worth, leading to a valuation range of €2.05-2.55 p.s. Audax currently trades at 24.6X P/E & 13X EV/EBITDA in 2021. This is above the big integrated utilities, which makes sense given that Audax is in the middle of an expansion phase, but below both independent suppliers and renewable producers. In our view, Audax should tend to trade in line with the latter two groups given their similar growth profile and prospects.

Financial Ratios	FY18	FY19	FY20E	FY21E	FY22E	FY23E
EBITDA (€m)	45	68	48	77	99	129
Net profit (€m)	9	25	10	33	49	71
EPS (€)	0.02	0.06	0.02	0.08	0.11	0.16
Adj. EPS (€)	0.03	0.05	0.02	0.08	0.11	0.16
P/E (x)	63.1	37.1	82.9	24.6	16.6	11.5
P/E Adj. (x)	41.6	43.4	82.9	24.6	16.6	11.5
EV/EBITDA (x)	18.0	15.8	20.9	13.0	10.4	8.1
Debt/EBITDA (x)	6.8	2.7	4.9	3.1	2.7	2.2
P/BV (x)	3.5	7.7	6.2	4.9	3.8	2.9
ROE (%)	10.1	19.0	7.7	22.3	25.9	28.4
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

(*) Historical multiples based on average share price of the year

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Share Price	€1.85

ADXR.MC / ADX SM	
Market Cap	€ 815 m
Enterprise Value	€ 997 m
Free Float	€ 111 m
Nº Shares	60 m
Average Daily Volume	€ 2 m

Performance	1m	3m	12m
Absolute %	4.7	0.9	13.7
Relative %	4.4	4.9	32.2

Shareholders

Jose Elias Navarro 86.4%, Free float 13.6%

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Key Data

P&L account (EURm)	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Sales	987	1,044	821	1,261	1,446	1,608
Cost of sales	(883)	(917)	(717)	(1,129)	(1,289)	(1,416)
Gross margin	**104**	**127**	**103**	**132**	**157**	**192**
Opex	(59)	(58)	(55)	(55)	(59)	(63)
EBITDA adjusted	**45**	**68**	**48**	**77**	**99**	**129**
Assets disposals	9	5	0	0	0	0
EBITDA reported	**53**	**73**	**48**	**77**	**99**	**129**
Depreciation & Amortization	(25)	(26)	(20)	(21)	(24)	(31)
EBIT	**28**	**47**	**28**	**56**	**75**	**98**
Financial costs	(16)	(16)	(16)	(17)	(17)	(17)
Associates	(0)	(0)	(0)	(0)	(0)	(0)
Ordinary profit	**12**	**31**	**12**	**39**	**58**	**81**
Extraordinary items	(0)	2	0	0	0	0
Pre-tax Profit	**12**	**33**	**12**	**39**	**58**	**81**
Taxes	(2)	(2)	(1)	(5)	(7)	(10)
Discontinued activities	0	0	0	0	0	0
Minorities	(1)	(6)	(0)	(1)	(1)	(0)
Net profit	**9**	**25**	**10**	**33**	**49**	**71**

Nº of shares (m)	440	440	440	440	440	440
Nº of shares adjusted (m)	290	440	440	440	440	440
Treasury stock (m)	0	0	0	0	0	0

YoY Growth	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Sales	46.1%	5.8%	(21.4%)	53.6%	14.7%	11.2%
EBITDA adjusted	20.7%	52.4%	(30.0%)	60.5%	28.8%	30.7%
EBITDA reported	44.0%	37.2%	(34.7%)	60.5%	28.8%	30.7%
Net profit	9.1%	182.5%	(61.4%)	237.2%	48.4%	44.3%

Revenues by business	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Supply	96.4%	96.9%	98.1%	98.4%	98.1%	97.5%
Generation	3.6%	3.1%	1.9%	1.6%	1.9%	2.5%

EBITDA by business	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Supply	37.0%	58.3%	74.3%	79.2%	79.0%	76.2%
Generation	63.0%	41.7%	25.7%	20.8%	21.0%	23.8%

Per share data	FY18	FY19	FY20E	FY21E	FY22E	FY23E
EPS	0.03	0.06	0.02	0.08	0.11	0.16
EPS adjusted	0.03	0.06	0.02	0.08	0.11	0.16
CFPS	0.12	0.10	0.07	0.12	0.17	0.23
FCFPS	0.27	0.18	(0.02)	(0.00)	(0.07)	(0.04)
BVPS	0.37	0.28	0.30	0.38	0.49	0.65
DPS	0.00	0.00	0.00	0.00	0.00	0.00

Cash flow (EURm)	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Net profit	9	25	10	33	49	71
Depreciation	25	26	20	21	24	31
Minorities	1	6	0	1	1	0
Non-cash adjustments	(1)	(12)	(0)	(1)	(1)	(0)
Total cash-flow (CF)	**34**	**45**	**30**	**54**	**73**	**102**
Capex	(0)	(2)	(14)	(71)	(100)	(116)
Working capital	43	35	(23)	16	(6)	(2)
Operating FCF	**77**	**79**	**(8)**	**(0)**	**(32)**	**(16)**
Financial investments	0	0	0	0	0	0
Rights issues	0	0	0	0	0	0
Disposals/(acquisitions)	0	47	(45)	0	0	0
Other	(74)	(2)	0	0	0	0
FCF before dividends	**3**	**124**	**(53)**	**(0)**	**(32)**	**(16)**
Dividends	0	0	0	0	0	0
Free-cash-flow (FCF)	**3**	**124**	**(53)**	**(0)**	**(32)**	**(16)**
Buy-backs	0	0	0	0	0	0
FCF after buy backs	**3**	**124**	**(53)**	**(0)**	**(32)**	**(16)**

Balance sheet (EURm)	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Equity	106	122	132	165	214	285
Minority interests	33	33	18	18	18	18
Provisions & others	21	20	20	20	20	20
Net debt [cash]	307	182	235	236	267	284
Capital invested	**468**	**358**	**406**	**439**	**520**	**608**
Intangible assets	250	244	244	244	244	244
Tangible assets	167	75	99	148	224	310
Financial assets	87	109	109	109	109	109
Associates	7	7	7	7	7	7
Working capital	(43)	(78)	(54)	(70)	(65)	(63)
Capital employed	**468**	**358**	**406**	**439**	**520**	**608**
Working capital/sales	-4.3%	-7.4%	-6.6%	-5.6%	-4.5%	-3.9%

Financial ratios	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Net debt/EBITDA	5.7X	2.5X	4.9X	3.1X	2.7X	2.2X
Gearing	219.8%	117.1%	156.4%	128.4%	115.0%	93.5%
Interest cover	1.7X	3.0X	1.7X	3.3X	4.5X	5.7X

Margins & ratios	FY18	FY19	FY20E	FY21E	FY22E	FY23E
EBITDA margin	4.5%	6.5%	5.8%	6.1%	6.8%	8.0%
EBIT margin	2.9%	4.5%	3.4%	4.4%	5.2%	6.1%
Effective tax rate	15.1%	5.1%	12.5%	12.5%	12.5%	12.5%
Pay-out	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROCE (EBIT/CE)	6.1%	13.1%	6.8%	12.6%	14.3%	16.2%
ROE	10.1%	19.0%	7.7%	22.3%	25.9%	28.4%

Summary & Investment Case

What is Audax Renovables?
Audax Renovables is a Spanish energy group with a presence in the electricity & gas supply business (62% of 2019 EBITDA) and renewable generation (38% of 2019 EBITDA). The origins of the company in Spain date back to 2009, and the international expansion started in 2013. Audax's Supply business now operates in Spain, Portugal, Italy, Germany, Poland, the Netherlands and Hungary. In 2016, Audax entered the renewable generation business with the acquisition of Fersa. As of today, it operates 91MW in Spain, France and Poland. Audax's founder is the Chairman and CEO, who is also the company's controlling shareholder with an 84.6% stake.

How does Audax make money?
With 250k clients in Spain, Audax is one of the main independent energy suppliers (c.2% market share). It has 116k additional clients in Europe (196k including the 80k recently acquired in Hungary). Audax sells electricity & gas to its clients through 3 different tariffs: 1) indexed (65% of revenues), variable cost of energy plus a fixed margin; 2) fixed price (35%); 3) flat indexed (1%). In terms of clients, c.60% are SMEs, 30% are industrial and 10% retail. Audax's energy sourcing is based on its own (electricity) production, PPAs and purchases in the market. As of today, own production and PPAs account for 30-35% of (2020) energy sales, but this should increase to 2/3 by 2022. In Generation, Audax operates 91MW across Spain (45MW), Poland (34MW) and France (12MW), either under regulated regimes (Spain & France) or under PPAs (Poland).

Positives. 1) Vertically integrated energy model in Spain, which increases the visibility of margins; 2) Wide international diversification, which allows for synergies in the energy purchases; 3) Scalable business model to new international markets; 4) Strong growth potential in Supply in Spain, from a very low market share; 5) Potential to increase its PV generation capacity in Spain; 6) Significant operating leverage, as it is able to add new clients without material increases in overheads; 7) Potential for M&A in Supply, given the high fragmentation of the market.

Risks. 1) High competition and low barriers to entry in Supply; 2) Rising client acquisition costs to protect and expand market shares; 3) High exposure to electricity & gas prices; 4) Permitting & grid constraints in Spain could become a bottleneck for growth plans in renewables; 5) High exposure to SME clients, which are potentially affected by the economic crisis generated by the Covid-19 outbreak; 6) Potential imbalances between Audax's client demand curve and its energy supply portfolio, leading to energy surplus/shortfalls that would trigger extra costs for Audax.

Strong growth prospects
Audax is in a growth phase in its two divisions: 1) we expect Supply clients to grow by 16% CAGR 19-23 from 338k (19) to 616k (23), with Spain going from 225k to 411k; and 2) new generation capacity should increase by 520MW, from 91MW (19) to 611MW (23), with all new capacity being solar PV in Spain. We expect 2020 to be a difficult year though, given the headwinds triggered by Covid-19, and expect EBITDA to fall by 30% from €68m to €48m. We expect a sharp recovery from 2021, led by growing volumes & the recovery of margins in Supply, and the gradual increase in generation capacity. This will allow EBITDA to jump by 70% in 2021 to €77m (above 2019 levels), reaching €129m in 2023 (+17% CAGR 19-23). We forecast a similar trend for net profit: down from €22m to €10m in 2020, up to €33m (21), €49m (22) and €71m (23).

The balance sheet & financing of the growth plans
The Supply business is asset-light, whilst Generation is capital intensive. Overall, we expect Audax to invest €301m over 2020-23 (40% of its market cap), with the bulk (95%) focused on Generation. Net debt will increase from €182m (19) to €284m (23). Net debt/EBITDA will peak at c.5X in 2020 (from 2.5X in 2019), falling to 3.1X (21), 2.7X (22) and 2.2X (23). This is manageable considering that c.75% of the net debt will be project finance-linked to the renewable generation assets, with no recourse to the parent company.

Valuation range: €2.05-2.55 per share
We have assumed two scenarios to try and determine how much Audax could be worth: 1) a cautious scenario, with an EV of €1.1bn and an equity value of €0.9bn, equivalent to €2.05 per share; and 2) an optimistic scenario, with an EV of €1.3bn, €1.1bn equity value and €2.55 per share. By business, 70-75% of our EV estimate corresponds to Supply and 25% to Generation, while in geographical terms, Spain & Portugal represent 50% of our total EV estimate. Audax is currently trading at €1.85 p.s., which implies 24.6X P/E & 13X EV/EBITDA in 2021. This is above the big integrated utilities, which makes sense given that Audax is in the middle of an expansion phase, but below both independent suppliers and renewable producers. In our view, Audax should tend to trade in line with the latter two groups given their similar growth profile and prospects.

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Valuation

Please note that the valuation is based on long-term analysis and that any ranges or discussions below do not constitute a short-term assessment of the likely performance of the securities.

1) Valuation range

In order to assess the potential value of Audax, we have assumed two scenarios:

a) **Cautious.** We arrive at an EV of €1.1bn and an equity value of €0.9bn after discounting debt and minorities. This is equivalent to €2.05 per Audax share.

b) **Optimistic.** We reach an EV of €1.3bn and €1.1bn equity value, equivalent to €2.55 p.s.

Supply accounts for 75% of the EV

In both scenarios, 70-75% of our estimated EV comes from the Supply division, 50% of which corresponds to the business in Spain & Portugal. Generation accounts for 25% of the EV. Our valuation scenarios are dated as of December 2021 (we discount our net debt estimate by then).

AUDAX: SUM OF THE PARTS VALUATION RANGE

	Spain & Portugal		International		Total group	
(€ m)	**Cautious**	**Optimistic**	**Cautious**	**Optimistic**	**Cautious**	**Optimistic**
Supply	576	697	237	287	813	984
Generation	179	216	74	90	253	306
o/w assets in operation	36	44	74	90	111	134
o/w new assets	142	172	0	0	142	172
Total EV	**754**	**913**	**311**	**377**	**1,066**	**1,290**
Net debt (2021)					(236)	(236)
Net financial assets (*)					90	90
Minorities					(19)	(19)
Equity value					**901**	**1,125**
Nº of shares (m)					440	440
Equity value per share (€)					**2.05**	**2.55**

(*) Includes financial assets and NPV of tax credits, net of liabilities; Source: Alantra Equities

Looking at the businesses and assets in more detail, the break-down is as follows:

EV of €813-984m for the Supply business

a) We value the **Supply business at an EV ranging from €813m to €984m**. We value the division though a DCF, using 8.7% cost of equity (we assume no debt) and 0.5% terminal growth rate. Our valuation implies an EV per supply point ranging from €1.8k to €2.2k in Spain in 2021 (€1.6-1.9k/client in 2022), and from €1.2k to €1.4k in international markets.

AUDAX: EV SUPPLY BUSINESS

	EV		Supply points (k)		EV/Supply point (€ k)			
	Cautious	**Optimistic**	**2021**	**2022**	**2021 (1)**	**2021 (2)**	**2022(1)**	**2022 (2)**
Spain & Portugal	576	697	316	363	1.8	2.2	1.6	1.9
Rest of Europe	237	287	198	202	1.2	1.5	1.2	1.4
Total Supply	**813**	**984**	**514**	**565**	**1.6**	**1.9**	**1.4**	**1.7**

(1) Cautious scenario; (2) Optimistic scenario; Source: Alantra Equities

In terms of EV/EBITDA, our valuation implies 13-16X in 2021, falling to 10-12X in 2022.

AUDAX: IMPLICIT EV/EBITDA FROM OUR SUPPLY BUSINESS VALUATION

	2021E		2022E	
(X)	**Cautious**	**Optimistic**	**Cautious**	**Optimistic**
Spain & Portugal	14.1	17.1	10.6	12.9
Rest of Europe	11.8	14.3	9.9	12.0
Total Supply	**13.4**	**16.2**	**10.4**	**12.6**

Source: Alantra Equities

EV per MW ranging from €1.1m to €1.3m

b) We value the **generation assets in operation at an EV ranging from €111m to €134m**. This includes the 91MW wind farms at an EV per MW ranging from €0.8m to €1.7m depending on the country (in line with the value that we use for other quoted utilities), as well as the 30% stake in the wind farm in Panama at an equity value of €11-13m.

AUDAX: EV GENERATION ASSETS

					EV		EV/MW	
(€ m)	**Technology**	**COD**	**Stake (%)**	**MWs**	**Cautious**	**Optimistic**	**Cautious**	**Optimistic**
Spain	Wind	2006	80%	45	36	44	0.8	1.0
Poland	Wind	2015	100%	34	49	59	1.4	1.7
France	Wind	2008	80%	12	15	18	1.2	1.5
Total assets in operation				**91**	**104**	**121**	**1.1**	**1.3**
Panama	Wind	-	30%	66	11	13		
Total EV					**111**	**134**		

Source: Alantra Equities

€142-172m EV for the new capacity & the pipeline

c) Lastly, we value the **new PV assets in Spain at an EV ranging from €142m to €172m**. We value the 115MW we expect Audax to have in operation by end-2021 at €0.7-0.8m/MW and the pipeline (MWs starting operations in 2022-23) at €0.2m/MW. These multiples are pretty much in line with those we use to value Solaria, the main quoted independent renewable generator in Spain.

AUDAX: EV NEW PV ASSETS IN SPAIN

		EV		EV/MW	
(€ m)	**MW**	**Cautious**	**Optimistic**	**Cautious**	**Optimistic**
In operation	115	79	96	0.7	0.8
Under development	385	63	77	0.2	0.2
Total	**500**	**142**	**172**		

Source: Alantra Equities

2) Peer comparison

Trading at a discount vs. independent suppliers

In the table below, we outline companies that we believe could be Audax's peers, including: a) the big utilities, which have a presence in both generation and supply; b) smaller electricity suppliers (there is only one quoted in Spain); and c) pure renewable players. Looking at 2021 multiples, Audax is trading at 24.6X P/E and 13X EV/EBITDA, above the integrated utilities but below both independent suppliers and renewable producers. In our view, Audax should tend to trade in line with these two latter groups rather than with the big utilities.

AUDAX: PEER COMPARISON

	Market	P/E (X)			EV/EBITDA (X)			Yield (%)	Debt/EBITDA (X)	
Company	**Cap (€)**	**2020E**	**2021E**	**2022E**	**2020E**	**2021E**	**2022E**	**2020E**	**2020E**	**2021E**
Integrated utilities										
Endesa	24,680	14.5	14.3	14.5	8.5	8.3	8.4	6.9%	1.8	2.0
Iberdrola	66,930	18.9	17.9	16.8	10.8	10.4	10.0	3.9%	3.7	3.7
Naturgy	17,182	17.1	13.0	12.9	8.8	8.1	8.0	8.1%	3.9	3.5
Weighted average		**17.6**	**16.3**	**15.7**	**9.9**	**9.5**	**9.3**	**5.2%**	**3.3**	**3.3**
Suppliers										
Holaluz	147	237.3	47.5	9.4	21.3	17.4	5.4	0.0%	1.1	0.8
Renewables										
Solaria	1,921	96.7	82.2	39.0	38.8	29.5	20.9	0.0%	9.5	9.4
Solarpack	544	29.2	24.0	21.8	12.5	12.9	11.9	0.0%	4.7	5.7
Voltalia	2,029	60.9	52.0	38.7	16.5	15.2	14.0	0.0%	5.2	5.2
Falck Renewables	1,582	41.8	35.0	30.2	13.0	11.9	11.3	1.3%	3.9	3.9
Weighted average		**64.4**	**54.6**	**35.1**	**22.3**	**18.6**	**15.3**	**0.3%**	**6.2**	**6.3**
Audax	**819**	**82.9**	**24.6**	**16.6**	**20.9**	**13.0**	**10.4**	**0.0%**	**4.9**	**3.1**

Source: Alantra Equities

I. Audax Renovables at a glance

1) What is Audax Renovables?

Vertically integrated energy group

Audax Renovables is a vertically integrated Spanish energy group with a presence in electricity & gas supply (62% of 2019 EBITDA) and renewable generation (38% of 2019 EBITDA). The group as it is today is the result of the reverse merger through which Audax Renovables absorbed its parent company Audax Energía in November 2018.

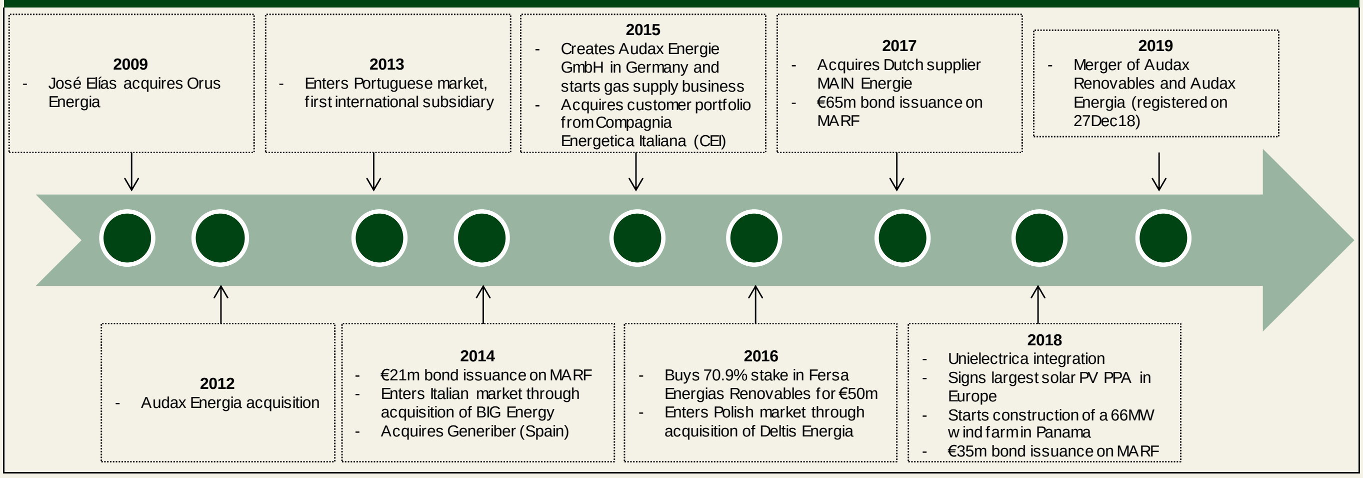
With international presence in the supply business

Audax began as an electricity supplier in Spain in 2009 when José Elias Navarro acquired Orus Energía. In 2012, Mr. Elias acquired Audax Energía and, in 2013, inititated the international expansion by entering the Portuguese market. Since then, Audax has expanded its business into Italy, Germany, Poland, the Netherlands and, a few months ago, Hungary, with the acquisition of 80k electricity supply points from E.On. The company entered the gas supply business when it expanded into Germany in 2015.

91MW renewable installed capacity in Spain, Poland and France

Regarding generation, Audax entered the business in 2016 with the acquisiton of a 70.9% stake in the listed renewable energy generation company Fersa Energías Renovables for €50m. Fersa had 185MW renewable installed capacity spread across Spain (139MW), Poland (34MW) and France (12MW), and generated c.390GWh. As of today, Audax operates 91MW after having sold 94MW over the last few years.

AUDAX: KEY EVENTS IN THE COMPANY'S HISTORY



Source: Alantra Equities

2) Vertically integrated business model

After the merger of Audax Energía and Audax Renovables, Audax became an independent vertically integrated electricity & gas player, with a presence in both electricity & gas supply and renewable energy generation activities. Spain is Audax's main market, although the company also operates in other European countries (Portugal, Germany, Poland, Italy, Netherlands & Hungary).

Iberia accounts for c.75% of the EBITDA

According to 2019 reported figures, Audax's revenues reached €1bn and €68m EBITDA. Spain and Portugal accounted for c.75% of the total in both cases, whilst international markets represented the remaining 25%. By activity, Supply accounted for 97% of the revenues and 62% of the EBITDA, with Generation making up 3% and 38% of the total respectively.

AUDAX: REVENUES & EBITDA 2019

	Revenues						EBITDA					
	Iberia	**% tot**	**Europe**	**% tot**	**Total**	**% tot**	**Iberia**	**% tot**	**Europe**	**% tot**	**Total**	**% tot**
Supply	764	73%	247	24%	1,011	97%	34	49%	9	13%	43	62%
Generation	22	2%	10	1%	33	3%	17	25%	8	12%	26	38%
Total	**786**	**75%**	**257**	**25%**	**1,044**	**100%**	**51**	**74%**	**17**	**26%**	**68**	**100%**

Source: Alantra Equities

Iberia accounts for 66% of the total client base

In terms of clients, Audax ended 2019 with 338k supply points, of which 269k electricity (80% of total) and 69k gas (20% of total). Iberia accounted for 66% of the clients, and international markets 34%. In 2019, Audax supplied 9.9GWh of energy, of which 6.6GWh were electricity and 3.3GWh gas. As of the end of Q1 (latest data), clients increased to 365k (289k electricity & 76k gas), of which 250k in Spain (+25k vs. December). As of 2019, 10-15% of Audax's energy sales came from its own production and third-party PPAs, growing to 30-35% in 2020.

Focused on the SME segment

Looking at the client base in more detail, Audax is mostly focused on the SME segment, which accounted for 60% of Supply revenues in 2019. Industrial clients represented 30%, whilst retail customers made just 10% of the division's revenues.

AUDAX: CLIENT BREAKDOWN (2019 FIGURES)

(clients)	Electricity	% of total	Gas	% of total	Total	% of total
Iberia	192,810	57%	31,728	9%	224,538	66%
Europe	76,374	23%	37,229	11%	113,603	34%
o/w Netherlands	40,902	12%	23,645	7%	64,547	19%
o/w Italy	18,139	5%	11,656	3%	29,795	9%
o/w rest of Europe	17,333	5%	1,928	1%	19,261	6%
Total	**269,184**	**80%**	**68,957**	**20%**	**338,141**	**100%**

Source: Alantra Equities

91MW in operation & 386MW under development

In Generation, Audax has 91MW gross installed capacity (79MW net), all wind, across Spain (45MW, 36MW attributable), Poland (34MW) and France (12MW/10MW). In addition, the company has a 66MW wind project under construction in Panama (which is non-core, as we explain later on in this report) and 320MW solar PV capacity under development in Spain.

AUDAX: GENERATION PORTFOLIO

Project	Tech	Country	MWs	Stake	COD
Pedregoso	Wind	Spain	29.7	80%	2006
Pino	Wind	Spain	14.9	80%	2006
Postolin	Wind	Poland	34	100%	2015
E. Beausemblant	Wind	France	12	80%	2008
Total Installed Capacity			**90.6**		
Panama	Wind	Panama	66	30%	2020
Andalucía, C. Mancha, Murcia	PV	Spain	320		
Total Under Development			**386**		

Source: Alantra Equities

3) Shareholder structure and corporate governance

José Elias (Audax's founder) is the major shareholder with 84.6% of the capital. The remaining 15.4% is free float. Mr. Elias has committed to gradually diluting his stake in the company until free float reaches at least 25-30% in order to increase the share liquidity in the market. In the last 12M, Mr. Elias has reduced his stake from 90.5% to the current 84.6%.

AUDAX: SHAREHOLDER STRUCTURE

Shareholder	Stake
Jose Elias Navarro	84.6%
Free float	15.4%

Source: CNMV, Alantra Equities

3 independent directors out of 5 seats on the board

Audax's board of directors has 5 seats, of which 3 are occupied by independent directors. Mr. Elias is the Chairman (and CEO) and Mr. Eduard Romeu is the Vice Chairman (and CFO). Audax also has an audit committee and a nomination & remuneration committee in order to comply with the required standards of corporate governance.

Other senior management members include Ms. Anabel Lopez (Head of Generation), who joined Fersa in 2004, Mr. Óscar Santos (Head of Supply) and Mr. Rafael Garcés (Investment Director).

II. SWOT analysis

1) Strengths & Opportunities

Vertically integrated business model

a) **Vertically integrated business model.** Audax is the only independent company with a precence in the supply & renewable generation business in Spain, being able to cover part of the energy it sells with its own production, allowing it to maximise price & increase the visibility of margins. In addition, it has a geographically diversified supply business, operating in Portugal, Italy, Poland, Netherlands, Germany & Hungary.

Business is scalable

b) **Scalable business model.** Audax's business model is scalable in two ways: i) by expanding its supply businesses in new countries, leveraging on the group's knowledge of the business; ii) by implementing the integrated model in the international markets, adding new generation capacity and selling the electricity produced to its client base.

Small market share & strong growth potential

c) **Strong growth potential.** Audax's market share in Supply is small in all countries where it operates, leaving it ample room to grow. In addition, clients gradually shifting from regulated to liberalised will increase the size of Audax's potential market. In renewables, Audax will sharply increase the installed base in Spain, especially in solar, being able to leverage on its supply saleforce to maximise the price of the output of new assets.

Current structure is able to serve new clients

d) **Operating leverage.** Audax's current structure can support a material increase in the number of clients without having a major impact on opex, leading to a significant operating leverage with the consequent increase in margins.

Audax could act as a consolidator

e) **Consolidation.** The supply market is highly fragmented. Given Audax's size and balance sheet, it could act as a consolidator and benefit from the operational leverage inherent to the business.

Experienced management

f) **Experienced management.** Audax's management has >10Y track record on average in the energy industry. Additionally, the CEO is also the major shareholder, which implies a strong connection between management and shareholders' interests.

2) Weaknesses & Threats

High market fragmentation & competition

a) **High competition & low barriers to entry.** The energy supply sector is highly fragmented, with a few large companies that control the market and a large number of small players (c.300), and it also has very low barriers to entry (the business is asset-light). This has sharply increased competition to win new clients.

Potential increase in acquisition costs

b) **Rising client acquisition costs.** Part of the new clients come from intermediaries that charge an acquisition cost to the supplier. The increased competition could lead to higher acquisition costs to protect market share.

Performance exposed to commodity prices

c) **Exposure to commodity prices.** >50% of Audax's client base is charged on the basis of a fixed margin. However, this margin becomes more relevant in periods of low electricity & gas prices, potentially leading clients to ask for a reduction. Variable margins also depend on prices going up or down in absolute terms, in line with electricity & gas prices. Low commodity prices would lead to low electricity & gas prices.

Bottlenecks in renewables in Spain

d) **Permitting & grid constraints in Spain.** Audax is planning to materially increase its renewable generation capacity in Spain. The country has the resources to integrate a material increase in capacity; however, permitting and grid constraints could become a bottleneck for Audax's growth plans.

Economic crisis could hit SMEs

e) **Economic crisis.** The Covid-19 outbreak and lockdowns have provoked an unprecedented economic crisis. The pace of recovery is still uncertain, and new outbreaks could trigger new setbacks. Around 60% of Audax's client base are SMEs, which could end up being hit hard by the crisis, leading to client disconnections.

Mismatch between consumption curve & energy supply

f) **Mismatch of production & demand curves.** Audax plans to increase its generation capacity with solar PV assets, with a production curve concentrated during the highest radiation hours (mid-day), while the demand curve for SMEs is concentrated during working hours. This mismatch could lead to imbalances between Audax's client consumption curve and the energy supply strategy, implying material cost over-runs.

III. Sector overview

We will focus mainly on Spain in this sector overview as it is Audax's main market (c.75% of 2019 EBITDA). However, the group is also present in Portugal, Italy, Poland, the Netherlands, Germany, France and Hungary, for which we have included a reference at the end of the section.

1) The structure of the Spanish energy system

The Spanish energy system consists of three main activities:

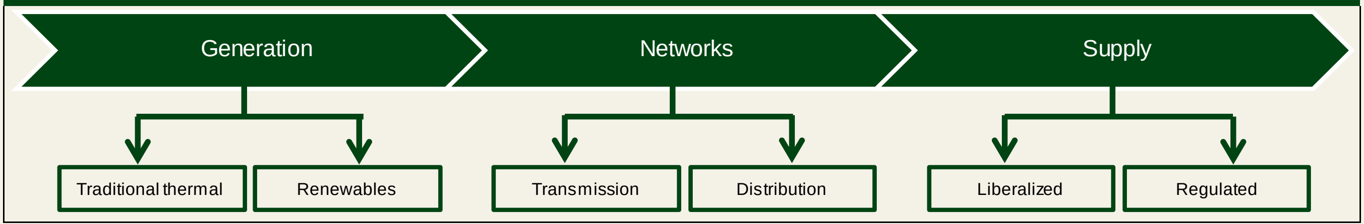
a) **Electricity generation.** In general terms, electricity production assets can be broken down into two groups: i) traditional generation, including coal, CCGTs, nuclear and hydro, which are liberalised and remunerated on the basis of the pool price; and ii) renewables, which were a regulated activity until 2013 when the remuneration scheme switched to two options: auctions and merchant/PPAs.

b) **Networks,** which includes both transmission and distribution networks. Revenues for these activities are regulated through a return on net-RAB (5.58% for electricity, 5.44% for gas transport & regasification and 5.83% for gas distribution), with 6-year regulatory periods.

Two types of supply customers: liberalised and regulated

c) **Electricity supply.** This includes the commercialisation of the electricity produced. There are two types of customers: liberalised and regulated. Regulated clients can only be served by "reference suppliers", which are essentially the big utilities, whilst the rest are liberalised.

SPANISH ENERGY SYSTEM VALUE CHAIN



Source: Alantra Equities

2) The electricity supply market

There are two group of clients in the Spanish electricity supply business:

Retails clients can opt to be regulated

a) **Regulated clients.** This group includes retail clients & SMEs with contracted power <10kW, and is served by "reference suppliers". The price these clients pay (PVPC) is regulated and is referenced to the pool price, to which the regulated charges & taxes are added. Customers with <10kW can opt to have their energy supplied at a regulated price or can choose to go to the liberalised market.

Clients with >10kW contracted power are liberalised

b) **Liberalised clients.** This group includes all customers with contracted power >10kW and those with <10kW that decide to participate. The electricity price paid by consumers in this group is not regulated, and is based on the different commercial strategies of the suppliers. All approved suppliers (by the CNMC) can sell their electricity to liberalised clients, as well as adjacent services (such as maintenance and reparation). As a reference, Audax is included in this group, and is not able to supply electricity & gas to regulated customers.

MAIN DIFFERENCES BETWEEN LIBERALISED AND REGULATED TARIFFS

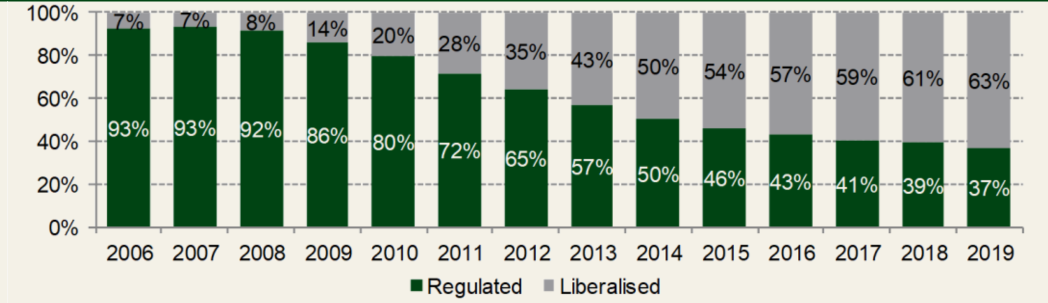
Liberalised	Regulated
Variable prices set by each company, might include discounts	Regulated fixed prices set by the government
Can choose any supplier in the market	Contract has to be with a reference supplier
Possibility of contracting additional services (e.g. maintenance)	No additional services available
Any contracted power	Maximum contracted power is 10kW

Source: Alantra Equities

63% of total clients are liberalised

Over the last few years, the number of liberalised clients has increased exponentially, going from 7% of the total client base in 2006 to 63% in 2019. This means that, out of the c.30m electricity clients in Spain, c.19m were in the liberalised market in 2019 vs. 11m regulated.

EVOLUTION OF REGULATED VS. LIBERALISED SUPPLY CUSTOMERS (2006-19)

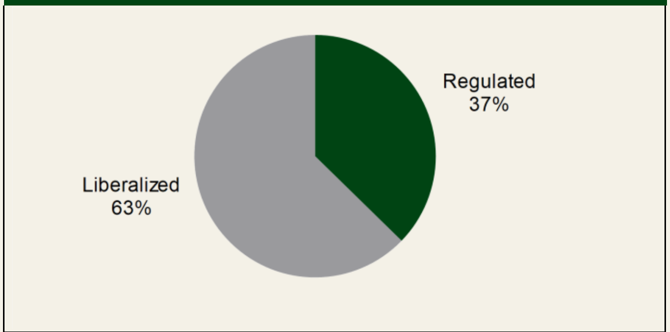


Source: CNMC, Alantra Equities

89% of demand comes from liberalised clients

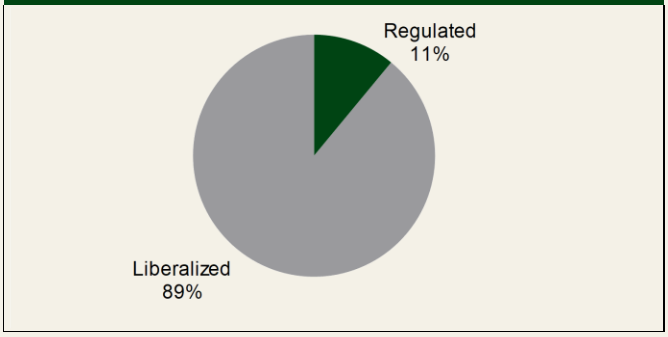
In terms of electricity demand, liberalised clients accounted for 89% of the total electricity consumed in 2019 vs. 11% for regulated. This is due to the fact that liberalised clients include big industrial consumers, whilst most regulated clients are retail with lower average consumption.

ELECTRICITY CLIENT BREAKDOWN (2019)



Source: Alantra Equities

ELECTRICITY DEMAND BY CLIENT (2019)



Source: Alantra Equities

Taking the above into account, we would break down the electricity clients into three groups:

Industrials clients: 48% of demand

a) **Industrial.** This is the biggest group in terms of consumption, with 48% of the demand. Almost all the industrial clients are liberalised, with contracted power >10kW;

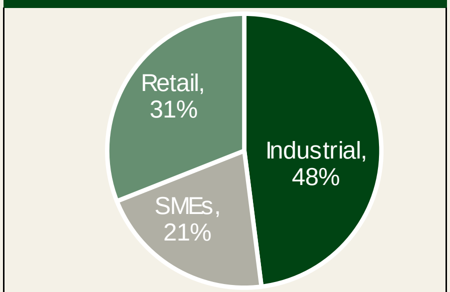
SMEs 21% of the total

b) **SMEs.** This group accounts for 21% of the total electricity consumption. As with the industrial group, most of these clients are in the liberalised market (although a large portion of them could have contracted power <10kW);

Retail 31%

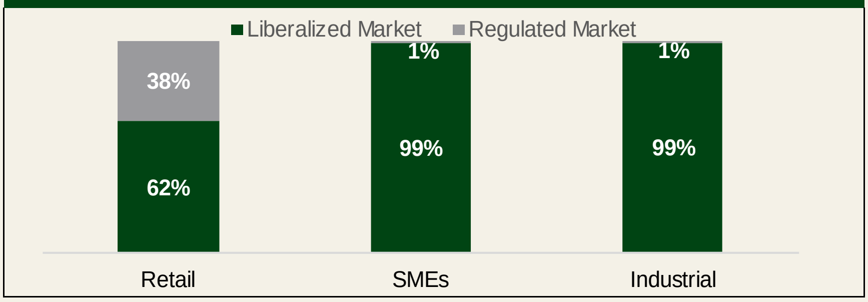
c) **Retail.** This group accounts for 31% of the total electricity demand. As previously mentioned, retail consumers are free to choose whether to be in the liberalised or regulated market. According to the CNMC, 62% of retail clients were liberalised, whilst the remaining 38% were regulated.

TOTAL DEMAND BY CUSTOMER



Source: CNMC, Alantra Equities

CUSTOMER BREAKDOWN BY SEGMENT



Source: CNMC, Alantra Equities

Looking at the electricity suppliers, the Spanish market is composed of two groups:

Regulated clients can only be served by incumbents

a) **Incumbent suppliers.** This group includes the traditional utilities, including Iberdrola, Endesa, Naturgy and EDP. As previously mentioned, these are the only companies able to be "reference suppliers" and serve regulated customers. Excluding regulated consumers, the "incumbents" held 83% market share in the liberalised market (as shown in the table below). Iberdrola is the biggest supplier (36% share), followed by Endesa (29%).

Independent suppliers can only supply independent clients

b) **Independent suppliers.** This includes all the "new entrant" suppliers. Over the last decade, the number of independent companies has jumped from 60 in 2008 to >300. Repsol (after buying Viesgo in 2018) is the biggest independent supplier with >600k clients and 3% market share, followed by Fenie Energía (2%), Audax (2%), Holaluz (1%) and Aldro (1%).

Independent suppliers have 17% market share

The increased number of independent suppliers (from 60 to >300 companies) has led to a material loss in market share for incumbents, from 91% in 2014 to 83% today. Of the three incumbents, both Iberdrola & Endesa have been able to maintain their respective client bases roughly stable over the last three years, in part benefitting from a portion of their regulated customers switching to the liberalised market. This has triggered a sharp increase in competition as the new entrants aim to gain new market share, whilst incumbents aim to protect (and potentially increase) theirs.

EVOLUTION SUPPLY POINTS LIBERALISED MARKET

('000)	2014	%	2015	%	2016	%	2017	%	2018	%	2019	%
Grupo Iberdrola	6,063	41%	6,310	39%	6,449	38%	6,604	37%	6,638	37%	6,601	36%
Grupo Endesa	4,303	29%	4,839	30%	5,184	31%	5,330	30%	5,375	30%	5,440	29%
Grupo Naturgy	1,996	13%	2,625	16%	2,273	13%	2,380	13%	2,284	13%	2,045	11%
Grupo EDP (*)	1,147	8%	775	5%	1,267	8%	1,337	8%	1,339	7%	1,329	7%
Incumbent	**13,509**	**91%**	**14,549**	**91%**	**15,173**	**90%**	**15,651**	**88%**	**15,637**	**86%**	**15,415**	**83%**
Viesgo/Repsol	357	2%	397	2%	410	2%	438	2%	475	3%	630	3%
Fenie Energía	147	1%	205	1%	249	1%	305	2%	360	2%	378	2%
Grupo Audax	46	0%	51	0%	59	0%	60	0%	156	1%	194	1%
Holaluz	0	0%	0	0%	73	0%	99	1%	143	1%	156	1%
Aldro Energía	1	0%	11	0%	33	0%	53	0%	89	0%	123	1%
Rest	739	5%	810	5%	887	5%	1,100	6%	1,288	7%	1,671	9%
Independent	**1,290**	**9%**	**1,475**	**9%**	**1,711**	**10%**	**2,056**	**12%**	**2,513**	**14%**	**3,151**	**17%**
Total	**14,799**	**100%**	**16,024**	**100%**	**16,884**	**100%**	**17,707**	**100%**	**18,149**	**100%**	**18,567**	**100%**

(*) Includes CIDE HC Energía; Source: CNMC, Alantra Equities

The table below shows a sample of the wide variety of commercial offers available to consumers in Spain today, and is a good sign of the competitive environment in the Spanish electricity market.

MAIN SUPPLIER PRICE COMPARISON

Company	Tariff	Price per kWh (*)	Current available discounts
EDP	Luz Máximo Ahorro	€ 0.1548/kWh	5% discount on power consumption
Iberdrola	Plan Estable	€ 0.1458/kWh	60€ discount in first bill if contracted online
Endesa	One Luz	€ 0.1525/kWh	No discount available
Naturgy	EcoEasy Luz	€ 0.1348/kWh	6 months free maintenance and reparation
Viesgo/Repsol	Tarifa Online	Personalised	Payment protection assistant for 1 year
Audax Renovables	Tarifa Plana	€ 0.1345/KWh	Fixed or Indexed personalised
Holaluz	Clasica, Sin sorpresas or Justa	€ 0.149/KWh	Fixed or Indexed personalised
Nexus Energia	Luz Clasica	€ 0.1545/kWh	
Fenie Energia	Megavatio 2.0	€ 0.1848/kWh	
Aldro Energia	Premium Siempre Luz	€ 0.1491/kWh	
Aura Energia	Tarifa 2.0A	€ 0.1442/kWh	

(*) Prices including taxes for power contracted <10kW. Source: Alantra Equities

Audax has 5% share in SMEs in Spain

Looking at the independent suppliers in more detail, and breaking the market into the three client groups explained above (industrial, SMEs, retail), these suppliers have higher market shares in the industrial and SME segments, with 31% and 38% respectively. This is due to the higher focus these two client groups place on prices vs. services. On the other hand, incumbent suppliers hold a larger portion of the retail segment (83% market share).

SUPPLIERS' MARKET SHARE IN TERMS OF CLIENTS IN THE IN LIBERALIZED MARKET

	Retail	SMEs	Industrial	Total
Grupo Iberdrola	36%	24%	33%	36%
Grupo Endesa	30%	24%	22%	29%
Grupo Naturgy	11%	11%	9%	11%
Grupo EDP (*)	7%	3%	6%	7%
Incumbent	**84%**	**62%**	**69%**	**83%**
Viesgo/Repsol	3%	3%	2%	3%
Fenie Energía	2%	4%	3%	2%
Grupo Audax	1%	5%	3%	1%
Holaluz	1%	1%	0%	1%
Aldro Energía	1%	5%	3%	1%
Rest	8%	22%	21%	9%
Independent	**16%**	**38%**	**31%**	**17%**
Total	**100%**	**100%**	**100%**	**100%**

(*) Includes CIDE HC Energía; Source: CNMC, Alantra Equities

We expect independent suppliers' share to continue rising

Looking ahead, our impression is that these trends should continue over the coming years, with: a) more clients shifting to the liberalised market; and b) independent suppliers increasing their market share. This increase will not only happen in the obvious segments (industrial, SMEs), but also in retail, where independents are making an effort to increase their client portfolios.

3) Renewables: >63GW of new capacity in 2020-30

Strong growth plans in renewables in Spain

The Spanish government presented its draft of the Climate Change & Energy Transition Law (PNIEC) a few months ago. The draft includes the government's medium and long-term emissions reduction and renewable penetration targets. For 2030, these targets are: a) a 20% reduction in CO_2 emissions vs. 1990 levels; b) a minimum 35% penetration in renewable energies in the country's final energy consumption; c) a minimum 70% electricity output coming from renewable technologies.

To reach these targets, the plan contemplates a strong increase in renewable capacity, including >63GW between 2019 and 2030, with >30GW of new PV capacity and >24GW of wind. This implies >5GW new capacity per annum, of which c.2.5GW solar PV and c.2.0GW wind. The potential is high, even considering the impact the Covid-19 outbreak could have in the short term, especially for PV solar given the great improvement in the cost of energy seen over the last few years, the fit of its production profile and the demand curve.

ELECRICITY PRODUCTION MIX BY 2030, PROPOSED SCENARIOS

			2025			2030		
MW	**2019**	**% of total**	**MW**	**% of total**	**vs. 2019**	**MW**	**% of total**	**vs. 2019**
Nuclear	7,117	6%	7,117	5%	-	3,181	2%	(3,936)
Coal	9,456	9%	2,165	2%	(7,291)	0	0%	(9,456)
CCGT	26,284	24%	26,612	20%	328	26,612	17%	328
Hydro	20,425	19%	21,258	16%	833	24,133	15%	3,708
Wind	25,799	23%	40,633	30%	14,834	50,333	31%	24,534
PV	8,913	8%	21,713	16%	12,800	39,181	24%	30,268
Cogen. & others	10,060	9%	14,304	11%	4,244	17,397	11%	7,337
Total capacity	**110,376**	**100%**	**133,802**	**100%**	**23,426**	**160,837**	**100%**	**50,461**

Source: Spanish Government; Experts committee; Alantra Equities

From a regulatory point of view, renewable assets in Spain can be divided into three groups:

a) **Assets in operation before 2013.** These assets are remunerated on the basis of a return over the net investment. The return was set at 7.4%, and will last until December 2031 as long as the owners do not go against Spain in any international arbitration. If that was not the case, the return would fall to 7.09% until 2025, and revised afterwards.

b) **The assets under the auctions made in 2016-18.** These assets are also remunerated on the basis of a return over net-RAB, in this case with a 7.09% regulated WACC. However, the net investment at which they are remunerated includes a discount that in practical terms reduces its regulated protection to a "temporary" price floor (around €30-35/MWh), in case electricity prices plummet over the initial years of the project's life. The government held three auctions over 2016-18 for 8.7GW of capacity.

SPANISH UTILITIES: RENEWABLE AUCTIONS HELD & DISCOUNT TO STANDARD CAPEX IN RECENT AUCTIONS

	MWs awarded			Discount to standard capex (%)			Regulated investment value (€m/MW)		
	Jan '16	May '17	Jul. '17	Jan '16	May '17	Jul. '17	Jan '16	May '17	Jul. '17
Wind	500	2,980	1,128	100.0%	63.4%	87.1%	0.0	0.44	0.15
PV	0	1	3,909	-	51.2%	69.9%	-	0.59	0.36

Source: Alantra Equities

New auction mechanism in Spain

c) **The new assets.** Right before summer 2020, the Spanish government approved a new auction mechanism for new renewable capacity. The new system will be based on a "pay as bid" formula, differentiating between technologies, size and project location. Each winning bidder will receive the price it offered, reflecting the LCOEs of each project/technology. The system will include maximum & minimum prices to avoid extreme results (both up & down).

PPAs & pool are the alternatives to auctions

New assets will have two alternatives to auctions: a) selling the electricity directly to the pool (merchant); and/or b) selling to a third party through power purchase agreements (PPAs). Having a PPA secures the projects' cash flows for the first several years (length is normally 5-10Y), eliminating market risk and making them bankable. This is at the expense of a lower achieved price, at least over the first few years, as opposed to the merchant alternative.

The government still has to disclose the full mechanism of the auctions. The first one is scheduled before year-end, but our best guess at this point is that growth in renewables will likely come with a combination of these three alternatives (i.e. auctions + PPAs + merchant).

4) Electricity demand & pool price

The evolution of electricity demand and pool prices YTD has been as follows:

Electricity demand is down 7% YTD

a) **Electricity demand is down 7% YTD.** 2020 started with low single-digit falls in electricity demand, which turned double-digit in April/May with the Covid-19 outbreak. Demand has gradually recovered since then, falling by 2-3% in July/August, in line with the levels seen in January/February.

SPANISH UTILITIES: ENERGY DEMAND EVOLUTION YTD

	Jan	Feb	Mar	Apr	May	Jun	Jul	Ago	YTD
Demand	(2%)	(4%)	(4%)	(17%)	(12%)	(8%)	(3%)	(2%)	(7%)

Source: Alantra Equities

Pool prices -40% YTD

b) **Pool price is down 40% YTD to €30.6/MWh.** Similar to the evolution of demand, pool prices started the year with material falls (-34% in January/February), aggravated by the Covid-19 outbreak. This fall softened somewhat during the summer, in part thanks to the recovery in demand, with the pool price down 33% in July and -20% in August.

SPANISH UTILITIES: POOL PRICE EVOLUTION YTD

(€/MWh)	Jan	Feb	Mar	Apr	May	Jun	Jul	Ago	YTD
2020	41.09	35.87	27.73	17.65	21.26	30.62	34.64	36.19	30.63
YoY	(34%)	(34%)	(43%)	(65%)	(56%)	(35%)	(33%)	(20%)	(40%)

Source: Alantra Equities

Our estimates for 2020 onwards are as follows:

Demand down 5% in 2020

a) We expect **energy demand** to partly recover in H2, down 2% vs. -8% in H1, with total demand decreasing by c.5% for the year. We look for a gradual recovery from the 2020 bottom, with demand reaching 2019 levels in 2023. We expect 1% growth p.a. from then on.

SPANISH UTILITIES: ELECTRICITY DEMAND ESTIMATES 2018-30

(TWh)	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Demand	253.5	249.1	236.8	242.7	246.3	248.8	252.5	256.3	260.1	264.0	268.0	270.7	273.4
YoY (%)	-	(2%)	(5%)	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%

Source: Alantra Equities

b) We expect the **pool price** to plummet to €32.9/MWh in 2020 (-31% YoY) due to the above-mentioned decrease in demand, the decrease in gas prices and the decrease in CO2 prices, all three factors resulting from the Covid-19 outbreak. In addition, and not related to Covid-19, hydro output has increased by 57% YoY on cumulative basis as of August, which will also have a downward impact on pool prices this year.

We see €40-42/MWh pool price over 2021-27

We expect pool prices to continue rising in 2021, by 26% to €41.4/MWh, and then to normalise at c.€42/MWh in 2022-25, as the expected fall in thermal output is offset by an increase in both the cost of gas and CO2 prices. These two effects will not be enough to offset the expected increase in renewable capacity over 2025-27, leading the pool price to fall further until bottoming out at €40.8/MWh in 2027.

We expect pool prices to rise again from 2028, due to the first closures of nuclear capacity, as we expect a big part of the gap left by these assets to be covered by thermal output. We estimate the pool price at €43.1/MWh in 2028, reaching c.€45/MW in 2029-30.

SPANISH UTILITIES: POOL PRICE ESTIMATES 2018-30

(€/MWh)	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Pool price	58.1	47.7	32.9	41.4	42.0	41.8	41.7	41.5	41.1	40.8	43.1	44.9	44.3
YoY (%)	-	(18%)	(31%)	26%	1%	(0%)	(0%)	(1%)	(1%)	(1%)	6%	4%	(1%)

Source: Alantra Equities

Growing renewable output over 2020-30

In more detail, and as shown in the table below, our pool price estimates are based on an increase in renewable output from 103TWh in 2019 to c.182TWh in 2030. On the other hand, the thermal gap should fall from 62TWh (19) to 18TWh (27), growing to 23-27TWh in 2029-30 given the expected closure of the first nuclear facilities.

SPANISH UTILITIES: ELECTRICITY OUTPUT & CO2 PRICES 2019-30

(TWh)	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Renewable output	103.0	105.6	118.2	127.3	133.9	140.4	147.0	154.2	161.1	167.9	174.8	181.7
Thermal gap	61.8	43.6	36.9	31.8	28.1	25.6	23.1	20.1	17.5	23.0	27.1	23.3
CO2 cost (€/tn)	24.9	23.0	25.0	26.0	27.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0

Source: Alantra Equities

As shown in the table below, our estimates are below the forward references in the short term (2021-22), in line in the medium term (2023-25) and above in the long term (2026-27).

SPANISH UTILITIES: POOL PRICE ESTIMATES VS. FORWARDS

(€/MWh)	2020	2021	2022	2023	2024	2025	2026	2027
Alantra Estimate	32.9	41.4	42.0	41.8	41.7	41.5	41.1	40.8
Forwards	32.9	45.3	43.9	41.8	41.2	40.3	39.2	38.3
Difference	(0%)	(9%)	(4%)	0%	1%	3%	5%	7%

Source: Alantra Equities

5) Other markets

In addition to Spain (and Portugal), Audax is also present in Italy, the Netherlands, Poland and Germany through its supply activity and in France through generation activity.

a) Italy

The Italian electricity system reform began in 1999 in order to implement the European directive 96/92/EC in the internal electricity market. In 2004, the IPEX (Italian Power Exchange) began operating and calculating a weighted single price for consumers; however, remuneration for the producers were based on regional prices.

Clients in Italy can choose their own supplier

The process of market liberalisation ended in July 2007 when every client in Italy could freely choose their own supplier. The new 4 August 2017 law, no. 124 ("Legge annuale per il mercato e la concorrenza") established July 2019 as the end of the protection of prices provided by ARERA, although this date has now been delayed to January 2022. From that date onwards, the authority will stop fixing and updating quarterly the economic conditions for the supply of electricity and natural gas for domestic clients and SMEs.

b) Netherlands

Dutch government liberalised the energy supply market in 2004

The Dutch government liberalised the energy supply market in 2004 in order to promote competition among suppliers and, since then, consumers have been able to choose their own energy supplier.

The supply of electricity or gas to small consumers (maximum capacity of 3x80A for electricity and 40m3(n)/h for gas) is only permitted for suppliers with an energy licence from the Authority for Consumers and Markets. Suppliers are obliged to provide a reliable supply of energy at reasonable tariffs and conditions, and to inform the ACM about them.

c) Poland

The liberalisation of the Polish electricity sector began in 1997

In Poland, the regulatory competences belong to the Ministry of Energy and the URE is the sector's regulatory body. The liberalisation process of the Polish electricity sector began in 1997 (Polish Energy Act of 1997) by separating the generation, transmission, distribution and retail and new business activities appearing in the sector, like energy trading.

In 2019, the Polish government started to introduce measures to avoid the impact of the price increase expected for end consumers that year, establishing restrictions on the retail price, temporarily freezing transmission and distribution tariffs and reducing the tax imposed on electricity. In parallel, Poland became integrated at the operational level into the XIBD (Cross-border Intraday European Project) and is currently in the process of joining other European energy platforms deriving from the "Clean Energy Package" established by the EU.

d) Germany

Germany is the largest electricity market in Europe

Germany is the largest electricity market in Europe and the supply market is now highly fragmented. Liberalisation began in 1998 with the opening of the electricity market and competition access to the electricity sector. The main feature was the obligation to dismantle vertically integrated companies, forcing the separation of distribution and transmission from the rest of the activities.

The second milestone of the liberalisation included: a) the introduction of third parties on the basis of approved public tariffs, applicable to all customers; b) the establishment of the Federal Network Agency as the regulatory body under the supervision of the government; and c) the separation between the TSO and DSOs (distribution grid operators).

e) France

Audax is only present in France through a 12MW wind farm

Audax is only present in France through a 12MW wind farm, which was commissioned in 2008. The company is subject to the French remunerative system as per the Decree of 10 July 2006. The remuneration is set for the first 10Y, indexed to inflation on November 1st of each year. In 2019, the tariff applied for this wind farm was €9.536 cents/KWh until November 1st and, from that date onwards, €9.427 cents/KWh. This remuneration schedule should remain in place until November 2021, when remuneration will be based on pool price plus a premium (not yet decided).

IV. Vertically integrated business model

Audax Renovables is the result of the merger between Audax and Fersa. The merger allowed the newco to be exposed to the electricity & gas supply business, as well as to renewable generation. Since then, Audax's strategic efforts have focused on:

1) The internationalisation of the Supply division in Europe, by entering Portugal (2013), Italy (2014), Germany (2015), Poland (2016), the Netherlands (2017) and more recently Hungary, with the acquisition of 80K electricity supply points a few months ago.

2) Strengthening its position in the Supply business in Spain and Portugal (its home and core markets), both organically and inorganically (it is currently in talks to acquire an electricity supplier in Portugal);

3) Increasing its renewable generation capacity, aiming at vertically integrating the resulting production into its Supply division, initially in the Iberian Peninsula (it has a PV pipeline of 320MW in Spain and has recently been awarded 157MW in the last auction in Portugal), and potentially in the international markets where it is already present.

Iberia accounts for 75% of the group's EBITDA

As of end-2019, Spain and Portugal accounted for 75% of Audax's EBITDA, of which c.50% came from Supply and 25% from Generation. The international markets accounted for 25%, with c.13% coming from Supply and 12% from Generation.

AUDAX: REVENUE BREAKDOWN (2019)

	Sx	% tot	Gx	% tot	Total	% tot
Spain	764	73%	22	2%	786	75%
International	247	24%	10	1%	257	25%
Total	**1,011**	**97%**	**33**	**3%**	**1,044**	**100%**

Source: Alantra Equities

AUDAX: EBITDA BREAKDOWN (2019)

	Sx	% tot	Gx	% tot	Total	% tot
Spain	34	49%	17	25%	51	74%
International	9	13%	8	12%	17	26%
Total	**43**	**62%**	**26**	**38%**	**68**	**100%**

Source: Alantra Equities

1) The leading independent supplier for SMEs in Spain

From a domestic supplier to an international player

Audax was born as a domestic energy supplier. Over the last few years, it has made a great effort to increase its presence in the Spanish energy supply business (its home market) and to expand the business internationally. This expansion started with Portugal in 2013, and was followed by Italy (with the acquisition of BigEnergia in 2014), Germany (2015), Poland (with the acquisition of Deltis in 2016) and the Netherlands (Main Energie in 2017).

A few months ago, Audax announced an agreement with E.On to acquire 80K new clients in Hungary, thus adding a new country to its international portfolio. In addition, Audax is currently in talks to acquire up to a 75% stake in Energia Simples, a Portuguese electricity supplier with 23K clients, for €15-20m (according to press sources). This acquisition would allow Audax to increase its market share in Portugal from 1.4% to 2.2% (becoming the 6th bigger supplier vs. 9th now).

As of end-2019, the main KPIs for Audax's Supply business were as follows:

c.2% market share in Spin

a) **Spain & Portugal.** Audax had 224.5k clients in the Iberian Peninsula as of end-2019, growing by almost 3X vs. 71.4k in 2017. Audax ranked 10th in the Spanish market (with 1.4% total market share), and 9th in Portugal (1.2% total market share). In terms of energy sales, Audax supplied 4.8TWh in Iberia in 2019, vs. c.3TWh in 2017. Of this, 82% corresponded to electricity sales and 0.7TWh to gas sales, vs. 85% and 15% respectively in 2017.

AUDAX: CUSTOMERS & ENERGY SUPPLIED IN SPAIN & PORTUGAL

	2017	% tot	% YoY	2018	% tot	% YoY	2019	% tot
Clients (k)	**71.4**	**100%**	**145%**	**174.8**	**100%**	**28%**	**224.5**	**100%**
o/w Electricity	60.1	84%	160%	156.0	89%	24%	192.8	86%
o/w Gas	11.4	16%	66%	18.8	11%	69%	31.7	14%
Energy supplied (GWh)	**3,020**	**100%**	**46%**	**4,415**	**100%**	**9%**	**4,827**	**100%**
o/w Electricity	2,579	85%	55%	4,006	91%	(1%)	3,980	82%
o/w Gas	441	15%	(7%)	409	9%	107%	847	18%

Source: Alantra Equities

Netherlands is the biggest international market

b) **Europe.** Outside of Iberia, Audax had 114k clients by the end of last year. Of this, 57% were in the Netherlands (the company's main foreign market), 26% in Italy and the remaining 17% spread across Germany and Poland. A few months ago, Audax announced an agreement with E.On to acquire a portfolio of 80K electricity clients in Hungary (effective before YE). All the rest being equal, the deal would imply increasing the international client base by >70%.

M&A in the international expansion

Most of Audax's international footprint has been made through M&A except for Germany, where the company entered from scratch. That said, it is worth highlighting that, with the exception of Italy (where regulation has forced a reduction in the number of clients), Audax has been able to grow organically once established in a country.

In terms of energy, Audax sold 5.1TWh in 2019 in its international markets, of which 52% corresponded to electricity and 48% to gas.

AUDAX: CUSTOMERS & ENERGY SUPPLIED IN EUROPE

	Clients (K)						Energy supplied (GWh)					
	2017	**% tot**	**2018**	**% tot**	**2019**	**% tot**	**2017**	**% tot**	**2018**	**% tot**	**2019**	**% tot**
Netherlands	**62.7**	**46%**	**66.2**	**51%**	**64.5**	**57%**	**3,394**	**69%**	**3,807**	**67%**	**3,665**	**72%**
o/w Electricity	37.3	28%	40.8	31%	40.9	36%	1,495	31%	1,638	29%	1,619	32%
o/w Gas	25.4	19%	25.5	19%	23.6	21%	1,899	39%	2,169	38%	2,046	40%
Italy	**55.0**	**41%**	**46.9**	**36%**	**29.8**	**26%**	**620**	**13%**	**688**	**12%**	**510**	**10%**
o/w Electricity	32.0	24%	26.7	20%	18.1	16%	262	5%	305	5%	218	4%
o/w Gas	23.0	17%	20.2	15%	11.7	10%	358	7%	383	7%	292	6%
Rest Europe	**17.6**	**13%**	**17.7**	**14%**	**19.3**	**17%**	**876**	**18%**	**1,173**	**21%**	**938**	**18%**
o/w Electricity	16.8	12%	16.7	13%	17.3	15%	822	17%	1,074	19%	834	16%
o/w Gas	0.8	1%	0.9	1%	1.9	2%	54	1%	99	2%	104	2%
Total clients	**135.3**	**100%**	**130.7**	**100%**	**113.6**	**100%**	**4,890**	**100%**	**5,668**	**100%**	**5,113**	**100%**
o/w Electricity	86.0	64%	84.2	64%	76.4	67%	2,579	53%	3,017	53%	2,671	52%
o/w Gas	49.2	36%	46.5	36%	37.2	33%	2,311	47%	2,651	47%	2,442	48%

Source: Alantra Equities

SMEs account for 60% of Audax's revenues

In contrast to other suppliers, Audax is mostly focused on SMEs, and has minor exposure to industrial and retail clients, for two reasons: a) SMEs have higher margins than industrial customers (€8-12/MWh vs. <€2/MWh); b) retail clients have materially higher margins (>25-30/MWh), but require a large back-office structure, which ends up lowering their profitability with client portfolios smaller than 1m. The pricing strategy for each of the groups is also different, with SMEs and industrial customers placing a stronger focus on price, rather than on the quality of service or any other variable. In more detail:

a) **SMEs (60% of revenues).** Audax is the leading independent supplier for SMEs in Spain with c.5% market share, only behind the three incumbents (Endesa, Iberdrola and Naturgy). SMEs represented c.60% of the group's supply revenues in 2019.

b) **Industrial (30% of revenues).** Energy sales to industrial clients accounted for c.30% of supply revenues in 2019.

c) **Retail (10% of revenues).** This is the smallest segment for Audax, representing only c.10% of supply revenues in 2019. In general terms, servicing retail clients requires a larger structure, especially from a back-office perspective, making them somewhat dilutive. This effect is in part mitigated by the sale of value-added services (maintenance, energy metering & efficiency). In addition, the big utilities have identified this segment as being key for growth, which makes competition to attract them more intense. Traditionally, Audax's focus on growing in this segment was small. However, this trend has shifted over the last few quarters and Audax has been successful in attracting retail clients.

Audax offers three different tariffs for its clients: indexed, flat indexed and fixed. In more detail:

Indexed tariff makes 65% of group sales

a) **Indexed tariffs** make up the majority of the company's sales (c.65% of 2019 revenues) as they are the simplest type of tariff for Audax's kind of consumer. The client pays for the consumed electricity at a variable price, referenced to the cost of the energy (pool price), plus a management commission, which is normally a fixed amount.

35% of revenues come from the fixed tariff

b) **Fixed tariffs,** in which the price per MWh remains fixed over the duration of the contract (12 months) and is renegotiated annually based on energy forward prices. This tariff represents roughly 35% of Audax's sales and is normally more profitable for Audax than the indexed; however, it entails two main risks:

- Client consumption, as deviations in the volumes demanded by a certain client vs. the initial calculations (both up or down) are covered by Audax and, depending on the market conditions, could have a higher than initially hedged cost for the company;

- Energy costs, in case prices vary unexpectedly and the client position has not been hedged. We expect the weight of this tariff to increase as vertical integration increases.

c) **Flat indexed tariffs,** which allow the client to pay the same amount every month and, at the end of the contract (1 year), there is an adjustment for the real costs incurred. Monthly payments are established based on the client's expected consumption and deviations throughout the year are adjusted in the last bill. The use of this tariff by Audax's clients is residual, representing <1% of sales.

Regarding energy sources, on paper any given supplier has three alternatives: a) buy the energy in the market; b) produce it with its own assets; or c) sign long-term purchase contracts (PPAs) with third parties. As of today, Audax purchases most of its energy in the market. PPAs and own production accounted for just 11% of the energy sold in 2019.

70% of the energy sold in Spain will be covered by PPAs & own output in 2021

That said, Audax has signed a series of PPAs in the last few months (with Allianz, Trina Solar, Statkraft and Innogy) to acquire the energy generated by various solar PV plants in Spain and Portugal. This is equivalent to 3.9-4.0TWh annual output, leading to a gradual increase in the weight of PPAs/own production over the next few years (we estimate that PPAs & own output could cover 70-75% of the group's sales in Spain. The target, as we will explain, is to increase the weight of PPAs and own production to 2/3 of expected energy sales at group level by 2022.

AUDAX: PPA CONTRACTS WITH THIRD PARTIES

Generation company	PPA duration	Installed capacity (MW)	Expected annual output (GWh)
Sonnedix	15 years	660	1,330
Allianz	20 years	708	1,426
TrinaSolar	20 years	300	604
Statkraft	10 years	230	463
Innogy	10 years	50	101

Source: Alantra Equities

Over the last three years, Audax has been able to treble its supply EBITDA, going from €12m (17) to €43m (19). This was thanks to a mix of: a) the previously explained increase in energy sold; and b) an increase in unitary gross margin from €4.9/MWh in 2017 to €9.4/MWh in 2019, thanks to a combination of improved client mix and a more efficient energy sourcing strategy.

AUDAX: ENERGY SUPPLY BUSINESS REVENUES, GROSS PROFIT & EBITDA

(€m)	2017	% YoY	2018	% YoY	2019	CAGR 17-19
Revenues	633	50%	949	7%	1,011	26%
Gross profit	39	68%	65	43%	94	55%
per KWh (€)	4.9	32%	6.5	45%	9.4	38%
Gross margin (%)	6.2%		6.9%		9.3%	
EBITDA	12	71%	20	116%	43	92%
per KWh (€)	1.5	34%	2.0	120%	4.3	72%

(*) Pro forma; Source: Alantra Equities

Iberia EBITDA has more than doubled in 3Y

By region, Spain and Portugal showed the biggest increase in EBITDA over the last three years, jumping from €13m (17) to €34m (19). This was mostly due to the increase in energy sales, coupled with some growth in unitary margins.

On the other hand, the international division made its first positive EBITDA in 2019: €9m, equivalent to 21% of group EBITDA, vs. an EBITDA loss of €1m in 2017 or -€3m in 2018.

AUDAX: SUPPLY REVENUES, GROSS PROFIT & EBITDA BREAKDOWN									
(€m)	**2017**	**% tot**	**% YoY**	**2018**	**% tot**	**% YoY**	**2019**	**% tot**	**CAGR 17-19**
Revenues	**633**	**100%**	**50%**	**951**	**100%**	**6%**	**1,011**	**100%**	**26%**
o/w Iberia	482	76%	51%	726	76%	5%	764	76%	26%
o/w International	151	24%	49%	225	24%	10%	247	24%	28%
Gross profit	**39**	**100%**	**73%**	**68**	**100%**	**39%**	**94**	**100%**	**55%**
o/w Iberia	22	56%	125%	49	73%	40%	69	74%	78%
o/w International	17	44%	6%	18	27%	35%	25	26%	20%
EBITDA	**12**	**100%**	**71%**	**20**	**100%**	**116%**	**43**	**100%**	**92%**
o/w Iberia	13	110%	75%	22	113%	51%	34	79%	63%
o/w International	-1	(10%)	-	-3	(13%)	-	9	21%	-

Source: Alantra Equities

2) Generation: 91MW installed capacity

Audax entered the energy generation business in 2016 following the acquisition of a 70.9% stake in Fersa Energías Renovables, a company dedicated to electricity generation from renewable sources, for c.€50m equity value. When Audax acquired Fersa, it had 185MW of installed wind capacity in Spain (139MW), Poland (24MW) and France (12MW).

95MW sold in 2019

Audax sold 3 wind farms with 95MW capacity in Spain last year, and now operates 91MW (all of which are wind) or 82MW net of minorities. Audax's generation capacity is split into four wind farms across Europe: two in Spain, with 45MW capacity (36MW net), one in Poland with 34MW capacity, and one in France with 12MW capacity.

91MWs in operation (ex-Panama), all wind

In addition, the company has a 30% stake in a 66MW wind farm under construction in Panama, which is expected to reach COD by the end of 2020. Panama is not a core market for Audax; hence we expect the company to sell its stake in the wind farm once it is in operation (which could be worth €11m, according to our estimates).

AUDAX: GENERATION CAPACITY				
Asset	**MWs**	**Country**	**Stake**	**COD**
Pedregoso	29.7	Spain	80%	2006
Pino	14.9	Spain	80%	2006
Postolin	34.0	Poland	100%	2015
Beausemblant	12.0	France	80%	2008
Panama wind	66.0	Panama	30%	-

Source: Alantra Equities

The current generation assets have the following remuneration schemes:

45MW in Spain

a) **Spain (45MW).** Audax has two wind farms in Spain (Pedregoso and Pino), with 29.7MW and 14.9MW respectively. Both were installed in 2006, so they are subject to the regulation for pre-2013 renewables with a 7.4% regulated financial return (nominal pre-tax), which is in place until 2031. To reach the return target, these wind farms receive the pool price (price for selling electricity to the market) plus a regulated premium of €37K per MW, which is revised every 3 years depending on the evolution of the pool price.

12MW in France

b) **France (12MW).** The 12MW wind farm in France (Beausemblent) started operating in 2008. It is subject to the French regulatory regime, and receives a regulated tariff for the electricity produced. The price was set €94.27/MWh. This remuneration should remain in place until November 2021, and remuneration from then on will be based on the pool price plus a premium (which is still to be decided by the French regulator).

34MW in Poland

c) **Poland (34MW).** The remuneration for the 34MW wind farm in Poland (Postolin) is subject to a PPA with the company's Supply division. There is no information available regarding the price of this PPA, but we estimate it could be in the region of €80-85/MWh.

Audax's renewable assets made €33m revenues in 2019 and €26m EBITDA. The Spanish assets made €22m revenues and €17m EBITDA; however, these results will fall materially from 2020, impacted by assets sold in 2019. International assets made €10m revenues and €8m EBITDA in 2019.

AUDAX: GENERATION BUSINESS REVENUES & EBITDA BREAKDOWN								
	2017	% tot	% YoY	2018	% tot	% YoY	2019	% tot
Revenues	**37**	**100%**	**(4%)**	**36**	**100%**	**(9%)**	**33**	**100%**
o/w Spain	31	82%	(8%)	28	78%	(20%)	22	69%
o/w International	7	18%	15%	8	22%	30%	10	31%
EBITDA	**26**	**100%**	**(2%)**	**25**	**100%**	**2%**	**26**	**100%**
o/w Spain	21	83%	(8%)	20	78%	(12%)	17	67%
o/w International	4	17%	27%	5	22%	54%	8	33%

Source: Alantra Equities

320MW solar PV pipeline

In 2019, Audax acquired a pipeline of 320MW solar PV assets in Spain at different stages of development, for a total of €20m. The portfolio is split into 18 projects in Andalusia, Castilla-La Mancha and Murcia, of which 20MW are currently under construction with COD in 2020, and the rest are expected to be commissioned in 2021 and 2022.

157MW awarded in Portugal

A few weeks ago, Audax was awarded 157MW new capacity in a PV auction held in Algarve and Alentejo (Portugal). These MW are expected to be in operation no later than 2024.

AUDAX: SPANISH SOLAR PV PROJECTS UNDER DEVELOPMENT IN SPAIN			
Plant	**Location**	**Status**	**MW**
CLM-CAR-I	Guadalajara, CLM	Under Construction	5.0
CLM-CAR-II	Guadalajara, CLM	Under Construction	5.0
CLM-CAN-I	Guadalajara, CLM	Under Construction	5.0
		Total under construction	**15.0**
AND-CAL-I	Huelva, AND	Ready to Build	4.0
CLM-ZAR-I	Toledo, CLM	Ready to Build	5.0
CLM-ZAR-II	Toledo, CLM	Ready to Build	5.0
CLM-ZAR-III	Toledo, CLM	Ready to Build	5.0
CLM-ZAR-IV	Toledo, CLM	Ready to Build	5.0
CLM-ALB-I	Guadalajara, CLM	Ready to Build	5.0
CLM-ALB-II	Guadalajara, CLM	Ready to Build	5.0
CLM-ALB-III	Guadalajara, CLM	Ready to Build	5.0
CLM-ALB-IV	Guadalajara, CLM	Ready to Build	5.0
		Total Ready to Build	**44.0**
MUR-MUR-I	Murcia	Connection point	50.0
MUR-MUR-II	Murcia	Connection point	50.0
AND-AZN-i	Sevilla, AND	Connection point	21.0
CLM-REC-I	Toledo, CLM	Connection point	50.0
CLM-VDC-I	Cuenca, CLM	Connection point	50.0
		Total connection point	**221.0**
AND-LER-I	Granada, AND	Pending connection point	40.0
		Total pending connection point	**40.0**
Total			**320**

(*) Revenues in Spain include the 95MW divested in 2019. Source: Alantra Equities

V. Strong growth ahead

2020 will be a mixed year for Audax. On the one hand, operating performance will suffer from the Covid-19 impact on both demand and energy prices but, on the other, the company continues to grow its client base in almost all markets where it operates (we estimate clients would have increased by 30-35k in H1). In addition, having sold part of the generation assets in Spain in 2019 will trigger a fall in EBITDA. As a result, EBITDA should fall by 30% in 2020.

EBITDA in 2023 c.2X vs. 2019

We expect EBITDA to sharply recover from 2021, reaching €77m in 2021, €99m in 2022 and €129m in 2023, c.2X the €68m Audax made in 2019. Growth will be driven by a combination of:

- Supply EBITDA growing from €43m to c.€100m, with both clients and energy sales growing by double digit per annum (including acquisitions), partially mitigated by a reduction in unitary margins. With the exception of Hungary, growth in Supply will be organic;
- Generation EBITDA reaching €31m in 2023, growing vs. €12m in 2020, driven by new production capacity in Spain, which should go from 36MW to >500MW in 2023 (total capacity reaching 552MW in 2023, including 46MW international assets). We expect the new assets to compensate for the impact of the EBITDA lost from the assets sold in 2019.

AUDAX: REVENUES & EBITDA ESTIMATES (2019-23E)

(€m)	2019	% YoY	2020E	% YoY	2021E	% YoY	2022E	% YoY	2023E	CAGR 19-23
Revenues	**1,044**	**(21%)**	**821**	**54%**	**1,261**	**15%**	**1,446**	**11%**	**1,608**	**11%**
o/w Supply	1,011	(20%)	805	54%	1,241	14%	1,419	10%	1,568	12%
o/w Generation	33	(54%)	15	32%	20	36%	27	50%	41	6%
EBITDA	**68**	**(30%)**	**48**	**61%**	**77**	**29%**	**99**	**31%**	**129**	**17%**
o/w Supply	43	(17%)	36	71%	61	28%	78	26%	98	23%
o/w Generation	26	(52%)	12	30%	16	30%	21	48%	31	5%

Source: Alantra Equities

Audax's target is to reach >€100m EBITDA in 2022 (vs. our €99m)

In May 2019, Audax presented a strategic plan in which it aimed to double the size of the company in 4 years, with EBITDA jumping from €53m in 2018 to >€100m in 2022. Our estimate for 2022 is pretty much in line with the target set, although probably with a different mix (higher weight of the supply business vs. initial expectations), given the acquisitions made since then (Hungary and potentially Portugal) and the likely delay in the construction of new PV capacity vs. the expectations included in the plan. As a result, EBITDA margins will be lower than initially targeted, but on the other hand, growth will be less capital intensive.

In a nutshell, the main targets outlined in the plan were as follows:

a) An increase in the number of supply points from 306k in 2018 to 500k in 2022, through a combination of organic growth plus acquisitions, with Spain & Portugal going from 175k to 370k, and international markets from 131k to 140k. This compares with our 565k estimate, including the c.80k clients already acquired in Hungary.

b) In terms of energy supplied, the company aims to reach 15TWh sold by 2022, a 1.5X increase vs. the 10TWh supplied in 2018 and 2019. This compares with our 17TWh estimate for 2022.

c) A 1.1GW increase in renewable production capacity (mostly PV in Iberia), reaching 1.2GW by the end of the period. We expect Audax to add 400MW over the period, below the target.

AUDAX: 2022 TARGETS VS. ESTIMATES

	Audax	Alantra
Customers (K)	500	565
Energy supplied (TWh)	15	17
Generation capacity (MW)	1,200	401
EBITDA (€ m)	>100	99
EBITDA margin (%)	>10%	7%

Source: Alantra Equities

1) Supply business: the group's growth driver

The Covid-19 outbreak is having a material impact on the energy sector, triggering sharp falls in demand on the one hand, and in prices of the other. Taking the Spanish market as a reference, electricity demand fell by 8% in H1 and -13% in Q2, whilst gas demand is down 11% & 19% respectively. In terms of prices, pool price is down 44% in H1, whilst gas is down 50%.

Covid-19 outbreak will impact performance in 2020

The above situation will definitely have an impact on Audax's Supply division as: a) consumption per client will fall, considering that most of Audax's clients are SMEs and industrial, which have seen their activity sharply reduced by the lockdowns; b) some clients could go bankrupt, given the economic recession that Covid-19 will trigger in most of the countries where Audax operates.

On the other hand, this situation will also hit other energy suppliers, most of them with fragile financial structures. This could give Audax, which has deeper pockets, an opportunity to gain customers from competitors unable to maintain the service committed, and even acquire client portfolios at advantageous conditions.

Clients increased by 27K in Q1

A mix of these effects materialised during the first quarter of the year. As we show in the table below, Audax was able to increase its client base by 27.4k new connections, with the bulk of the increase coming from Spain (+25K). On the other hand, consumption per client fell by >20% YoY, with Spain showing the biggest fall (-29%).

AUDAX: Q1 2020 OPERATING KPIs

	New clients (k)	YoY	Total Clients (k)	YoY	Energy sales (GWh)	YoY	Consumption per client (GWh)	YoY
o/w Spain	25.3	115%	249.9	34%	1,120	(5%)	4.5	(29%)
o/w International	2.1	(123%)	115.7	(5%)	1,601	(11%)	13.8	(6%)
Total	27.4	910%	365.5	19%	2,721	(8%)	7.4	(23%)

Source: Alantra Equities

Visibility on what could happen over the rest of the year is still limited and will depend (among other things) on the evolution of the pandemic, the need to impose new mobility restrictions and/or lockdowns and the economic recovery expected in H2. In our estimates, we assume the situation gradually normalises and there are no additional lockdowns.

With the above in mind, we expect Audax's clients to increase by 16% CAGR over 2019-23. This will be the result of:

From 269k (19) to 410k (23) clients in Spain

a) **Spain & Portugal growing by 16% CAGR.** In our estimates, we assume a 45k net increase in clients in 2020, implying a net increase of 19.7K clients in addition to the 25.3k added in Q1. Considering that around 60% of Audax's clients in Iberia are SMEs, in our estimates we assume some disconnections in H2 to reflect the potential impact of the economic crisis triggered by Covid-19. This impact during the first half of the year has been partially mitigated by an increase in retail clients.

   Going forward, we assume 47-48k new clients per annum, with SMEs still accounting for the lion's share of the new connections (notwithstanding an increase in the retail client base as well). All in all, we expect Audax's clients in Spain & Portugal to increase from 225k in 2019 to 269k in 2020, reaching 410k in 2023.

International growth will be based on M&A

b) **International markets growing by 16% CAGR.** The evolution of Audax's international client portfolio over the last couple of years has been conditioned by a constant loss of clients in Italy, triggered by delays in the full liberalisation of the sector, rendering part of the clients in the country loss-making. We expect this bleeding to stop in 2020 (only 1.1k clients were lost in Italy in Q1 vs. 2-3k quarterly average), allowing Audax to maintain its client base in the country roughly stable from then on. This is the main reason (together with Covid-19) why we include a net increase in international clients of just 0.5k in 2020.

   Going forward, we include an organic increase in clients of 4.0k per annum, plus the 80K new clients acquired in Hungary, with full impact in 2021. All in all, we expect Audax's clients in Europe to increase from 114k in 2019-20 to 206k in 2023.

AUDAX: ENERGY SUPPLY CUSTOMERS EVOLUTION 2019-23

(K)	2019	% YoY	2020E	% YoY	2021E	% YoY	2022E	% YoY	2023E	CAGR 19-23
Supply points	**338.1**	**13%**	**383.1**	**34%**	**513.6**	**10%**	**564.7**	**9%**	**616.3**	**16%**
Spain & Portugal	224.5	20%	269.0	17%	316.0	15%	363.0	13%	410.5	16%
Rest of Europe	113.6	0%	114.1	73%	197.6	2%	201.7	2%	205.8	16%
New supply points	**32.6**	**38%**	**45.0**	**190%**	**130.5**	**(61%)**	**51.1**	**1%**	**51.6**	**-**
Spain & Portugal	49.7	(10%)	44.5	6%	47.0	0%	47.0	1%	47.5	-
Rest of Europe	(17.1)	-	0.5	-	83.5	(95%)	4.1	0%	4.1	-

Source: Alantra Equities

In terms of energy sales (both electricity & gas), we expect growth to be pretty much in line with the increase in clients (+16% CAGR 2019-23). However, the evolution over the period will be bumpier, with consumption per client falling materially in 2020 and recovering thereafter, ending the period pretty much flat vs. the levels recorded in 2019. Consumption per client in Iberia, however, will end below 2019 levels given the increase in retail clients, with lower than average consumption per client. In more detail:

+13% CAGR energy sales in Iberia

a) **Spain & Portugal (13% CAGR).** We expect consumption per client to end up falling by 19% in 2020, affected by the Covid-19 outbreak and, to a lesser extent, an increase in the number of retail clients with lower than average consumption. We expect it to gradually recover over 2021-23, ending 2023 still 10-11% below 2019 levels (19.1MWh per client vs. 21.5MWh in 2019) given the effect of retail clients on the group's average consumption. As a result, we expect energy sales to fall by 3% in 2020, growing by double digit from then on, reaching 7.8TWh in 2023, 62% higher than in 2019.

+19% CAGR energy sales in Europe

b) **Rest of Europe (19% CAGR).** We also expect a fall in consumption per client in Audax's international markets in 2020, by 7% in this case. We expect LFL consumption to recover in 2021, whilst in reported terms it should grow by 15%, impacted by the recently announced acquisition in Hungary. According to the company, the 80k new clients should add 6TWh of sales, improving the average consumption of the current portfolio. We expect roughly flat consumption per client from then on. As a result, we expect international energy sales to fall by 7% in 2020, almost doubling in 2021 and growing by 3% per annum from then on, reaching 10.1TWh in 2023, c.2X vs. 2019 levels.

AUDAX: ENERGY SALES EVOLUTION 2019-23

(GWh)	2019	% YoY	2020E	% YoY	2021E	% YoY	2022E	% YoY	2023E	CAGR 19-23
Energy supplied	**9,940**	**(5%)**	**9,452**	**63%**	**15,387**	**9%**	**16,729**	**7%**	**17,966**	**16%**
Spain & Portugal	4,827	(3%)	4,697	25%	5,890	18%	6,923	13%	7,844	13%
Rest of Europe	5,113	(7%)	4,755	100%	9,497	3%	9,807	3%	10,122	19%
Energy per client	**29.4**	**(16%)**	**24.7**	**21%**	**30.0**	**(1%)**	**29.6**	**(2%)**	**29.1**	**(0%)**
Spain & Portugal	21.5	(19%)	17.5	7%	18.6	2%	19.1	0%	19.1	(3%)
Rest of Europe	45.0	(7%)	41.7	15%	48.1	1%	48.6	1%	49.2	2%

Source: Alantra Equities

As a general rule, the price of the energy (electricity & gas) sold by Audax is closely linked to the evolution of international commodity prices, on which Audax charges a unitary margin that (depending on the client and market) could be fixed or variable. Maintaining a fixed margin in times of falling energy prices is obviously more difficult, and could lead to client losses, forcing the supplier to reduce them to avoid bleeding. Although a big part of Audax's clients have fixed margins in theory (65% of revenues correspond to the indexed tariff), we have preferred to take a more conservative approach, assuming a higher weight of variable margins in our estimates.

Falling unitary margins in 2020-21

With the above in mind, we expect gross unitary margin to fall by 1% in 2020 and by an additional 22% in 2021. This fall will be the consequence of two effects: a) the fall in prices triggered by the Covid-19 outbreak; b) an increase in the weight of international sales in the mix, in part explained by the recent acquisition of clients in Hungary from E.On.

We expect unitary margins to recover over 2022-23; however, they should end the period at €8.4/kWh, below the €9.4 Audax made in 2019. As a result, gross profit should fall from €94m in 2019 to €88m in 2020, and jump to €112m in 2021, €130m in 2022 and €152m in 2023. It is important to note that our gross margin estimates already include both the impact from the acquisition cost of new clients and the cost of renewing the existing base.

Further acquisitions will require bigger structure

Regarding opex, Audax's current structure is enough to serve up to 500k clients in the countries where the company is already present. Acquisitions in new countries, like the one in Hungary, would imply an increase in structure (we assume opex +16% in the international business in 2021). On the other hand, Audax included €4m provisions in opex in Spain in Q1 to cover potential impacts from Covid-19, which we consider as a one-off. Overall, we expect opex to grow by 1% over the period.

All in all, we expect Audax's Supply EBITDA to fall from €43m to €36m in 2020 (including €4m Covid-related provisions booked in Q1), and to grow from then on to €61m in 2021, €78m in 2022 and €98m in 2023, implying 23% CAGR over the period.

AUDAX: ENERGY SUPPLY BUSINESS REVENUES, GROSS PROFIT & EBITDA 2019-23

(€m)	2019	% YoY	2020E	% YoY	2021E	% YoY	2022E	% YoY	2023E	CAGR 19-23
Revenues	1,011	(20%)	805	54%	1,241	14%	1,419	10%	1,568	12%
Gross profit	94	(6%)	88	27%	112	16%	130	17%	152	13%
per KWh (€)	9.4	(1%)	9.3	(22%)	7.3	7%	7.8	9%	8.4	(3%)
Gross margin (%)	9.3%		10.9%		9.0%		9.2%		9.7%	
Opex	(51)	3%	(53)	(3%)	(51)	2%	(52)	2%	(53)	
EBITDA	43	(17%)	36	71%	61	28%	78	26%	98	23%
per KWh (€)	4.3	(12%)	3.8	5%	4.0	18%	4.7	17%	5.5	6%

Source: Alantra Equities

By region, we expect Spain & Portugal EBITDA to grow by 18% CAGR, from €34m in 2019 to €65m in 2023, whilst the rest of Europe should grow from €9m (19) to €34m (23).

AUDAX: ENERGY SUPPLY BUSINESS GROSS PROFIT & EBITDA BREAKDOWN 2019-23

(€m)	2019	% YoY	2020E	% YoY	2021E	% YoY	2022E	% YoY	2023E	CAGR 19-23
Gross profit	**94**	**(6%)**	**88**	**27%**	**112**	**16%**	**130**	**17%**	**152**	**13%**
o/w Spain & Portugal	69	(3%)	67	10%	74	19%	88	13%	100	9%
o/w Rest of Europe	25	(14%)	21	80%	38	11%	42	24%	52	21%
EBITDA	**43**	**(17%)**	**36**	**71%**	**61**	**28%**	**78**	**26%**	**98**	**23%**
o/w Spain & Portugal	34	(11%)	30	37%	41	33%	54	20%	65	18%
o/w Rest of Europe	9	(36%)	6	249%	20	19%	24	41%	34	39%

Source: Alantra Equities

2) Generation: >600MW capacity by 2023

As explained in previous sections, Audax ended 2019 with 91MW of renewable production capacity (all wind). Of these, 45MW are located in Spain, 34MW in Poland and 12MW in France. In addition, Audax has a 320MW pipeline in Spain at advanced stages of development.

520MW new capacity over 2020-23

In our estimates for the division, we include 520MW of new production capacity over 2020-23, all in Spain and entirely solar PV, allowing Audax to reach a total generation capacity of 611MW in 2023.

AUDAX: NEW CAPACITY ESTIMATES 2019-23

(MW)	2019	% YoY	2020E	% YoY	2021E	% YoY	2022E	% YoY	2023E
New capacity	-		20		115		175		210
YE capacity	91	22%	111	104%	226	78%	401	52%	611

Source: Alantra Equities

In our estimates, we assume that Audax develops the 320MW current pipeline plus 175MW additional projects. It is important to highlight that, in addition to this pipeline, Mr. Elias owns a company which holds a c.2GW pipeline in Spain at different stages of development. We expect this pipeline to be gradually transferred to Audax as projects reach a certain degree of visibility. This mechanism is positive for Audax, as it lowers the development risk of the pipeline. However, it increases the cost of the new projects, whilst it could also create a conflict of interest. In any case, depending on these "drop-downs", there could be upside risk to our new capacity estimates for the period.

To reach our estimates, we estimate Audax will need to invest €280-290m over 2020-23, implying an average capex per MW of €0.55m.

AUDAX: INVESTMENT IN NEW ASSETS 2020-23					
(€ m)	**2020E**	**2021E**	**2022E**	**2023E**	**2020-23E**
New MWs	20	115	175	210	520
Capex per MW	0.60	0.57	0.54	0.53	0.55
Total capex	12	66	95	111	284

Source: Alantra Equities

Generation EBITDA will jump as new capacity is commissioned

With the above in mind, we expect a sharp fall in Generation revenues and EBITDA in 2020, impacted by the asset sales made in 2019. The performance should start improving from 2021, in line with the increase in capacity. We expect revenues to increase from the €15m bottom in 2020 to €41m in 2023, and EBITDA to do so from €12m to €31m respectively.

By region, we expect Europe EBITDA to fall from €9m to €7m, affected by changes in regulation in France, whilst Spain should go from €4m in 2020 to €24m in 2023.

AUDAX: GENERATION BUSINESS' REVENUES & EBITDA BREAKDOWN 2019-23										
(€m)	**2019**	**% YoY**	**2020E**	**% YoY**	**2021E**	**% YoY**	**2022E**	**% YoY**	**2023E**	**CAGR 19-23**
Revenues	**33**	**(54%)**	**15**	**32%**	**20**	**36%**	**27**	**50%**	**41**	**6%**
o/w Spain	22	(78%)	5	104%	10	87%	18	73%	32	9%
o/w Europe	10	1%	10	(2%)	10	(14%)	9	(0%)	9	(4%)
EBITDA	**26**	**(52%)**	**12**	**30%**	**16**	**30%**	**21**	**48%**	**31**	**5%**
o/w Spain	17	(78%)	4	104%	8	82%	14	72%	24	8%
o/w Europe	8	2%	9	(2%)	8	(16%)	7	(0%)	7	(5%)
EBITDA margin (%)	78.6%		81.0%		79.9%		76.6%		75.7%	

Source: Alantra Equities

VI. The balance sheet

1) €300m capex over 2020-23

In general terms, the energy supply business is asset-light, and requires small investments to grow (investments to capture new clients are normally related to discounts in the price or to payments to brokers, reflected in Audax's gross margin in both cases). On the other hand, the generation business is capital intensive.

We include total investments in the region of €300m over 2020-23 in our estimates, broken down as follows:

€280-290m capex in solar PV over 2020-23

a) As advanced in the previous section, we expect Audax to make a material investment effort to add new generation capacity over the coming years, with total investments in the region of €280-290m in order to add 520MW new capacity in Spain. We assume an average investment per MW in the region of €0.55m.

b) We assume €15-20m for the supply division over 2020-23, corresponding to maintenance capex and small acquisitions of new client portfolios. We do not include here the acquisition of the 80k clients in Hungary from E.On (which we estimate could be worth €30m).

AUDAX: CAPEX ESTIMATES 2020-23

(€m)	2019	2020E	2021E	2022E	2023E	2020-23E
Generation	0	12	66	95	111	284
Supply	2	2	5	5	5	17
Total capex	**2**	**14**	**71**	**100**	**116**	**301**

Source: Alantra Equities

Investment financed with 70% debt & 30% equity

In order to finance PV projects, Audax normally uses a combination of equity plus debt, usually project financed. The target of the plan is to finance 70% of the investment through debt and 30% through equity, which is the proportion we have included in our estimates. This results in €85m equity capex over 2020-23, which would be covered with the €115m gross cash Audax had as of 1Q20 plus the cash generated by the operations, as explained below.

AUDAX: FINANCING OF THE EXPECTED CAPEX

(€ m)	Debt	Equity	Total
Generation capex	199	85	284
% of total	70%	30%	100%

Source: Alantra Equities

2) Cash flow generation

€260m cash flow generation in 2020-23

According to our estimates, Audax should generate c.€260m operating cash flow over 2020-23, going from €30m in 2020 to >€100m in 2023, in line with the expected increase in the supply activity and the commissioning of new PV capacity in Spain. In addition, we expect:

a) **Working capital.** We expect Audax to invest €15m in working capital over the period. As a general rule, client collections in the Supply division normally have a 1 or 2-month lag, whilst energy payments have to be made at the time in which the energy is acquired. On this basis, increases in the energy sold normally trigger an increase in WC and vice versa.

   In our 2020 estimates, we assume an additional deterioration in WC to reflect delays in collections triggered by Covid-19, partially recovered in 2021. We assume some additional deterioration over 2022-23, assuming that working capital/sales fall from c.7% (19-20) to c.4% as of the end of the period.

AUDAX: WORKING CAPITAL/SALES 2019-23

(%)	2019	2020E	2021E	2022E	2023E
Working capital/sales	(7.4%)	(6.6%)	(5.6%)	(4.5%)	(3.9%)

Source: Alantra Equities

b) **Capex.** We expect €301m capex, as explained above.

c) **Acquisitions/disposals.** We include the acquisition of the remaining minorities in the Supply division in the Netherlands for €15m (already agreed) and the acquisition in Hungary, which we estimate could be worth €30m (price has not been disclosed).

No dividends over 2020-23

d) **Dividends.** Months ago, Audax cancelled the €10m in dividends (39% payout) it intended to pay against 2019 results. Audax does not have an official dividend policy, and thus we are not including any dividend payments in our estimates. Given the large investment effort it will make, we would prefer Audax to preserve its cash and avoid paying any dividends.

AUDAX: CASH FLOW GENERATION 2019-23

	2019	2020E	2021E	2022E	2023E	2020-23E
Operating CF	**45**	**30**	**54**	**73**	**102**	**259**
Change in WK	35	(23)	16	(6)	(2)	(15)
Capex	(2)	(14)	(71)	(100)	(116)	(301)
Net operating CF	**79**	**(8)**	**(0)**	**(32)**	**(16)**	**(56)**
Acquisitions/disposals	47	(45)	0	0	0	(45)
Others	(2)	0	0	0	0	0
FCF pre-dividends	**124**	**(53)**	**(0)**	**(32)**	**(16)**	**(101)**
Dividends	0	0	0	0	0	0
FCF post dividends	**124**	**(53)**	**(0)**	**(32)**	**(16)**	**(101)**

Source: Alantra Equities

3) Leverage is manageable

On the back of the above, we expect Audax's net debt to increase from €182m in 2019 to €235-240m in 2020-21 and €270-280m in 2022-23. According to our estimates, this would imply net debt/EBITDA jumping from 2.5X (19) to c.5X in 2020, albeit affected by the fall in EBITDA that we expect, and dropping back to 3.1X in 2021, 2.7X in 2022 and 2.2X in 2023.

Our debt estimates include €70m loan granted from Audax to its founder as higher debt. This loan is backed by part of its shares in the company. If we were to exclude it from our net debt, leverage (as shown in the table) would fall to 3.5X EBITDA in 2020 and <2X in 2023.

Leverage is high, but manageable

In our view, Audax's leverage will be somewhat high over 2020-22, but manageable, given that: a) EBITDA will be abnormally low in 2020 given the impact of Covid-19; and b) the company will undertake a strong investment effort in new generation capacity, which will not contribute to the EBITDA in the short term. In short, we do not see leverage as a concern. That said, the room to accelerate investments and/or make new acquisitions will be limited. If Audax finally decided to do it, we would not rule out a capital increase to finance the incremental growth.

AUDAX: LEVERAGE 2019-23

(€ m)	2019	2020E	2021E	2022E	2023E
Net debt	182	235	236	267	284
Equity	122	132	165	214	285
Net debt/EBITDA (X)	2.5	4.9	3.1	2.7	2.2
Net debt/equity (%)	149%	178%	143%	125%	100%
Adj. net debt/EBITDA (*)	-	3.5	2.2	2.0	1.7

(*) Excluding €67m financial assets from net debt; Source: Alantra Equities

26% debt with recourse

We expect debt with recourse to fall from €182m in 2019 to €71m in 2023, going from 100% of the total currently to 26% as of 2023.

AUDAX: LEVERAGE 2019-23

(€ m)	2019	2020E	2021E	2022E	2023E
Recourse	182	226	177	138	71
Project finance	0	8	54	121	199
Recourse a % of total	100%	96%	76%	53%	26%

Source: Alantra Equities

VII. Our P&L Estimates

1) Strong EPS growth from 2020

EPS down 55% in 2020

We expect 2020 to be a difficult year for Audax, as it will be impacted by the Covid-19 outbreak on the one hand and by the loss of the contribution from the generation assets sold in 2019 on the other. As a result, we expect adj. EPS to tumble by 55% in 2020 to €0.02 p.s.

We expect a sharp recovery from 2021 onwards, driven by a mix of: a) growing supply sales and margins; b) the acquisition of customers in Hungary; and c) new generation capacity coming on stream. As a result, we expect EBITDA to grow at a double-digit rate per annum, reaching c.€130m in 2023 and implying 17% CAGR over 2019-23.

With a sharp recovery from 2021

Below EBITDA, we expect financial costs to grow slightly, in line with the evolution of debt, impacted by investments in new generation capacity, and a roughly stable tax rate at 13%. This will lead adj. EPS to grow sharply, reaching €0.16 p.s. in 2023, implying 34% CAGR 2019-23.

AUDAX: P&L ESTIMATES 2019-23

(€m)	2019	% YoY	2020E	% YoY	2021E	% YoY	2022E	% YoY	2023E	CAGR 19-23
Revenues	1,044	(21%)	821	54%	1,261	15%	1,446	11%	1,608	11%
CoGS	(917)	(22%)	(717)	57%	(1,129)	14%	(1,289)	10%	(1,416)	11%
Gross Profit	127	(18%)	103	28%	132	19%	157	22%	192	11%
Opex	(58)	(5%)	(55)	(1%)	(55)	6%	(59)	8%	(63)	2%
Recurrent EBITDA	68	(30%)	48	61%	77	29%	99	31%	129	17%
One-offs	5	-	0	-	0	-	0	-	0	-
Reported EBITDA	73	(35%)	48	61%	77	29%	99	31%	129	15%
Depreciation	(26)	(23%)	(20)	5%	(21)	15%	(24)	26%	(31)	4%
EBIT	47	(41%)	28	101%	56	34%	75	32%	98	20%
Financial results	(14)	15%	(16)	6%	(17)	(1%)	(17)	3%	(17)	6%
Associates	(0)	0%	(0)	0%	(0)	0%	(0)	0%	(0)	0%
EBT	33	(65%)	12	234%	39	50%	58	41%	81	25%
Tax	(2)	(15%)	(1)	234%	(5)	50%	(7)	41%	(10)	56%
Minorities	(6)	-	(0)	-	(1)	-	(1)	-	(0)	-
Net profit	25	(61%)	10	237%	33	48%	49	44%	71	29%
Adj. net profit	22	(55%)	10	237%	33	48%	49	44%	71	34%
Nº of shares	440		440		440		440		440	
EPS	0.06	(61%)	0.02	237%	0.08	48%	0.11	44%	0.16	29%
Adj. EPS	0.05	(55%)	0.02	237%	0.08	48%	0.11	44%	0.16	34%

Source: Alantra Equities

2) Double-digit revenue growth over 2020-23

Revenue growth from 2021 driven by the recovery in energy demand & prices

We expect revenues to fall by 21% in 2020, dragged down by a combination of falling electricity prices (a large amount of Audax's energy is sold under indexed schemes) and energy sales. We expect both prices and demand to gradually recover over 2021-23, leading to a material recovery in the top line. In other words, we expect revenues to bottom out in 2020 at €821m, reaching €1.6bn in 2023 and implying 11% CAGR over 2019-23.

AUDAX: REVENUE BREAKDOWN 2019-23

(€m)	2019	% YoY	2020E	% YoY	2021E	% YoY	2022E	% YoY	2023E	CAGR 19-23
Supply	**1,011**	**(20%)**	**805**	**54%**	**1,241**	**14%**	**1,419**	**10%**	**1,568**	12%
o/w Spain & Portugal	764	(11%)	679	30%	885	18%	1,045	13%	1,183	12%
o/w Europe	247	(49%)	126	183%	356	5%	374	3%	385	12%
Generation	**33**	**(54%)**	**15**	**32%**	**20**	**36%**	**27**	**50%**	**41**	6%
o/w Spain & Portugal	22	(78%)	5	104%	10	87%	18	73%	32	9%
o/w Europe	10	1%	10	(2%)	10	(14%)	9	(0%)	9	(4%)
Total revenues	**1,044**	**(21%)**	**821**	**54%**	**1,261**	**15%**	**1,446**	**11%**	**1,608**	**11%**

Source: Alantra Equities

3) Mid/high single-digit EBITDA margin in 2020-23

EBITDA would follow same trend as revenues

We expect EBITDA to follow a similar trend and to bottom out in 2020, materially recovering from then on. We expect €48m EBITDA in 2020, growing to c.€100m in 2022 (in line with the company's >€100m target) and reaching €129m in 2023, implying 17% CAGR 19-23.

AUDAX: EBITDA BREAKDOWN 2019-23

(€m)	2019	% YoY	2020E	% YoY	2021E	% YoY	2022E	% YoY	2023E	CAGR 19-23
Supply	**43**	**(17%)**	**36**	**71%**	**61**	**28%**	**78**	**26%**	**98**	23%
o/w Spain & Portugal	34	(11%)	30	37%	41	33%	54	20%	65	18%
o/w Europe	9	(36%)	6	249%	20	19%	24	41%	34	39%
Generation	**26**	**(52%)**	**12**	**30%**	**16**	**30%**	**21**	**48%**	**31**	5%
o/w Spain & Portugal	17	(78%)	4	104%	8	82%	14	72%	24	8%
o/w Europe	8	2%	9	(2%)	8	(16%)	7	(0%)	7	(5%)
Total EBITDA	**68**	**(30%)**	**48**	**61%**	**77**	**29%**	**99**	**31%**	**129**	**17%**

Source: Alantra Equities

Margins will also increase from 2021

As previously explained, the Supply business is asset-light but, in exchange, margins are low. With this in mind, we see Audax's EBITDA margin at 5.8% in 2020, with Supply making 4.4% and Generation 81%. We expect margins to increase over the period, reaching 8.0% in 2023, with Supply at 6.3% and Generation at c.76%.

AUDAX: EBITDA MARGIN 2019-23E

	2019	2020E	2021E	2022E	2023E
Supply	4.2%	4.4%	4.9%	5.5%	6.3%
Generation	78.6%	81.0%	79.9%	76.6%	75.7%
Total EBITDA margin	**6.5%**	**5.8%**	**6.1%**	**6.8%**	**8.0%**

Source: Alantra Equities

4) Financial expenses

Net financial expenses stable 2019-2023

We forecast financial costs growing in line with the evolution of net debt, partially mitigated by a gradual decrease in the cost of debt, going from 4.8% (19) to 4.1% (23), as new debt will come at a lower cost than the group average.

AUDAX: FINANCIAL EXPENSES 2019-23E

	2019	2020E	2021E	2022E	2023E
o/w Financial revenues	4	2	2	2	2
o/w Financial expenses	(19)	(18)	(18)	(18)	(19)
Cost of debt (%)	4.8%	4.6%	4.4%	4.2%	4.1%
Net financial expenses	**(16)**	**(16)**	**(17)**	**(17)**	**(17)**
EBIT/financial costs (X)	3.0	1.7	3.3	4.5	5.7

Source: Alantra Equities

5) Tax rate at 13% over 2020-23

13% average effective tax rate over 2023-23

Audax ended 2019 with a 5% effective tax rate. The company had €154m cumulative tax losses at the end of 2019, which will allow the company to continue benefiting from tax savings over the coming years. As a result, we expect a 13% average effective tax rate over 2020-23, below the 25% Spanish corporate tax rate.

AUDAX: TAX RATE 2019-23E

	2019	2020E	2021E	2022E	2023E
Pre-tax profit	33.0	11.6	38.6	57.7	81.1
Nominal tax rate	25%	25%	25%	25%	25%
Theoretical tax	(8.3)	(2.9)	(9.6)	(14.4)	(20.3)
Effective tax	**(1.7)**	**(1.4)**	**(4.8)**	**(7.2)**	**(10.1)**
Tax credits	6.6	1.4	4.8	7.2	10.1
Effective tax rate	5%	13%	13%	13%	13%

Source: Alantra Equities

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