AUDAX RENOVABLES

We expect things to improve

- **2021 should be the bottom.** 2021 is being a tough year for Audax, affected by: a) a sharp fall in supply margins, triggered by the hike in pool prices the negative impact it has caused in Audax's "short position"; b) delays in new generation capacity due to permitting bottlenecks & cost inflation. We expect things to improve in the coming quarters (supply margins have started to recover already).

- **2.1GW new capacity over 2021-25.** Permitting bottlenecks and, to a lesser extent, supply disruptions, have triggered a delay in the installation of new PV capacity. As a result, we expect Audax to install 55MW in 2021 vs. the 126MW initial target. We expect new capacity additions to gradually accelerate, going up to 250MW (22), 450MW (23), 600MW (24) & 750MW p.a. from 2025. As a result, capacity in operation should increase by 2.1GW, from 91MW (20) to 2.2GW (25).

- **Strong growth ahead.** We cut our 2021-23 EBITDA & EPS estimates by 5-10% & 10-15% p.a. respectively on a mix of lower energy sales & electricity produced. We expect EBITDA to bottom out in 2021 at €46m (-30% YoY), and to start to recover from 2022, led by growing energy sales and margins in supply and new production capacity in generation. As a result, EBITDA should almost double in 2022 to €81m, growing by double-digit p.a. over 2022-25, reaching €179m in 2025. Net profit should grow strongly too, going from €3m (21) to €81m (25).

- **Leverage is high & needs to be cut.** The 2.1GW will require >€1bn capex (>1.5X Audax market cap). Of this, 60% will be equity and 40% non-recourse debt. As a result, corporate debt would increase from €375m (21) to €465m (25), implying a debt/EBITDA of 9X (21), 5X (22) & c.4X (23-25). This is too high and should be cut to <3X. This would require €150-200m proceeds, which could be obtained with a mix of assets sales (€75-85m) and a capital increase (€80-100m).

- **Our view.** We cut our valuation range for Audax by c.10%, to €1.80-2.20p.s., which already includes a €100m capital increase. Audax shares are down c.30% YTD reflecting operating and financial headwinds, now trading at 13X EV/EBITDA and 24X P/E in 2022, implying a discount vs. both quoted IPPs and independent suppliers. We expect headwinds affecting Audax to be temporary, and we should expect the gap vs. peers to gradually narrow as margins recover and new PV projects are connected in the coming quarters.

Financial Ratios	FY19	FY20	FY21E	FY22E	FY23E	FY24E
EBITDA (€m)	73	66	46	81	111	142
Net profit (€m)	25	26	3	25	43	63
EPS (€)	0.06	0.06	0.01	0.06	0.10	0.14
Adj. EPS (€)	0.05	0.03	0.01	0.06	0.10	0.14
P/E (x)	37.1	27.2	205.2	24.2	13.8	9.4
P/E Adj. (x)	43.4	50.8	205.2	24.2	13.8	9.4
EV/EBITDA (x)	14.2	14.2	21.8	13.3	11.1	10.1
Debt/EBITDA (x) (*)	2.0	4.4	8.9	5.0	4.2	3.9
P/BV (x)	7.7	5.0	4.4	3.7	2.9	2.2
ROE (%)	19.0	10.6	2.1	16.5	23.7	26.8
DPS (€)	0.0	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.5	1.4	0.0	0.0	0.0	0.0

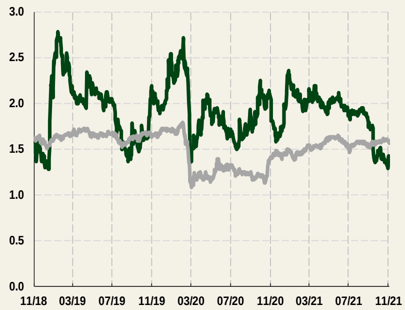
(*) Historical multiples based on average share price of the year; Debt/EBITDA (X) at corporate level

SPONSORED RESEARCH

Share Price	1.35

ADXR.MC / ADX SM	
Market Cap	594 m
Enterprise Value	1,007 m
Free Float	€101 m
Nº Shares	440 m
Average Daily Volume	€ 3 m

Performance	1m	3m	12m
Absolute %	-7.3	-30.8	-25.1
Relative %	-7.1	-31.2	-39.9



Audax Renovables — Madx

Shareholders
Jose Elias Navarro 77.1%, Indumenta Pueri 5.9%, Free float 17%

Analyst

Fernando Lafuente
+34 91 550 87 16
flafuente@alantraequities.com

Beatriz Bernal
+34 91 550 57 15
bbernal@alantraequities.com

Key Data

P&L account (EURm)	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Sales	1,044	969	1,604	1,885	1,691	1,741
Cost of sales	(917)	(854)	(1,485)	(1,728)	(1,498)	(1,506)
Gross margin	**127**	**115**	**119**	**157**	**194**	**235**
Opex	(58)	(65)	(73)	(76)	(83)	(93)
EBITDA adjusted	**68**	**50**	**46**	**81**	**111**	**142**
Assets disposals	5	16	0	0	0	0
EBITDA reported	**73**	**66**	**46**	**81**	**111**	**142**
Depreciation & Amortization	(26)	(20)	(21)	(23)	(29)	(33)
EBIT	**47**	**47**	**25**	**58**	**82**	**109**
Financial costs	(16)	(13)	(25)	(28)	(31)	(37)
Associates	(0)	(0)	(0)	(0)	(0)	(0)
Ordinary profit	**31**	**34**	**0**	**30**	**50**	**72**
Extraordinary items	2	0	0	0	0	0
Pre-tax Profit	**33**	**34**	**0**	**30**	**50**	**72**
Taxes	(2)	(4)	0	(3)	(6)	(9)
Discontinued activities	0	0	0	0	0	0
Minorities	(6)	(4)	3	(2)	(1)	(1)
Net profit	**25**	**26**	**3**	**25**	**43**	**63**
Nº of shares (m)	440	440	440	440	440	440
Nº of shares adjusted (m)	440	440	440	440	440	440
Treasury stock (m)	0	0	0	0	0	0

YoY Growth	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Sales	5.8%	(7.1%)	65.5%	17.5%	(10.3%)	2.9%
EBITDA adjusted	52.4%	(26.7%)	(7.7%)	75.4%	36.5%	28.1%
EBITDA reported	37.2%	(9.3%)	(30.4%)	75.4%	36.5%	28.1%
Net profit	182.5%	3.8%	(89.0%)	747.0%	75.8%	46.1%

Revenues by business	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Supply	96.9%	98.3%	98.9%	98.7%	97.4%	95.7%
Generation	3.1%	1.7%	1.1%	1.3%	2.6%	4.3%

EBITDA by business	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Supply	62.4%	76.6%	73.3%	78.1%	71.5%	62.0%
Generation	37.6%	23.4%	26.7%	21.9%	28.5%	38.0%

Per share data	FY19	FY20	FY21E	FY22E	FY23E	FY24E
EPS	0.06	0.06	0.01	0.06	0.10	0.14
EPS adjusted	0.05	0.03	0.01	0.06	0.10	0.14
CFPS	0.10	0.08	0.05	0.11	0.16	0.22
FCFPS	0.18	(0.04)	(0.20)	(0.16)	(0.34)	(0.46)
BVPS	0.28	0.33	0.31	0.36	0.46	0.61
DPS	0.01	0.02	0.00	0.00	0.00	0.00

Cash flow (EURm)	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Net profit	25	26	3	25	43	63
Depreciation	26	20	21	23	29	33
Minorities	6	4	(3)	2	1	1
Non-cash adjustments	(12)	(16)	2	(2)	(2)	(1)
Total cash-flow (CF)	**45**	**33**	**24**	**47**	**72**	**95**
Capex	(2)	(17)	(43)	(151)	(235)	(297)
Working capital	35	(32)	(69)	33	13	1
Operating FCF	**79**	**(16)**	**(89)**	**(71)**	**(151)**	**(201)**
Financial investments	0	0	0	0	0	0
Rights issues	0	0	0	0	0	0
Disposals/(acquisitions)	47	(135)	(48)	0	0	0
Other	38	63	(40)	0	0	0
FCF before dividends	**164**	**(88)**	**(177)**	**(71)**	**(151)**	**(201)**
Dividends	(2)	(5)	(10)	0	0	0
Free-cash-flow (FCF)	**163**	**(92)**	**(187)**	**(71)**	**(151)**	**(201)**
Buy-backs	0	0	0	0	0	0
FCF after buy backs	**163**	**(92)**	**(187)**	**(71)**	**(151)**	**(201)**

Balance sheet (EURm)	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Equity	122	143	136	161	204	267
Minority interests	33	8	8	8	8	8
Provisions & others	19	19	19	19	19	19
Net debt [cash]	144	236	423	494	645	846
Capital invested	**319**	**406**	**586**	**682**	**876**	**1,139**
Intangible assets	244	297	297	297	297	297
Tangible assets	75	87	157	285	492	756
Financial assets	70	61	101	101	102	102
Associates	7	7	7	7	7	7
Working capital	(78)	(46)	24	(9)	(22)	(23)
Capital employed	**319**	**406**	**586**	**682**	**876**	**1,139**
Working capital/sales	-7.4%	-4.7%	1.5%	-0.5%	-1.3%	-1.3%

Financial ratios	FY19	FY20	FY21E	FY22E	FY23E	FY24E
Net debt/EBITDA	2.0X	3.6X	9.1X	6.1X	5.8X	6.0X
Net debt/EBITDA (*)	2.0X	4.4X	8.9X	5.0X	4.2X	3.9X
Gearing	92.6%	156.5%	293.8%	293.5%	304.8%	308.0%
Interest cover	3.0X	3.6X	1.0X	2.0X	2.6X	3.0X

(*) Corporate net debt

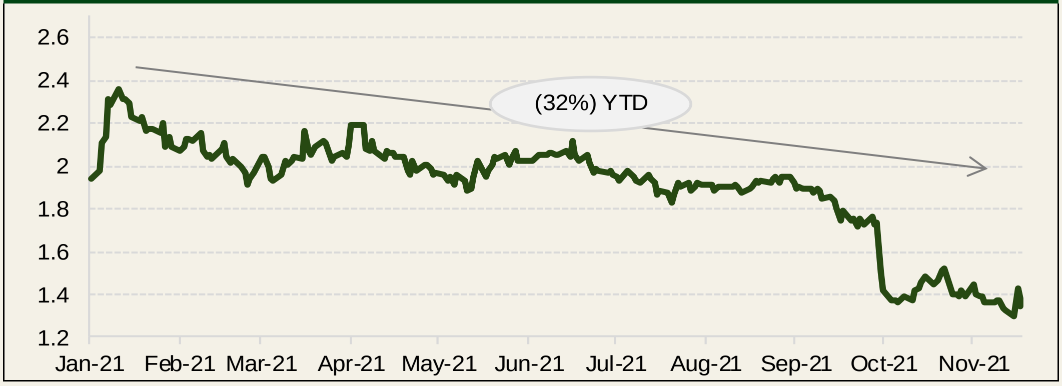
Margins & ratios	FY19	FY20	FY21E	FY22E	FY23E	FY24E
EBITDA margin	6.5%	5.2%	2.9%	4.3%	6.5%	8.1%
EBIT margin	4.5%	4.8%	1.6%	3.1%	4.8%	6.3%
Effective tax rate	5.1%	11.4%	-1671.4%	11.2%	11.8%	12.0%
Pay-out	18.5%	37.9%	0.0%	0.0%	0.0%	0.0%
ROCE (EBIT/CE)	14.7%	11.5%	4.2%	8.5%	9.3%	9.6%
ROE	19.0%	10.6%	2.1%	16.5%	23.7%	26.8%

I. A tough year so far

Massive de-rating of Audax's shares YTD

2021 is being a tough year for Audax so far, and it has thus been reflected in the share price, which has suffered a massive de-rating, being down by >30% YTD.

AUDAX: SHARE PRICE PERFORMANCE YTD



Source: Alantra Equities

In our view, this massive de-rating can be explained by three main factors:

1) **A sharp fall in supply margins**, triggered by the massive hike in pool prices, forcing Audax to buy electricity at a very high price to cover its short position, thus leading to negative margins. As a reference, supply margins in Spain bottomed out at €8.6/MWh in Q2, down by 50% YoY and by c.40% QoQ. As a result, Audax reported a net loss of €5m in Q2.

2) **Delays in the execution of its renewable capacity plans** due to delays in the permitting process on its projects and, to a lesser extent, cost inflation and supply disruptions. According to our estimates, Audax will only be able to connect 55MW in 2021 (which are connected already) vs. the 126MW initially planned.

3) **A sharp increase in net debt,** which has gone from €236m in Dec-2020 to €380m as of September 2021, partly affected by a €65-70m temporary increase in working capital (triggered by billing delays). This implies >8X debt/EBITDA, which is way too high for Audax.

Operating headwinds should be temporary

Whilst we are aware of the negative impact of the above issues in the equity story of Audax (and in the share price), we are of the view that they are mostly temporary, with Q2/Q3 being the bottom in terms of perception. Leverage is the exception, though, as we believe that it will remain high and will need to be cut through a mix of asset sales and a capital increase. In more detail:

1) **We expect supply margins to recover** from 2022 once the company covers and narrows its short position thanks to new PPAs and higher own capacity in operation. We expect unitary gross margins in Spain to grow from €11.1/MWh in 2021 to €14-15/MWh over 2022-25.

AUDAX: UNITARY GROSS MARGIN PER MWh 2020-25

(€/MWh)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	20-25E
Unitary gross margin	16.4	(33%)	11.1	25%	13.9	5%	14.6	(3%)	14.2	(3%)	13.8	(3%)

Source: Alantra Equities

2) **We expect new capacity additions to gradually accelerate** as permitting bottlenecks start to fade (as regional governments start to speed-up the approval process), with 250MW in 2022, 450MW in 2023, 600MW in 2024 and 750MW in 2025. Overall, we expect 2.1GW new capacity over 2021-25 which is not far from the 2.4GW pipeline recently acquired by Audax.

3) **Leverage is the question mark.** We expect corporate net debt/EBITDA (i.e. with recourse to the parent company) to be at 5X in 2022 and at 4.2X in 2023, which is way too high. We believe Audax will need to lower it to improve the visibility of its growth plans in renewables to levels below 3X. This should imply proceeds of €150-200m, which we think should be achieved through a combination of asset sales (namely international generation capacity, with an EV of €75-85m) and a capital increase (€80-100m).

II. Supply margins should bottom out in 2021

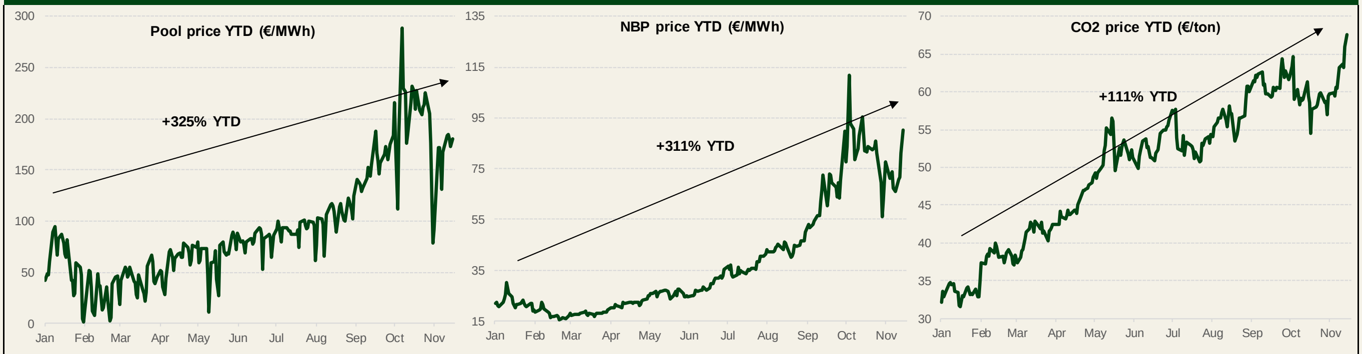
1) Why is 2021 being a very tough year?

Massive increase in electricity and gas prices

Since the beginning of the year, the pool price has risen by c.140% vs. 2020, having reached an average of €97.5/MWh. Moreover, it has been well above the €100/MWh threshold over the last weeks. Compared to 2018 and 2019, the average pool price YTD is up by 70% and 100% respectively.

The hike in pool prices has been caused by the combination of three factors: 1) a surge in gas prices (YTD Henry Hub is up by +77% and NBP by >300%); 2) a hike in CO2 emission prices to €50/ton (>100% YoY); and 3) a faster-than-expected recovery of demand.

SPANISH UTILITIES: POOL PRICE, GAS PRICE & CO2 PRICE EVOLUTION YTD



Source: Alantra Equities

On the paper, an increase in pool prices would be positive for electricity suppliers for two main reasons:

a) Firstly, as supply margins are normally calculated on the basis of the price of the electricity sold, hence, the higher the selling price, the higher the margin;

b) In addition, depending on the purchase strategy of the supplier (long term PPAs, hedges, merchant), the electricity acquired at a fixed cost can be sold at a higher price, leading to an expansion in margins.

However, if the increase happens in a short period of time, it can be negative for the supply business if it has what we call an "open position", i.e., electricity that has already been sold to final customers that has to be purchased in the market (independent suppliers, as a general rule, do not have their own production capacity and have to buy the electricity that is sold to their final customers). To avoid this potential impact, suppliers normally hedge the electricity they need to buy when they sign the selling agreement with their clients.

As a general rule, Audax's purchase strategy is based on a mix of long term renewable PPAs, electricity produced by its own generation assets, and purchases in the spot market. As we will explain afterwards, the company's long-term target is to have 2/3 of its electricity sales covered with a mix of own generation plus long-term PPAs with third parties and 1/3 purchased in the spot market.

Audax has been forced to purchase electricity at a very high cost, thus impacting its supply margins

However, 2021 is being a very difficult year for Audax, which has been forced to purchase electricity in the spot market at a very high cost to re-sell it to its customers at a lower price, leading to negative margins. The main impact was seen in Spain, in Q2, when the supply margin fell to €8.6/MWh (-50% YoY) and EBITDA was negative. This negative impact has been partially reversed in Q3 though, partly thanks to getting rid of loss-making contracts (the client portfolio fell in Q3 for the first time, as we explain in detail at the end of the report.

International markets were also affected by these effects, but not as much as in Spain, because the approach is somewhat different, as Audax first secures the energy for a certain period in time and then looks for a portfolio of clients to sell this energy. Under this latter scheme, the company is not exposed to energy short positions.

AUDAX: UNITARY MARGIN & EBITDA SUPPLY	1Q21	YoY	2Q21	YoY	3Q21	YoY
Unitary margin (€/MWh)	**6.0**	**(36%)**	**5.8**	**(53%)**	**7.8**	**(42%)**
o/w Spain (€/MWh)	12.8	(24%)	8.6	(50%)	11.5	(47%)
o/w International (€/MWh)	3.1	(24%)	4.5	(38%)	5.8	37%
EBITDA (€ m)	**10.2**	**18%**	**2.7**	**(70%)**	**9.2**	**(39%)**
o/w Spain (€ m)	7.8	33%	(1.1)	(115%)	3.0	(78%)
o/w International (€ m)	2.4	(15%)	3.7	93%	6.3	234%

Source: Alantra Equities

There are two reasons why Audax has had to purchase electricity in the spot market to cover its electricity sales:

a) Higher than expected consumption from its client base. Most of Audax's clients in Spain are industries & SMEs, for whom the recovery of demand has been non-linear, and very conditioned both by restrictions and by the sectors where they operate.

b) Lower-than-expected energy purchases from PPAs due to delays in project connections, given the existing bottlenecks in permit granting in Spain. This has affected both third-party projects for which Audax had signed PPAs and own projects (as we will explain, Audax should end with 145MW in operation by the end of 2021 vs. the 217MW initially expected).

We expect Q2 to be the bottom

We expect this situation to start to turn around from Q3 (results have already shown a slight improvement vs. Q2), but even with this, we expect 2021 to end being a very difficult year for Audax's supply division, for which we expect EBITDA to fall by 12% to €34m.

2) 2021 should be the bottom

EBITDA should reach €95m in 2025

We expect Audax's supply margins to start to recover from 2022, once the imbalance between energy acquired and sold "normalises". As a result, we expect gross margins to grow from €102m in 2021 to €133m in 2022 (+30%), by 13% in 2023, and by 5-7% p.a. in 2024-25, reaching €169m in 2025. This would be 65-70% higher than the €99m Audax reached in 2020 and the €102m that we expect in 2021. EBITDA should bottom out in 2021, at €34m, falling by 12% YoY, growing from then on, in line with the gross margin, reaching €95m in 2025, which implies +20% CAGR 20-25.

AUDAX: P&L SUPPLY BUSINESS 2020-25E

(€ m)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	20-25E
Revenues	953	66%	1,587	17%	1,860	(11%)	1,648	1%	1,666	4%	1,734	13%
Gross profit	99	3%	102	30%	133	13%	150	7%	161	5%	169	11%
Gross margin (%)	10%	(4%)	6%	1%	7%	2%	9%	1%	10%	0%	10%	
Opex	(60)	13%	(68)	2%	(69)	2%	(71)	2%	(73)	2%	(74)	4%
EBITDA	38	(12%)	34	87%	63	25%	79	11%	88	8%	95	20%
EBITDA margin (%)	4%	(2%)	2%	1%	3%	1%	5%	0%	5%	0%	5%	

Source: Alantra Equities

In more detail, our estimates are based on the following assumptions:

+14% CAGR growth in energy sales over 2020-25

a) **Higher energy sales.** We expect supplied energy to increase by 14% CAGR over 2020-25, from 10.4TWh in 2020 to 18.1TWh in 2023, reaching 20.3TWh in 2025. We expect both, Spain and international sales to grow by 14% CAGR. Growth will largely be driven by a higher customer base and the increase in consumption per client.

AUDAX: ENERGY SALES 2020-25E

(GWh)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	20-25E
Energy supplied	**10,472**	**53%**	**15,982**	**6%**	**17,019**	**7%**	**18,137**	**6%**	**19,280**	**5%**	**20,259**	**14%**
Spain	4,311	21%	5,227	15%	6,023	13%	6,808	12%	7,613	10%	8,367	14%
International	6,161	75%	10,755	2%	10,997	3%	11,329	3%	11,667	2%	11,891	14%

Source: Alantra Equities

- **Clients (+7% CAGR 20-25)**. After several years of its client portfolio growing by 20-30% p.a., we now expect it to grow by just 6% in 2021 on lower client acquisitions and contract terminations, triggered by the pool price hike. Audax should grow back strongly in Spain from 2022, with clients up by 10-11% p.a. vs. +2% p.a. internationally. Overall, we expect clients to go from c.515k in 2020 to 717k in 2025, i.e., +7% CAGR over the period.

AUDAX: SUPPLY CUSTOMERS 2020-25E

(# k)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	20-25E
Supply points	**514.9**	**6%**	**543.4**	**7%**	**582.0**	**8%**	**626.1**	**7%**	**671.2**	**7%**	**717.3**	**7%**
Spain	303.7	6%	322.7	11%	356.7	11%	396.7	10%	437.7	10%	479.7	10%
International	211.2	4%	220.7	2%	225.3	2%	229.4	2%	233.5	2%	237.6	2%

Source: Alantra Equities

- **Consumption per client (+7% CAGR 20-25).** We expect the average consumption per client to jump in 2021 by 45%, reflecting the recovery of economic activity and the acquisition in Hungary. We expect unitary consumption roughly stable from then on.

AUDAX: ENERGY PER CLIENT 2020-25E

(GWh)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	20-25E
Energy per client	**20.3**	**45%**	**29.4**	**(1%)**	**29.2**	**(1%)**	**29.0**	**(1%)**	**28.7**	**(2%)**	**28.2**	**7%**
Spain	14.2	14%	16.2	4%	16.9	2%	17.2	1%	17.4	0%	17.4	4%
International	29.2	67%	48.7	0%	48.8	1%	49.4	1%	50.0	0%	50.0	11%

Source: Alantra Equities

Unitary margins should reach>€8/MWh

b) **Increasing gross margins from the 2021 bottom**. After a tough year, we expect Audax to narrow its short position, in part thanks to a mix of higher electricity purchased through PPAs and the new own capacity in operation. As a result, we expect unitary gross margin to bottom out at €6.4/MWh in 2021, growing to €7.8/MWh 2022 and then to €8.3-8.4/MWh over 2023-25. Despite the recovery, margins will still be 11% below pre-crisis levels in 2025.

AUDAX: GROSS MARGIN PER MWh 2020-25E

(€/MWh)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	20-25E
Unitary gross margin	9.4	(32%)	6.4	22%	7.8	6%	8.3	1%	8.3	0%	8.4	(2%)

Source: Alantra Equities

Looking at the breakdown of the supply EBITDA by country, we expect:

a) **Spain (+16% CAGR).** We expect EBITDA to fall by 48% in 2021 to €18m, recovering fast in 2022 to €42m. This will be thanks to a c.50% increase in energy sales in 2022 vs. 2020, as unitary margins should be still 15% below vs. 2020. EBITDA should keep on growing by 14% in 2023 to €57m, and by 10-15% p.a. over 2024-25 reaching €71m in 2025.

AUDAX: GROSS MARGIN & EBITDA SPAIN

(€ m)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	20-25E
Gross margin	71	(18%)	58	44%	83	19%	99	9%	108	7%	116	10%
EBITDA	34	(48%)	18	139%	42	35%	57	14%	65	10%	71	16%

Source: Alantra Equities

b) **International (+40% CAGR 20-25).** We expect €16m EBITDA in 2021, with a c.€4m contribution from Hungary. We expect EBITDA to further grow to €21m in 2022 & 2-5% p.a. from then on.

AUDAX: GROSS MARGIN & EBITDA INTERNATIONAL

(€ m)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	20-25E
Gross margin	28	57%	44	12%	49	4%	51	3%	53	2%	54	14%
EBITDA	4	266%	16	30%	21	6%	22	4%	23	2%	24	40%

Source: Alantra Equities

III. Renewables: 2.1GW new capacity over 2021-25

1) The official target: 4.1GW new capacity over 2021-26

Back in June 2021, Audax presented its strategic plan with the target of reaching 4.2GW of renewable capacity in operation by 2026. This would imply 4.1GW new capacity over 2021-26, with the main bulk being solar (only 20MW of wind). Of these, 2.4GW correspond to projects already in the company's pipeline, with the rest being what they call "market opportunities".

The plan for the 2.4GW already identified, as shown in the table below, contemplates the commissioning of 126MW of capacity in 2021, speeding up to 464MW in 2022, 717MW in 2023 and 1.1GW in 2024.

AUDAX: AUDAX'S CAPACITY TARGETS 2021-26E

	2020	2021E	2022E	2023E	2024E	2025E	2026E	Total
New annual capacity	**0**	**126**	**464**	**717**	**1,805**	**750**	**301**	**4,163**
Pipeline acquired	0	126	464	717	1,055	0	0	2,362
Un-identified projects	0	0	0	0	750	750	301	1,801
Total installed capacity (YE)	**91**	**217**	**681**	**1,398**	**3,203**	**3,953**	**4,254**	

Source: Audax

Audax has 2.4GW pipeline

To reach these targets, Audax acquired a pipeline of c.2GW back in January (for €102m, implying an average of €500-550k/MW) that was in different stages of development, all of the projects with CODs in 2021-24. With the acquisition, Audax's pipeline increased to 2.4GW. Of these, 1.5GW are located in Spain, 601MW in Portugal, 201MW in Italy and 66MW in Panamá.

AUDAX: PIPELINE BY COUNTRY

(MW)	Spain	Portugal	Italy	Panama	Total
Under construction	21	0	0	66	87
Backlog	1,108	0	8	0	1,116
Grid connection	153	204	115	0	472
Early Stage	228	397	79	0	704
Total Pipeline	**1,510**	**601**	**201**	**66**	**2,378**

Source: Audax

As we show in the table below, the pipeline of projects already identified covers the bulk of the growth target up to 2024. The remaining 1.8GW will be conditioned to obtaining new pipeline. In this respect, these projects are being developed by one of Audax's sister companies (owned and controlled by Audax's major shareholder). Once these projects reach a certain degree of development, Audax will reportedly acquire them.

AUDAX: PIPELINE COVERAGE (2021-24)

(MW)	Growth target	Identified Pipeline	Coverage
Capacity	2,362	2,378	1.01

Source: Alantra Equities

2) Our estimates: 2.1GW new capacity over 2021-25

Industry headwinds should be temporary

Audax, and the entire renewable industry, is suffering a series of headwinds which, even if mostly temporary in our view, are causing delays in the execution of the growth plans. These headwinds are essentially three:

a) An increase in the cost of certain key components, including solar panels, trackers and other cable and electronic components

b) Logistic disruptions, particularly between Asia and Europe/America, which have triggered a shortage of shipping containers (essential to bring key PV components from China) and a dramatic increase in shipping rates.

c) In addition, and affecting Spain specifically, bottlenecks and delays in the permitting process for new renewable projects

As a consequence of these headwinds, Audax has only been able to commission 55MW of new capacity during the year, well below the initial target of 126MW. And, although we are of the view that the headwinds mentioned will be temporary, we have the impression that Audax will struggle to reach its targets, also considering the low level of coverage of the identified pipeline.

We expect 2.1GW new capacity over 2021-25

As a result, in our estimates for Audax's generation business, we are including 2.1GW of new capacity over 2021-25. This implies Audax being able to commission 85-90% of the current identified pipeline over the next 5 years. On a yearly basis, we expect the company to gradually accelerate the level of capacity additions, going from 55MW in 2021 (already installed), to 250MW in 2022, 450MW in 2023, 600MW in 2024 and 750MW per annum from 2025 onwards.

AUDAX: NEW INSTALLED CAPACITY ESTIMATES

(MW)	2020	2021E	2022E	2023E	2024E	2025E	New 2021-25
Iberia	0	55	250	450	600	750	2,105
International	0	0	0	0	0	0	0
Installed capacity	**0**	**55**	**250**	**450**	**600**	**750**	**2,105**

Source: Alantra Equities

We expect Audax's installed capacity to increase from 91MW in 2020 to 146MW in 2021 (already in operation and no further new capacity being expected for 2021), c.400MW in 2023, c.850MW 2023, c.1.5GW in 2024 and c.2.2GW in 2025. We expect most of the capacity to be installed in the Iberian Peninsula (mostly Spain, with 157MW in an auction in Portugal).

AUDAX: INSTALLED CAPACITY 2020-25

(MW)	2020	2021E	2022E	2023E	2024E	2025E
Spain	45	100	350	800	1,400	2,150
International	46	46	46	46	46	46
Installed capacity	**91**	**146**	**396**	**846**	**1,446**	**2,196**

Source: Alantra Equities

3) Strong EBITDA growth over 2020-25

EBITDA would grow from €12m (20) to €84m (25)

Despite the delays in new capacity, the generation business will grow strongly over the coming years, with EBITDA going from €12m per annum today to €84m in 2025, implying +48% CAGR over the period. We expect Spain to drive the expected growth of the division, going from €3m in 2020 to >€80m in 2025, whilst international markets should be roughly stable over the period.

AUDAX: P&L GENERATION BUSINESS 2020-25E

(€ m)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	20-25E
Revenues	**16**	**7%**	**17**	**40%**	**24**	**79%**	**43**	**71%**	**74**	**55%**	**116**	**48%**
o/w Iberia	6	30%	8	102%	15	129%	35	88%	66	62%	108	79%
o/w International	10	(6%)	10	(9%)	9	(8%)	8	(3%)	8	(1%)	8	(5%)
EBITDA	**12**	**5%**	**12**	**44%**	**18**	**78%**	**32**	**71%**	**54**	**57%**	**84**	**48%**
o/w Iberia	3	44%	5	130%	11	130%	26	88%	48	64%	79	88%
o/w International	8	(10%)	8	(11%)	7	(10%)	6	(3%)	6	(1%)	6	(7%)

Source: Alantra Equities

Looking to our estimates for Spain in more detail, we expect effective production capacity (average capacity contributing on a full-year basis) to increase from 45MW in 2020 to 56MW in 2021, 125MW in 2022, reaching 1.5GW in 2025. This should lead to electricity production growing by >100% CAGR over the period, from 83GWh in 2020 to 104GWh in 2021, reaching 2.9TWh in 2025.

AUDAX: PRODUCTION CAPACITY IN IBERIA												
(€ m)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	20-25E
Effective capacity (MW)	45	25%	56	124%	125	217%	395	118%	860	72%	1,475	101%
Load factor (%)	21%		21%		22%		22%		22%		22%	
Output (GWh)	83	26%	104	130%	240	221%	773	119%	1,689	72%	2,901	104%

Source: Alantra Equities

As mentioned in previous reports, Audax's strategy is to sell the electricity produced by its generation assets in Spain through its supply division. For this purpose, Audax will sign what it calls "internal PPAs", i.e., PPA agreements between its generation assets and the supply division.

Average selling price should decrease over the coming years

According to the company, the "transfer" price will depend on the asset and the moment it is commissioned, but should ultimately reflect the evolution of spot prices. In order to calculate the transfer price over 2021-25, on average we assume that c.60% of the electricity generated is sold at a fixed PPA price of €40/MWh, and the remaining 40% at merchant prices. This results in the average selling price going from €49/MWh in 2021 to €36/MWh in 2025.

AUDAX: AVERAGE SELLING PRICE									
(€/MWh)	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E
Pool price estimate	85.0	(9%)	77.5	(31%)	53.5	(15%)	45.3	(8%)	41.8
Average selling price	49.0	(0%)	48.8	(12%)	42.7	(11%)	38.1	(4%)	36.5
Difference (%)	73%		59%		25%		19%		14%

Source: Alantra Equities

Spain will drive generation over 2020-25

We thus expect the increase in output to be partially offset by falling prices over the coming years, but we still expect very strong growth, with revenues in Spain going up from €6m in 2020, or €8m in 2021, to €108m in 2025. We also expect opex to increase in line with the increase in capacity, leading to strong growth in EBITDA, which should go from €5m in 2021 to €26m in 2023, reaching c.€80m in 2025.

AUDAX: P&L GENERATION IBERIA												
(€ m)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	20-25E
Revenues	**6**	**30%**	**8**	**102%**	**15**	**129%**	**35**	**88%**	**66**	**62%**	**108**	**79%**
Opex	(3)	11%	(3)	54%	(4)	125%	(10)	88%	(18)	59%	(29)	63%
EBITDA	**3**	**44%**	**5**	**130%**	**11**	**130%**	**26**	**88%**	**48**	**64%**	**79**	**88%**
EBITDA mgn.	57%		63%		72%		72%		72%		73%	

Source: Alantra Equities

Lastly, in international markets, we expect capacity to be roughly stable over the period, and production should follow suit. In a similar manner to Spain, we assume a gradual reduction in electricity prices (the average going down from €82/MWh in 2021 to €66/MWh in 2025), leading to slightly falling revenues, from €10m in 2021 to €8m in 2025. EBITDA should follow a similar trend, going from €8m in 2021 to €6m in 2025 (-7% CAGR).

AUDAX: P&L GENERATION INTERNATIONAL												
(€ m)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	20-25E
Revenues	**10**	**(6%)**	**10**	**(9%)**	**9**	**(8%)**	**8**	**(3%)**	**8**	**(1%)**	**8**	**(5%)**
Opex	(2)	10%	(2)	(1%)	(2)	(1%)	(2)	(1%)	(2)	(1%)	(2)	1%
EBITDA	**8**	**(10%)**	**8**	**(11%)**	**7**	**(10%)**	**6**	**(3%)**	**6**	**(1%)**	**6**	**(7%)**
EBITDA mgn.	81%		78%		76%		74%		74%		74%	

Source: Alantra Equities

IV. Leverage is high and should be cut

1) Strong investment effort: €1.1bn over 2021-25

We expect Audax to make a very strong investment effort over the next few years, mainly to finance the increase in generation capacity. We expect the company to invest >€1bn over 2021-25, which is equivalent to 1.6X its current market cap. Over 95% of this capex will be focused on generation.

AUDAX: CAPEX BY BUSINESS ESTIMATES 2020-25E

(€ m)	2020	2021E	2022E	2023E	2024E	2025E	2021-25E	% total
Generation	15	38	146	230	292	346	1,053	98%
Supply	2	5	5	5	5	5	25	2%
Total capex	**17**	**43**	**151**	**235**	**297**	**351**	**1,078**	**100%**

Source: Alantra Equities

2.1GW new capacity will require €1bn investment

Looking at the Generation business in detail, we expect Audax to add 2.1GW of new capacity over 2021-25 which, according to our estimates, will involve an investment of €1bn. This is equivalent to €0.50m/MW on average which corresponds with a falling capex per MW from €0.69m/MW in 2021 to €0.46mMW in 2025.

AUDAX: GENERATION CAPEX 2020-25E

(€ m)	2020	2021E	2022E	2023E	2024E	2025E	2021-25E
Total capex	15	38	146	230	292	346	1,053
MW installed	0	55	250	450	600	750	2,105
Capex per MW	-	0.69	0.59	0.51	0.49	0.46	0.50

Source: Alantra Equities

2) Massive increase in net debt over 2021-25

According to our estimates, Audax should generate €360m operating cash flow over 2021-25, going from €24m in 2021 to >€70m in 2023 and >€120m in 2025, driven by the expected increase in the supply activity and the commissioning of new PV capacity.

This, however, will not be enough to cover the strong capex effort and some working capital financing (we expect a gradual normalization of working capital after a very strong increase in 2021), generating €739m net negative operating cashflow.

In addition, we expect €48m acquisitions in 2021 (pipeline acquired in 1Q21) and additional cash outflow of €40m, also related to the development of the future pipeline. As explained on previous occasions, the development of the pipeline is performed externally, financed by Audax, which then acquires it mainly by way of compensation of the payments it has made to finance its development.

€840m new debt 21-25

As a result of the above, we expect Audax's net debt to increase by €837m over 2021-25.

AUDAX: CONSOLIDATED CASH FLOW 2020-25E

(€ m)	2020	2021E	2022E	2023E	2024E	2025E	2021-25E
Operating CF	**33**	**24**	**47**	**72**	**95**	**123**	**361**
WC variation	(32)	(69)	33	13	1	2	(21)
Capex	(17)	(43)	(151)	(235)	(297)	(351)	(1,078)
Net operating CF	**(16)**	**(89)**	**(71)**	**(151)**	**(201)**	**(227)**	**(739)**
Acquisitions	(135)	(48)	0	0	0	0	(48)
Others (*)	63	(40)	0	0	0	0	(40)
FCF pre-dividends	**(88)**	**(177)**	**(71)**	**(151)**	**(201)**	**(227)**	**(827)**
Dividends	(5)	(10)	0	0	0	0	(10)
FCF post dividends	**(92)**	**(187)**	**(71)**	**(151)**	**(201)**	**(227)**	**(837)**

(*) Debt compensations & capital injections to sister companies for the acquisition of pipeline; Source: Alantra Equities

3) Leverage is high and needs to be cut

We expect consolidated net debt to jump from €236m in 2020 to €423m in 2021, impacted by a combination of acquisitions, capex & WC financing. We expect net debt to continue increasing over 2022-25, reaching €1bn by the end of the period, in this case driven by the expected increase in generation capacity.

In terms of leverage, this will imply net debt/EBITDA peaking at 9.1X in 2021 (also impacted by the fall in EBITDA triggered by the sharp increase in pool prices), stabilising in the region of 6.0X debt/EBITDA over 2022-25. Even if a big part of this debt will be project-financed (with no recourse to the parent company), we believe leverage will be way too high, and will need to be cut.

AUDAX: CONSOLIDATED LEVERAGE 2020-25E

(€ m)	2020	2021E	2022E	2023E	2024E	2025E
Consolidated net debt	236	423	494	645	846	1,073
EBITDA	66	46	81	111	142	179
Net debt/EBITDA	3.6X	9.1X	6.1X	5.8X	6.0X	6.0X

Source: Alantra Equities

Audax will invest €420m equity over 2021-25

In order to finance the investments in renewables, Audax uses a combination of equity plus non-recourse debt. The debt component varies significantly depending on a series of factors, including the cost of the debt and the scheme to sell the electricity (PPA, regulated, merchant…). In order to build our estimates, we have assumed a 60% non-recourse debt component for the investments in new generation assets. On this basis, out of the €1.05bn that we estimate Audax will invest in new generation capacity, and €632m will be financed with non-recourse debt.

AUDAX: EQUITY VS. PROJECT DEBT 2020-25E

(€ m)	2020	2021E	2022E	2023E	2024E	2025E	2021-25E	% total
Equity	6	15	59	92	117	139	421	40%
Project finance	9	23	88	138	175	208	632	60%
Total capex	**15**	**38**	**146**	**230**	**292**	**346**	**1,053**	**100%**

Source: Alantra Equities

As a result, we expect (non-recourse) project debt to increase from €27m in 2020 to >€600m in 2025, which will be equivalent to 57% of our consolidated net debt estimate then (vs. 12% today). On another note, corporate debt (i.e., with recourse to the parent company) should go from €209m in 2020 to €465m in 2025.

AUDAX: CONSOLIDATED NET DEBT BREAKDOWN 2020-25E

(€ m)	2020	2021E	2022E	2023E	2024E	2025E
Project finance	27	48	132	264	425	608
Corporate debt	209	375	362	381	421	465
Total net debt	236	423	494	645	846	1,073
PF as of % net debt	12%	11%	27%	41%	50%	57%

Source: Alantra Equities

Corporate net debt >4X over 2021-25 is too high

Looking at corporate leverage in more detail, we expect it to peak at c.9X debt/EBITDA in 2021 (vs. 4.4X in 2020), falling gradually from then on, to 4.2X in 2023, and to 3.6X in 2025. Despite the expected fall, leverage above 3.5-4X is too high for a company like Audax, whose bulk of corporate cash generation comes from the supply division, less visible and more volatile than generation.

AUDAX: CORPORATE LEVERAGE 2020-25E

(€ m)	2020	2021E	2022E	2023E	2024E	2025E
Corporate net debt	209	375	362	381	421	465
EBITDA (*)	47	42	72	91	109	129
Corp. Net debt/EBITDA	4.4X	8.9X	5.0X	4.2X	3.9X	3.6X

(*) EBITDA Adjusted by the PF debt service; Source: Alantra Equities

4) What are the alternatives to lower leverage?

Audax needs €150-200m proceeds to reduce leverage

Considering Audax's business mix, we believe the company should seek to lower its corporate leverage from >4X debt/EBITDA currently to <3X debt/EBITDA. All other things being equal, this would imply a debt reduction of €150-200m.

AUDAX: NET DEBT REDUCTION

		New	
(€ m)	Current	€150m reduction	€200m reduction
Corporate debt	362	212	162
Net debt/EBITDA	5.0X	2.9X	2.2X

Source: Alantra Equities

The best alternative is a mix between asset disposals and a capital increase

We see three alternatives for Audax to cut its debt: asset sales, a capital increase, or a combination of both. Our view is that it should aim for a combination of both, selling its international generation assets on the one hand (€84m EV, according to our estimates) and raising capital for €100m on the other. Our views are as follows:

a) We believe that asset sales would be the easiest alternative for Audax. However, we do not see it selling part of its supply business. Hence, we see international generation assets as the clear candidates to be sold. Audax owns three assets, a wind farm in Poland (34MW), one in France (12MW) and a 30% stake in a wind farm in Panamá (66MW). The three together could be worth €82m (net of minorities), according to our estimates.

AUDAX: INTERNATIONAL ASSET PORTFOLIO

Asset	Tech	Country	Stake	MWs	EV (€ m) (*)
Postolin	Wind	Poland	100%	34	55
Eoliennes de Beausemblant	Wind	France	80%	12	13
Panama wind	Wind	Panama	30%	66	14
Total					**82**

(*) Net of minorities; Source: Alantra Equities

b) Given the "small" size of the potential assets sales, we believe they should be complemented with a capital increase of around €100m. Assuming a 20% discount to current market prices, the capital increase would imply the issue of 93m new shares, equivalent to 21% of Audax's current outstanding shares.

AUDAX: €100m CAPITAL INCREASE

	Capital increase
Size (€ m)	100
Market price (€)	1.35
Discount (%)	20%
New shares (m)	93
% of outstanding	21%

Source: Alantra Equities

The combination of the above, as shown in the table below, would lower Audax's corporate debt/EBITDA below 3X from 2022 level which, in our view, would look much more reasonable, increasing the visibility of Audax's growth targets in renewables.

AUDAX: CORPORATE LEVERAGE AFTER ASSET DISPOSAL & CAPITAL INCREASE

	Current					New (*)				
(€ m)	2021E	2022E	2023E	2024E	2025E	2021E	2022E	2023E	2024E	2025E
Corporate net debt	375	362	381	421	465	375	180	199	239	283
Net debt/EBITDA (X)	8.9X	5.0X	4.2X	3.9X	3.6X	8.9X	2.5X	2.2X	2.2X	2.2X

(*) After €100m capital increase and €82m net proceeds from asset disposals; Source: Alantra Equities

V. Our P&L estimates for 2021-25

1) EPS growth: >40% CAGR 2020-25

We are cutting our 2021-23 EBITDA estimates by 5-10% p.a. and EPS by 10-15% to reflect a mix of: a) lower energy sales in the supply business; and b) a delay in the capacity additions in renewables.

EBITDA should bottom out in 2021 to then grow by double digit over 2022-25

We expect Audax's EBITDA and net profit to bottom out in 2021, negatively impacted by a sharp fall in supply margins, as we have explained in previous sections, falling by 30% to €46m in the case of the EBITDA and by c.80% to €3m for net profit. That said, we expect performance to improve from 2022, driven by a gradual recovery of supply margins and the addition of new generation capacity. As a result, EBITDA should almost double in 2022 (going from €46m to €81m) and grow by double digit per annum in 2023-25, reaching €179m by the end of the period, almost 3X vs. 2020.

Below EBITDA; we expect financial costs to grow sightly, in line with the evolution of debt, impacted by investments in new generation capacity. Overall, we expect strong EPS growth, going from €0.01 in 2021 to €0.18 in 2025.

AUDAX: P&L ESTIMATES 2020-25E

(€ m)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	CAGR 20-25
Revenues	969	65%	1,604	17%	1,885	(10%)	1,691	3%	1,741	6%	1,850	14%
CoGS	(854)	74%	(1,485)	16%	(1,728)	(13%)	(1,498)	1%	(1,506)	4%	(1,565)	13%
Gross Profit	115	4%	119	32%	157	23%	194	21%	235	21%	285	20%
Opex	(65)	12%	(73)	4%	(76)	9%	(83)	12%	(93)	13%	(105)	10%
One-offs	16	-	0	-	0	-	0	-	0	-	0	-
Reported EBITDA	66	(30%)	46	75%	81	36%	111	28%	142	26%	179	22%
Depreciation	(20)	9%	(21)	7%	(23)	27%	(29)	12%	(33)	29%	(42)	16%
EBIT	47	(47%)	25	134%	58	40%	82	34%	109	26%	137	24%
Net financial	(13)	95%	(25)	15%	(28)	10%	(31)	19%	(37)	19%	(44)	28%
Taxes	(4)	-	0	-	(3)	77%	(6)	46%	(9)	30%	(11)	24%
Minorities	(4)	-	3	-	(2)	(29%)	(1)	(59%)	(1)	70%	(1)	(25%)
Net profit	26	(89%)	3	-	25	76%	43	46%	63	29%	81	25%
Adj. net profit	14	(79%)	3	-	25	76%	43	46%	63	29%	81	42%
EPS	0.06	(89%)	0.01	-	0.06	76%	0.10	46%	0.14	29%	0.18	25%
Adj. EPS	0.03	(79%)	0.01	-	0.06	76%	0.10	46%	0.14	29%	0.18	42%

Source: Alantra Equities

2) >20% EBITDA CAGR in 2020-25

Looking to the EBITDA in more detail, we expect it to fall by 30% from €66m in 2020 to €46m in 2021 with a -38% fall in the supply business (already explained in this report) and +5% growth in Generation. In 2022 we expect EBITDA to reach >€80m driven by both supply and generation. Looking ahead, EBITDA growth would slow down to c.30% growth p.a. reaching c.€180m in 2025.

Generation contribution to EBITDA would increase from 23% (20) to 47% (25)

By business, we expect generation to grow faster than supply, fuelled by the massive increase that we expect in new capacity. Generation should thus increase its contribution to Audax's EBITDA from 23% in 2020 to c.30% in 2023 and 47% in 2025. Conversely, the supply business contribution would be reduced from 77% of the total EBITDA in 2020 to 53% in 2025.

AUDAX: EBITDA BREAKDOWN 2020-25E

(€ m)	2020	YoY	2021E	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	CAGR 20-25
Supply (*)	55	(38%)	34	87%	63	25%	79	11%	88	8%	95	12%
Generation	12	5%	12	44%	18	78%	32	71%	54	57%	84	48%
Total EBITDA	**66**	**(30%)**	**46**	**75%**	**81**	**36%**	**111**	**28%**	**142**	**26%**	**179**	**22%**

(*) 2020 includes €16m one-offs from Hungary; Source: Alantra Equities

3) Financial expenses & tax rate

Cost of debt flat at 3.3% over 2022-25

We forecast financial costs growing in line with the evolution of net debt and a slight decrease in the cost of debt, going from 3.5% in 2021 to 3.3% in 2023 (new debt will come at a lower cost than the group's average) and remaining flat from then on.

AUDAX: FINANCIAL EXPENSES 2020-25E

(€ m)	2020	2021E	2022E	2023E	2024E	2025E
o/w financial revenues	5	3	3	3	3	3
o/w financial cost	(18)	(27)	(31)	(34)	(40)	(47)
Cost of debt (%)	3.5%	3.5%	3.4%	3.3%	3.3%	3.3%
Net financial expenses	**(13)**	**(24)**	**(28)**	**(31)**	**(37)**	**(44)**

Source: Alantra Equities

Audax had €193m cumulative tax losses at the end of 2020 that benefitted, and should continue to benefit the company, in the shape of tax savings. As a result, we expect a 12% average effective tax rate over 2022-25, below the Spanish corporate tax rate of 25%.

AUDAX: TAX RATE 2020-25E

(€ m)	2020	2021E	2022E	2023E	2024E	2025E
Effective tax rate	11%	-	11%	12%	12%	12%

Source: Alantra Equities

VI. Our valuation

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

1) Valuation range: 1.80-2.20 per share

We are cutting our valuation range for Audax by c.10% to reflect the cut in estimates explained earlier. In order to assess the potential value of Audax, we have assumed two scenarios:

a) **Cautious**. We reach an EV of €1.4bn and an equity value of €871m after discounting debt, minorities and the impact of a €100m capital increase of €100m, we reach €1.80p.s.

b) **Optimistic**. We reach an EV of >€1.5bn EV and €1bn equity value, equivalent to €2.20p.s.

Generation business: 53% of the EV

In both scenarios, 47% of our EV comes from the Supply division (66% of which is Spain) and 53% from generation. In addition, we include the impact of €100m capital increase in both.

AUDAX: SUM OF THE PARTS VALUATION RANGE

	Spain & Portugal		International		Total group	
(€ m)	**Cautious**	**Optimistic**	**Cautious**	**Optimistic**	**Cautious**	**Optimistic**
Supply	421	477	214	242	635	718
Generation	648	734	80	91	728	824
o/w assets in operation	257	290	80	91	337	381
o/w new assets	392	443	0	0	392	443
Total EV	**1,070**	**1,210**	**294**	**332**	**1,363**	**1,543**
Net debt (2022)					(494)	(494)
Net financials					18	18
Minorities					(16)	(16)
Equity value					**871**	**1,050**
Nº shares (m)					440	440
Equity value p.s. (€)					**1.98**	**2.38**
Discount capital increase (*)					(0.19)	(0.19)
Equity value p.s. (€)					**1.80**	**2.20**

(*) €100m capital increase at €1.08 p.s.; Source: Alantra Equities

Supply business: 47% of the EV

a) We value the **Supply business** at an EV ranging from €635m to c.€720m. We value the division through a DCF, using 8.2% cost of equity (we assume no debt) and 0.5% terminal growth rate. Our valuation implies an EV per supply point ranging from €1k to €1.2k.

AUDAX: EV SUPPLY BUSINESS

	EV		Supply points (k)		EV/Supply point (€ k)			
	Cautious	**Optimistic**	**2022**	**2023**	**2022 (1)**	**2022 (2)**	**2023(1)**	**2023 (2)**
Spain & Portugal	421	477	357	397	1.2	1.3	1.1	1.2
International	214	242	225	229	0.9	1.1	0.9	1.1
Total Supply	**635**	**718**	**582**	**626**	**1.1**	**1.2**	**1.0**	**1.1**

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

In terms of EV/EBITDA, our valuation implies 10-11X in 2022, which would fall to 8-9X in 2023.

AUDAX: IMPLICIT EV/EBITDA FROM OUR SUPPLY BUSINESS VALUATION

	2022E		2023E	
(X)	**Cautious**	**Optimistic**	**Cautious**	**Optimistic**
Spain & Portugal	10.0	11.3	7.4	8.4
International	10.1	11.4	9.5	10.8
Total Supply	**10.0**	**11.3**	**8.0**	**9.1**

Source: Alantra Equities

Assets in operation are valued at €340-380m

b) We value the **Generation assets in operation** at the end of 2022 at an EV ranging from €337m to €381m. This includes: 1) 91MW wind farms in Spain, Poland and France, at an EV ranging from €0.8m to €1.7m (depending on the country); 2) 30% stake in the wind farm in Panama, which we value at €13-15m or €0.7-0.8m/MW; and 3) the 305MW solar PV capacity that should have been installed over 2021-22, valued at €220-250m or €0.7-0.8m/MW.

AUDAX: EV GENERATION ASSETS

					EV		EV/MW	
(€ m)	**Technology**	**COD**	**Stake (%)**	**MWs**	**Cautious**	**Optimistic**	**Cautious**	**Optimistic**
Spain & Portugal				**396**	**323**	**366**	**0.8**	**0.9**
o/w Spain	Wind	2006	80%	45	38	43	0.8	1.0
o/w Spain	Solar PV	2021-22	100%	305	219	248	0.7	0.8
o/w Poland	Wind	2015	100%	34	52	59	1.5	1.7
o/w France	Wind	2008	80%	12	15	17	1.2	1.4
International				**66**	**13**	**15**	**0.2**	**0.2**
o/w Panama	Wind	2021	30%	66	13	15	0.7	0.8
Total EV					**337**	**381**		

Source: Alantra Equities

c) Lastly, we value the 1.8GW **new PV assets** in Spain and Portugal at an EV ranging from >€390m to >€440m. which implies €0.2m/MW.

AUDAX: EV NEW ASSETS

					EV		EV/MW	
(€ m)	**Technology**	**COD**	**Stake (%)**	**MWs**	**Cautious**	**Optimistic**	**Cautious**	**Optimistic**
Spain & Portugal	Solar PV	2023-25	100%	1,800	392	443	0.2	0.2

Source: Alantra Equities

2) Peer comparison

Audax is trading at a discount vs. IPPs & independent suppliers

According to our estimates, Audax is trading at 24X22 P/E and 13X22 EV/EBITDA. This means that Audax is trading slightly above the integrated utilities, below the renewable producers and slightly in line with independent suppliers. In our view, Audax should tend to trade in line with these two last groups instead of with the big utilities, and we expect this gap to narrow in the coming months once the supply business shows some recovery in 2022 and generation projects start contributing to the group.

AUDAX: PEER COMPARISON

	Market	**P/E (X)**			**EV/EBITDA (X)**			**Yield (%)**	**Debt/EBITDA (X)**	
Company	**Cap (€)**	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**	**2023E**	**2021E**	**2021E**	**2022E**
Iberdrola	63,958	17.6	15.2	14.1	10.8	10.0	9.7	4.4%	4.6	4.4
Endesa	20,386	13.7	12.4	11.6	7.7	7.6	7.5	6.9%	2.5	2.4
Naturgy	21,904	17.5	18.3	17.4	10.7	9.7	9.4	5.3%	3.9	3.6
Int. utilities average	**106,247**	**16.8**	**15.3**	**14.3**	**10.2**	**9.5**	**9.2**	**5.0%**	**4.1**	**3.9**
Acciona Energía	8,801	34.1	26.3	24.2	13.1	12.3	12.0	0.8%	2.2	2.5
Solaria	2,071	56.2	47.0	29.7	31.4	27.6	19.9	0.0%	6.0	8.8
Grenergy	888	47.7	27.4	20.2	31.7	20.6	17.0	0.0%	6.9	7.9
Renewable's average	**11,760**	**39.0**	**30.0**	**24.8**	**17.7**	**15.6**	**13.7**	**0.6%**	**3.3**	**4.0**
Holaluz (*)	251	-	27.1	11.2	37.4	11.6	6.1	0.0%	2.1	1.4
EiDF	249	-	33.9	31.4	53.3	20.8	17.9	0.0%	0.9	5.5
Supplier's average	**500**	**-**	**30.5**	**21.3**	**45.3**	**16.2**	**12.0**	**0.0%**	**1.5**	**3.4**
Audax	**594**	**205.2**	**24.2**	**13.8**	**21.8**	**13.3**	**11.1**	**0.0%**	**8.9**	**5.0**

(*) Consensus estimates; Source: Alantra Equities

Addendum:Q3 results: already recovering from the Q2 bottom

Q3 results showed recovery vs. Q2 results

Audax reported its Q3 results last Monday showing a recovery vs. Q2 results. Gross margin grew by 4% to €32m with Spain +7% to €27.5m and International markets +46% to €4.6m impacted by the acquisition in Hungary. EBITDA fell to €13m (-25% YoY) better than in Q2 (-48%) but still impacted by the supply business which plummeted c.-40% (better than -70% in Q2). Generation EBITDA reached c.€4m. Finally, Audax reported a net profit of €2m vs. €5.1 net loss in Q2.

AUDAX: QUARTERLY P&L RESULTS

(€ m)	1Q21	YoY	2Q21	YoY	3Q21	YoY
Gross margin	**30.0**	**(0%)**	**23.9**	**4%**	**32.1**	**11%**
o/w Supply	26.4	3%	20.1	(1%)	27.5	7%
o/w Generation (*)	3.6	(20%)	3.8	40%	4.6	46%
EBITDA	**12.8**	**4%**	**5.4**	**(48%)**	**13.0**	**(25%)**
o/w Supply	10.2	18%	2.7	(70%)	9.2	(39%)
o/w Generation	2.6	(28%)	2.8	85%	3.8	61%
Net profit	**1.5**	**6%**	**(5.1)**	**n.a.**	**1.8**	**(60%)**

(*) Generation gross margin = Generation revenues; Source: Alantra Equities

Unitary supply margins are recovering

1) **The supply business** continued being impacted by high electricity prices but showed recovery vs. Q2. Unitary margin fell by 42% to €7.8/MWh (vs. >50% fall in Q2) with Spain falling by 47% (slightly better than 50% fall in Q2) to €11.5/MWh and international markets growing to €5.8/MWh (vs. -38% fall in Q2) positively impacted by Hungary.

AUDAX: SUPPLY UNITARY MARGINS

(€/MWh)	1Q21	YoY	2Q21	YoY	3Q21	YoY
Unitary margin	**6.0**	**(36%)**	**5.8**	**(53%)**	**7.8**	**(42%)**
o/w Spain	12.8	(24%)	8.6	(50%)	11.5	(47%)
o/w International	3.1	(24%)	4.5	(38%)	5.8	37%

Source: Alantra Equities

Audax is getting rid of loss-making client contracts

In line with what has been explained in this report, in Q3, Audax decreased its client base in Spain by 5k customers, as it was negatively affecting the supply business whilst International clients were flat. The energy supplied continues reflecting the recovery of the activity: in Spain +24% to 1.2TWh, and International markets jumped c.150% due to the impact of Hungary.

AUDAX: SUPPLY BUSINESS KPIs

	1Q21	YoY	2Q21	YoY	3Q21	YoY
Supply Points (‘000)	**540**	**48%**	**549**	**43%**	**544**	**11%**
o/w Iberia	325	30%	329	25%	324	13%
o/w International	216	86%	220	83%	220	7%
Energy supplied (GWh)	**4,421**	**62%**	**3,456**	**109%**	**3,523**	**83%**
o/w Iberia	1,291	15%	1,133	35%	1,240	24%
o/w International	3,130	96%	2,323	186%	2,283	149%

Source: Alantra Equities

No additional capacity in Q3

2) **Generation business.** Audax was not able to increase its capacity over the quarter given the current bottlenecks and delays in the permitting process for new renewable projects in Spain, and thus, the company maintained 146MW capacity in operation.

AUDAX: GENERATION BUSINESS KPIs

	1Q21	YoY	2Q21	YoY	3Q21	YoY
Installed Capacity (MW)	106	16%	146	60%	146	60%
Total Generation (GWh)	48.2	(19%)	48.6	12%	43.7	1%

Source: Alantra Equities

This report has been prepared by Alantra Equities Sociedad de Valores, S.A. ("**Alantra Equities**"), a company pertaining to the Alantra Group that provides investment banking, asset management, equities brokerage, capital markets and financial advisory services.

Alantra Equities receives remuneration from the issuer that this report refers to in consideration of the research services that Alantra Equities provides to it. Therefore, this report is considered sponsored research or marketing material for the purposes of the provisions of the Markets in Financial Instruments Directive.

This report is solely for the information of clients of Alantra Equities and for distribution only under such circumstances as may be permitted by applicable law. Alantra Equities specifically prohibits the redistribution of this material in whole or in part without the prior written permission of Alantra Equities and therefore Alantra Equities accepts no liability whatsoever for the actions or third parties in this respect.

The opinions contained in this report and in other media used by Alantra Equities (such as the internet), reflect the opinion of the respective Analyst on the date of publication of such material and, therefore, may be subject to change at any time and without notice.

Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. This report is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor it is intended to be a complete statement or summary of the securities or markets referred to in this report. Alantra Equities does not undertake that investors will obtain profits nor accept any liability for any investment losses arising from any use of this report or its contents. Investments involve risks and investors should exercise prudence in making their investment decisions. This report should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas of the Alantra Group as a result of using different assumptions and criteria. Research will be initiated, updated and coverage ceased solely at the discretion of Alantra Equities. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Alantra Equities is under no obligation to keep current the information contained in this report.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report.

Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices.

Neither Alantra Equities nor any of the companies pertaining to the Alantra Group nor any of their shareholders, directors, employees or agents accept any liability for any loss or damage arising out of the use of all or any part of this report.

Except as otherwise specified herein, this material is communicated by Alantra Equities to persons who are eligible counterparties or professional clients and is only available to such persons. The information contained herein does not apply to retail clients.

The analysts responsible for the preparation of this report may interact with trading desk personnel, sales personnel and investment managers. Alantra Equities, any other company pertaining to the Alantra Group, and any of their shareholders, directors, employees may, to the extent permitted by law, have a position or otherwise be interested in any transactions, in any investments directly or indirectly the subject of this publication. The Alantra Group relies on information barriers to control the flow of information contained in one or more areas within the Alantra Group, into other areas, units, groups or affiliates of the Alantra Group. The Alantra Group may do and seek to do business with companies covered in its research reports. As a result, investors should be aware that the Alantra Group may have a conflict of interest. The Alantra Group has established, implemented and maintains an effective conflicts of interest policy appropriate to its size and organisation and to the nature, scale and complexity of its business. Investors should consider this report as only a single factor in making their investment decisions.

The disclosures contained in research reports produced by Alantra Equities shall be governed by and construed in accordance with Spanish law.

The receipt of this report implies full acceptance by its recipients of the contents of this disclaimer.

Alantra Equities Sociedad de Valores, S.A. is a Spanish investment firm located in Madrid, calle José Ortega y Gasset 29, registered at the Comisión Nacional del Mercado de Valores (CNMV) with number 245.