AUDAX RENOVABLES

Is the worst behind us?

- **2021 has been tough.** Over 2021 Audax was affected by: 1) a sharp fall in supply margins as Audax had pre-sold energy (electricity & gas) to its customers at fixed prices, and was caught by surprise by the very strong post-pandemic consumption recovery, as well as by rapidly rising electricity prices; 2) delays in the construction of new generation capacity due to permitting bottlenecks. As a result, adj. EBITDA was roughly flat YoY and net debt/EBITDA doubled to 8.4X.

- **The supply business is bottoming out.** Over 2H21, the supply business (70% of group EBITDA), showed major improvement thanks to: 1) the break-up of loss-making contracts; and 2) improving electricity hedging policy. We expect supply margins to recover from €7.2/MWh (2021) to €8.0/MWh (2022), which together with a 4% increase in the number of clients coming from the regulated market in Spain, would compensate the halt in consumption triggered by the Russia-Ukraine conflict, allowing EBITDA to grow by 30% in 2022 (from €40m to €52m).

- **New renewable capacity is set to accelerate.** Audax added 69MW in 2021, below the 126MW target (but a bit above our estimates) affected by permitting bottlenecks in Spain. We expect them to improve in the coming quarters as: 1) Public Administrations are committing more resources to the process, and the EU is pushing to improve the problem; 2) there is a deadline in December that will likely eliminate "lower quality" projects, which should also ease the burden. We expect 1.3GW new capacity over 2022-25, still below 2.2GW Audax's target.

- **A rights issue is needed.** Leverage jumped from 3.6X to 8.4X in 2021. Growing in renewables will imply a strong capex effort (€725m over 2022-25) and CF generation will be limited (€250m over the period), leaving leverage at >6X net debt/EBITDA over 2022-25. This is too high and should not exceed 3X, in our view. How to get there? Through a mix of asset sales and a €100m rights issue.

- **Our view**. We raise our valuation range by 7% to €1.7-2.1p.s. reflecting higher estimates for capacity in operation and a recovery in the supply business, as our view is that the business has already bottomed out. Following a >30% share price fall over the L12M, the shares trade at a discount to its peers, which we believe should narrow once the company delivers operationally and de-risks financially.

Financial Ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
EBITDA (€m)	73	66	53	72	94	120
Net profit (€m)	25	26	3	11	25	43
EPS (€)	0.06	0.06	0.01	0.02	0.06	0.10
Adj. EPS (€)	0.05	0.03	0.01	0.02	0.06	0.10
P/E (x)	37.1	27.2	283.6	53.8	23.2	13.5
P/E Adj. (x)	43.4	50.8	272.6	53.8	23.2	13.5
EV/EBITDA (x)	14.2	13.7	22.9	14.5	12.2	10.7
Debt/EBITDA (x)	2.0	3.6	8.4	7.0	6.4	6.1
P/BV (x)	7.7	5.0	5.9	3.9	3.4	2.7
ROE (%)	19.0	10.6	2.1	7.6	15.6	22.2
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

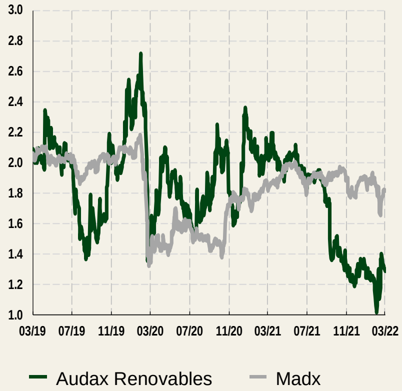
(*) Historical multiples based on average share price of the year

SPONSORED RESEARCH

Share Price	1.32

ADXR.MC / ADX SM	
Market Cap	€ 581 m
Enterprise Value	€ 1,046 m
Free Float	€ 133 m
Nº Shares	440 m
Average Daily Volume	€ 2 m

Performance	1m	3m	12m
Absolute %	21.7	5.6	-38.3
Relative %	23.1	2.6	-40.2



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Key Data

P&L account (EURm)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Sales	1,044	969	1,690	1,694	1,695	1,717
Cost of sales	(917)	(854)	(1,561)	(1,540)	(1,511)	(1,494)
Gross margin	**127**	**115**	**129**	**153**	**185**	**223**
Opex	(58)	(65)	(76)	(81)	(91)	(104)
EBITDA adjusted	**68**	**50**	**53**	**72**	**94**	**120**
Assets disposals	5	16	(0)	0	0	0
EBITDA reported	**73**	**66**	**53**	**72**	**94**	**120**
Depreciation & Amortization	(26)	(20)	(22)	(23)	(28)	(29)
EBIT	**47**	**47**	**31**	**49**	**66**	**90**
Financial costs	(16)	(13)	(28)	(30)	(32)	(37)
Associates	(0)	(0)	(0)	(0)	(0)	(0)
Ordinary profit	**31**	**34**	**3**	**18**	**33**	**53**
Extraordinary items	2	0	2	0	0	0
Pre-tax Profit	**33**	**34**	**4**	**18**	**33**	**53**
Taxes	(2)	(4)	(3)	(5)	(7)	(9)
Discontinued activities	0	0	0	0	0	0
Minorities	(6)	(4)	2	(3)	(2)	(1)
Net profit	**25**	**26**	**3**	**11**	**25**	**43**
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	FY21	FY22E	FY23E	FY24E
Sales	5.8%	(7.1%)	74.4%	0.2%	0.1%	1.3%
EBITDA adjusted	52.4%	(26.7%)	6.0%	35.5%	31.0%	27.0%
EBITDA reported	37.2%	(9.3%)	(20.3%)	35.9%	31.0%	27.0%
Net profit	182.5%	3.8%	(89.2%)	280.9%	131.5%	72.5%

Revenues by business	FY19	FY20	FY21	FY22E	FY23E	FY24E
Supply	96.9%	98.3%	99.0%	98.4%	97.6%	96.5%
Generation	3.1%	1.7%	1.0%	1.6%	2.4%	3.5%

EBITDA by business	FY19	FY20	FY21	FY22E	FY23E	FY24E
Supply	62.4%	76.6%	75.7%	72.4%	71.1%	69.7%
Generation	37.6%	23.4%	24.3%	27.6%	28.9%	30.3%

Per share data	FY19	FY20	FY21	FY22E	FY23E	FY24E
EPS	0.06	0.06	0.01	0.02	0.06	0.10
EPS adjusted	0.05	0.03	0.01	0.02	0.06	0.10
CFPS	0.10	0.08	0.06	0.08	0.13	0.17
FCFPS	0.18	(0.04)	(0.24)	(0.13)	(0.23)	(0.29)
BVPS	0.28	0.33	0.31	0.34	0.39	0.49
DPS	0.01	0.02	0.00	0.00	0.00	0.00

Cash flow (EURm)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net profit	25	26	3	11	25	43
Depreciation	26	20	22	23	28	29
Minorities	6	4	(2)	3	2	1
Non-cash adjustments	(12)	(16)	4	(0)	1	2
Total cash-flow (CF)	**45**	**33**	**28**	**36**	**56**	**75**
Capex	(2)	(19)	(81)	(110)	(171)	(215)
Working capital	35	(32)	(52)	16	14	10
Operating FCF	**79**	**(17)**	**(106)**	**(58)**	**(101)**	**(130)**
Financial investments	0	0	0	0	0	0
Rights issues	0	0	0	0	0	0
Disposals/(acquisitions)	47	(135)	(50)	0	0	0
Other	38	64	(43)	0	0	0
FCF before dividends	**164**	**(88)**	**(200)**	**(58)**	**(101)**	**(130)**
Dividends	(2)	(5)	(10)	0	0	0
Free-cash-flow (FCF)	**163**	**(92)**	**(210)**	**(58)**	**(101)**	**(130)**
Buy-backs	0	0	0	0	0	0
FCF after buy backs	**163**	**(92)**	**(210)**	**(58)**	**(101)**	**(130)**

Balance sheet (EURm)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity	122	143	137	148	173	216
Minority interests	33	8	12	12	12	12
Provisions & others	24	24	26	26	26	26
Net debt [cash]	144	236	446	504	604	734
Capital invested	**324**	**411**	**621**	**690**	**815**	**988**
Intangible assets	244	297	338	338	338	338
Tangible assets	75	87	117	204	347	532
Financial assets	75	65	149	147	144	141
Associates	7	7	10	10	10	10
Working capital	(78)	(46)	7	(9)	(23)	(33)
Capital employed	**324**	**411**	**621**	**690**	**815**	**988**
Working capital/sales	-7.4%	-4.7%	0.4%	-0.5%	-1.4%	-1.9%

Financial ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net debt/EBITDA	2.0X	3.6X	8.4X	7.0X	6.4X	6.1X
Net debt/EBITDA (*)	2.0X	4.4X	8.4X	6.3X	5.2X	4.6X
Gearing	92.6%	156.5%	299.6%	315.4%	327.2%	322.1%
Interest cover	3.0X	3.6X	1.1X	1.6X	2.0X	2.5X

(*) Corporate net debt

Margins & ratios	FY19	FY20	FY21	FY22E	FY23E	FY24E
EBITDA margin	6.5%	5.2%	3.1%	4.2%	5.6%	7.0%
EBIT margin	4.5%	4.8%	1.8%	2.9%	3.9%	5.2%
Effective tax rate	5.1%	11.4%	72.1%	26.9%	20.4%	17.5%
Pay-out	18.5%	37.9%	0.0%	0.0%	0.0%	0.0%
ROCE (EBIT/CE)	14.5%	11.4%	5.0%	7.1%	8.1%	9.1%
ROE	19.0%	10.6%	2.1%	7.6%	15.6%	22.2%

I. Why has 2021 been a difficult year for Audax?

2021 has been a very difficult year for Audax, impacted by a mix of falling supply margins, delays in the commissioning of the new renewable capacity and a significant increase in leverage and, by extension, in the financial risk perception of the company. In more detail:

Supply margins fell by 23% in 2021

1) **Falling supply margins**. Audax purchases the majority of the energy that it sells to its customers in the spot market, hedging it in advance in order to lock its margins. However, the amount of energy demanded by clients in 2021 was bigger than initially expected, forcing Audax to buy the excess electricity in the market at prices significantly above those agreed with its clients, leading supply margins to bottom out at €5.8/MWh in Q2, falling by >50% YoY.

   The impact forced Audax to terminate part of these loss-making contracts, partially stopping the bleeding and allowing supply margins to gradually recover, ending Q4 at €9.3/MWh.

AUDAX: SUPPLY MARGINS

(€/MWh)	1Q21	YoY	2Q21	YoY	3Q21	YoY	4Q21	YoY	FY21	YoY
Supply margin	6.0	(36%)	5.8	(53%)	7.8	(42%)	9.3	43%	7.2	(23%)

Source: Audax

New capacity in 2021 affected by slow permitting

2) **Delays in new capacity additions.** Audax, as well as the rest of the solar PV industry, has suffered from significant delays in the permitting process of its renewable projects. This has led the company to install 69MW of new PV capacity over 2021, below the 126MW target.

AUDAX: INSTALLED CAPACITY OVER 2021

(MW)	Real	Target	Alantra
New installed capacity 2021	69	126	55
Difference vs. real		(45%)	25%

Source: Alantra Equities

Leverage reached 8.4X21 vs. 3.6X20

3) **Increasing leverage.** Net debt increased from €236m in 2020 to €446m in 2021, leading debt/EBITDA up from 3.6X in 2020 to 8.4X. Part of this hike was triggered by a temporary increase in WC or by material investments in new renewable capacity currently under construction, but leverage at >8X debt/EBITDA seems way to high in any case and translates into a greater risk perception with regard to the company.

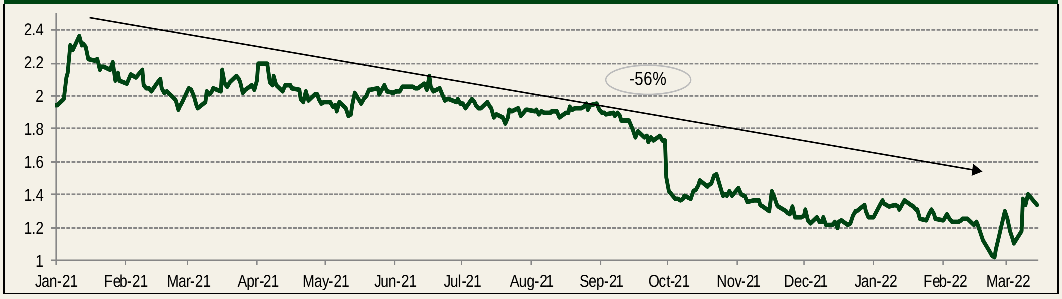
AUDAX: BALANCE SHEET EVOLUTION

(€ m)	Net debt	Leverage (X)	Change in WC	Capex	Pipeline
2021	446	8.4X	(52)	(81)	(93)
2020	236	3.6X	(32)	(19)	-

Source: Audax

All these concerns were reflected in Audax's share price evolution which, since the beginning of 2021, fell by c.60% from c.€2.4p.s. to c.€1p.s. Over the last month, the share price has shown some relief, going up by c.20% on good sector prospects under the current energy crisis.

AUDAX: SHARE PRICE EVOLUTION



Source: Alantra Equities

II. Is the worst behind us?

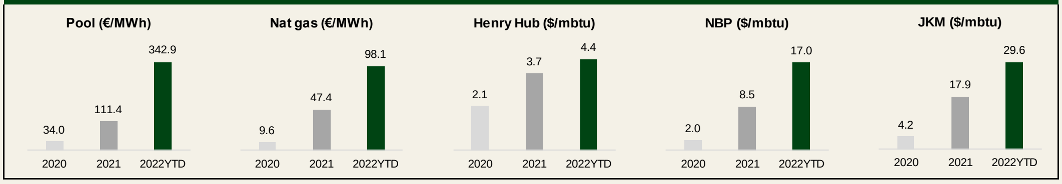
1) Operating environment gradually improving

Over 2021, pool prices surged by c.230% reaching €111/MWh on a combination of: 1) an increase in CO_2 prices; 2) an increase in gas prices (TTF was up by c.400% to €47/MWh and NBP increased by 390%, reaching c.$16/mbtu); and 3) an increase in electricity demand.

The Russia-Ukraine conflict triggered a hike in energy prices

The Russia-Ukraine conflict aggravated the increase in commodity prices: The YTD average pool price is at >€300/MWh (having peaked at >€500/MWh in February) whilst gas is close to c.€100/MWh on average so far this year (with peaks at >€200/MWh).

AUDAX: EVOLUTION COMMODITY PRICES



Source: Alantra Equities

Such a high volatility of commodity prices and, especially, of the pool price is negative for electricity suppliers in general terms if it happens during a short period of time, as part of the electricity is sold at fixed prices and hedged in advance, and deviations could trigger a significant loss, as it happened to Audax (and to many other suppliers) in 2021. Despite the fact of commodity prices still being at peak levels, we do not expect the crash in margins to happen again in 2022, as Audax has: a) better estimated the energy needs to cover the expected demand of its client portfolio; and b) hedged the expected sales.

In the medium term, we expect pool prices (and the rest of the commodity prices) to gradually return to usual historic levels, which should lead to a more "normalised" operating environment for electricity suppliers. In addition, we expect own production to increase as Audax is able to commission new renewable capacity, reducing its exposure to spot electricity markets. This should allow Audax's supply margins to continue recovering from the 2021 crash, as we will later explain.

2) EBITDA should bottom out in 2021

EBITDA flat in 2021

Despite the operating headwinds described, Audax's EBITDA reached €53m in 2021, a bit above the €50m it made in tough 2021. Indeed, only in 2H21, with supply margins starting to recover from the bottom, it made an EBITDA of €35m, leading to an annual run-rate of €70m. Despite our view that supply margins should continue recovering, we have assumed an EBITDA of €72m in 2022, which implicitly forecasts a slowdown in supply EBITDA compared to the 2H21 run-rate considering that generation should increase its contribution over the year.

We expect EBITDA to grow further from 2023, driven by the supply business, which should go from €52m EBITDA in 2022 to €82-83m p.a. in 2024-25, and the generation business, going from €20m (2022) to €52m (2025), in this case, driven by new capacity in operation.

Overall, we expect Audax's EBITDA to reach €94m in 2023, growing further to €120m in 2024 and to €134 in 2025, implying +26% over 2021-25.

AUDAX: EBITDA ESTIMATES 2020-25E

(€ m)	2020	YoY	2021	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	CAGR 21-25
Supply	38	4%	40	30%	52	29%	67	25%	83	(1%)	82	20%
Generation	12	10%	13	55%	20	37%	27	33%	36	43%	52	42%
Total EBITDA	**50**	**6%**	**53**	**36%**	**72**	**31%**	**94**	**27%**	**120**	**12%**	**134**	**26%**

Source: Alantra Equities

Looking at our estimates for the Supply business in more detail (which accounts for 60-70% of the group's EBITDA), the growth that we expect will be the result of:

Energy sales could increase by 6% CAGR 2021-25

a) **Growing energy sales (+6% CAGR 21-25)** going from c.15.5TWh (2021) to 19.5TWh (2025). The increase will be driven by a mix of a growing number of clients and an increasing average consumption per client. We expect 2022 energy sales, however, to be impacted by the Russia-Ukraine conflict, especially in Europe. We expect energy sales to grow by mid/high single-digit figures per annum from 2023.

AUDAX: ENERGY SALES 2020-25E

(GWh)	2020	YoY	2021	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	CAGR 21-25
Energy supplied	**10,472**	**48%**	**15,449**	**2%**	**15,727**	**10%**	**17,318**	**7%**	**18,476**	**6%**	**19,551**	**6%**
Spain	4,311	14%	4,936	7%	5,258	16%	6,109	10%	6,708	11%	7,439	11%
Rest of Europe	6,161	71%	10,513	(0%)	10,469	7%	11,209	5%	11,768	3%	12,111	4%

Source: Alantra Equities

- **Clients (+5% CAGR 21-25)**. As explained previously, Audax was forced to terminate certain loss-making contracts in Spain, leading to a 2% reduction in the client portfolio compared to 2020. We expect growth in clients to resume from 2022, with: i) Spain growing at 5-8% p.a., driven by the “acquisition” of new SMEs and retail clients going from the regulated to the liberalised market. This would imply a slight increase in the share of the liberalised market from 1.3% (2021-23) to 1.5% (2025); and ii) Europe growing by low single-digit figures.

AUDAX: SUPPLY CUSTOMERS 2020-25E

(# k)	2020	YoY	2021	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	CAGR 21-25
Supply points	**514.9**	**1%**	**517.5**	**4%**	**538.5**	**4%**	**562.3**	**5%**	**590.2**	**6%**	**624.0**	**5%**
Spain	303.7	(2%)	296.8	5%	312.1	6%	331.6	7%	355.1	8%	384.6	7%
Rest of Europe	211.2	4%	220.7	3%	226.4	2%	230.7	2%	235.1	2%	239.4	2%

Source: Alantra Equities

- **Consumption per client (+2% CAGR 21-25)**. We expect the Russia-Ukraine conflict and the collateral impacts it has triggered (rising energy costs, supply disruptions) to halt the recovery trend in consumption per client seen in 2021. We expect growth to resume in 2023, as the geopolitical turmoil starts to fade, being roughly flat in 2024-25.

AUDAX: ENERGY PER CLIENT 2020-25E

(GWh)	2020	YoY	2021	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	CAGR 21-25
Energy per client	**24.6**	**22%**	**29.9**	**(0%)**	**29.8**	**6%**	**31.5**	**2%**	**32.1**	**0%**	**32.2**	**2%**
Spain	16.3	1%	16.4	5%	17.3	10%	19.0	3%	19.5	3%	20.1	5%
Rest of Europe	37.9	28%	48.7	(4%)	46.8	5%	49.0	3%	50.5	1%	51.1	1%

Source: Alantra Equities

Better management of the short-opened position

b) **Increasing supply margins**. As explained, Audax was forced to purchase electricity in the market in 2021 to cover its client needs, selling it at a significantly lower price. This had a material impact on margins. Audax has improved its hedging policy for 2022 to avoid demand “deviations” like in 2021. This, together with an increase in the energy purchased from PPAs (including production from its owned assets) should lead to a recovery in margins from 2022.

As a result, we expect the gross margin to grow from €7.2/MWh in 2021 to c.€8/MWh in 2022, reaching €8.8/MWh in 2024, falling to €8.4/MWh in 2025. Despite the expected recovery, our estimate for 2024 and 2025 would still be significantly below the €9.4/MWh made in 2020. This reflects: i) the competitive environment; and ii) our expectation of falling electricity & gas prices over the period (the margin is normally calculated as a percentage of the selling price).

AUDAX: GROSS MARGIN MWh 2020-25E

(€/MWh)	2020	YoY	2021	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	CAGR 21-25
Unitary gross margin	**9.4**	**(23%)**	**7.2**	**11%**	**8.0**	**3%**	**8.3**	**6%**	**8.8**	**(5%)**	**8.4**	**4%**
Spain	16.4	(15%)	14.0	5%	14.7	0%	14.7	8%	15.8	(8%)	14.5	1%
Rest of Europe	4.5	(10%)	4.1	15%	4.7	3%	4.8	1%	4.8	(3%)	4.7	4%

Source: Alantra Equities

III. New renewable capacity accelerating from 2022

1) Permitting bottlenecks: our views

Audax acquired 2GW pipeline to install over 2021-24

In June 2021, Audax presented its strategic plan with the target of reaching 2.4GW renewable capacity in operation by 2024. As shown in the table below, the target was expected to be back-end loaded, with new capacity going from 126MW in 2021 to 464MW in 2022, 717MW in 2023 and c.1.1GW in 2024. The target was backed by a pipeline of 2.4GW at different stages of development

In addition, Audax added an additional 1.8GW of what it called “unidentified opportunities” to be installed over 2024-26, with very limited visibility at this point.

AUDAX: AUDAX'S CAPACITY TARGETS 2021-26

	2021	2022	2023	2024	2025	2026	Cum. 2021-26
New annual capacity	**126**	**464**	**717**	**1,805**	**750**	**301**	**4,163**
Pipeline acquired	126	464	717	1,055	0	0	2,362
Unidentified projects	0	0	0	750	750	301	1,801
Total installed capacity (YE)	**217**	**681**	**1,398**	**3,203**	**3,953**	**4,254**	

Source: Audax

During 2021, Audax has only been able to add 69MW to its operating capacity, below the 126MW target mentioned above. The miss has been triggered by permitting delays.

AUDAX: INSTALLED CAPACITY 2021

	Real	Target	Diff. vs. Real	Alantra	Diff. vs. Real
New installed capacity 2021	69	126	(45%)	55	25%

Source: Alantra Equities

These permitting bottlenecks have also impacted Audax's pipeline in Spain, which has seen very little evolution over the last 12 months, as shown in the table below.

AUDAX: PIPELINE EVOLUTION IN SPAIN OVER 2021

(MW)	4Q20	1Q21	2Q21	3Q21	4Q21
Under construction	59	49	21	21	19
Backlog	1,125	1,116	1,113	1,108	1,243
Grid connection	50	75	130	153	0
Early Stage	305	284	246	228	246
Total Pipeline	**1,539**	**1,524**	**1,510**	**1,510**	**1,508**

Source: Audax

Permitting process will accelerate

The question at this point is whether the permitting bottleneck will start to ease. We do think so, and, should this indeed happen, it would allow Audax (and the rest of the sector) to accelerate its growth plan in Spain over the coming quarters. We see two reasons why this relief could happen:

1) Public Administrations are committing more resources to accelerate the reviewing process. This includes the environmental permit, which is one of the main bottlenecks.

2) There is a deadline in December that will eliminate all the projects with grid access granted before June 2020 that do not obtain an environmental permit by then. This will likely reduce the number of projects to be reviewed and, hence, the workload for the administrations.

In addition to the above, only a couple of weeks ago, the EU presented a new toolbox with the aim of reducing the impact of the increase in electricity & gas prices for consumers and of reducing the energy imports, especially gas, from Russia. One of the main measures included in the toolbox was the acceleration of the increase in wind & solar PV capacity through the simplification of the permitting process. The EU will present recommendations on fast permitting in May, which should allow the Spanish government (and probably the rest of the State Members) to reduce the permitting bottleneck affecting the sector.

2) Our estimates: 1.3GW new capacity over 2021-25

Our new capacity estimates are below Audax's targets

With the above in mind, we expect Audax to accelerate its renewable capacity additions over the next few years, being able to add 1.3GW over 2022-25. This, however, is below Audax's 2.2GW target for 2022-25. The reasons for this are essentially three:

- Although we expect permitting bottlenecks to fade, this trend will not be immediate, and should still affect the new capacity expected in 2022-23;
- Reaching Audax's targets will imply going from <100MW added in 2021 to >700MW in 2023 and >1GW in 2024 which, in our view, entails a big execution risk;
- As we will explain, leverage is high, and Audax will need to cut it in order to be able to make the strong investment effort to add >2GW (>€1bn, equivalent to c.2X its market cap).

In more detail, we expect new capacity to go from 69MW (2021) to 175MW (2022), 300MW (2023), 400MW (2024) and 450MW (2025), as shown in the table below.

AUDAX: NEW INSTALLED CAPACITY 2021-25E

(MW)	2021	2022E	2023E	2024E	2025E	2022-25
Alantra capacity estimates	69	175	300	400	450	1,325
Audax's targets	126	464	717	1,055	0	2,236
Difference	(45%)	(62%)	(58%)	(62%)	-	(41%)

Source: Alantra Equities

Compared to Audax's pipeline, our 1.3GW capacity estimate implies 85-90% of the total pipeline in Spain, or 55-60% of the total pipeline of the group, which provides a good level of visibility.

AUDAX: PIPELINE

(MW)	Spain	Portugal	Italy	Total	% of total
Under construction	19	0	0	**19**	1%
Backlog	1,243	0	4	**1,247**	54%
Grid connection	0	204	198	**402**	17%
Early Stage	246	397	0	**643**	28%
Total Pipeline	**1,508**	**601**	**202**	**2,311**	**100%**

Source: Audax

As a result of the above, Audax's installed capacity should increase from 160MW (2021) to 335MW (2022), 635MW (2023), >1GW (2024), reaching c.1.5GW in 2025.

AUDAX: INSTALLED CAPACITY 2020-25E

(MW)	2020	2021	2022E	2023E	2024E	2025E
Iberia	45	114	289	589	989	1,439
International	46	46	46	46	46	46
Installed capacity	**91**	**160**	**335**	**635**	**1,035**	**1,485**

Source: Alantra Equities

Strong growth at EBITDA level, >40% CAGR 2021-25

We expect generation EBITDA to grow strongly, by 42% CAGR over 2021-25, going from €13m in 2021 to €52m in 2025. We expect the bulk of the increase to come from Spain, and despite our assumption of falling prices over 2022-25 that we have explained.

AUDAX: GENERATION EBITDA ESTIMATES

(€ m)	2020	YoY	2021	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	CAGR 21-25
EBITDA	**12**	**10%**	**13**	**55%**	**20**	**37%**	**27**	**33%**	**36**	**43%**	**52**	**42%**
o/w Iberia	3	31%	4	171%	12	75%	21	44%	30	52%	46	80%
o/w Europe	8	1%	8	(6%)	8	(19%)	6	(4%)	6	(1%)	6	(8%)

Source: Alantra Equities

IV. Leverage is high and should be cut

1) Leverage in 2021 almost doubled

Net debt increased by >€200m over 2021

Audax's net debt increased by >€200m in 2021 reaching €446m vs. €236m 2020, implying a big jump in leverage, with net debt/EBITDA going from 3.6X to 8.4X. This is too high in our view.

AUDAX: NET DEBT & LEVERAGE EVOLUTION

(€ m)	2020	2021
Consolidated net debt	236	446
Net debt/EBITDA	3.6X	8.4X

Source: Audax

The increase in net debt over 2021 is explained by the following:

1) An increase of €52m in working capital, driven by an increase in receivables in the Supply business, which in turn was due to the hike in electricity prices (electricity sold is paid on the spot but billed with 2 months of delay).

AUDAX: WORKING CAPITAL

(€ m)	2019	% of sales	2020	% of sales	2021	% of sales
Inventories	2	0%	1	0%	5	0%
Receivables	148	14%	221	23%	319	19%
Payables	228	22%	268	28%	318	19%
Change in WC	**(35)**		**32**		**52**	

Source: Audax

2) Capex of €88m, of which €77m in new renewable capacity.

3) Acquisitions for €50m, which corresponds to the second payment for the 2GW pipeline acquired in 2020 (€150m paid for 2GW, implying an average of 75K/MW).

4) A new credit of €40m granted to sister companies owned by Audax's controlling shareholder. The net balance between Audax and these companies has gone from €33m negative for Audax in 2020 to only €3m in 2021.

AUDAX: INTRAGROUP DEBT

(€ m)	2020	2021
Loans	45	53
Credit	12	51
Net balance	**33**	**3**

Source: Audax

2) Strong investment effort ahead

€725m capex over 2022-25

As explained previously, we expect Audax to install 1.3GW new capacity over 2022-25 which, according to our estimates, would imply €705m investment over the period, which translates into an average of €0.53m/MW. In addition, we expect €5m p.a. capex in supply over 2022-25.

AUDAX: CAPEX OVER 2020-25

(€ m)	2020	2021	2022E	2023E	2024E	2025E	2022-25E	% total
Generation	17	77	105	166	210	224	705	97%
Supply	2	4	5	5	5	5	20	3%
Total capex	**19**	**81**	**110**	**171**	**215**	**229**	**725**	**100%**

Source: Alantra Equities

Looking at the Generation business, Audax should increase its investment p.a. from €105m in 2022 to €166m in 2023 and to €224m in 2025. We assume capex per MW falling from €0.87m/MW in 2021 (impacted by a non-consolidated wind project in Panama) to €0.50m/MW in 2025.

AUDAX: GENERATION CAPEX 2021-25E

(€ m)	2021 (*)	2022E	2023E	2024E	2025E	2022-25E
Capex	77	105	166	210	224	705
MWs	89	175	300	400	450	1,325
€m/MW	0.87	0.60	0.55	0.52	0.50	0.53

(*) Includes 30MW of the Panama wind project; Source: Alantra Equities

As explained earlier, our new capacity estimates are below Audax's targets. If we were to assume Audax's 2.2GW implicit target for 2022-25, capex in new capacity would increase to €1.2bn, which is equivalent to >2X Audax's market cap.

3) Leverage is too high

Limited cash generation over 2022-25

According to our estimates, Audax will generate €251m operating cash flow over 2022-25 going from €28m in 2021 to €36m in 2022 and to €84m in 2025, driven by the growth expected in supply and the increase in new renewable capacity. This, however, will not be enough to cover the strong capex effort needed (€725m), leading to a negative FCF of €431m over 2022-25.

AUDAX: CONSOLIDATED CASH FLOW 2020-25E

(€ m)	2020	2021	2022E	2023E	2024E	2025E	2022-25E
Operating CF	**33**	**28**	**36**	**56**	**75**	**84**	**251**
WC variation	(32)	(52)	16	14	10	2	42
Capex	(19)	(81)	(110)	(171)	(215)	(229)	(725)
Net operating CF	**(17)**	**(106)**	**(58)**	**(101)**	**(130)**	**(143)**	**(431)**
Acquisitions	(135)	(50)	0	0	0	0	0
Others	64	(43)	0	0	0	0	0
FCF pre-dividends	**(88)**	**(200)**	**(58)**	**(101)**	**(130)**	**(143)**	**(431)**
Dividends	(5)	(10)	0	0	0	0	0
FCF post dividends	**(92)**	**(210)**	**(58)**	**(101)**	**(130)**	**(143)**	**(431)**

Source: Alantra Equities

Net debt/EBITDA at 6.0-6.5X in 2023-25 is too high

As a result of the above, we expect net debt to increase from €446m in 2021 to €504m in 2022, €604m in 2023, €734m in 2024 and €877m in 2025. This will imply net debt/EBITDA falling from 8.4X in 2021 to 7.0X in 2022 and to 6.0-6.5X in 2023-25. This is too high for Audax, even if most of the increase in debt is linked to investment in new renewable capacity, thus leaving Audax very vulnerable from a financial viewpoint, hindering the visibility of its growth plans in renewables.

AUDAX: CONSOLIDATED LEVERAGE 2020-25E

(€ m)	2020	2021	2022E	2023E	2024E	2025E
Consolidated net debt	236	446	504	604	734	877
Net debt/EBITDA (X)	3.6X	8.4X	7.0X	6.4X	6.1X	6.5X

Source: Alantra Equities

3) What are the alternatives to lower leverage?

As a general rule, new solar PV projects could be 60-70% financed with non-recourse debt. This is mostly the reason why, when looking at renewable IPPs, we normally distinguish between the debt with and without recourse. This applies to Audax too.

Leverage should be cut <3X

In our view, its leverage with recourse should be lowered to a maximum of 3X (consolidated) debt/EBITDA. This would imply lowering debt by around €300m, from the current €504m estimate in 2022 to something in the region of €200m. Looking at our 2023 estimates, the debt reduction needed would be more in the region of €360m (as shown in the table on the next page).

AUDAX: NET DEBT REDUCTION NEEDED

(€ m)	2022	2023
Corporate EBITDA	66	81
Corporate net debt/EBITDA target	3.0X	3.0X
Corporate net debt target (1)	199	244
Consolidated net debt estimate (2)	504	604
Net debt reduction (2-1)	304	360

Source: Alantra Equities

€100-120m debt reduction thanks to debt refinancing

The first thing we believe Audax should do is a refinancing of part of its consolidated net debt with project finance structures. This is something on which the company is already working. According to our estimates, assuming that 65% of the capex is financed with non-recourse debt, corporate debt (with recourse) would be reduced by c.€120m in 2022 and by an additional c.€110m in 2023.

AUDAX: NET DEBT REDUCTION AFTER REFINANCING

(€ m)	2022	2023
Debt refinancing to non-recourse	118	226
Additional debt reduction	186	134

Source: Alantra Equities

Additional reduction of €150-200m is needed

As a result, and in order to reach the target leverage, Audax would need to find alternatives to reduce its corporate debt further by €150-200m. We believe this should be done through a mix of:

a) **Asset sales.** Audax has three wind farms outside Spain, one in Poland (34MW), one in France (23MW) and a 30% stake in a 66MW wind farm in Panama. We believe these assets should be sold, as they have little synergies within the group. We estimate these assets could be worth €139m EV which, once adjusted by minorities, would reduce debt by €81m.

AUDAX: INTERNATIONAL ASSET PORTFOLIO

(€ m)	MWs	EV	Minorities	Debt reduction
International assets	112	139	(58)	81

Source: Alantra Equities

In addition, Audax has also mentioned that it could consider the sale of minority stakes in its operating assets in Spain. According to our estimates, selling a 49% stake in the 69MW PV capacity currently in operation in Spain could imply proceeds of €16m.

AUDAX: SOLAR PV PORTFOLIO

(€ m)	MWs	EV	Debt	Equity	49% stake
Spanish PV assets	69	59	(27)	32	16

Source: Alantra Equities

b) **Capital increase.** In addition to selling assets and considering the strong investment effort that Audax will need to make, it would be good for Audax to strengthen its financial position through a capital increase, of at least €100m. This is equivalent to 15-20% of the market cap.

Mix between asset disposals and capital increase to cut leverage

As a result of the roadmap described above, Audax's corporate net debt by the end of 2022 would fall from €504m to <€200m, whilst debt/EBITDA would fall from 7X to <3X. This would leave the company in a comfortable position to execute its growth plans in renewables.

AUDAX: CONSOLIDATED LEVERAGE AFTER ASSET DISPOSAL & CAPITAL INCREASE

(€ m)	Current	Refinancing	Asset sales	Capital increase	New
Net debt with recourse	504	118	96	100	189
EBITDA (*)	72				66
Net debt/EBITDA (X)	7.0X				2.8X

(*) "Current" EBITDA is at consolidated level, once debt is refinanced through PF, "new" EBITDA refers to corporate EBITDA (Adj. by the PF debt service); Source: Alantra Equities

V. P&L estimates: strong growth over 2021-25

1) Strong growth ahead

We are fine-tuning our estimates for 2022-24 to reflect: 1) the impact of the Russia-Ukraine conflict in the supply business; and b) the higher capacity in operation in the generation business.

EBITDA would grow by 26% CAGR 2021-25

Despite the tough year, Audax was able to slightly increase its recurrent EBITDA from €50m (2020) to €53m (2021), with €35m made only over 2H21 thanks to the recovery of supply margins. With this in mind, we expect €72m in 2022 and a continued recovery over the following years. This would lead to €94m EBITDA in 2023, €120m in 2024, and €134m in 2025.

Below EBITDA, we expect financial costs to grow slightly, 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 €0.10 in 2025.

AUDAX: P&L ESTIMATES 2020-25E

(€ m)	2020	YoY	2021	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	CAGR 21-25
Revenues	969	74%	1,690	0%	1,694	0%	1,695	1%	1,717	6%	1,824	2%
CoGS	(854)	83%	(1,561)	(1%)	(1,540)	(2%)	(1,511)	(1%)	(1,494)	5%	(1,571)	0%
Gross Profit	115	12%	129	19%	153	21%	185	21%	223	13%	253	18%
Opex	(65)	17%	(76)	7%	(81)	11%	(91)	14%	(104)	15%	(119)	12%
One-offs	16	(101%)	(0)	(100%)	0	-	0	-	0	-	0	-
EBITDA	50	6%	53	35%	72	31%	94	27%	120	12%	134	26%
Depreciation	(20)	12%	(22)	5%	(23)	22%	(28)	5%	(29)	23%	(36)	13%
EBIT	47	(34%)	31	58%	49	35%	66	37%	90	9%	98	33%
Net financial	(13)	108%	(27)	15%	(30)	7%	(33)	13%	(37)	14%	(42)	12%
Taxes	(4)	(17%)	(3)	55%	(5)	38%	(7)	36%	(9)	4%	(10)	32%
Minorities	(4)	(142%)	2	(270%)	(3)	(40%)	(2)	(44%)	(1)	91%	(2)	-
Net profit	26	(89%)	3	281%	11	131%	25	73%	43	4%	45	99%
Adj. net profit	14	(79%)	3	266%	11	131%	25	73%	43	4%	45	97%
EPS	0.06	(89%)	0.01	281%	0.02	131%	0.06	73%	0.10	4%	0.10	99%
Adj. EPS	0.03	(79%)	0.01	266%	0.02	131%	0.06	73%	0.10	4%	0.10	97%

Source: Alantra Equities

2) >25% EBITDA CAGR 2021-25

Looking at EBITDA in more detail, recurrent EBITDA increased to €53m in 2021, whilst reported EBITDA fell by 20% vs. €66m in 2020. We expect EBITDA to reach €72m in 2022 (+36% YoY) with Supply growing by 30% and Generation by 55%. Looking ahead, EBITDA growth should slow down to c.30% p.a. over 2022-23, and then to 10-15% in 2025, reaching €134m in 2025.

Generation EBITDA contribution: from 25% (2021) to 40% (2025)

By business, the 1.3GW new capacity in operation should increase the contribution of Generation to group EBITDA from c.25% in 2021 to c.40% in 2025. Conversely, the Supply business contribution would be reduced from c.75% of the total EBITDA in 2021 to 61% in 2025.

AUDAX: P&L ESTIMATES 2020-25E

(€ m)	2020	YoY	2021	YoY	2022E	YoY	2023E	YoY	2024E	YoY	2025E	CAGR 21-25
Supply	38	4%	40	30%	52	29%	67	25%	83	(1%)	82	20%
Generation	12	10%	13	55%	20	37%	27	33%	36	43%	52	42%
Rec. EBITDA	**50**	**6%**	**53**	**36%**	**72**	**31%**	**94**	**27%**	**120**	**12%**	**134**	**26%**

Source: Alantra Equities

3) Financial expenses & tax rate

Financial expenses could increase due to the higher debt

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% to 3.7% in 2023 (the 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**	**2021**	**2022E**	**2023E**	**2024E**	**2025E**
o/w Financial revenues	5	1	1	1	1	1
o/w Financial cost	(18)	(29)	(31)	(33)	(37)	(43)
Cost of debt (%)	3.5%	3.9%	3.8%	3.7%	3.7%	3.7%
Net financial expenses	**(13)**	**(28)**	**(31)**	**(33)**	**(37)**	**(42)**

Source: Alantra Equities

Audax had €222m cumulative tax losses at the end of 2021, which have benefitted and should continue to benefit the company in the shape of tax savings. As a result, we expect a 20% average effective tax rate over 2022-25, below the Spanish corporate tax rate of 25%.

AUDAX: TAX RATE 2020-25E						
(€ m)	**2020**	**2021**	**2022E**	**2023E**	**2024E**	**2025E**
Effective tax rate	11%	72%	27%	20%	17%	17%

Source: Alantra Equities

VI. Our valuation: €1.70-2.10 per share

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: €1.70-2.10 per share

We are increasing our valuation range for Audax by 7%, mainly due to the higher capacity in operation and a recovery in the supply business. In order to assess the potential value for Audax, we have assumed two scenarios:

a) **Cautious**. We reach an EV of c.€1.3bn and an equity value of €833m. After discounting debt, minorities, and the impact of the €100m capital increase, we reach €1.70p.s.

b) **Optimistic**. We reach an EV of c.€1.5bn and €1bn equity value, equivalent to €2.10p.s.

Generation business: 48% of the EV

In both scenarios, 52% of out EV comer from the supply division (64% of which is Spain) and 48% from generation. In addition, we include the impact of the €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	**452**	**512**	**252**	**285**	**704**	**797**
Generation	**506**	**572**	**132**	**149**	**638**	**722**
o/w assets in operation	225	254	132	149	357	404
o/w new assets	281	318	0	0	281	318
Total EV	**958**	**1,084**	**384**	**435**	**1,342**	**1,519**
Net debt (2022)					(487)	(487)
Net financials					51	51
Minorities					(73)	(73)
Equity value					**833**	**1,009**
Nº shares					440	440
Equity value p.s. (€)					**1.89**	**2.29**
Discount capital increase (*)					(0.19)	(0.19)
Equity value p.s. (€)					**1.70**	**2.10**

(*) €100m capital increase at €1.00p.s.; Source: Alantra Equities

Supply business: 52% of the EV

a) We value the Supply business at an EV ranging from €704m to €797m through a DCF using an 8.2% cost of equity (we assume no debt) and a 1% terminal growth rate. Our valuation implies an EV per supply point ranging from €1.4-1.6k in Iberia to €1.1-1.3k in Europe.

AUDAX: EV SUPPLY BUSINESS

	EV		Supply points (k)		EV/Supply point (€ k)			
(€ m)	**Cautious**	**Optimistic**	**2022**	**2023**	**2022 (1)**	**2022 (2)**	**2023 (1)**	**2023 (2)**
Spain & Portugal	452	512	312	332	1.4	1.6	1.4	1.5
Rest of Europe	252	285	226	231	1.1	1.3	1.1	1.2
Total Supply	**704**	**797**	**538**	**562**	**1.3**	**1.5**	**1.3**	**1.4**

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

In terms of EV/EBITDA, our valuation implies 13.5-15.3X EV/EBITDA in 2022 which we forecast will fall to 10.5-11.9X in 2023. In Spain, in our valuation, the EV/EBITDA multiple ranges from 13.6-15.4X in 2022 to 10.3-11.7X in 2023, whilst in the rest of Europe, it ranges from 13.4-15.2X in 2022 to 10.8-12.3X in 2023.

AUDAX: IMPLICIT EV/EBITDA FROM OUR SUPPLY BUSINESS VALUATION				
	2022E		2023E	
(X)	Cautious	Optimistic	Cautious	Optimistic
Spain & Portugal	13.6	15.4	10.3	11.7
Rest of Europe	13.4	15.2	10.8	12.3
Total Supply	**13.5**	**15.3**	**10.5**	**11.9**

Source: Alantra Equities

Assets in operation are valued at €360-400m

b) We value the Generation assets in operation by the end of 2022 at an EV ranging from €357m to €404m. This includes: 1) 91MW wind farms in Spain, Poland and France at an EV ranging from €15m to €48m (depending on the country); 2) the 30% stake in the wind farm in Panama, which we value at €75-85m or €1.1-1.3m/MW; and 3) the 244MW solar PV capacity, which should have been installed over 2021-22, valued at €187-212m or €0.8-0.9m/MW.

AUDAX: EV GENERATION ASSETS IN OPERATION								
					EV		EV/MW	
(€ m)	Technology	COD	Stake (%)	MWs	Cautious	Optimistic	Cautious	Optimistic
Spain & Portugal				**335**	**282**	**319**	**0.8**	**1.0**
o/w Spain	Wind	2006	80%	45	38	43	0.8	1.0
o/w Spain	Solar PV	2021-22	100%	244	187	212	0.8	0.9
o/w Poland	Wind	2015	100%	34	42	48	1.2	1.4
o/w France	Wind	2008	80%	12	15	17	1.2	1.4
International				**66**	**75**	**85**	**1.1**	**1.3**
o/w Panama	Wind	2021	30%	66	75	85	1.1	1.3
Total EV					**357**	**404**		

Source: Alantra Equities

c) Lastly, we value the 1.15GW new PV assets to be installed in Spain and Portugal over 2023-25 at an EV ranging from c.€280m to c.€320m, which implies €0.2-0.3m/MW.

AUDAX: EV GENERATION NEW ASSETS								
					EV (€ m)		EV/MW	
	Technology	COD	Stake (%)	MWs	Cautious	Optimistic	Cautious	Optimistic
Spain & Portugal	Solar PV	2023-25	100%	1,150	281	318	0.2	0.3

Source: Alantra Equities

2) Peer comparison

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

According to our estimates, Audax is trading at 23X23 P/E and 12X23 EV/EBITDA, which is below the renewable producers and independent suppliers. In our view, Audax should tend to trade in line with these groups 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 (€)	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2022E	2023E
Acciona Energía	10,536	19.0	23.3	24.0	10.0	11.5	11.8	1.5%	1.7	2.7
Solaria	2,412	36.3	33.4	31.1	23.4	21.0	19.3	0.0%	6.0	6.9
Grenergy	843	26.1	24.4	17.2	19.0	17.8	15.8	0.0%	7.0	8.4
Renewable's average	**13,791**	**22.4**	**25.1**	**24.8**	**12.9**	**13.6**	**13.3**	**1.1%**	**2.8**	**3.8**
Holaluz (*)	216	23.0	9.6	NA	12.1	6.4	NA	0.0%	0.8	0.5
EiDF	383	47.6	46.3	35.9	27.6	23.2	18.8	0.0%	2.3	3.3
Supplier's average	**599**	**38.7**	**33.0**	**23.0**	**22.0**	**17.1**	**12.0**	**0.0%**	**1.8**	**2.3**
Audax	**581**	**53.8**	**23.2**	**13.5**	**14.5**	**12.2**	**10.7**	**0.0%**	**7.0**	**6.4**

(*) Consensus estimates; Source: Alantra Equities

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