



ISSUER RATING

Long-term Rating

Outlook: Stable

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Executive Summary

Detailed below is the Executive Summary of the public rating assigned by Axesor Rating to Audax Renovables, S.A.

Audax frames its activity within the energy sector, focusing its business on energy commercialization (electricity and natural gas), mainly in the SME sector. The group also operates as an energy generator. Through these two businesses, the company has an international scope of action, maintaining activity in Spain and Portugal, Italy, Germany, Poland and the Netherlands. In 2019, the company presented a turnover of €1,041MM with an EBITDA of €73.3MM, recording a NFD/EBITDA ratio of 2.5x. Audax Renovables's capitalisation reached €674.1MM in March 2020 (27/03).

Fundamentals

Business profile

► **Adequate competitive positioning within the industry.**

Audax is the tenth company in the electric free market with a market share of 1.4%. This competitive position is expected to be reinforced by the recent agreements that place the group as an off-taker of relevant Power Purchase Agreements (PPA). The group's role as a consolidator within its sector and the different opportunities for concentration in the industry that are expected to appear, could accelerate the company's growth.

► **Positive geographic diversification that limits the risk of business concentration.**

Audax operates internationally in Portugal, Italy, Germany, Poland and the Netherlands. In general, these markets have developed favourably in recent years in terms of sales and profitability. This appropriate diversification mitigates the risk of the group's business profile, making it more resilient in the face of unfavourable scenarios in any of the countries.

► **Commodity industry tending towards concentration.**

Electricity is a commodity product that is difficult to differentiate, and therefore the electricity trading market is highly competitive. The high number of commercialization companies and the dynamics observed in the industry suggest that this sector is tending towards progressive concentration, especially in the current complex economic context.

► **Healthcare crisis (COVID-19) that will determine the future evolution of the economy as a whole and Audax's business.**

Although there is still a great deal of uncertainty with regards to the real impact of the current health and economic crisis, which is affecting Spain in particular, it is considered that this will have a significant impact on activity in the sector and on the group's performance due to the temporary shutdown of its clients' businesses. In view of this complex scenario, Audax has implemented a Contingency Plan that properly addresses the current situation and is expected to mitigate the potential impact on the business.

► **Ownership structure committed to the business and adequate financial capacity.**

Management is characterised by the high involvement of the main shareholder (holding of 84.4%) and his appropriate financial capacity. The management structure has extensive experience and know-how, aspects that have supported the positive development of the group throughout the last years.

Financial profile

▶ **Solid revenue growth accompanied by positive operating returns.**

Audax presents a growing commercial activity after the incorporation of Unieléctrica for a full year and the positive organic growth of the business. This aspect is reinforced by a growing EBITDA and an operating margin above the sector's average, both supported by the favourable price context during 2019 and a policy aimed at prioritising profitability over volume.

▶ **Favourable capacity to generate positive results.**

The flexibility of the cost structure and the appropriate management of these makes the company show a resilient capacity to generate positive results especially in scenarios of falling profits and/or lower turnover. It is therefore expected that the flexibility shown in its cost structure in the past will be maintained in the coming year despite the difficult macroeconomic context.

▶ **Significant weight of intangible assets whose unforeseen impairment could erode the group's equity.**

As a result of past inorganic operations (mainly Unieléctrica and Main Energie), at year-end Audax recorded intangible assets for a total of €244.2MM, representing 31.5% of total assets (goodwill of €138MM). It is considered that potential impairments of its intangible assets could deteriorate the company's equity and consequently its financial autonomy.

▶ **Financing structure with tight levels of financial autonomy which, however, showed a relevant advance in its NFD/EBITDA ratio.**

The company displays tight levels of financial autonomy (Equity/TFD of 42.6%), however, its financial structure registered a significant improvement during 2019, meeting Audax's deleveraging objectives. This is reflected in the group's current ample capacity to meet its financial commitments (NFD/EBITDA of 2.5x).

▶ **A comfortable liquidity situation that is the main competitive strength of the group.**

Audax maintains an ample liquidity situation, maintaining a liquidity ratio in a worst case scenario of 1.5-2x. This valuation is based on a comfortable cash position (€183.3MM), adequate operational cash generation (high conversion of EBITDA into FFO), broad financial flexibility (the extension of the promissory note programme to €200MM is in the formalisation phase) and a long-term maturity schedule (main amortisations in 2022-2023).

▶ **Contingency Plan for the current crisis (COVID-19) which shows that in the face of aggressive downside scenarios, Audax's credit profile would maintain an adequate solvency position.**

Under the current situation of health and economic crisis, the group has developed a set of organisational, technical and human measures. Audax has carried out several financial scenarios of aggressive deterioration in the business and in the face of these, the company's credit profile would maintain the appropriate solvency position.

Main financial figures

Main financial figures. Thousands of €.

	2017 ⁽¹⁾	2018	2019	19vs18
Turnover	670,645	984,354	1,040,969	5.8%
EBITDA	37,076	53,395	73,250	37.2%
EBITDA Margin	5.5%	5.4%	7.0%	1.6pp
EBT	5,786	11,176	33,031	195.6%
Total Assets	644,937	832,899	774,253	-7.0%
Equity	85,063	139,566	155,714	11.6%
Total Financial Debt	367,624	434,079	365,666	-15.8%
Net Financial Debt	301,039	318,589	182,385	-42.8%
NFD/EBITDA	8.1x	6.0x	2.5x	-3.5x
FFO/DFN	8.0%	10.2%	30.4%	2015.1%
EBITDA/Interest	1.9x	2.6x	3.8x	1.2x

⁽¹⁾Restated and unaudited figures

Outlook

In the opinion of Axesor Rating, the outlook of the present rating remains **stable**. Despite the current crisis situation caused by COVID-19, it is considered that, with the implementation of the Contingency Plan presented, as well as supported by its solid financial fundamentals, especially in terms of liquidity, Audax will be able to maintain an adequate credit profile.

However, we highlight that a worsening of the macroeconomic situation beyond current expectations could affect the group's credit quality. This is why the company will be kept under constant review in the face of the current uncertain and complex economic context.

Rating sensitivities

Factors that may (individually or collectively) impact the rating:

- ▶ **Positive factors (↑).** Optimisation of capitalisation levels (Equity/TFD). Significant reduction in the NFD/EBITDA ratio. Significant increase in operating margins. Lower than expected COVID-19 impact.
- ▶ **Negative factors (↓).** Higher than expected economic slowdown that would have a negative effect on activity. Negative final results that would erode levels of financial autonomy. Significant deterioration of intangible assets. Significant increase in the NFD/EBITDA ratio. Reduction in the capacity to generate operating cash flow.

Regulatory information

Sources of information

The credit rating assigned in this report has been requested by the rated entity, which has also taken part in the process. It is based on private information as well as public information. The main sources of information are:

1. Annual Audit Reports.
2. Corporate Website.
3. Information published in the Official Bulletins.
4. Rating book provided by the Company.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, Axesor Rating assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies, and in accordance with the Corporate Rating Methodology and Outlook Methodology that can be consulted on www.axesor-rating.com/en/about-axesor/methodology and according to the Long-term Corporate Rating scale available at www.axesor-rating.com/en/about-axesor/rating-scale.
- Axesor publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months axesor has provided ancillary services to the rated entity and its related third parties. However, according to our Conflict of Interest Policy, it does not involve a conflict of interest, since the aggregate sale does not exceed 5% of net turnover.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

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