AUDAX RENOVABLES SA

A62338827

CORPORATE

BBB-

ISSUER RATING
Long term

OUTLOOK
Positive

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Rating Action and Rationale

- EthiFinance Ratings affirms Audax Renovables SA's rating at "BBB-" but changes the outlook from Stable to Positive.
- The change in outlook is mainly based on i) the expectation that financial metrics will improve in the coming years (in our last review, NFD/EBITDA and EBITDA/interest ratios were expected to be around 2.5x and 3.7x on average, while now they are projected at <2x and >4x, respectively), and ii) the potential for ESG policies to improve and have a positive impact on the rating if the proposed strategies are implemented (e.g. the company is working on the development of a new ESG strategy including defining a procurement policy that includes ESG criteria for next year).
- Audax Renovables is a Spanish company that operates as an electricity and gas trader as well as an independent power producer at national and international level.
- The company's rating is supported by i) favourable and controlled leverage levels (NFD/EBITDA <3x and FFO/NFD c.30%), ii) exceptionally good competitive positioning in the trading segment, iii) the diversification of its business model, iv) a committed shareholder base with adequate financial capacity, and v) a generating sector with solid fundamentals.
- Factors limiting the rating include i) a trading sector marked by modest margins and some volatility, ii) still tight interest coverage (EBITDA/interest <4.5x), iii) capitalisation with room for improvement NP/TFD <60%), and iv) still limited competitive advantages and size in the generation business.
- To assess the company's financial profile, a *mix* of metrics has been applied according to the EBITDA contribution of the two main activities, using the 'standard cyclicality' table for the marketing business and the 'infrastructure' table for the generation activity, given that this benefits from contractual provisions (PPAs) that limit the volatility of cash flow.
- Under our methodology, we consider that the company operates in both the utilities sector on the marketing side (heatmap sector score between 2 and 2.5) and the renewables sector on the generation side (heatmap sector score between 1 and 1.9). While the sector assessment of the trading industry is neutral, the renewable sector has a positive impact on the sector profile. Likewise, analysis of the ESG policy at the company level yields a neutral valuation (ESG score of the company between 1.5 and 3.5), which has had no impact on the financial profile assessment.

Company Description

Audax Renovables is a Spanish company that operates in the energy sector as an energy trader (electricity and gas), oriented mainly towards the industrial segment (SMEs and large accounts), and as an independent energy producer with a project portfolio (solar and wind) in 2024 of 955MW with 267MW in operation located in Spain, Panama, France and Poland. As a marketer, in addition to its home market, the company operates in Portugal, Hungary, Holland and Italy and to a lesser extent in Germany and Poland. Audax reported 2024 revenues of €1.98bn (-13.5% YoY) and EBITDA of €115.4m (EBITDA margin of 5.8%). The NFD/adjusted EBITDA ratio stood at 2.6x (-0.4x YoY). Audax's market capitalisation on the Spanish continuous market has reached €689m (as of 29/4/2025).

Fundamentals

Business Risk Profile

Industry Risk Assessment

- **Company operating in two sub-sectors with different fundamentals.**

The *commodity* trading sub-sector is characterised by low profitability (EBIT margin between 1% and 4%), price volatility, and performance linked to the economic environment. Despite this, barriers to entry are considered to be medium-to-high in order to be competitive, based on high *working capital* needs, significant regulation, the requirement for guarantees from the regulator in order to operate, and the necessary know-how (price volatility management, hedging, supply/demand estimation, etc.).

The generation activity is characterised by high returns (mg EBIT >20%), which can be explained by a favourable situation in terms of barriers to entry (high capital requirements, the relevant regulation and government component, and the necessary experience in the development of projects), which enables the high leverage of the projects and the intense investment necessary for growth to be sustained. The volatility of this segment within the energy industry is considered low based on the fact that most of the operations are executed at regulated prices or under power purchase agreements (PPAs) in the sale of energy.

In the future, it is expected that the trading industry will continue to perform broadly in line with economic trends but will also benefit from population growth. The generation business is expected to show significant growth based on lower costs, increasing environmental awareness, progress in the electrification of society, and development of storage technology.

Competitive Positioning

- **Benchmark position in the energy trading market compensates for more limited positioning as a generator.**

Audax has solid competitive advantages in the energy trading activity, which is reflected in consolidated market shares in its main markets (Hungary 5.8%, Holland 1.9%, Portugal 1.5%, Spain 0.9%). Among these advantages, its size and know-how, the market access agreement with Shell, and its vertical integration stand out, enabling it to position itself as a benchmark company in the SME and large account segment in the countries where it operates.

In the generation business, however, its competitive position is more modest due to its still limited scale, with only 267MW in operation. The progressive development of the company's portfolio (955MW in the portfolio) will nevertheless gradually strengthen its competitive position and improve its vertical integration.

- **Business focused on the commercial activity with favourable geographic and customer diversification.**

Audax's diversification of activities (participation in power generation), geographically and by customer, remains one of its differentiating factors in comparison with other marketers. The company, while remaining a specialist supplier in the SME segment in Spain, continues to strengthen its participation in the industrial segment following its incursion into the Hungarian and Dutch markets, where it has been gaining market share. As a result, the Iberian market now represents only 33.8% of sales. This, together with the low concentration of customers (top-10 account for 15.3% of sales) and the EBITDA contribution of the generation business, means low geographic and customer diversification risk.

Shareholding Structure and Governance

- **Stable shareholder structure committed to the business and supported by a management team with focus on deleveraging.**

The company is controlled by José Elías Navarro (Eléctrica Nuriel S.L.U and Excelsior S.L.U), who holds 64.8% of the equity. In addition, he holds purchase rights assigned as collateral to the placement banks (Goldman Sachs and BNP) of the convertible bond issue for €125m, representing 7%. Also noteworthy is the presence of one of the leading family offices in the Spanish market, the Domínguez family (Mayoral Group) through Global Portfolio Investments, S.L. with a 7% stake. Finally, as a listed company, some of the shares are held by various investors with stakes of less than 5% (free-float of 19.9%), as well as own shares (0.6%).

- **Neutral ESG policy at company level.**

The company's ESG policies are assessed as neutral (score between 1.5 and 3.5), with no effect on the rating. Our assessment at the governance level is favourable, mainly supported by i) the presence of independent directors, ii) public disclosure of code of conduct and anti-corruption policies, and ii) the prioritisation of ESG aspects. So is that at the environmental level, which has improved during the past year due to lower resource consumption. However, the rating at the social level is average, showing greater room for improvement.

Financial Risk Profile

Sales and Profitability

- **Growth in volumes supplied and produced accompanying the increase in results.**

For 2024, in an environment of lower revenues, as commodity prices continue to fall (-19% electricity and -16% gas YoY), the company reported growing volumes of energy supplied (15.5TWh, +12.3% YoY) and generated (305GWh excluding Panama, +9.3% YoY), proof of its solid competitive position in the different markets in the energy trading sector and the good performance of its generation portfolio. In addition, the company has maintained its focus on improving profitability through strategic measures focused on gross margin growth and optimisation of structural expenses, resulting in EBITDA of €115.4m (+16.2% YoY). At EthiFinance Ratings, we believe that, although headline numbers will continue to be influenced by commodity price trends, the company will maintain underlying profitable growth and solid EBITDA generation.

Leverage and Coverage

- **Maintaining the deleveraging target and improving the still modest interest coverage.**

Audax continues to focus on reducing its leverage, with an adjusted NFD/EBITDA ratio of 2.6x reported as of end-2024, down from 3.0x at end-2023. With EBITDA expected to continue to rise in 2025-27, the ratio is forecast to decline further, to around 1.5x. This is in turn expected to reinforce an interest coverage level that remains limited as of end-2024 (EBITDA/interest ratio of 3.5x).

Cash Flow Analysis

- **Free cash flow expected to remain positive in the coming years despite the lower figure in 2024.**

EthiFinance Rating believes that, supported by the expected continuity in operating cash flow (FFO), which will probably remain in the range of €60-75m, and potential strategic transactions that could strengthen its liquidity, Audax will be able to continue with its capex (mainly associated with the development of the generation pipeline) as well as generate sufficient free cash flow to enable it to reward shareholders and reduce its leverage.

Capitalisation

- **Adequate capitalisation which is favoured by the capitalisation of profits.**

Although the adjusted equity/TFD ratio remains in the low-mid range (42.7% in 2024), it has improved compared to 2023, the positive performance demonstrated by the company in recent years in terms of debt reduction and increased final results should be viewed favorably. The improvement is expected to be maintained, due to net debt reduction and retention of profits, despite the activation of the dividend policy (€15m/year). This dividend distribution policy has been communicated by the group and covers the period between 2024 and 2026, although it remains subject to the achievement of certain strategic objectives.

Liquidity

- **Good situation with a high liquidity ratio and a satisfactory refinancing profile.**

The company continues to present a comfortable liquidity position to cover the next two years, supported by an ample available cash balance (€223.7m) and CFO generation that is expected to remain solid and sufficient to meet debt maturities and investment needs. In addition, Audax has an adequate refinancing profile, so no difficulties are expected in accessing the debt markets, which is particularly relevant in the next couple of years as the company will have to refinance its 2027 bonds.

Modifiers

Controversies

- **No significant controversies have been detected.**

Country Risk

- **There is no country risk based on the markets in which the group operates.**

Main Financial Figures

Main financial figures. thousands of EUR	FY22	FY23	FY24	FY25e	FY26e	FY27e	24vs23
Turnover	2,625,893	2,290,438	1,981,744	2,185,864	2,257,997	2,348,317	-13.5%
EBITDA	51,664	99,307	115,363	120,222	130,964	140,899	16.2%
EBITDA Margin	2.0%	4.3%	5.8%	5.5%	5.8%	6.0%	1.5pp
EBIT	32,293	75,127	93,581	91,046	100,306	97,616	24.6%
EBIT Margin	1.2%	3.3%	4.7%	4.2%	4.4%	4.2%	1.4pp
EBT	12,574	45,024	88,950	72,361	85,516	91,352	97.6%
Total Assets	1,316,810	1,295,173	1,369,296	1,310,451	1,354,247	1,385,708	5.7%
Equity	135,773	173,252	223,945	263,216	312,352	365,866	29.3%
Adj Total Financial Debt	658,355	539,030	523,860	482,483	469,364	458,940	-2.8%
Adj Net Financial Debt	453,757	297,497	300,074	217,694	194,362	212,793	0.9%
Equity/Adj TFD	20.6%	32.1%	42.7%	54.6%	66.5%	79.7%	10.6pp
Adj NFD/EBITDA	8.8x	3.0x	2.6x	1.8x	1.5x	1.5x	-0.4x
Funds From Operations	41,293	93,109	68,821	57,577	65,924	73,075	-26.1%
FFO/Adj NFD	9.1%	31.3%	22.9%	26.4%	33.9%	34.3%	-8.4pp
EBITDA/Interest	1.6x	2.9x	3.5x	4.1x	5.1x	5.9x	0.6x

Credit Rating

Credit Rating	
Business Risk Profile	**BBB**
Industry risk assessment	*BBB-*
Industry's ESG	*Neutral/Positive*
Competitive Positioning	*BBB+*
Governance	*BBB+*
Financial Risk Profile	**BB+**
Cash flow and leverage	*BBB-*
Solvency	*BB-*
Company's ESG	Neutral
Anchor Rating	**BBB-**
Modifiers	*n.a.*
Rating	**BBB-**

Rating Sensitivity

- **Long-term positive factors (↑)**

A rating upgrade could come if the company continues to improve its leverage (adjusted NFD/EBITDA c.1.5x historical average + projections), interest coverage (EBITDA/interest > 5x) and capitalisation (adjusted equity/TFD > 70%). Another factor that could contribute to a rating upgrade is an improved ESG score of between 1 and 1.5, implying a half *notch* improvement in the financial profile.

- **Negative factors in the long term (↓)**

A downgrade could occur under a scenario of higher leverage (adjusted NFD/EBITDA >3x), deterioration of interest coverage (EBITDA/interest <3x), and/or negative earnings weighing on capitalisation (adjusted equity/TFD <40%).

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, EthiFinance Ratings 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. Principal methodology used in this research are :
    - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings 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 EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.