

## Aages (AAG)

**HOLD**

### Initiation of Coverage

**Target price: 6.71 RON (+7.4%)**

### Key Points

- Aages ended 2024 with a significant increase, as its share price appreciated by over 70% (compared to the BET index, which rose by 9%), substantially outperforming the 2017-2023 period when it gained only 1%. This growth was driven by the company's strong financial results, which showed strong year-on-year increases. AAG recorded a compound annual growth rate (CAGR) of over 12% in revenue from 2017 to 2024e and nearly 20% in operating profit. We estimate a net income of RON 9.3 million for 2024, with an expected gross dividend of RON 0.37 per share, implying a potential yield of 6% (calculated based on the closing price on 11.02.2025).
- The 9M 2024 results showed a 42% increase in revenue and an 84% rise in net profit, with a net margin of 18%, 4 percentage points higher than the 9M 2023 level. This performance was driven by a 46% increase in revenue from the sale of finished products, a 23% rise in revenue from completed work and services provided, and a 52.7% decrease in financial expenses. For the full year, we estimate revenues of RON 56.9 million, up 25.7% year-on-year, and a net profit of RON 9.3 million, 1.5 times higher than in 2023.
- Over the next five years, we expect the company's growth rate to remain close to its historical average, with an average annual sales growth rate of 11.6% and an average EBIT margin of 15.5%. The company's revenues are closely related to demand from businesses in the machine-building and metalworking industries, which seek energy-efficient industrial equipment. Through its designed and manufactured products, Aages effectively addresses this market need by helping companies reduce energy consumption and automate manufacturing processes.
- Based on the DCF model, we value the company at a target price of RON 6.71 per share, with a potential upside of 7.4% from the closing price on February 11, 2025.
- Potential risks to our recommendation include competition in the foreign markets, fluctuations in industry demand, and economic and geopolitical uncertainties that could impact supply chains and investment decisions.

**Mihaela Măgherușan**
**Equity Analyst**

mihaela.magherusan@brk.ro

### Shares information

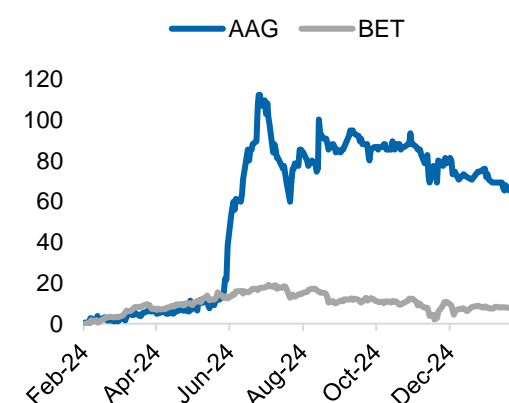
Min/max price, 52 weeks.	3.6 – 8.1
Total shares (mil.)	10
Market cap. (mil. RON)	62.5
52 weeks liquidity (mil. RON)	9.8

### Shareholders

	%
AAGES HEAD INVEST SRL	53.5696
Others	46.4304

### 1-year performance

	%
AAG	68.01
vs. BET Index	9.49



source: Bloomberg, BVB

## About Ages

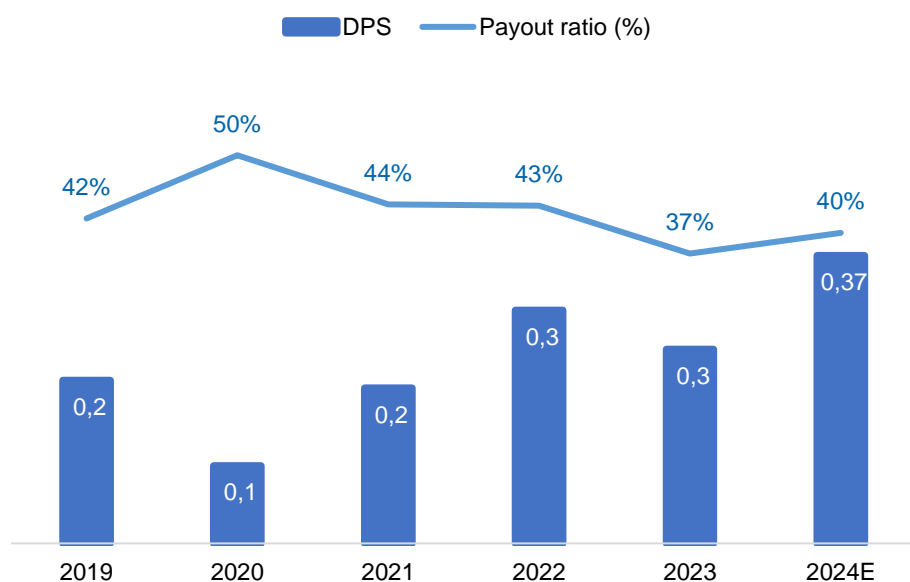
Ages specializes in producing systems and components for induction heating and thermal processing. The company's products are primarily used in the machine-building and metallurgical industries. Its production is largely focused on foreign markets, which accounted for 72% of total sales transactions in 2023. The company's main customer base is located in Germany, Turkey, China, Hungary, and Romania.

The company's production activity is conducted in 5 production plants owned by the group. Since May 2024, Ages has fully acquired its subsidiary Electroterm, holding a 100% stake.

### AAG share price and dividend payouts

Since its listing in 2017, the company's share price had not performed notably until the end of 2023. However, in 2024, it surged by more than 70%, driven by the company's strong financial results, which showed significant improvements compared to the previous year.

Since its listing, the company has consistently distributed dividends to shareholders, following a payout policy of 40-50% of profits. In 2024, it distributed a gross dividend of RON 0.25 per share from its 2023 profit. The average dividend payout ratio stands at 40%. If this payout ratio is maintained for the estimated 2024 profit, it would result in a gross dividend of RON 0.37 per share, implying a gross dividend yield of 6% (calculated based on the current market price).



Source: Ages, BRK estimates

## 9M 2024 Results Overview

In the first three quarters of 2024, Aages recorded revenue of RON 39.3 million, up 42% compared to the same period of the previous year, driven by increased revenues from the sale of finished products (+46%) and higher revenues from completed work and services provided (+23%). Additionally, the revenue reported for 9M 2024 represents 85% of the company's full-year budget. At the operational level, expenses increased by 30%, reaching RON 35 million. The largest cost component was raw material expenses, which accounted for 48% of total expenses and increased by 37% year-over-year. Personnel expenses, representing 37% of total costs, also saw a 27% year-over-year increase.

The operating result recorded a substantial 71.6% year-over-year growth, with a margin of 21%, up 4 percentage points from 9M 2023. Loan repayments contributed to a reduced financial loss compared to 9M 2023, with financial expenses decreasing by 52.7%. As a result, the company reported a net profit of RON 7 million, up 84% year-over-year. The net margin improved to 18%, reflecting a 4 percentage point increase compared to 9M 2023.

('000 RON)	9M 2023	9M 2024	var	('000 RON)	2023	2024 TTM	var
<b>Revenue</b>	<b>27.698</b>	<b>39.335</b>	<b>42%</b>	<b>Revenue</b>	<b>45.268</b>	<b>56.905</b>	<b>26%</b>
COGS	-12.363	-16.939	37%	COGS	-20.276	-24.852	23%
Gross Profit	15.335	22.396	46%	Gross Profit	24.992	32.053	28%
Salary expenses	-10.217	-12.963	27%	Salary expenses	-13.905	-16.652	20%
Amortization and depreciation	-332	-455	37%	Amortization and depreciation	-815	-938	15%
Other income / (expenditure)	126	-547	-533%	Other income / (expenditure)	-2.625	-3.299	26%
<b>EBIT</b>	<b>4.912</b>	<b>8.430</b>	<b>72%</b>	<b>EBIT</b>	<b>7.646</b>	<b>11.164</b>	<b>46%</b>
Financial income	544	299	-45%	Financial income	575	329	-43%
Financial expenses	-930	-440	-53%	Financial expenses	-1.235	-745	-40%
<b>Gross Profit</b>	<b>4.526</b>	<b>8.289</b>	<b>83%</b>	<b>Gross Profit</b>	<b>6.986</b>	<b>10.749</b>	<b>54%</b>
Income tax	-681	-1.204	77%	Income tax	-933	-1.456	56%
<b>Net profit</b>	<b>3.845</b>	<b>7.085</b>	<b>84%</b>	<b>Net profit</b>	<b>6.053</b>	<b>9.293</b>	<b>54%</b>

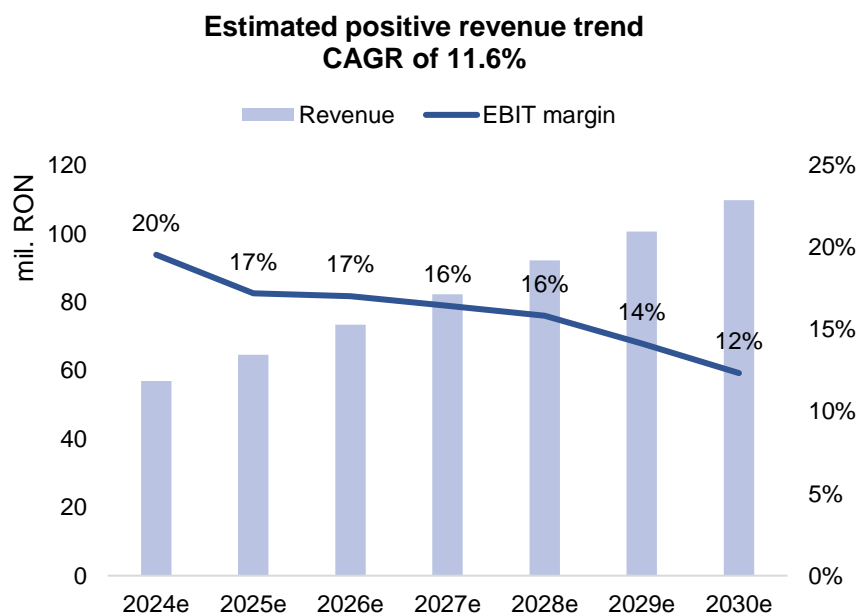
Source: Aages, BRK estimates

## Estimates and projections

The company's revenues are closely related to demand from businesses in the machine-building and metalworking industries, which seek energy-efficient industrial equipment. Through its designed and manufactured products, Ages effectively addresses this market need by helping companies reduce energy consumption and automate manufacturing processes.

From 2017 to 2024, AAGES experienced steady growth, expanded its exports, and improved profitability, with an accelerated trend in recent years (+84% in 9M 2024 vs. 9M 2023) driven by increasing demand. Over the 2017-2024e period, AAGES achieved a compound annual growth rate (CAGR) of 12.4% in revenue and nearly 20% in operating profit. The share of revenue from external markets remained above 70% throughout this period. Looking ahead, we estimate a continued upward trend in AAGES' revenue, with a projected CAGR of 13.6% for 2025-2026, 12.1% for 2027-2028, and 9.1% for 2029-2030. These growth rates are based on the company's historical performance and market trends.

Regarding margins, we expect to remain close to the historical average over the next five years, with an estimated average EBIT margin of 15.5% (compared to the historical average of 15.7% for 2017-2023) and a net margin of approximately 13%.



Source: BRK estimates

## DCF Valuation

We value the company at 0.71 RON/share, implying a 7.4% upside from the current market price. We use a weighted average cost of capital of 14.38%, where we estimate the cost of equity at 16.98% and the cost of debt at 7.5%.

Other assumptions in our model include:

- BETA of 1.24, calculated as a ratio of the standard deviation of AAG and BET returns;
- Market Risk Premium of 7.5%, estimated using the long-term yield of the BET index and the yield on a 10-year Romanian government bond yield;
- Terminal value estimated using a 4% growth rate and the weighted cost of capital.

<i>RON '000</i>	Estimated 31-Dec-25	Estimated 31-Dec-26	Estimated 31-Dec-27	Estimated 31-Dec-28	Estimated 31-Dec-29	Estimated 31-Dec-30
Revenue	64.637	73.420	82.283	92.215	100.627	109.806
% growth	13,6%	13,6%	12,1%	12,1%	9,1%	9,1%
<b>EBITDA</b>	<b>16.681</b>	<b>18.823</b>	<b>20.613</b>	<b>22.543</b>	<b>22.884</b>	<b>22.998</b>
EBITDA M	25,8%	25,6%	25,1%	24,4%	22,7%	20,9%
<b>EBIT</b>	<b>11.122</b>	<b>12.509</b>	<b>13.537</b>	<b>14.612</b>	<b>14.230</b>	<b>13.555</b>
EBIT M	17,2%	17,0%	16,5%	15,8%	14,1%	12,3%
<b>EBIT*(1- Tax Rate)</b>	<b>9.342</b>	<b>10.508</b>	<b>11.371</b>	<b>12.274</b>	<b>11.953</b>	<b>11.386</b>
D&A	1.034	1.175	1.317	1.475	1.610	1.757
WCC	-2.262	-2.570	-2.880	-3.228	-3.522	-3.843
CAPEX	-1.616	-1.836	-2.057	-2.305	-2.516	-2.745
<b>FCFF</b>	<b>6.498</b>	<b>7.277</b>	<b>7.751</b>	<b>8.217</b>	<b>7.525</b>	<b>6.555</b>
discount factor	0,87	0,76	0,67	0,58	0,51	0,45
<i>NPV FCFF</i>	5.681	5.562	5.180	4.801	3.844	2.927
PV FCFF	27.996					
PV Terminal Value	31.789					
Terminal growth rate	4,0%					
<b>Company value</b>	<b>59.784</b>					
Net Debt	-7.364					
<b>Company value</b>	<b>67.148</b>					
No. Shares	10.000					
<b>Price/share (RON)</b>	<b>6,71</b>					
Market price (RON)	6,25					
Upside/Downside	<b>7,44%</b>					

Source: BRK estimates

		Terminal Growth Rate				
		3,00%	3,50%	4,00%	4,50%	5,00%
Weighted Average Cost of	13,00%	7,16	7,36	7,59	7,84	8,12
	14,38%	6,41	6,55	6,71	6,89	7,09
	15,00%	6,12	6,25	6,39	6,55	6,71
	15,50%	5,92	6,03	6,16	6,29	6,44

## Financial statements and estimates

	Reported	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
('000 RON)	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
<b>Revenue</b>	<b>45.268</b>	<b>56.905</b>	<b>64.637</b>	<b>73.420</b>	<b>82.283</b>	<b>92.215</b>	<b>100.627</b>	<b>109.806</b>
COGS	-20.276	-24.852	-28.767	-32.529	-36.291	-40.487	-44.181	-48.211
Gross Profit	24.992	32.053	35.870	40.891	45.991	51.727	56.446	61.595
Salary expenses	-13.905	-16.687	-19.189	-22.068	-25.378	-29.185	-33.563	-38.597
<b>EBITDA adj.</b>	<b>11.086</b>	<b>15.366</b>	<b>16.681</b>	<b>18.823</b>	<b>20.613</b>	<b>22.543</b>	<b>22.884</b>	<b>22.998</b>
Amortization and depreciation	-815	-938	-1.034	-1.175	-1.317	-1.475	-1.610	-1.757
Other income / (expenditure)	-2.625	-3.299	-4.525	-5.139	-5.760	-6.455	-7.044	-7.686
<b>EBIT</b>	<b>7.646</b>	<b>11.129</b>	<b>11.122</b>	<b>12.509</b>	<b>13.537</b>	<b>14.612</b>	<b>14.230</b>	<b>13.555</b>
Financial income	575	329	646	734	823	922	1.006	1.098
Financial expenses	-1.235	-745	-808	-918	-1.029	-1.153	-1.258	-1.373
<b>Gross Profit</b>	<b>6.986</b>	<b>10.714</b>	<b>10.960</b>	<b>12.326</b>	<b>13.331</b>	<b>14.382</b>	<b>13.978</b>	<b>13.281</b>
Income tax	-933	-1.451	-1.754	-1.972	-2.133	-2.301	-2.236	-2.125
<b>Net profit</b>	<b>6.053</b>	<b>9.262</b>	<b>9.207</b>	<b>10.353</b>	<b>11.198</b>	<b>12.081</b>	<b>11.742</b>	<b>11.156</b>

Source: Ages, BRK estimates

Key indicators	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
GPM	55,2%	56,3%	55,5%	55,7%	55,9%	56,1%	56,1%	56,1%
EBITDA M adj.	24,5%	27,0%	25,8%	25,6%	25,1%	24,4%	22,7%	20,9%
EBIT M	16,9%	19,6%	17,2%	17,0%	16,5%	15,8%	14,1%	12,3%
NPM	13,4%	16,3%	14,2%	14,1%	13,6%	13,1%	11,7%	10,2%

Source: Ages, BRK estimates

## Investment Research Disclaimer

<b>Buy:</b>	Share price may exceed 15% over the next 12 months
<b>Hold:</b>	Share price may fall within the range of +/- 15% over the next 12 months
<b>Sell:</b>	Share price may fall by more than 15% over the next 12 months
<b>Restricted:</b>	Sharing of financial forecasts, target price or recommendation for a financial instrument is temporary restricted based on compliance (ex: conflicts of interest)
<b>Not Rated:</b>	Due to changes in the equity research team, sharing of financial forecasts, target price or recommendation for a financial instrument is temporary suspended.

**This document may not be copied, reproduced, distributed or published, in whole or in part, without the prior authorization of BRK Financial Group.**

This document was issued by the equity research department of BRK Financial Group, only for information purposes. This material is intended for information and it does not represent a recommendation to acquire, hold or sell the financial product described. All information contained in this document was compiled from sources deemed reliable in the moment they were acquired. Regardless, the data, information and/or comments presented here are just indicative and may be incomplete. Any investor should double check the complete description which labels this financial product. Transacting such financial products is considered high risk actions, including but not limited to the risk of adverse or unforeseen market developments, exchange rate fluctuations, counterparty risk, issuer bankruptcy and liquidity risk, each of which could have a negative impact on its value, price or income generated by the financial product described in this document.

Before making a commitment to purchase this financial product, the beneficiaries of this document should carefully consider the appropriateness of the transaction in their specific circumstances and independently review (together with their professional advisors if necessary) the specific financial risks, as well as those of a legal and fiscal nature of such an investment. BRK Financial Group has issued this report for information purposes only. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments.

This report is not intended to be comprehensive or contain all the information that a potential investor may need to make an investment decision. The beneficiary of this report shall make his or her own independent evaluations and decisions regarding any securities or financial instruments referred to. Any investment discussed or recommended in this report may be inappropriate for an investor depending on their specific investment objectives and financial position. The materials in this report are general information for recipients who understand and assume the risks of investing in financial instruments.

This report shall not consider whether an investment or course of action and the associated risks are appropriate to the recipient. Therefore, the recommendations contained in this report should not be invoked as investment advice based on the personal circumstances of the beneficiary. Investors will need to make their own independent assessment of the information contained in this document, take into account their own investment objective, financial situation and special needs and seek their own financial, business, legal, tax and other advice, regarding the appropriateness of investing in securities or investment strategies discussed or suggested in this report.

All the information contained herein is based upon publicly available information and has been obtained from sources that BRK Financial Group believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by BRK Financial Group and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are BRK Financial Group's present opinions only and are subject to change without prior notice. BRK Financial Group is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, BRK Financial Group does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. BRK Financial Group does not accept any liability for any direct, indirect or consequential losses, loss of profits and/or damages that may arise from the use or reliance of this research report and/or further communications given in relation to this report. Any such responsibility or liability is hereby expressly disclaimed. Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur.

This report may contain forward-looking statements, which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or other such expressions may "appear" or be made. These forward-looking statements are based on assumptions made and information currently available to BRK Financial Group and are subject to risks,

uncertainties and other known and unknown factors that may impact actual results, performance or achievements to be materially different from any future result, performance or achievement, expressed or implied by such forward-looking statements. Caution should be exercised in relation to these statements, and the recipients of this report should not be dependent on an excessive reliance on forward-looking statements. BRK Financial Group expressly disclaims any obligation to update or revise any forward-looking statements, as a result of new information, future events or circumstances after the date of this publication, to reflect the occurrence of unanticipated events.

This report may contain information obtained from third parties. Third-party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information and are not responsible for errors or omissions (negligent or otherwise), regardless of the cause or the results obtained from the use of such content. Third party content providers make no express or implied warranties, including, but not limited to, any warranties of merchantability for any particular purpose or use. Third party content providers are not liable for damages, expenses, legal fees or direct losses (indirect, incidental, exemplary, compensatory, punitive, special or consequential) in connection with any use of their content.

The research analysts responsible for producing this report hereby certify that the views expressed herein accurately and exclusively reflect the personal views of any and all issuers or securities reviewed in this report, and that the report does not constitute an independent investment research and is not subject to any prohibition on dissemination of investment research.

## Analyst Certification

The analyst(s) who prepared this report and other related persons to him/her or to them, certify that:

1. they have no financial interest in the financial instruments that include the company(ies) mentioned in this report, except for holding in individual equity investment portfolios.
2. no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

## BRK Financial Group reports:

Company	Symbol	Explanatory note No.
Aages	AAG	5, 7, 10, 11

BRK Financial Group SA is a liquidity provider in respect of structured products issued by it.

## Explanatory notes:

1. BRK Financial Group SA holds a net long or short position above the threshold of 5% of the issuer's total share capital.
2. BRK Financial Group SA acts as a market maker or liquidity provider for the issuer's financial instruments.
3. The issuer is a significant shareholder of BRK Financial Group SA (holds more than 10% of the share capital).
4. The issuer is a shareholder of BRK Financial Group SA (holds a stake of more than 5% of its total issued share capital).
5. The issuer is currently or has been in the last 12 months a client of BRK Financial Group SA for the provision of financial investment services.
6. For the last 12 months, BRK Financial Group SA has been the coordinator / associate coordinator of any public offering of financial instruments of the issuer.
7. In the last 12 months, BRK Financial Group SA has been remunerated for financial investment services provided to the issuer.
8. A director, executive director or agent of BRK Financial Group SA is an administrator, executive director, consultant or member of the Board of Directors of this issuer.
9. BRK Financial Group is a significant shareholder of the issuer (holds at least 10% of the share capital).
10. The authors of the investment research do not hold shares in the issuer.
11. BRK Financial Group is a market maker.