

Aquila Part Prod Com (AQ)

BUY

Flash Note – 3rd quarter update

Price Target: 1.63 RON (+17,5%)

Results in line with our estimates

Aquila published its 9-month results, showing a 19.6% increase in total revenues (2,101M RON vs. 1,756M in the same period last year) and a 19.5% YoY decrease in net profit, which amounted to only 56.5M RON (vs. 70.2M previously). For the third quarter, results were in line with our bottom line estimates (21.2M vs. 21.3M estimated) and 10% higher in the top line (779M RON vs. 706M estimated), as quarterly revenues have a seasonal component. We maintain our previous estimates unchanged and expect total revenues of 2,879.1M RON (including other income) and a net profit of 78.1M RON for 2024.

The lower net income was due to a weaker financial result, given the drawdown in cash reserves following acquisitions made this year (Romtech, Parmafood). The net financial result was negative, reaching -3.9M RON compared to a profit of 6.2M RON last year. An additional negative impact came from higher income tax due to the newly implemented minimum turnover tax. The additional tax component this year was 10.4M RON, leading to a 34.6% YoY increase in tax expenses.

The cost of goods sold reached 2,101.6M RON, up 22.0% YoY compared to the same period last year. Fuel and transport costs totaled 58.8M RON, up by only 11.6% YoY, due to stabilizing gasoline and diesel prices in 2024 versus last year.

EBIT for the first 9 months was 81.5M RON, up 2.3% YoY from the same period last year, impacted by a 20.7% increase in salary expenses. These totaled 227.7M RON (vs. 188.7M previously) following wage increases implemented this year (due to the national minimum wage increase), with only a minimal change in the number of employees.

Overall, the EBIT margin fell to 3.9% from 4.5% in the same period last year, impacted by larger increases in the costs of goods sold and salaries. The current level aligns with our full-year estimate of 3.9% (EBIT of 112.4M RON), and for the next year, we anticipate a slight improvement to 4.1%, driven by a slower growth rate in salary expenses.

Our Aquila valuation remains unchanged from the previous report, with the weighted average of the DCF valuation (1.73 RON, 70% weight) and multiples-based valuation (1.39 RON, 30% weight) still at 1.63 RON, indicating an upside of 17.5%. Excluding the multiples-based valuation, the potential upside is 24.9%.

Alex Dodoi, CFA

Head of Research

alex.dodoi@brk.ro

Sector: Retail Distribution

Shares information

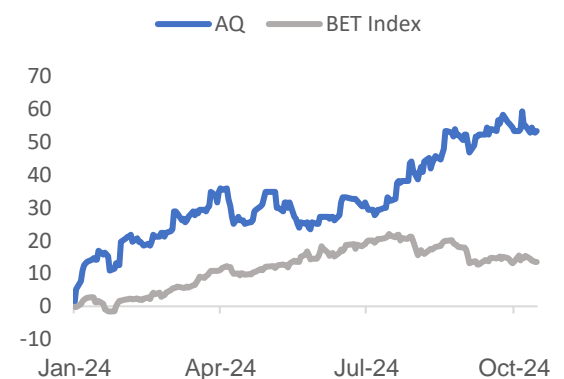
Min/max price, 52 weeks.	0.878 – 1.465
Dividend/share	0.0708
Total Shares* (m)	1.200
Capitalization (RON m.)	1.674
52 weeks liquidity (RON m.)	248.1

Major Shareholders

	%
Vasile Constantin-Cătălin	33.3
Dociu Alin Adrian	25
Institutional	37.4
Retail	4.3

1 year performance vs BET

	%
AQ	56.4
BET Index	20.8



source: Bloomberg

Segment results in Q3 2024

The segment results for the first nine months of 2024 indicate that most of the growth came from the distribution segment, where revenues totaled 1,981.7M RON, marking a 20.7% YoY increase compared to the same period last year.

The logistics segment saw only a modest increase of 7.5% YoY, with revenues reaching 68.5M RON, bringing its share of total revenues down to 3.2% from 3.6% in the same period last year.

Revenues in the transport segment declined by 2.0% YoY, amounting to 47.7M RON, representing approximately 2.3% of total revenues as of the end of September 2024.

Rental income was 3.6M RON, up by 31.5% YoY from the same period last year, reflecting income from leasing real estate investments. In other income, the company recorded a 55.8% increase in revenues, reaching 8.5M RON. This category includes income from insurance compensation, penalties, gains on tangible assets, and other sources.

(RON ths, consolidated)	9M 2023	9M 2024	%
Revenues	1.756.959	2.101.624	19,6%
Other income	5.471	8.522	55,8%
Cost of goods sold	-1.293.992	-1.578.335	22,0%
Cost of fuel and transport	-52.764	-58.898	11,6%
Salaries and other benefits	-188.729	-227.731	20,7%
Repairs, maintenance	-17.415	-19.172	10,1%
Depreciation and amortization	-35.938	-42.654	18,7%
Expected credit losses	-12.476	-6.131	-50,9%
Other operating expenses	-81.493	-95.759	17,5%
Operating profit/ (loss)	79.623	81.465	2,3%
Finance income	11.692	4.563	-61,0%
Finance costs	-5.503	-8.468	53,9%
Net finance (cost)/income	6.188	-3.904	-163,1%
Profit before tax	85.811	77.560	-9,6%
Income tax expense	-15.629	-21.039	34,6%
Profit for the year	70.182	56.521	-19,5%
Operating Revenues	1.754.219	2.098.020	19,6%
Distribution	1.641.691	1.981.724	20,7%
Logistics	63.775	68.533	7,5%
Transportation	48.752	47.762	-2,0%
Rental Income	2.740	3.605	31,5%
Other income	5.471	8.522	55,8%
TOTAL	1.762.430	2.110.146	19,7%

source: AQ, own estimates

DCF Valuation

We evaluate the company based on a weighted average approach, using the DCF model (70%) and a multiples-based valuation (30%). The DCF valuation suggests a price of 1.73 RON per share based on the DCF method (+24.9%), where we forecast revenues using a linear regression model (R^2 of 25%) correlated with nominal GDP. Key assumptions in our model include:

- A weighted average cost of capital (WACC) of 11.1%, calculated using a cost of equity of 13.8% and a cost of debt of 6.7%;
- An equity risk premium of 8.61%, representing the historical total return of the BET index over the risk-free rate, with the 10-year Romanian government bond yield of 6.9% as the risk-free rate;
- A levered BETA of 0.8, estimated through linear regression against the BET index;
- The terminal value was estimated using the Gordon Growth model, with a terminal growth rate of 5.0%, reflecting a higher terminal growth rate in line with long-term nominal GDP growth.

(RON '000, consolidated)	Reported 31-Dec-22	Reported 31-Dec-23	Estimated 31-Dec-24	Estimated 31-Dec-25	Estimated 31-Dec-26	Estimated 31-Dec-27	Estimated 31-Dec-28	Estimated 31-Dec-29
Revenues	2.206.787	2.506.344	2.850.145	2.879.155	3.271.604	3.725.439	4.246.046	4.825.052
% var	14,6%	13,6%	13,7%	1,0%	13,6%	13,9%	14,0%	13,6%
EBITDA	137.781	140.910	145.553	159.357	183.701	233.808	254.173	319.193
EBITDA M	6,2%	5,6%	5,1%	5,5%	5,6%	6,3%	6,0%	6,6%
EBIT	96.830	106.658	108.500	112.438	133.251	181.269	199.695	258.703
EBIT M	4,4%	4,3%	3,8%	3,9%	4,1%	4,9%	4,7%	5,4%
Effective Tax Rate	-15,2%	-16,7%	-22,9%	-26,8%	-26,3%	-24,6%	-24,9%	-23,7%
EBIT*(1- Tax Rate)	92.581	102.119	104.369	108.047	127.824	172.449	190.303	244.833
D&A	52.824	47.896	55.582	60.265	63.715	67.217	74.965	79.803
WCC	-68.729	-42.737	-57.003	-28.792	-32.716	-29.804	-33.968	-28.950
CAPEX	-93.160	-80.697	-85.504	-77.737	-75.247	-74.509	-84.921	-96.501
FCFF	-16.484	26.581	17.444	61.783	83.576	135.354	146.379	199.184
discount factor			0,90	0,81	0,73	0,66	0,59	0,53
NPV FCFF			15.705	50.082	60.994	88.937	86.595	106.090

	RON '000
PV FCFF	408.404
PV Terminal Value	1.835.166
Terminal growth	5,0%
Firm Value	2.243.569
Net Debt	167.651
Minorities	442
Equity Value	2.075.477
No. shares	1.200.002
Target Price	1,730
Market Price	1,385
Upside/Downside	24,88%

source: AQ, own estimates

Multiples Valuation

We evaluate the company at 1.39 lei per share, based on the average of four price multiples. We use a custom peer group of 10 companies with similar business models. However, due to the inclusion of companies from developed markets, the average market capitalization of our comparable companies group is twice that of Aquila and are not entirely similar.

Multiplii de Pret	2024e	+/-
Target Price @ EV/EBITDA	0,93	-33,1%
Target Price @ P/E	1,19	-13,8%
Target Price @ P/B	1,84	32,7%
Target Price @ P/S	1,60	15,4%
Target Price AVG	1,39	
Pret Piata AQ	1,39	
Upside/Downside	0,3%	

source: AQ, own estimates

2024e	AQ	Industry
PE	21,28	18,35
EV/EBITDA	11,48	8,03
PB	3,16	2,20
PB ROE adj.		4,20
ROE	26,0%	13,6%
PS	0,58	0,38
PS adj.		0,67
NPM	3,8%	2,2%

source: AQ, own estimates

Financial Statements

(RON 000, consolidated)	Reported 2022	Reported 2023	Reported 2024 ttm	Estimated 2024e	Estimated 2025e	Estimated 2026e	Estimated 2027e	Estimated 2028e	Estimated 2029e
Revenue	2.206.787	2.506.344	2.850.145	2.879.155	3.271.604	3.725.439	4.246.046	4.825.052	5.474.927
Cost of Goods Sold	-1.700.226	-1.939.067	-2.229.546	-2.245.741	-2.551.851	-2.905.842	-3.311.916	-3.763.540	-4.270.443
Gross Profit	506.562	567.277	620.600	633.414	719.753	819.596	934.130	1.061.511	1.204.484
Salary Expenses / Wages	-225.237	-258.520	-297.522	-296.004	-319.685	-342.062	-362.586	-384.341	-407.402
Other Operating Expenses	-123.761	-142.279	-158.302	-158.354	-196.296	-223.526	-297.223	-337.754	-383.245
Credit Losses	-19.783	-25.568	-19.222	-19.699	-20.071	-20.200	-20.148	-20.223	-20.358
EBITDA	137.781	140.910	145.553	159.357	183.701	233.808	254.173	319.193	393.479
Amortization and Depreciation	-52.824	-47.896	-54.612	-55.582	-60.265	-63.715	-67.217	-74.965	-79.803
Other Income	11.872	13.643	17.558	8.663	9.815	11.176	12.738	14.475	16.425
EBIT	96.830	106.658	108.500	112.438	133.251	181.269	199.695	258.703	330.101
Net Financial Income	7.570	17.463	10.335	5.758	6.543	7.451	8.492	9.650	10.950
Net Financial Expenses	-3.836	-7.826	-10.791	-11.517	-13.086	-14.902	-16.984	-19.300	-21.900
Pre-tax Profit	100.564	116.295	108.044	106.680	126.708	173.818	191.203	249.053	319.151
Income Tax	-15.332	-19.370	-24.779	-28.585	-33.360	-42.713	-47.577	-59.149	-72.964
Net Income Before Minorities	85.232	96.925	83.264	78.094	93.348	131.106	143.626	189.905	246.187
Minority Interests	9	7	7	7	8	11	12	16	21
Net Income	85.223	96.918	83.257	78.088	93.340	131.094	143.613	189.888	246.166

source: AQ, own estimates

(RON 000, consolidated)	Reported 2022	Reported 2023	Reported 2024 ttm	Estimated 2024e	Estimated 2025e	Estimated 2026e	Estimated 2027e	Estimated 2028e	Estimated 2029e
Tangible Assets	190.626	252.452	282.231	287.246	311.446	329.276	347.372	387.416	412.419
Intangible Assets	6.216	5.844	43.299	44.192	43.308	42.442	41.593	40.761	39.946
Other Fixed Assets	38.037	23.354	36.097	43.087	44.987	49.391	52.801	58.887	66.689
Total Fixed Assets	234.880	281.650	361.626	374.525	399.741	421.109	441.766	487.064	519.054
Inventory	158.381	170.979	287.837	287.246	299.911	322.944	347.372	371.919	403.644
Receivables	247.817	286.415	312.626	320.390	334.516	367.269	402.952	449.402	508.943
Other Current Assets	33.971	58.751	41.361	44.192	46.140	50.658	55.580	61.987	70.199
Cash and Cash Equivalents	178.865	205.367	65.242	78.440	73.196	104.466	141.820	179.291	253.135
Total Current Assets	619.034	721.512	707.065	730.268	753.764	845.337	947.724	1.062.599	1.235.921
Total Assets	853.913	1.003.162	1.068.691	1.104.793	1.153.505	1.266.446	1.389.490	1.549.663	1.754.975
Retained Earnings	98.708	141.361	91.732	130.772	177.438	229.869	287.307	363.252	461.706
Other Equity	384.684	390.737	390.930	394.839	398.787	402.775	406.803	410.871	414.980
Shareholder Equity	483.391	532.098	482.661	525.611	576.225	632.644	694.110	774.123	876.685
Minority Interests	430	437	442	481	527	579	635	708	802
Total Shareholder Equity	483.822	532.536	483.103	526.092	576.753	633.223	694.745	774.831	877.487
Long-term Financial Liabilities	90.132	148.817	153.832	156.249	161.491	177.302	194.529	216.953	245.696
Other Long-term Liabilities	1.284	2.083	9.599	8.681	8.075	8.232	8.337	7.748	8.775
Trade and Other Payables	193.986	229.526	275.231	277.776	276.841	303.947	333.478	371.919	421.194
Short-term Financial Liabilities	35.000	42.811	79.061	81.018	80.745	88.651	97.264	108.476	122.848
Other Short-term Liabilities	49.690	47.389	67.865	54.977	49.601	55.090	61.138	69.735	78.974
Total Liabilities	370.092	470.626	585.588	578.701	576.753	633.223	694.745	774.831	877.487

source: AQ, own estimates

Investment Research Disclaimer

- Buy:** Share price may exceed 15% over the next 12 months
Hold: Share price may fall within the range of +/- 15% over the next 12 months
Sell: Share price may fall by more than 15% over the next 12 months
Restricted: Sharing of financial forecasts, target price or recommendation for a financial instrument is temporary restricted based on compliance (ex: conflicts of interest)
Not Rated: 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, 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:

AnalystAlex Dodoi

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.

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

Company	Symbol	Explanatory note No.
Aquila Part Prod Com	AQ	5, 7, 11

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.