

Aquila Part Prod Com (AQ)

BUY

Interim Update

Price Target: 1.5 RON (+15.8%)

Key Points

- Aquila reported final results for 2024, marking a 17.3% increase in turnover to 2.94 bn RON, slightly above our expectations of 2.87 bn (+2.1%), after a rather positive year for the company, in which it achieved growth both organically and through acquisitions. The growth came even though in 2024, the economy registered real growth of only 0.8%, amid sluggish local and international activity.
- In 2024, Aquila acquired and integrated into its group 4 companies: Romtec Europa, Parmafood Distribution, Parmafood Trading, and Trigor AVD from the Republic of Moldova. These acquisitions contributed to the double-digit growth in the distribution segment (+13.2% consolidated), generating approximately 6% of total revenues.
- The distribution segment was supported by sales in the HoReCa channels, with the highest growth of 35.7% compared to the previous year, reaching 384 mil RON. The organized retail channel had the second highest growth, 26.3%, reaching 682 mil RON, while the proximity channel (gas stations, travel retail) grew by 24.9% to 526 mil RON. Sales in the traditional channel recorded more modest growth, of only 4.3%, reaching 1.04 bn RON, while sales of private label brands increased by 40%, to 128 mil RON.
- Revenues from the logistics segment increased by 3.8% to 90.6 mil RON, due to tariff indexation and higher volumes from existing clients, while revenues from transport services rose by 18.4% to 77.2 mil RON.
- For 2025, the company is budgeting a fairly optimistic turnover growth of 23% (3.61 bn RON), mainly supported by the distribution segment. The budget plan contrasts with our estimates, which project an increase of only 13.6%, a figure that does not account for potential additional acquisitions.
- We note that our expectations for real economic growth in 2025 stand at 2.0%, a forecast that currently carries a high degree of uncertainty. Events in the past month, mainly caused by the escalation of global trade wars, could significantly alter the outlook for this year (recession), a scenario that is an integral part of our Aquila business model estimate. We have maintained for now the valuation at 1.5 RON/share (+15.8%), but we expect the valuation to change substantially if the global situation does not de-escalate.

Alex Dodoi, CFA

Head of Research

alex.dodoi@brk.ro

Sector: Retail Distribution

Shares information

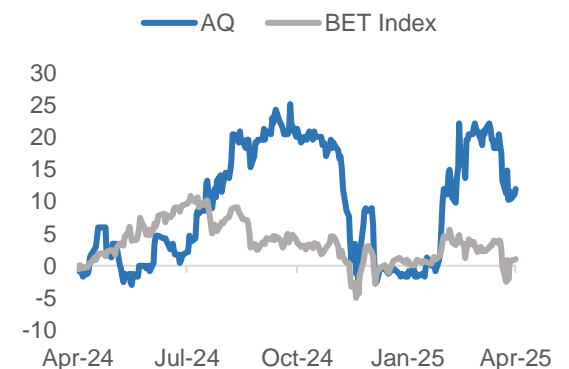
Min/max price, 52 weeks.	1.105 – 1.490
Dividend/share	0.0708
Total Shares* (m)	1.200
Capitalization (RON m.)	1.567
52 weeks liquidity (RON m.)	156.1

Major Shareholders

	%
Vasile Constantin-Cătălin	33.3
Dociu Alin Adrian	25.0
Institutional	37.9
Retail	3.7

1 year performance vs BET

	%
AQ	11.9
BET Index	1.0



source: Bloomberg

2024 Results Overview

Aquila reported a 17.3% increase in turnover for 2024, in line with our estimates (2.94 bn vs 2.87 bn est.), supported by a 13.2% increase in revenues from the distribution segment, as well as the acquisition and integration of 4 new companies (6% contribution to revenues).

EBITDA rose by only 14.2%, to 169.4 mil RON (vs 159.3 mil est.), mainly due to higher-than-expected salary expenses (+21.2% vs 5.9% est.). AQ consolidated the new companies into the group, increasing 138 employees, while the average salary cost rose by 11%.

EBIT increased by 8.5%, to 115.7 mil RON (vs 112.4 mil est.), on the back of higher depreciation expenses, reaching 60.6 mil RON (vs 55.5 mil est.). In the "other income" category, Aquila recorded a better-than-expected increase of 13.1%, reaching 15.4 mil RON (vs 8.6 mil est.), mainly supported by significantly higher insurance compensation income (+52%).

The company's net profit decreased by 7.0% compared to the previous year (90.1 mil vs 78.0 mil est.), a drop entirely due to significantly higher tax expenses, driven by the introduction of the turnover tax. In 2024, AQ paid additional taxes amounting to 10.8 mil RON due to this tax; excluding this component, the company's net profit would have increased by 4.1%.

(RON ths, consolidated)	2023	2024	%
Revenues	2.506.344	2.940.772	17,3%
COGS	-1.939.067	-2.295.622	18,4%
Gross margin	567.277	645.150	13,7%
Salaries and other benefits	-258.520	-313.359	21,2%
Other operating expenses	-142.279	-161.997	13,9%
Credit losses	-25.568	-8.853	-65,4%
EBITDA	140.910	160.942	14,2%
Depreciation and amortisation	-47.896	-60.619	26,6%
Other income	13.643	15.426	13,1%
EBIT	106.658	115.749	8,5%
Gains from bargain purchase		5.087	-
Finance income	17.463	7.637	-56,3%
Finance costs	-7.826	-12.521	60,0%
Profit before tax	116.295	115.952	-0,3%
Income tax expense	-19.370	-25.821	33,3%
Profit for the year	96.925	90.131	-7,0%

source: AQ, own calculations

(RON ths, consolidated)	2023	2024	%
Operating Revenues	2.506.344	2.830.998	13,0%
Distribution	2.353.534	2.663.164	13,2%
Logistics	87.603	90.617	3,4%
Transportation	65.207	77.218	18,4%
Rental Income	3.671	2.342	-36,2%
Other income	9.972	3.659	-63,3%
TOTAL	2.519.988	2.837.000	12,6%

source: AQ, own calculations

(RON ths, consolidated)	2024F	2024 est	%
Revenues	2.940.772	2.879.155	2,1%
COGS	-2.295.622	-2.245.741	2,2%
Gross margin	645.150	633.414	1,9%
Salaries and other benefits	-313.359	-296.004	5,9%
Other operating expenses	-161.997	-158.354	2,3%
Credit losses	-8.853	-19.699	-55,1%
EBITDA	160.942	159.357	1,0%
Depreciation and amortisation	-60.619	-55.582	9,1%
Other income	15.426	8.663	78,1%
EBIT	115.749	112.438	2,9%
Gains from bargain purchase	5.087		
Finance income	7.637	5.758	32,6%
Finance costs	-12.521	-11.517	8,7%
Profit before tax	115.952	106.680	8,7%
Income tax expense	-25.821	-28.585	-9,7%
Profit for the year	90.131	78.094	15,4%

source: AQ, own calculations

(RON mld, consolidated)	2023	2024*	%
Operating Revenues	2.354	2.781	18,1%
Traditional channel	998	1.041	4,3%
Organized retail channel	540	682	26,3%
HoReCa	283	384	35,7%
Gas stations and Travel Retail	421	526	24,9%
Moldova	112	131	17,0%
Romtec	-	17	-

* preliminary results; source: AQ, own calculations

Company Valuation

We value the company based on a weighted average between the DCF model (70%) and multiples-based valuation (30%), with a target price of 1.5 RON/share (+15.8% upside).

DCF Valuation

We value the company at 1.58 RON/share based on the DCF method (+21.5% upside), where we forecast revenues using a linear regression model ($R^2 = 25\%$) correlated with nominal GDP. Other assumptions in our model include:

- a weighted average cost of capital (WACC) of 11.1%, calculated using a cost of equity of 13.7% and a cost of debt of 6.5%;
- a market risk premium of 7.9%, representing the historical total return of the BET index over the risk-free rate, where we use the 10-year government bond yield of 7.4%;
- a levered BETA of 0.8, estimated using a linear regression vs the BET index;
- the terminal value was estimated using the Gordon Growth model, with a terminal growth rate of 5.0%; we estimate a higher terminal growth rate, aligned with the long-term nominal GDP growth rate.

(RON '000, consolidated)	Reported 31-Dec-23	Reported 31-Dec-24	Estimated 31-Dec-25	Estimated 31-Dec-26	Estimated 31-Dec-27	Estimated 31-Dec-28	Estimated 31-Dec-29
Revenues	2.506.344	2.940.772	3.340.664	3.792.722	4.308.464	4.882.925	5.533.980
% var	13,6%	17,3%	13,6%	13,5%	13,6%	13,3%	13,3%
EBITDA	140.910	160.942	183.701	183.701	214.944	232.931	296.053
EBITDA M	5,6%	5,5%	5,5%	4,8%	5,0%	4,8%	5,3%
EBIT	106.658	115.749	133.251	140.378	153.593	212.955	276.980
EBIT M	4,3%	3,9%	4,0%	3,7%	3,6%	4,4%	5,0%
Effective Tax Rate	-16,7%	-22,3%	-26,6%	-26,6%	-28,5%	-29,1%	-26,4%
EBIT*(1- Tax Rate)	102.119	111.193	97.864	103.098	109.807	151.062	203.941
D&A	47.896	60.619	64.729	78.359	83.646	87.980	97.687
WCC	-42.737	-82.750	-33.407	-37.927	-34.468	-39.063	-33.204
CAPEX	-80.697	-101.732	-133.627	-113.782	-129.254	-122.073	-110.680
FCFF	26.581	-12.669	-4.440	29.748	29.732	77.906	157.744
discount factor			0,90	0,81	0,73	0,66	0,59
NPV FCFF			-3.996	24.094	21.671	51.104	93.125

PV FCFF	185.999
PV Terminal Value	1.889.775
Terminal growth	5,0%
Firm Value	2.075.773
Net Debt	180.266
Minorities	445
Equity Value	1.895.062
No. shares	1.200.002
Target Price	1,579
Market Price	1,300
Upside/Downside	21,48%

source: AQ, own estimates

Multiples Valuation

We value the company at 1.3 RON/share, implying a potential upside of 2.4% compared to the current market price, based on the average of four price multiples. We use a comparable group of 10 companies with similar business models. However, the group's average market capitalization is twice as high as Aquila's, due to the inclusion of companies from developed markets.

Multiples	2025e	+/-
Target Price @ EV/EBITDA	1,16	-10,5%
Target Price @ P/E	1,28	-1,8%
Target Price @ P/B	1,22	-6,3%
Target Price @ P/S	1,67	28,3%
Target Price AVG	1,33	
Market Price AQ	1,30	
Upside/Downside	2,4%	

source: AQ, own estimates

2025e	AQ	Industry
PE	16,71	16,41
EV/EBITDA	9,47	8,58
PB	2,71	1,65
PB ROE adj.		2,54
ROE	23,0%	14,9%
PS	0,47	0,33
PS adj.		0,60
NPM	3,3%	1,8%

source: AQ, own estimates

Financial Statements

(RON 000, consolidated)	Reported 2022	Reported 2023	Reported 2024	Estimated 2025e	Estimated 2026e	Estimated 2027e	Estimated 2028e	Estimated 2029e
Revenue	2.206.787	2.506.344	2.940.772	3.340.664	3.792.722	4.308.464	4.882.925	5.533.980
Cost of Goods Sold	-1.700.226	-1.939.067	-2.295.622	-2.551.851	-2.958.323	-3.360.602	-3.808.681	-4.316.505
Gross Profit	506.562	567.277	645.150	719.753	834.399	947.862	1.074.243	1.217.476
Salary Expenses / Wages	-225.237	-258.520	-313.359	-344.695	-368.823	-390.953	-414.410	-439.275
Other Operating Expenses	-123.761	-142.279	-161.997	-200.440	-227.563	-301.592	-341.805	-387.379
Credit Losses	-19.783	-25.568	-8.853	-20.071	-23.068	-22.386	-21.976	-21.690
EBITDA	137.781	140.910	160.942	183.701	214.944	232.931	296.053	369.133
Amortization and Depreciation	-52.824	-47.896	-60.619	-64.729	-78.359	-83.646	-87.980	-97.687
Other Income	11.872	13.643	15.426	3.341	3.793	4.308	4.883	5.534
EBIT	96.830	106.658	115.749	133.251	140.378	153.593	212.955	276.980
Net Financial Income	7.570	17.463	7.637	6.543	7.585	8.617	9.766	11.068
Net Financial Expenses	-3.836	-7.826	-12.521	-25.055	-26.549	-30.159	-34.180	-38.738
Pre-tax Profit	100.564	116.295	115.952	126.708	121.414	132.051	188.541	249.310
Income Tax	-15.332	-19.370	-25.821	-33.649	-34.612	-38.379	-49.718	-62.048
Net Income Before Minorities	85.232	96.925	90.131	93.348	86.802	93.672	138.823	187.262
Minority Interests	9	7	7	8	8	8	12	16
Net Income	85.223	96.918	90.124	93.340	86.794	93.664	138.811	187.246

(RON 000, consolidated)	Reported 2022	Reported 2023	Reported 2024	Estimated 2025e	Estimated 2026e	Estimated 2027e	Estimated 2028e	Estimated 2029e
Tangible Assets	190.626	252.452	325.116	334.516	404.957	432.279	454.678	504.844
Intangible Assets	6.216	5.844	50.351	49.344	48.357	47.390	46.442	45.513
Other Fixed Assets	38.037	23.354	27.338	44.987	56.405	58.666	63.992	71.052
Total Fixed Assets	234.880	281.650	402.805	428.847	509.718	538.335	565.112	621.409
Inventory	158.381	170.979	301.971	299.911	368.800	385.963	404.159	430.052
Receivables	247.817	286.415	384.236	334.516	419.420	447.717	488.358	542.240
Other Current Assets	33.971	58.751	29.053	46.140	57.851	61.754	67.360	74.792
Cash and Cash Equivalents	178.865	205.367	65.940	44.090	90.486	110.083	159.005	201.299
Total Current Assets	619.034	721.512	781.201	724.658	936.556	1.005.518	1.118.882	1.248.383
Total Assets	853.913	1.003.162	1.184.006	1.153.505	1.446.275	1.543.853	1.683.994	1.869.792
Retained Earnings	98.708	141.361	141.657	177.438	212.151	249.612	305.129	380.017
Other Equity	384.684	390.737	395.210	398.787	402.775	406.803	410.871	414.980
Shareholder Equity	483.391	532.098	536.867	576.225	614.926	656.415	716.000	794.997
Minority Interests	430	437	445	527	510	544	593	659
Total Shareholder Equity	483.822	532.536	537.312	576.753	615.436	656.959	716.593	795.656
Long-term Financial Liabilities	90.132	148.817	182.654	233.585	249.252	266.068	290.220	322.241
Other Long-term Liabilities	1.284	2.083	14.514	10.901	10.801	10.643	9.674	10.741
Trade and Other Payables	193.986	229.526	335.158	373.736	398.803	425.709	464.352	515.585
Short-term Financial Liabilities	35.000	42.811	63.553	109.006	116.317	124.165	135.436	150.379
Other Short-term Liabilities	49.690	47.389	58.123	51.389	55.666	60.309	67.718	75.189
Total Liabilities	370.092	470.626	654.001	778.616	830.839	886.894	967.401	1.074.136

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:

Analyst

Alex 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.

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.

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

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.