

Aquila Part Prod Com (AQ)

BUY

Company Update

Price Target: 1.62 RON (+16,0%)

Key Points

- **Aquila, one of the main FMCG distributors in Romania with over 72.000 points of sale, has outperformed the BET index this year by almost 40%, delivering double-digit growth (+13.7% CAGR) in the past three years in an ultra-competitive market.** Aquila returned 53.3% this year (65% with reinvested dividends), surpassed only by Sphera Franchise Group (SFG), and despite a less attractive relative valuation, it still offers a decent upside due to high nominal growth.
- **We value the company at 1.62 RON/share (+16.0% upside), as a weighted average between a DCF valuation of 1.73 RON/share (+24.0%, 70% weight) and a multiples valuation of 1.36 RON/share (-2.7%, 30% weight)** as we see the company's revenues increasing by 13,9% on average for the next six years, buttressed by high nominal GDP growth, with relatively stable margins. We pencil in an average 6.2% EBITDA margin over the forecast period (vs 6.4% in the past four years), as we see only a temporary hit for the next couple of years. The company is focused on expanding in higher margin segments such as hospitality and own-brand products while leveraging its large network to sell products from its newly acquired business.
- **Despite achieving a 17.8% YoY top-line growth in H1 2024, and a 9.2% higher EBIT,** its bottom line was dragged by lower interest income (-56.2% YoY due to lower cash) but also due to higher income tax (+29.2% YoY) as the 1% revenues tax kicked in this year. Without the higher tax rate, net income would have been lower by 8.4% YoY compared to the -15.5% reported.
- **For full-year 2024 we forecast a 14.9% increase in revenues, bolstered by its recent Parmafood acquisition,** as only two months were consolidated in H1, coupled with a 7.6% YoY increase in EBIT to RON 114.7m. We expect the higher effective tax rate to be a drag on net income, which we forecast at just RON 82.7m, some 14.7% lower compared to last year.
- **For the next two years, we expect a lower ROE (17.1% compared to 29% in the previous four years) due to a higher effective tax rate (26.0%) and higher salary expenses (+14.5% 2024e),** followed by a normalization to a 25.4% ROE on average up to 2029, as we see the current pace of growth in the minimum wage going down to a more sustainable 6.0%.

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Sector: Retail Distribution

Shares information

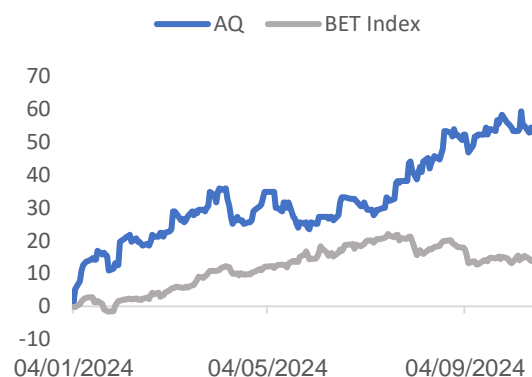
Min/max price, 52 weeks.	0.868 – 1.465
Dividend/share	0.0708
Total Shares* (m)	1.200
Capitalization (RON m.)	1.674
52 weeks liquidity (RON m.)	247.2

Major Shareholders

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

1 year performance vs BET

	%
AQ	53.3
BET Index	13.4



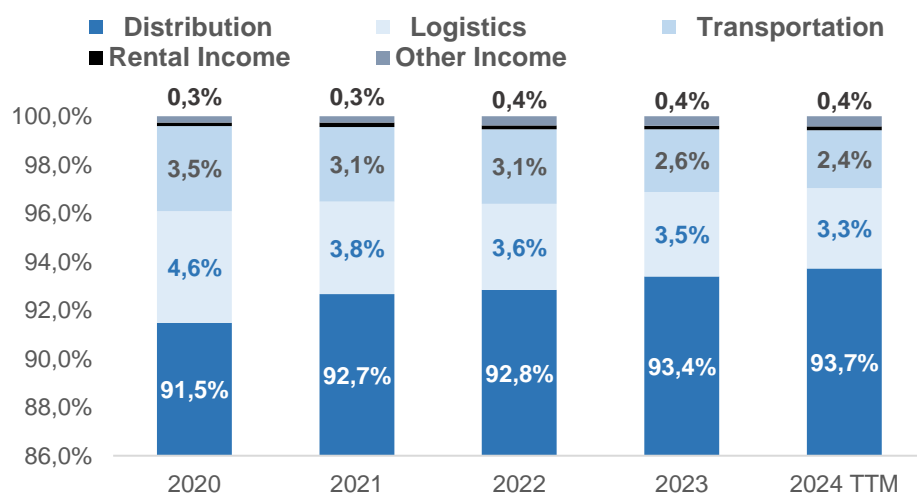
source: Bloomberg

Investment Case

Aquila Part Prod Com is one of the largest FMCG distributors and logistics operators in Romania, and one of the fastest growing, achieving on average a 1.5x times higher growth in revenues compared to nominal GDP since the year 2000 (individual statements). With more than 72.000 points of sale across Romania, Aquila covers roughly 90% of the traditional and chain-store retail distribution market while its logistics business is spanned across 4 logistics centers, 14 distribution centers, and 6 cross-docking centers across both Romania and Moldova.

The company has strategic partnerships with well-known brands such as Unilever, Ferrero, and Mars and leverages its vast network to tap into a variety of points of sale, including traditional retail (wholesale stores sub-distributors, pharmacies), chain stores (4000 points of sale), petrol stations (400 points of sale) and hospitality.

Distribution is the largest segment as well as the highest-growing one for Aquila



source: AQ, own estimates

Since its 2021 IPO, AQ outperformed the BET Index by 10.0%, delivering an annualized return of 17.4% (26.9% including dividend re-investment), and is well-positioned to capitalize on the large consumer spending growth in Romania. Household consumption saw a 5Y CAGR of 11.0% (nominal), in the past few years while the retail FMCG market experienced growth rates north of 15%, with some quarters seeing growth rates of even 20% (Q4 2022, source: Nielsen IQ).

Aquila is a pure macro play, allowing investors to gain exposure to a fast-growing consumer market, with a solid track record. Aquila achieved a whopping 18.5% CAGR over the 2000-2023 period (unconsolidated), and in 2023 its 5-year CAGR stood at 19.8% (unconsolidated). Aquila's average ROE was 29.0% (consolidated) and despite some margin pressures in the short term, we see it achieving a 22.6% average ROE for the next six years.

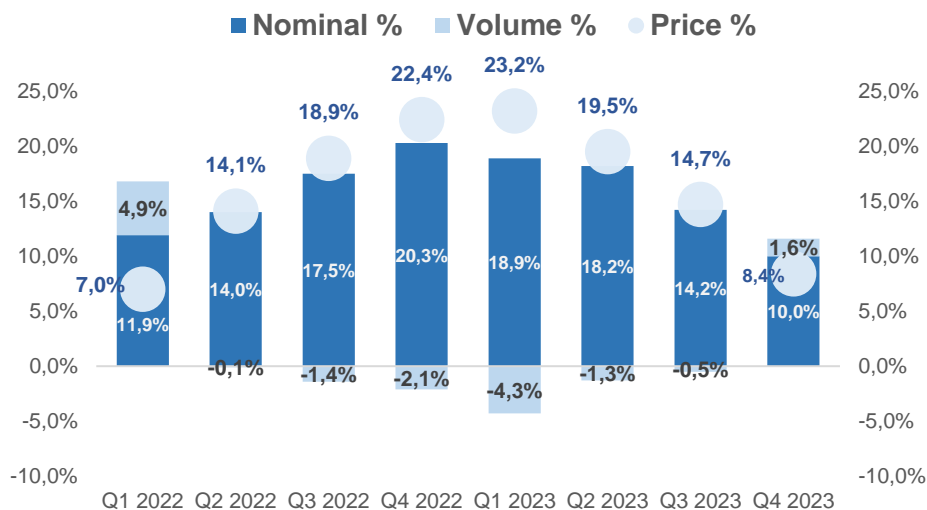
In 2023, a GfK Consumer Panel report revealed a significant shift in Romania's FMCG market dynamics, driven by a 14% increase in household expenditure. This growth, predominantly price-led, was accompanied by a modest 2.3% increase in

volumes, a sign of market recovery from earlier declines caused by inflation. Romanian consumers adjusted their shopping behavior, often downtrading to more affordable products, but premium categories still saw notable growth. Promotions played a key role, with over 20% of purchases linked to discounts, a clear indication that consumers sought value amid rising costs.

Discount retailers were the standout performers, surpassing hypermarkets to become the preferred shopping destination for many Romanians. Their 19% growth underscores the value-seeking trend, as shoppers migrated from traditional hypermarkets to discounter stores for better prices. However, hypermarkets adapted by offering private-label alternatives, which grew at a pace similar to branded products. This highlights a nuanced market where consumer choice balances between price sensitivity and occasional indulgence in premium goods.

The rise in private labels suggests that retailers are capitalizing on this downtrading trend while still offering quality products. Discount stores, with their focus on competitive pricing and private label expansion, became the leaders of retail growth in 2023, signaling a structural shift in consumer behavior that could reshape Romania's retail landscape for the foreseeable future.

Most of the FMCG growth in the past three years stemmed from higher prices, while volumes contracted



source: Nielsen IQ

In H1 2024, household consumption remained the main driver of real GDP growth, contributing some 4.5% for the first half of this year. According to IMF estimates, real GDP for the next 6 years is set to average 3.5% YoY, translating to an average nominal increase of 6.9%. Aquila's revenue has correlated well with nominal GDP (R^2 25%) in the past, and we see it well-positioned to capitalize on the upcoming growth in the retail segment which is likely to accelerate next year on the back of lower inflation (3.5% NBR estimate) and high wage growth (+14.0% YoY).

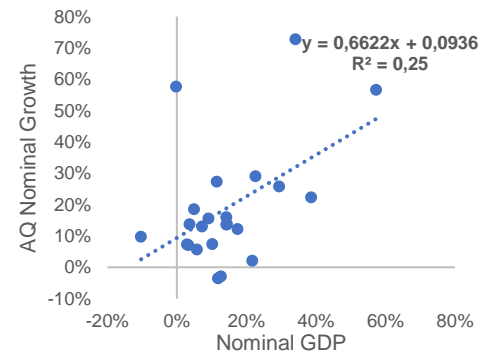
We estimate Aquila's revenues to grow by 13.9% on average for the next six years with an average EBITDA margin of 6.2%, which is likely to be lower in the next

couple of years, impacted by the large increase in salary expenses. Net wages in Romania increased by 15.5% last year (+13.8% YoY in August), owing to an increase in the minimum wage (+12%) and a tight labor market. However, 2024 is an election year and we don't see the government increasing the minimum wage at the same pace in 2025 when we pencil in a conservative 8.0% increase in salary expenses for Aquila.

For 2026, we estimate a RON 244.7m EBITDA (including other income), in line with the company's stated target of doubling its 2021 EBITDA. We see net income for 2026 at RON 137.1m, double compared to 2021, despite the higher effective tax rate post the 1% tax on revenue implementation.

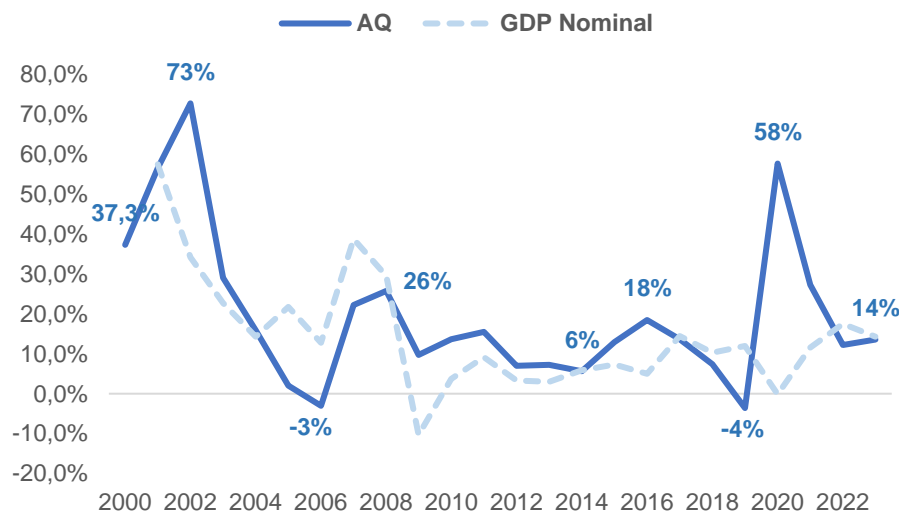
We value at a DCF-based price target of 1.73 RON/share (+23.1% upside), using an 11.1% WACC and 5.0% terminal growth rate (in line with nominal GDP) as we expect the high revenue growth and a steady improvement in the EBIT margin to benefit the company.

Aquila's revenues correlate well with nominal GDP growth



source: AQ, INSSE, own estimates

Historically, Aquila's Revenues grew 1.5x times the nominal GDP growth rate



source: AQ, INSSE, own calculations

H1 2024 Results Review

The first half of 2024 results were mixed, with Aquila reporting a 17,8% YoY growth on top line but disappointing earnings. Revenues increased to RON 1,32bn (including rental income) supported by an 18,9% increase in revenues from distribution but also supported by the consolidation of newly acquired Romtec (4 months) and Parmafood (2 months). Top line contribution from both companies stood at some RON 48m therefore the organic growth rate was at 13,6% YoY. Importantly, revenues from own brand sales increased by 16% to RON 46m. The logistics segment saw a modest 6,4% increase to RON 43,7m, mostly due to tariff hikes, while the Transportation segment revenues declined by 1,2% to RON 32,6m.

In February this year, Aquila finalized the acquisition of Romtech, a company specializing in the production of maintenance products for the car industry, that would conveniently be sold through Aquila's gas stations distribution network.

(RON millions, consolidated)	H1 2023	H1 2024	%
Revenues	1.121,6	1.321,7	17,8%
Other income	4,2	5,7	37,4%
Cost of goods sold	-821,9	-989,2	20,4%
Cost of fuel and transport	-34,4	-37,8	9,8%
Salaries and other benefits	-128,0	-147,9	15,5%
Repairs, maintenance	-11,5	-12,3	7,0%
Depreciation and amortization	-24,2	-27,5	13,8%
Expected credit losses	-7,6	-2,0	-73,3%
Other operating expenses	-52,6	-60,9	16,0%
Operating profit/ (loss)	45,7	49,9	9,2%
Finance income	8,8	3,9	-56,2%
Finance costs	-2,5	-5,2	107,8%
Net finance (cost)/income	6,3	-1,4	-122,0%
Profit before tax	52,0	48,5	-6,7%
Income tax expense	-10,2	-13,2	29,2%
Profit for the year	41,8	35,3	-15,5%
Operating Revenues	1.119,8	1.319,3	17,8%
Distribution	1.045,7	1.243,0	18,9%
Logistics	41,1	43,7	6,4%
Transportation	33,0	32,6	-1,2%
Rental Income	1,8	2,4	33,8%
Other income	4,2	5,7	37,4%
TOTAL	1.125,7	1.327,4	17,9%

source: AQ, own estimates

The second company, Parmafood has more than 100 local and international FMCG brands in its distribution network, which includes hospitality, chain stores, and traditional retail channels.

With the acquisition of the two companies, Aquila now has more than 14.000 products distributed and sold through a network of 72.000 points of sale. The company will be able to leverage its network to sell the products from the newly acquired companies, a synergy that is too early to reap the benefits from. Also, Aquila continues the look for potential acquisition targets, with 4 projects underway, out of which, 3 are in the initial due diligence phases and one for which they made a non-bidding offer.

Net Income for the first half of the year stood at RON 35.3m which was impacted by both a lower financial result (-1.4m loss vs 6.3m profit previously) and a higher effective tax rate, as the 1% tax on revenues for large companies kicked in this year. The company had to pay an extra 0.4% in taxes on revenues (after some deductions) which increased its income tax expense by 15.5% to 13.2mn.

For the full year 2024, we estimate a 14.9% increase in revenues (excluding rents and other income), slightly higher (2.0%) compared to company guidance, with most of the increase coming from the distribution segment. We estimate full-year EBITDA margin at 5.5%, slightly higher compared to last year's 5.4% while we see net income at RON 82.7bn, lower compared to the previous year (-14.7%), mostly due to larger salary expenses and a higher effective tax rate.

Company Valuation

We value the company at a weighted average between DCF (70%) and Multiples valuation (30%), as we have less confidence in the comparability of our industry peer group. Our target price stands at 1.62 RON/share, some 16.0% above the current market price. With no locally listed similar company, our peer group includes 10 companies from across the world, including some large caps from the US and other developed countries. Because of this, we think the peer group average multiples might be skewed and therefore, prefer our DCF valuation.

DCF Valuation

We value the company at a DCF price of 1.73 RON/share (+24% upside), where we forecast revenues based on a linear regression model (R^2 25%) with nominal GDP. We used the latest IMF's forecasts of up to 2029:

	2024	2025	2026	2027	2028	2029
Nominal GDP (%)	8,3%	6,4%	6,8%	7,0%	6,5%	6,2%
AQ Revenues (%)	14,9%	13,6%	13,9%	14,0%	13,6%	13,5%

source: AQ, IMF, own estimates

	RON '000
PV FCFF	411.436
PV Terminal Value	1.832.011
Terminal growth	5,0%
Firm Value	2.243.446
Net Debt	167.651
Minorities	442
Equity Value	2.075.353
No. shares	1.200.002
Target Price	1,729
Market Price	1,395
Upside/Downside	23,98%

source: AQ, own estimates

(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	2.705.873	2.879.155	3.271.604	3.725.439	4.246.046	4.825.052
% var	14,6%	13,6%	8,0%	6,4%	13,6%	13,9%	14,0%	13,6%
EBITDA	137.781	140.910	146.271	158.439	183.523	233.568	253.880	318.855
EBITDA M	6,2%	5,6%	5,4%	5,5%	5,6%	6,3%	6,0%	6,6%
EBIT	96.830	106.658	110.842	114.734	136.304	184.266	202.648	261.833
EBIT M	4,4%	4,3%	4,1%	4,0%	4,2%	4,9%	4,8%	5,4%
Effective Tax Rate	-15,2%	-16,7%	-19,8%	-26,3%	-25,8%	-24,2%	-24,5%	-23,5%
EBIT*(1- Tax Rate)	92.581	102.119	106.302	110.162	130.625	175.152	192.977	247.624
D&A	52.824	47.896	52.368	57.034	60.478	63.970	71.497	76.232
WCC	-68.729	-42.737	-54.117	-28.792	-32.716	-29.804	-33.968	-28.950
CAPEX	-93.160	-80.697	-81.176	-77.737	-75.247	-74.509	-84.921	-96.501
FCFF	-16.484	26.581	23.377	60.667	83.140	134.810	145.585	198.405
discount factor			0,90	0,81	0,73	0,66	0,59	0,53
NPV FCFF			21.049	49.186	60.693	88.612	86.165	105.732

source: AQ, own estimates

Other assumptions of 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 8.7%, representing the historical total return of the BET Index over the risk-free rate, where we use the Romanian 10-year bond yield of 6.82%;
- A levered BETA of 0.8, estimated using a linear regression vs the BET index;
- Terminal value was estimated using the Gordon Growth model, using a terminal rate of 5.0%; we see a higher terminal growth rate in line with a long-term nominal GDP growth rate;

Sensitivity analysis:

		4,00%	4,50%	5,00%	5,50%	6,00%
Cost of Capital (WACC)	13,0%	1,10	1,16	1,22	1,30	1,38
	12,0%	1,28	1,36	1,45	1,55	1,67
	11,1%	1,50	1,61	1,73	1,87	2,05
	10,0%	1,83	1,99	2,18	2,40	2,69
	9,0%	2,28	2,52	2,82	3,20	3,71

Multiples Valuation

We value the company at 1.36 RON/share implying a 2.7% downside from the current market price, based on the average of four price multiples. We use a custom peer group comprised of 10 companies that have similar business models. However, the median market cap of our peer group is double Aquila's due to the inclusion of developed market companies.

On EV/EBITDA, AQ trades quite expensive at 11.6x compared to the peer group median of 7.2x, due to higher cash levels. However, Aquila's net debt increased significantly after the acquisitions, and in previous years, net debt was actually negative.

On a PE and PB basis, Aquila valuation shows mixed results, as the company trades expensive at a PE of 20.2x compared to the peer group median of 17.4x, while on PB valuation the company trades cheap (3.2x compared to ROE adjusted PB of 4.1x).

Multiples	2024e	+/-
Target Price @ EV/EBITDA	0,81	-42,1%
Target Price @ P/E	1,20	-14,0%
Target Price @ P/B	1,80	29,3%
Target Price @ P/S	1,62	16,0%
Target Price AVG	1,36	
AQ Market Price	1,40	
Upside/Downside	-2,7%	

source: AQ, own estimates

2024e	AQ	Industry
PE	20,24	17,4
EV/EBITDA	11,62	7,18
PB	3,17	2,15
PB ROE adj.		4,10
ROE	26,0%	13,6%
PS	0,58	0,38
PS adj.		0,67
NPM	3,8%	2,1%

source: AQ, own estimates

Company	Country	Market Cap (EUR m)	BETA	ROE 5Y	ROA	NIM	EBITDA M	EV/EBITDA	PE	PB	PS
LOGISTA	Spain	3.648	0,57	36,5%	0,0	0,0			11,4	6,4	0,3
ID LOGISTICS GRO	France	2.551	0,72	13,6%	2,0%	1,7%	16,3%	7,1	53,8	5,4	0,9
NTG NORDIC TRANS	Denmark	896	1,16	55,7%	8,8%	4,6%	10,0%	9,6	16,5	5,6	0,8
B&S GROUP SARL	Luxembourg	401	1,06	0,1	3,9%	0,0	5,6%	6,5	8,2	1,6	0,2
ORSERO SPA	Italy	225	0,52	15,5%	4,3%	3,7%	4,2%	5,4	5,7	0,9	0,1
SLIGRO FOOD GROU	Netherlands	549	0,89	4,0%	0,3%	0,7%	4,1%	8,9	30,0	1,2	0,2
KITWAVE GROUP PL	Great Britain	315	0,34		9,7%	3,3%	6,5%	5,9	12,0	2,7	0,4
RADIANT LOGISTIC	US	291	1,00	13,1%	2,0%	1,1%	5,2%	7,2	35,8	1,5	0,4
SYSCO CORP	US	34.154	1,05	87,9%	8,2%	2,6%	5,2%	11,6	18,3	19,9	0,5
UNITED NATURAL	US	1.211	0,48	11,7%		0,1%	1,1%	13,4	76,8	0,8	0,0
Median		722	0,80	13,6%	4,1%	2,0%	5%	7,18	17,41	2,15	0,34

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	2.705.873	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	-2.109.745	-2.245.741	-2.551.851	-2.905.842	-3.311.916	-3.763.540	-4.270.443
Gross Profit	506.562	567.277	596.128	633.414	719.753	819.596	934.130	1.061.511	1.204.484
Salary Expenses / Wages	-225.237	-258.520	-278.353	-296.004	-319.685	-342.062	-362.586	-384.341	-407.402
Other Operating Expenses	-123.761	-142.279	-151.474	-158.354	-196.296	-223.526	-297.223	-337.754	-383.245
Credit Losses	-19.783	-25.568	-20.030	-20.618	-20.249	-20.440	-20.441	-20.561	-20.731
EBITDA	137.781	140.910	146.271	158.439	183.523	233.568	253.880	318.855	393.106
Amortization and Depreciation	-52.824	-47.896	-51.229	-52.368	-57.034	-60.478	-63.970	-71.497	-76.232
Other Income	11.872	13.643	15.800	8.663	9.815	11.176	12.738	14.475	16.425
EBIT	96.830	106.658	110.842	114.734	136.304	184.266	202.648	261.833	333.300
Net Financial Income / (Expenses)	3.734	9.637	1.965	-2.557	-2.905	-3.308	-3.771	-4.285	-4.862
Pre-tax Profit	100.564	116.295	112.807	112.177	133.399	180.958	198.878	257.548	328.438
Income Tax	-15.332	-19.370	-22.341	-29.465	-34.430	-43.855	-48.805	-60.508	-74.450
Net Income Before Minorities	85.232	96.925	90.467	82.712	98.968	137.103	150.073	197.040	253.988
Minority Interests	9	7	8	8	9	13	14	18	24
Net Income	85.223	96.918	90.458	82.704	98.959	137.090	150.059	197.022	253.965

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	288.507	314.212	333.187	352.423	393.894	419.975
Intangible Assets	6.216	5.844	43.299	44.386	43.498	42.628	41.776	40.940	40.121
Other Fixed Assets	38.037	23.354	36.097	43.276	45.386	49.978	53.568	59.872	67.911
Total Fixed Assets	234.880	281.650	361.626	376.169	403.096	425.793	447.767	494.706	528.008
Inventory	158.381	170.979	287.837	288.507	302.575	326.780	352.423	378.138	411.040
Receivables	247.817	286.415	312.626	321.797	337.487	371.632	408.811	456.917	518.268
Other Current Assets	33.971	58.751	41.361	44.386	46.550	51.260	56.388	63.023	71.485
Cash and Cash Equivalents	178.865	205.367	65.242	78.785	74.041	106.025	144.304	182.792	258.329
Total Current Assets	619.034	721.512	707.065	733.475	760.652	855.695	961.925	1.080.870	1.259.122
Total Assets	853.913	1.003.162	1.068.691	1.109.644	1.163.748	1.281.489	1.409.692	1.575.575	1.787.129
Retained Earnings	98.708	141.361	91.732	133.080	182.555	237.383	297.399	376.197	477.768
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	527.919	581.342	640.159	704.202	787.068	892.748
Minority Interests	430	437	442	483	532	586	644	720	817
Total Shareholder Equity	483.822	532.536	483.103	528.402	581.874	640.744	704.846	787.788	893.565
Long-term Financial Liabilities	90.132	148.817	153.832	156.935	162.925	179.408	197.357	220.581	250.198
Other Long-term Liabilities	1.284	2.083	9.599	8.719	8.146	8.330	8.458	7.878	8.936
Trade and Other Payables	193.986	229.526	275.231	278.996	279.300	307.557	338.326	378.138	428.911
Short-term Financial Liabilities	35.000	42.811	79.061	81.374	81.462	89.704	98.678	110.290	125.099
Other Short-term Liabilities	49.690	47.389	67.865	55.218	50.041	55.745	62.026	70.901	80.421
Total Liabilities	370.092	470.626	585.588	581.242	581.874	640.744	704.846	787.788	893.565

source: AQ, own estimates

Investment Research Disclaimer

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- Sell:** Share price may fall by more than 15% over the next 12 months
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Company	Symbol	Explanatory note No.
Aquila Part Prod Com	AQ	5, 7, 11

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