

# Presentation Financial Results Q1 2023 - May 2023 -



## 1. **Macroeconomic context and markets**

2. Strategy and focus

3. Analysis of the results |  
Margin optimization and Own  
Brands growth

4. Markets and ESG details  
Appendixes

# 1. Macroeconomic Context, markets and trends



## Context

- **Inflation rate** 14.5% (March 2023 vs. March 2022) according to NIS, in a downward trend compared to previous months. Estimated by the BNR to reach 7% at the end of 2023.
- **Monetary policy rate 7.0%** (starting 11th of January 2023) versus 2.50 % in March 2022.
- **FMCG and HECA distribution market of RON 18 million** in 2021, top 5 players accounting for 45% of the market.
- **FMCG retail market** estimated to reach RON 130 billion in 2022 (+3.2%).
- **HoReCA retail market** estimated to reach RON 19 billion 2023 (+12%).



## Trends

- **Inflation and the increase** of Supermarkets and Convenience stores in the retail and HoReCa channels are the main sales engines.
- **Decreasing tendency in volume**, determined by the repeated increase in prices.
- **Downtrading**, especially in hypermarkets and discounters, mainly for non-food products.
- **Shopping cart** decreased tendency in value and number of products.
- **Consumer perception:** we are living in a recession or a recession is coming, giving up non-essential expenses, looking for offers/discounts.

Sources: Euromonitor, KeysFin, Emis

# 2. Strategy and Focus - AQUILA Strategy for Profitable Growth

## M&A approach

### Key criteria for mergers and acquisitions:

- Targets: FMCG distributors and brand manufacturers.
- Potential synergy through products portfolio and operational model.
- Always initial majority stake, with option to buy in 3-5 years for tickets over EUR 50 m.

## Own brands growth

### Key steps:

- Sustained sales growth (+46% in Q1 2023 vs. Q1 2022).
- Launching new products (6 products in 2023).
- Focus on HoReCA (+31% in Q1 2023).
- Increasing retail presence.

## Margin optimization

### Key actions:

- Cross-selling of our products across channels and clients.
- Focus on the frozen product segment, both in terms of distribution and logistics.
- Increasing presence in the channels with higher margins (HoReCa, Gas station).

## ESG strategy

### 2022-2026 strategic directions:

- Environment and climate change.
- Human capital and communities.
- Ethics and governance.



# M&A Negotiations Status

	Target <sup>2</sup>	Activity	Sales <sup>1</sup>	EBITDA <sup>1</sup>	Negotiation stage
01	Target 1	Production	EUR 35 m.	EUR 9 m.	Price negotiation
02	Target 2	Distribution	EUR 95 m.	EUR 3 m.	Prospecting
03	Target 3	Distribution	EUR 34 m.	EUR 2 m.	DD
04	Target 4	Production	EUR 10 m.	EUR 1 m.	NBO
05	Target 5	Distribution	EUR 7.5 m.	N/A	Prospecting

<sup>1</sup> Source: EMIS; \* FY 2021 (individual RAS); <sup>2</sup> Target in descending order of EBITDA value

# Margin optimization

01

## Product portfolio

**Optimizing the current portfolio**, focusing on higher margin products, including own brands.

**Increasing the number of SKUs**, mainly on existing customers ( 172 new products in March 2023).

**Focusing on the frozen product portfolio** (46% growth in own brands in Q1 2023).

02

## Focusing on high margins channels

**Increasing the penetration degree of the Convenience channel** (+23% in Q1 2023 at gas stations and travel retail).

**Growth in the HoReCa** (+31% in Q1 2023) and Gastro channel in modern retail, especially through the portfolio of frozen products and ready meals, and in the future by adding new types of products.

03

## Digitization

**The implementation of the new ERP is on time**, with a target term of 2 years and will provide stricter internal control, increased reporting capacity, as well as improved integration with external software (WMS, TMS).

**Expansion of automation solutions in distribution and logistics in the next 3 years** to increase productivity, with a clear impact on the profit margin. The pick-by-light solution expanded with 1.500 pallet locations in Q1 2023.

**Continuous development of the B2B platform** (launched in 2023) over the next 3 years to reduce order time and increase agent productivity.

# 2022 - 2026 Sustainability Strategy

## Priorities

### Human Resources Priorities

- Employee recruitment and retention with an emphasis on equal opportunities and increasing diversity.
- Digitization.

### Other ESG Priorities

- The 2022-2026 Decarbonization Plan with the target of -10% greenhouse gas emissions in the strategic period, with 2021 as the reference year.
- The gradual bringing of the fleet to the Euro 6 standard and the replacement of cars equipped with petrol and diesel engines with cars equipped with alternative propulsion engines, LPG or Hybrid.

## Trends and Actions

**Trend** - labor force deficit in Romania caused by the demographic decline, the negative balance of international migration, and by the demographic aging process.

### Actions and effects

- Actions for employee retention (the fluctuation rate forecast for the year 2023 is down by 4.64 percentage points compared to the fluctuation rate recorded in 2022).
- Maintaining and gradually increasing the workforce from non-EU countries (in Q1 2023 we have a number of 77 employees who come from the non-EU area).
- Increase in the number of women employed (39.51% women in Q1 2023 compared to 39.18% in 2022).

# 3. Analysis of results - Key performance indicators in Q1 2023

<b>Sales</b> <b>RON 562m.</b>	<b>EBITDA</b> <b>RON 40m.</b>	<b>Net Profit</b> <b>RON 27m.</b>
<b>Sales increase (y/y)</b> <b>+20%</b>	<b>EBITDA increase (y/y)</b> <b>+48%</b>	<b>Net Profit increase (y/y)</b> <b>+122%</b>
<b>Gross Margin</b> <b>+1,4 pp</b>	<b>EBITDA Margin</b> <b>+1,4 pp</b>	<b>Net Profit Margin</b> <b>+2,1 pp</b>
<b>Distribution Sales</b> <b>RON 525m.</b>	<b>Logistics Sales</b> <b>RON 21m.</b>	<b>Transport Sales</b> <b>RON 17m.</b>



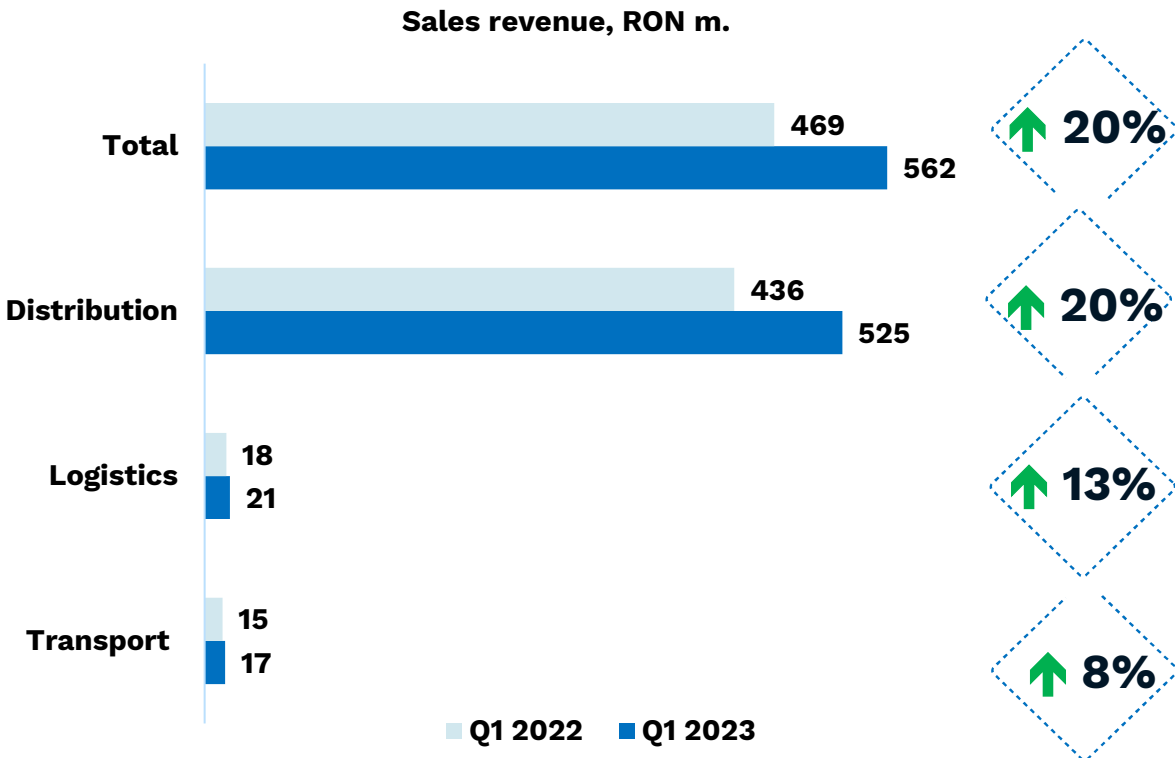
# Financial Results in Q1 2023

## Q1 2023 vs. Q1 2022

- Revenue growth of around 20% compared to the same period in 2022 mainly supported by the distribution business segment.
- EBITDA increased by 48% vs. Q1 2022, up to RON 40.46m.
- The gross margin from goods sold increased by approximately RON 26m. A margin increase of 1.4 pp was influenced by the mix of products sold and the focus on growth channels.
- The net profit doubled supported by organic growth in the distribution segment.

RON m.	Q1. 2023	Q1. 2022	Variation
<b>Revenues</b>	<b>561.97</b>	<b>469.29</b>	<b>20%</b>
<b>Cost of goods sold</b>	<b>(407.86)</b>	<b>(344.52)</b>	<b>18%</b>
<b>Gross Profit</b>	<b>116.74</b>	<b>91.03</b>	<b>28%</b>
<b>EBITDA</b>	<b>40.46</b>	<b>27.30</b>	<b>48%</b>
<b>Net Financial Result</b>	<b>3.36</b>	<b>0.36</b>	<b>829%</b>
<b>Profit before tax</b>	<b>31.36</b>	<b>15.06</b>	<b>108%</b>
<b>Income tax expense</b>	<b>(4.80)</b>	<b>(3.09)</b>	<b>55%</b>
<b>Profit for the year</b>	<b>26.56</b>	<b>11.97</b>	<b>122%</b>

# Sales by segments in Q1 2023



## DISTRIBUTION

**Distribution revenues growth of 20%** in Q1 2023 vs. Q1 2022 is mainly due to organic growth and focus on growth channels.

## LOGISTICS

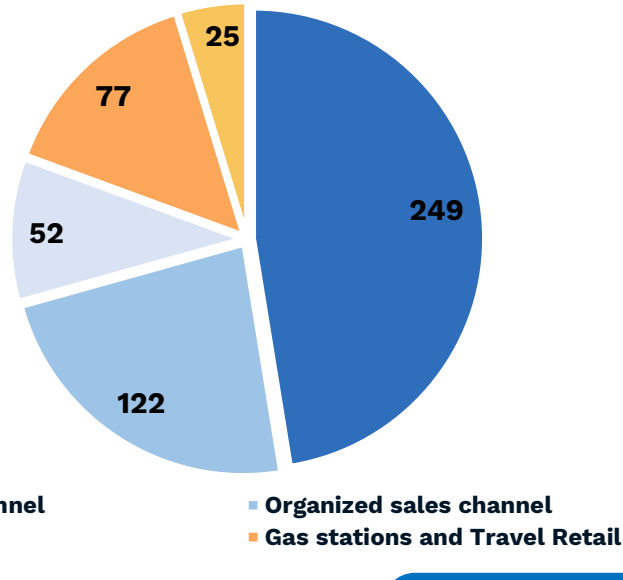
**Revenues from logistics services increased** as a result of tariff indexation.

## TRANSPORT

**8% revenues growth** due to tariff increases.

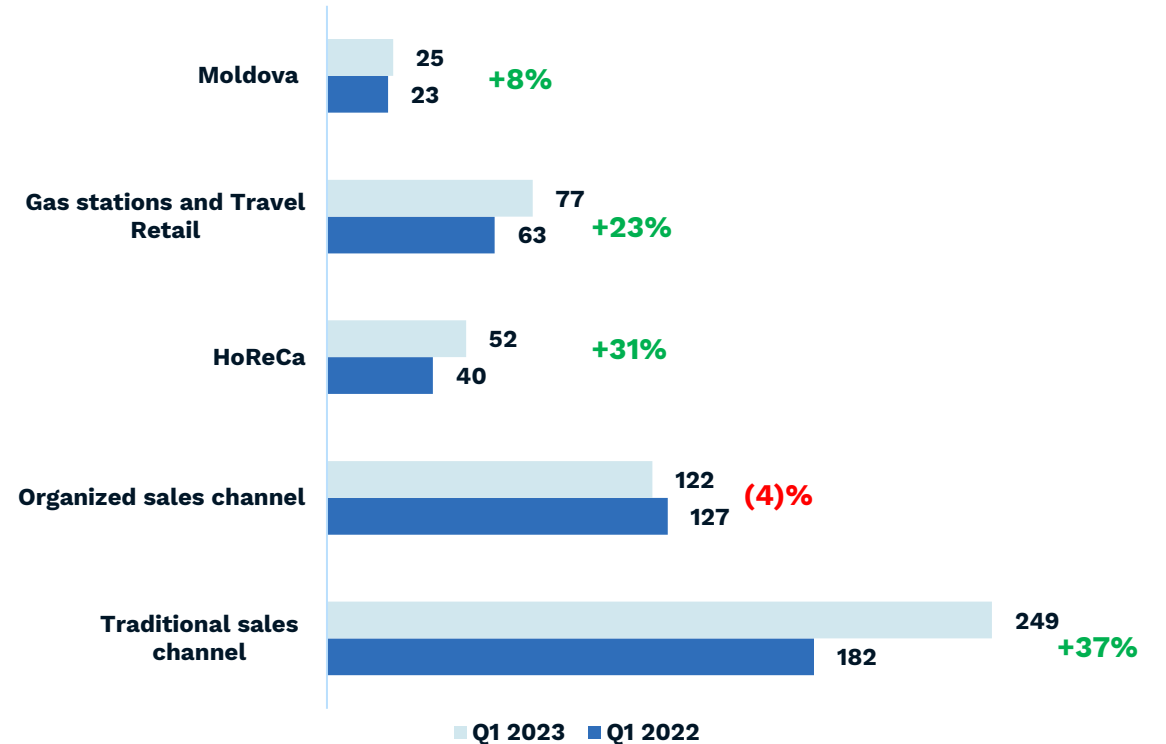
# Sales by channel in Q1 2023

Revenues by channel Q1 2023, RON m.



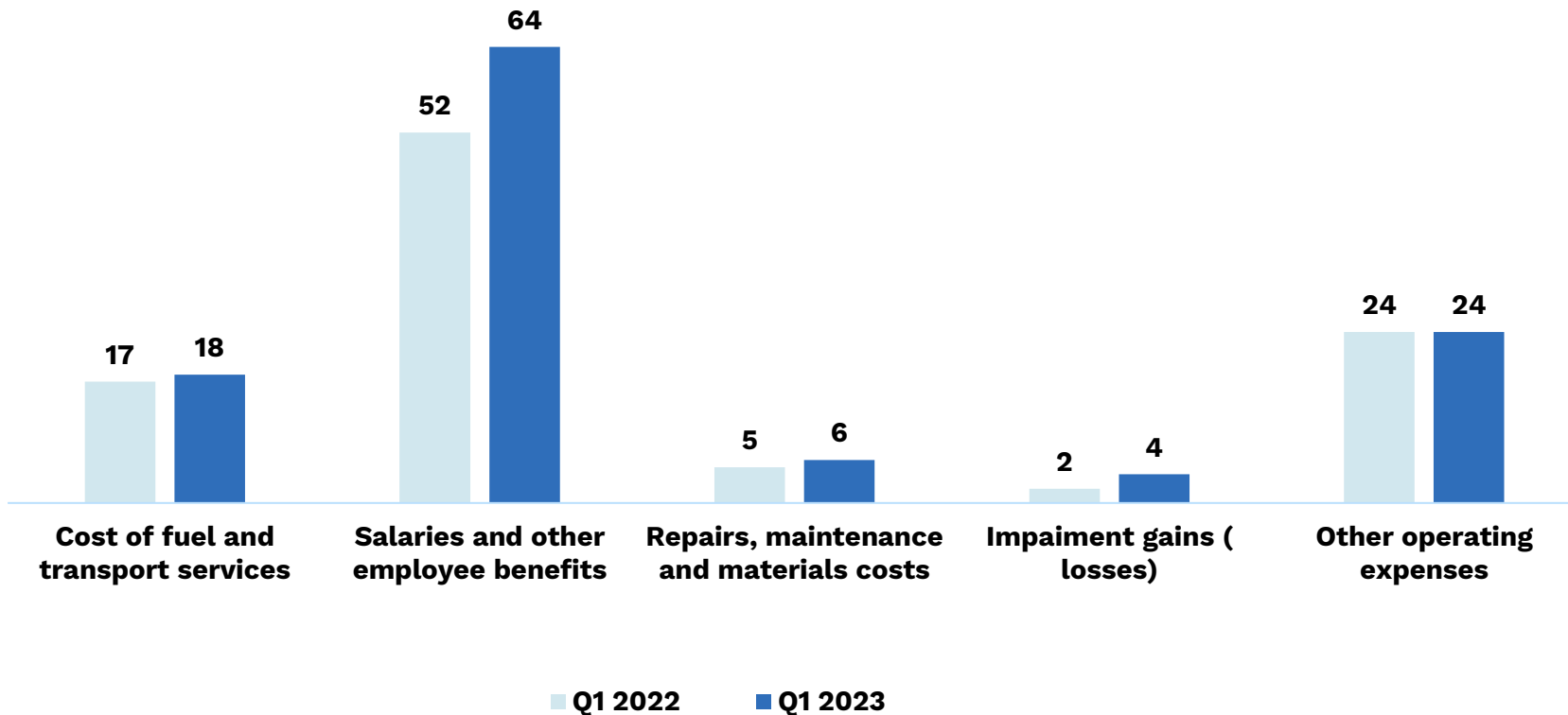
Total: 524

Revenues by channel Q1 2022 vs. Q1 2023, ( RON m. %)



# Opex and D&A expense in Q1 2023

Operating and D&A expenses, RON m.

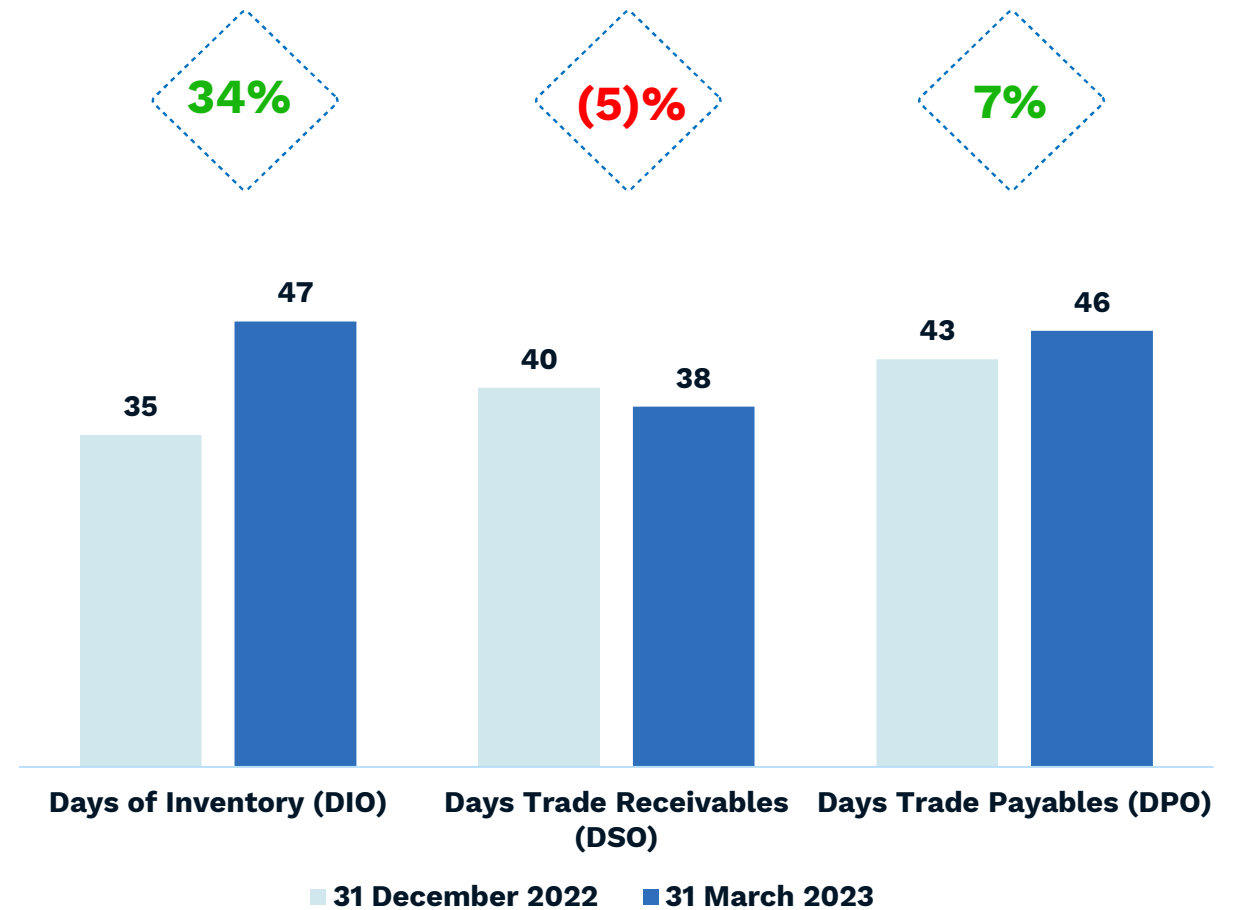


## Q1 2023 vs. Q1 2022

- Operating expenses before depreciation increased by RON 17m.
- The biggest increases were determined by the increase in expenses with employee benefits by RON 12m. (the wage increase is mainly due to the increase in the average cost with employees).

# Evolution of Liquidity Indicators

- Days of Inventory (DIO) increased mainly due to seasonality (holiday stock preparation and HoReCa season).
- Days Sales Outstanding (DSO) registered a decrease as a result of the decrease in exposure on the organized retail channel.
- Days Payable Outstanding (DPO) registered an increase due to the increase in purchases with a payment term.



# Main elements of the Balance Sheet

- Non-current assets decreased slightly as a result of depreciation, new investments will be in the rest of the year.
- Current assets increased by 9% (by approx. RON 54 m.) mainly due to stocks.
- Equity increased by RON 26 m. the profit for Q1 2023.

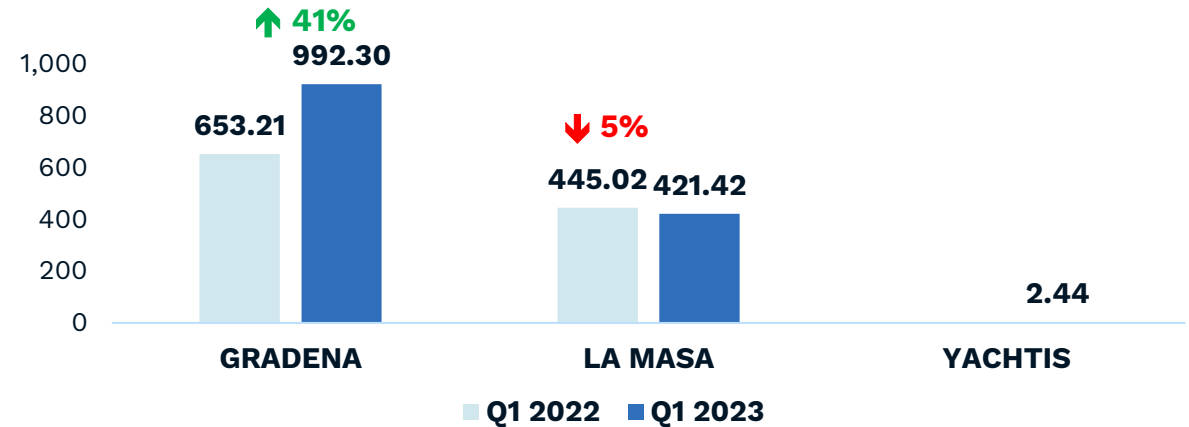
RON	Mar 31, 2023	Dec 31, 2022	Variation
<b>Non-current assets</b>	<b>233,243,588</b>	<b>234,879,109</b>	<b>(1)%</b>
Tangible and intangible assets	176,697,414	178,112,582	(1)%
<b>Current assets</b>	<b>672,526,023</b>	<b>619,003,214</b>	<b>9%</b>
Inventories	211,664,220	158,430,373	34%
Trade receivables	235,053,683	247,816,687	(5)%
<b>Total assets</b>	<b>905,769,611</b>	<b>853,882,323</b>	<b>6%</b>
Total equity	510,683,257	483,821,517	6%
Liabilities	395,086,354	370,060,806	7%
<b>Total equity and liabilities</b>	<b>905,769,611</b>	<b>853,882,323</b>	<b>6%</b>



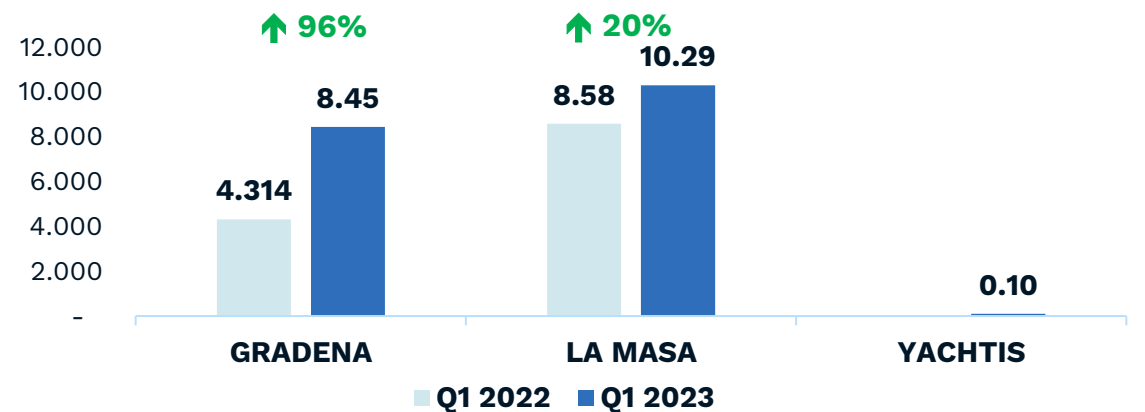
# Evolution of Own Brands – significant growth (+46%)

- The revenues related to the own brands, **Gradena**, **La Masă** and **Yachtis**, had an advance of **46%** in Q1 2023, up to RON 18.9 m.
- LaMasă** brand, which currently includes **14 types of products**, is available in new specially designed packaging, gradually, starting from July 2022, and the products can also be found in Retail, starting with the fourth quarter of 2022.
- The extension of the **Gradena** brand with new products in 2022 for HoReCa and Retail.
- Starting with the third quarter of 2022, **Gradena** launched innovations (4 items of frozen dips), which meet the needs of consumers, and which cover new consumption opportunities to strengthen the strategy of brand positioning in several segments, with better visibility.

Own Brands, by volume Q1 2022 vs. Q1 2023 ('000 KG)



Own Brands, by value Q1 2022 vs. Q1 2023 (RON m.)



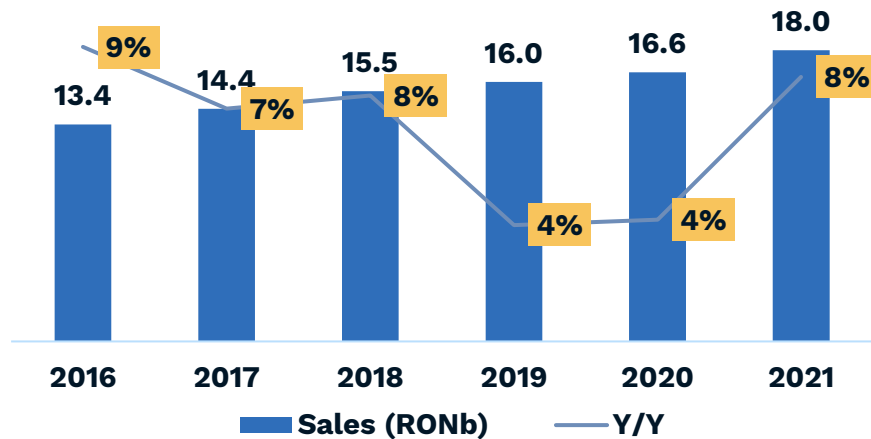


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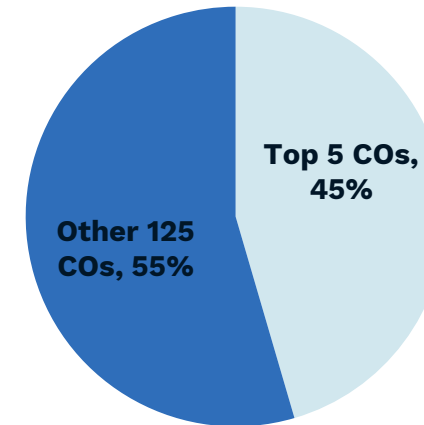
# FMCG and HoReCA distribution market grew 34%

in the last 5Y reaching EUR 3.7b/RON 18b in 2021 (+8% Y/Y)

## Romania: FMCG & HoReCA distribution market<sup>1</sup>

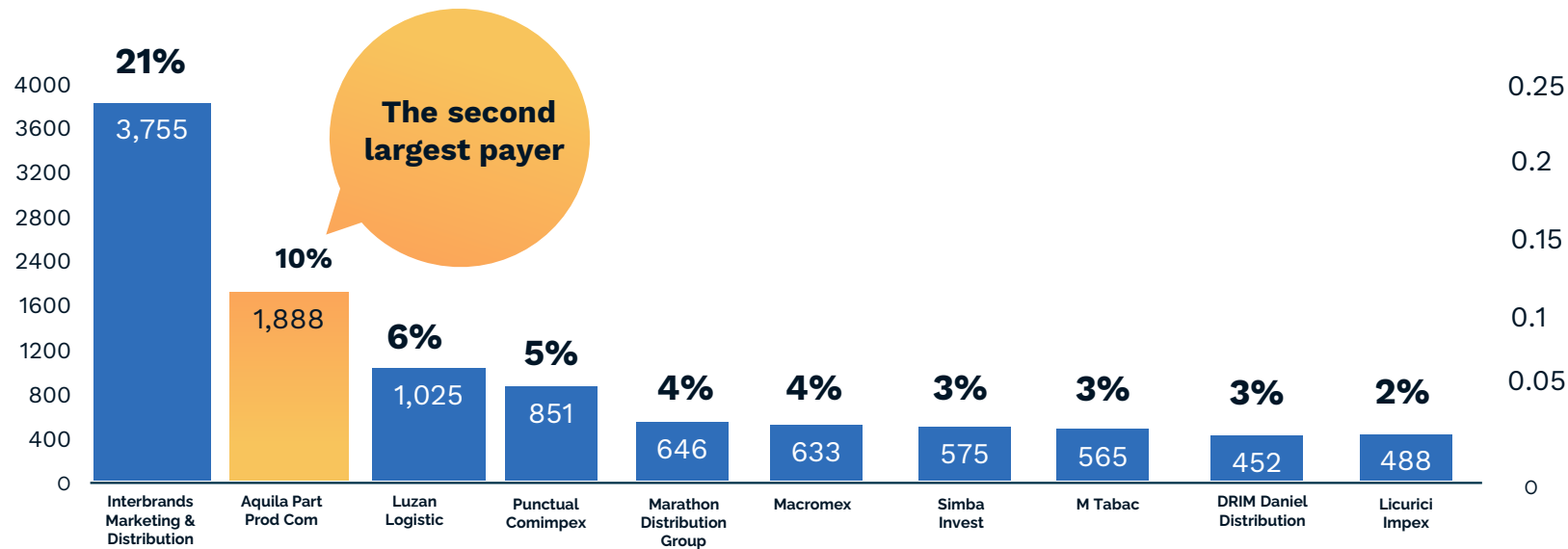


## Romania: FMCG & HoReCA distribution market concentration<sup>1</sup>



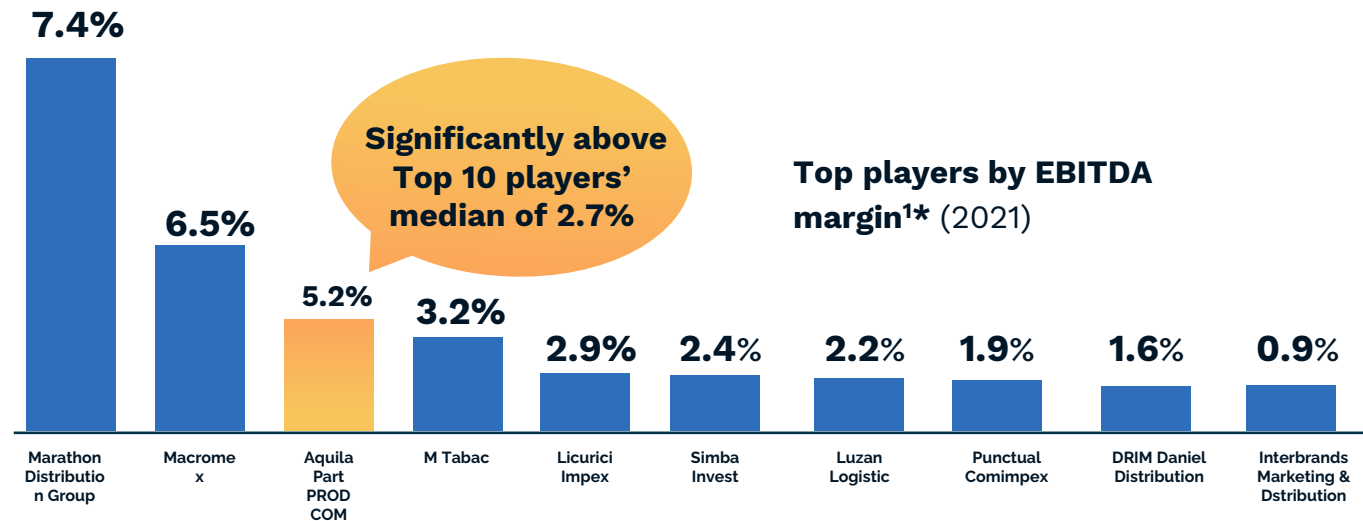
<sup>1</sup> Source: KeysFin; EMIS

# FMCG and HoReCa distribution market | Top players



New accounts by **Top players by market share<sup>1\*</sup>** (2021)

Well positioned to capture growth opportunities both organically and through acquisitions within a fragmented distribution market where the Top 5 players, out of 130 companies in total, weigh 45% by sales.

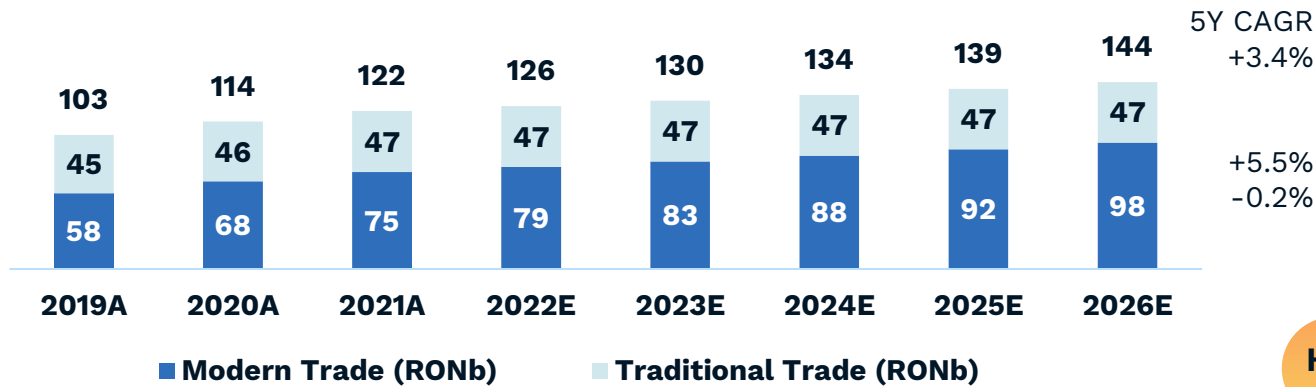


<sup>1</sup> Source: KeysFin; EMIS; \* RAS individual

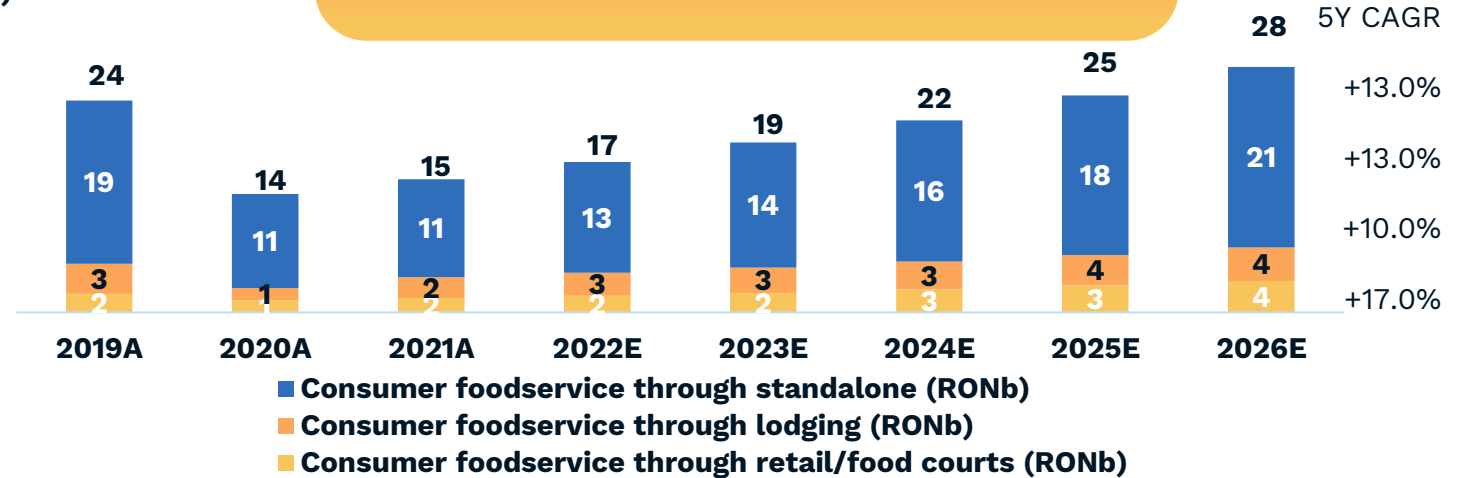
# Exposure to a large addressable market |

FMCG & HoReCa markets expected to expand at 5Y GAGR of 5% (cumulated)

Modern and Traditional Trade to advance at 5Y CAGR of +5.5% and -0.2% respectively, by 2026<sup>1</sup>



HoReCa to advance at 5Y CAGR of +13% by 2026<sup>1</sup>

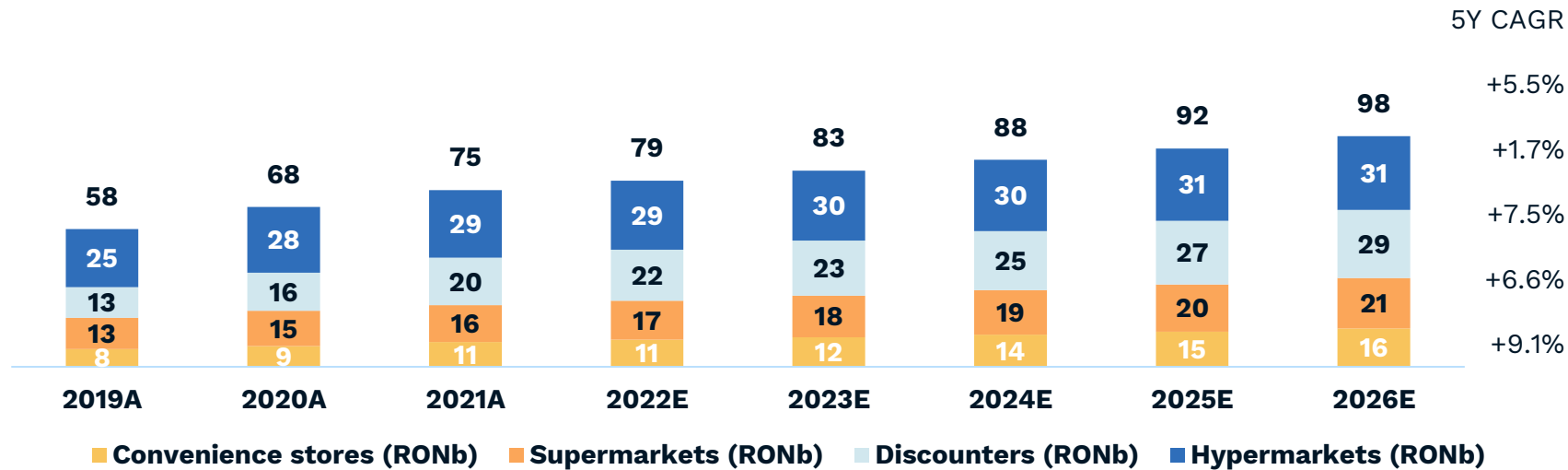


<sup>1</sup> Source: Euromonitor International

# Convenience stores, Discounters and Supermarkets

expected to outperform within Modern Trade

## Modern Trade by segments <sup>1</sup>



<sup>1</sup> Source: Euromonitor Internațional



# 2022 - 2026 Sustainability Strategy

**We believe in the sustainable development of our business, and we want to be an example in terms of social and environmental responsibility.**

**The 2022-2026 Sustainability Strategy**, with 2021 as the reference year, was approved and published at the beginning of 2022. We started implementing the strategy in the following directions:



**The 2022-2026 Decarbonization Plan**, which includes scenarios and projects to reduce the impact on the environment, the analysis of associated risks and opportunities, will be ready at the end of 2022.

#### Actions taken:

- Determining the carbon footprint, Scope 1&2. Scope 3 partially (ongoing), in accordance with the requirements of the GHG Protocol Corporate Accounting and Reporting Standard.
- Analysis of water consumption and water stress, using the World Resource Institute Aqueduct methodology.
- CDP reporting: Climate Change and Water Security.

# ESG Strategy - Environment



## ESG Targets

### ESG Focus

#### Greenhouse gas emissions GHG 2021:

- Scope 1: 19,471.42 eqtCO2
- Scope 2 market based: 2,390.28 eqtCO2
- Scope 2 location-based: 2,279.11 eqtCO2
- Scope 3 waste and business travel: 9.966.4 eqt CO2e

**53% of the electrical energy consumed comes from renewable sources.**

**In 2022 we invested EUR 220,000 in the first photovoltaic plant, with 560 panels, and a combined capacity of 230 Kw.**

**89.7% of the total water consumption comes from the public network and is potable, 10.3% comes from drilled wells and complies with the legislation in force.**

We have implemented the **Program to prevent and reduce the amount of waste** generated in accordance with legal requirements, as well as the selective collection in the workplaces.

**70% of the fleet is Euro 6 standard compliant.**

**Our main target: -10% greenhouse gas emissions in the strategic period, with 2021 as reference year.**

Along with the actions included in the Decarbonization Plan, we will also continue the projects started in the last two years:

Gradually bringing the fleet to the Euro 6 standard and replacing cars equipped with petrol and diesel engines with cars equipped with alternative propulsion engines, LPG or Hybrid. In the period 2021-2022, more than 65 vehicles equipped with LPG or hybrid engines were purchased.

In 2023, we anticipate the purchase of over 80 LPG or Hybrid vehicles. During the same year, we will purchase over 100 vehicles equipped with Euro 6 engines.

#### Investment in:

- Complex logistic solutions, with automation systems and modern order preparation techniques;
- Roll containers;
- Expansions of the automatization Pick by Light and Pick by Voice implementation;
- Mobile shelves in frozen warehouses;
- ERP, TMS systems;
- Digitization of operational systems;
- Semi-automatic wrappers;
- LED lighting;
- Li-Ion equipment, including in cold store warehouses

**Reducing the amount of paper used through digitization, simultaneously with the expansion of the use of recycled paper.**

**Introducing sustainability principles into the procurement process.**

# ESG Strategy - Social

## ESG Focus

### Occupational health and safety

- We kept approx. 3000 jobs, respecting the specific legislation, paying the related taxes and fees
- Safe and fairly remunerated jobs, specific periodic training, instructions and personal protective equipment (PPE)
- Maintaining reduced the job related accidents in 2022 compared to 2021

### Training, development and business resilience

- Training and development programs > +4000 hours
- Internal management programs prepare 65 leaders for the rapidly changing market
- Partnership with the Ploiesti Oil and Gas University for internships and scholarships
- Increase in the number of women employed (39.51 % women in Q1 2023 compared to 39.18% in 2022).
- Extra-salary benefits and private medical clinic subscription
- Direct contribution of over RON 17 million per year to the Health Insurance Fund (CNAS)

### Communities

- Donations and sponsorships in partnership with Ploiesti City Hall and Prahova Community Foundation
- Volunteering and donating > Habitat for Humanity > building homes for underprivileged families



## ESG Targets

In the following 5 years we will focus our efforts on:

### Occupational safety and health

- "Safe Working Practices" Internal Guide for employees and subcontractors;
- Risk assessment for all functions and the development of their control methods;
- Implementation of an integrated health, safety and social environment management system (HS-ESMS).

### Training, development and business resilience

- Performance management system that also contains elements of sustainability – pending implementation;
- Increasing the number of participants in internal training courses, diversifying the training offer and learning methods;
- Continuous training programs for leaders;

### Community

- Continuation of donation and sponsorship actions;
- Volunteering program for AQUILA employees in support of the local community - in progress;

# ESG Strategy - Governance

## ESG Focus

### **AQUILA's corporate culture promotes:**

- Integrity
- Good corporate governance
- The highest ethical standards based on transparency, fairness and equity

### The company's **Code of ethics and business conduct** includes:

- Organizational values and applicable principles for maintaining a fair working environment.
- Provisions relating to compliance with the requirements of:
  - Occupational health and safety
  - Diversity and non-discriminatory employment
  - Conflict of interest, bribery, corruption, discrimination
  - Environment protection
  - Communication/Complaints

**The Board of Directors** consists of 5 members, of which 3 are independent, non-executive.

### **Composition of the management committees:**

- BoD: 80% men and 20% women
- Audit Committee: 50% men and 50% women
- Nomination and Remuneration Committee: 50% men and 50% women.



## ESG Targets

**AQUILA's efforts for the next 5 years will focus on strengthening internal corporate governance policies**, with a focus in the coming year on:

- Development of a Cyber Security and Data Privacy protocol;
- Drafting a Diversity Policy;
- Drafting a Modern Slavery Declaration;
- Remuneration Policy;
- Road safety code;
- Code of Conduct for Suppliers;
- Complaints procedures – in progress;

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