

Purcari Wineries Plc
1H 2019 results presentation

August 16, 2019



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Victor Bostan
CEO, Founder



- Founded the Group in 2002
- Over 35 years of experience in wine industry
- Built and exited one of the largest wine companies in RU
- Technical University, Oenology
- Speaks FR, RO, RU

Victor Arapan
CFO



- 20 years of experience in banking, audit, corporate finance
- 10+ years experience in wine making companies
- Ex-PWC, Acorex Wineries
- International Management Institute
- Speaks EN, RO, RU

Eugen Comendant
COO



- Over 10 years of management experience
- Ex Virgin Mobile, ACN in senior Business Development, Sales and Marketing roles
- Amsterdam University of Applied Sciences, ESSEC Business School
- Speaks EN, RO, RU, NL, FR

Diana Durnescu
IR Manager



- Over 5 years of experience in business development and FDI attraction
- Ex-Prime Minister's office for FDI
- Academy of Economic Studies
- Speaks EN, RO, RU

Vasile Tofan
Chairman



- Over 10 years experience in FMCG
- Partner at Horizon Capital, \$850m+ AUM
- Ex- Monitor Group, Philips
- MBA Harvard Business School
- Speaks EN, RO, RU, FR, NL

1 Our Group

2 1H 2019 Operational Results

3 Update on 2019 Outlook

4 Q&A



Our newest launch, Traminer de Purcari, with an unmistakable aroma of rose petals confiture. Already scoring 4.4 on Vivino, ranking top 1% wines globally.

1 Purcari Wineries at a glance

Leading wine player in Romania and the CEE...

Founded in 1827 by French colonists, Purcari group is now...

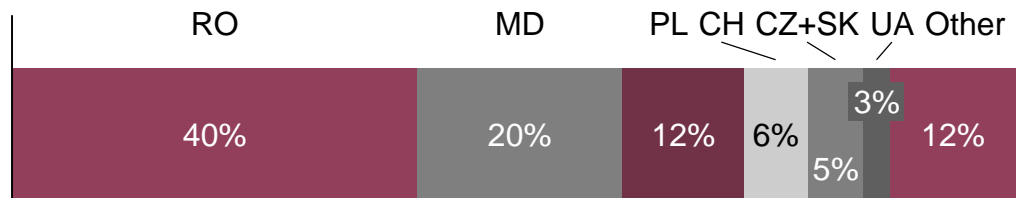
- #1** awarded CEE winery of the year in 2015-2019 at Decanter London, "wine Olympics"
- #1** premium wine brand in Romania, Moldova
- #1** fastest growing large winery in Romania
- #1** largest exporter of wine from Moldova
- top** 1,392+ hectares of prime vineyards, top production assets
- top** Reputable shareholders alongside founder, Victor Bostan: Horizon Capital, Fiera Capital, Franklin Templeton, IFC etc

4 brands, covering a broad spectrum of segments



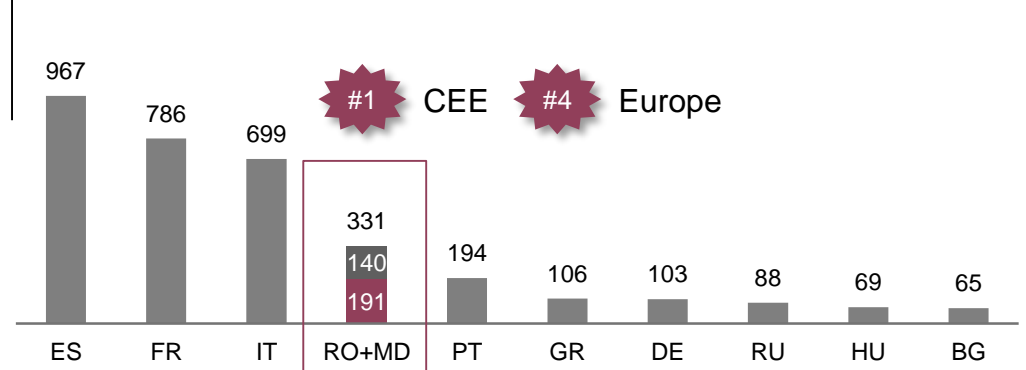
... with a strong & expanding regional footprint

Geographical breakdown of sales in value terms, 1H 2019, %



Located in a region with one of the richest wine heritages

Top 10 European countries by area under vines, kha



1 Our Group: competitive advantage in an attractive market

Attractive market

Secular shift from beer, spirits to wine, especially in CEE

Competitive advantage

#1 premium wine brand in Romania

Wine growth '16-'20F in Romania 9.0% vs. 1.9% for beer

Plenty to catch up: wine consumption in Poland = $\frac{1}{4}$ Germany, per cap.

#1 fastest growing large winery in Romania

#1 most awarded CEE winery at Decanter, "wine Olympics"

Shrinking vine plantations, create shortage, push prices up

Romania+Moldova undisputable #1 vineyards size in CEE, 5x vs #2

#1 EBITDA margin among global publicly traded wine peers

#1 on Instagram, Vivino engaging millennials in Romania

1 Our business model: Affordable Luxury

Modern,
cost-competitive
winemaking

Purcari is positioned at the intersections of three themes:

- **Modern winemaking:** the company is brand-, as opposed to *appellation*-centric and runs a cost-efficient business
- **Affordable luxury:** as an aspirational brand, Purcari wines are an example of affordable luxury, building on a heritage dating back to 1827 and ranking among most awarded wineries in Europe
- **Differentiated marketing:** the company is not afraid to be quirky about the way it approaches marketing, prioritizing digital channels and focusing on engaging content as opposed to traditional advertising



1 Our mission, vision and values

Our mission

To bring joy in people's lives, by offering them high quality, inspiring, ethical wines and excellent value for money.

Our vision

To become the undisputable wine champion in CEE, acting as a consolidator of a fragmented industry

Our values

Hungry

We win in the marketplace because we want it more

Ethical

Always do the right thing and the money will follow

Thrifty

The only way we can offer better value for money

Different

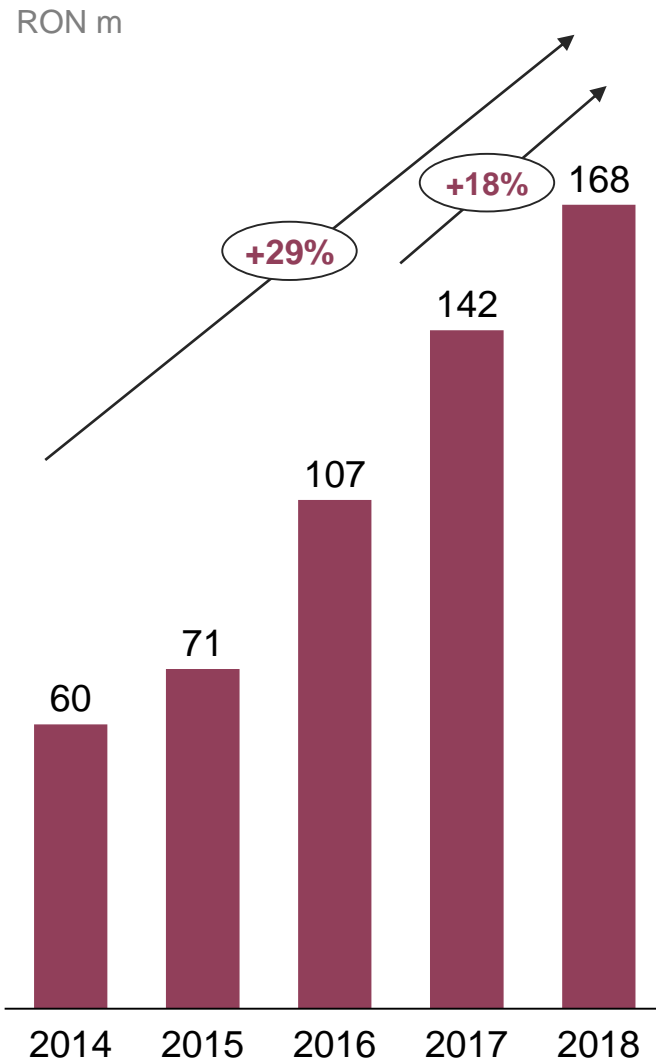
We proud ourselves on taking a fresh look on things

Better

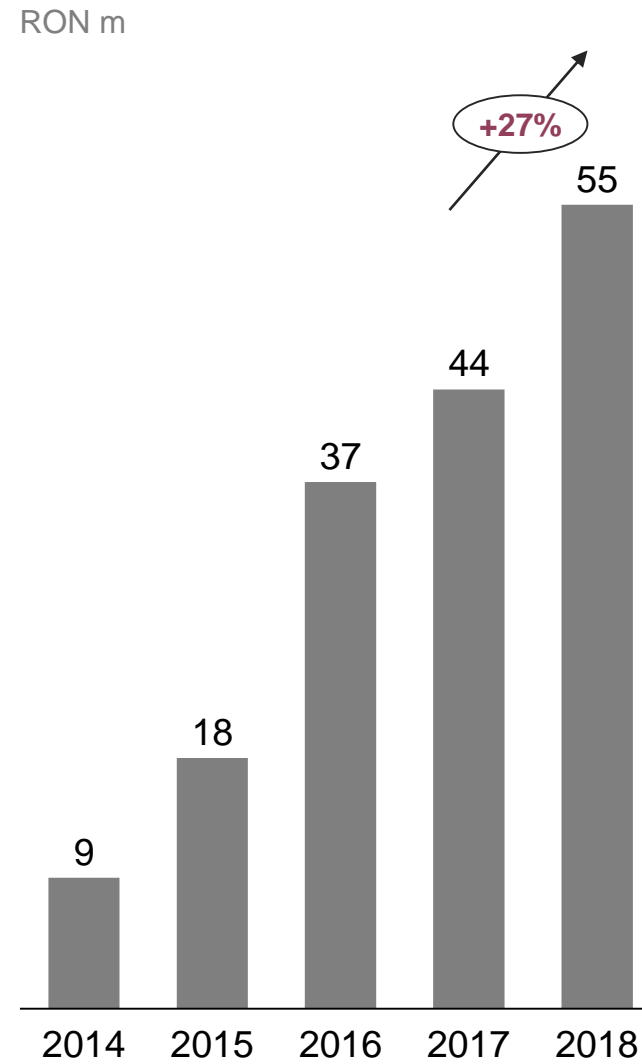
We keep improving – both our wines and our people

1 Strong track record of growth

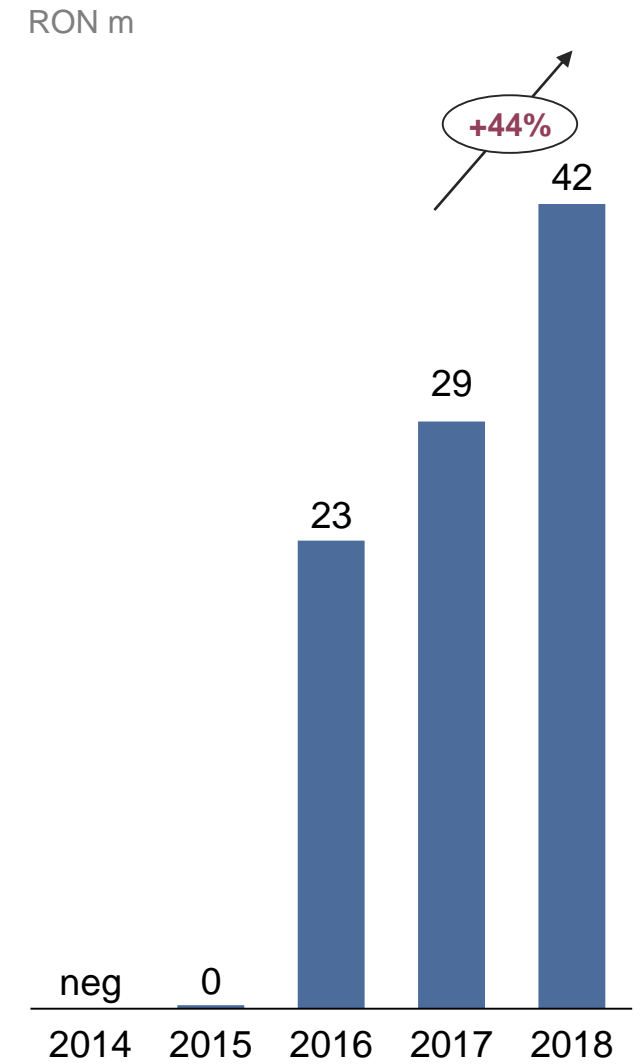
Revenues



EBITDA¹



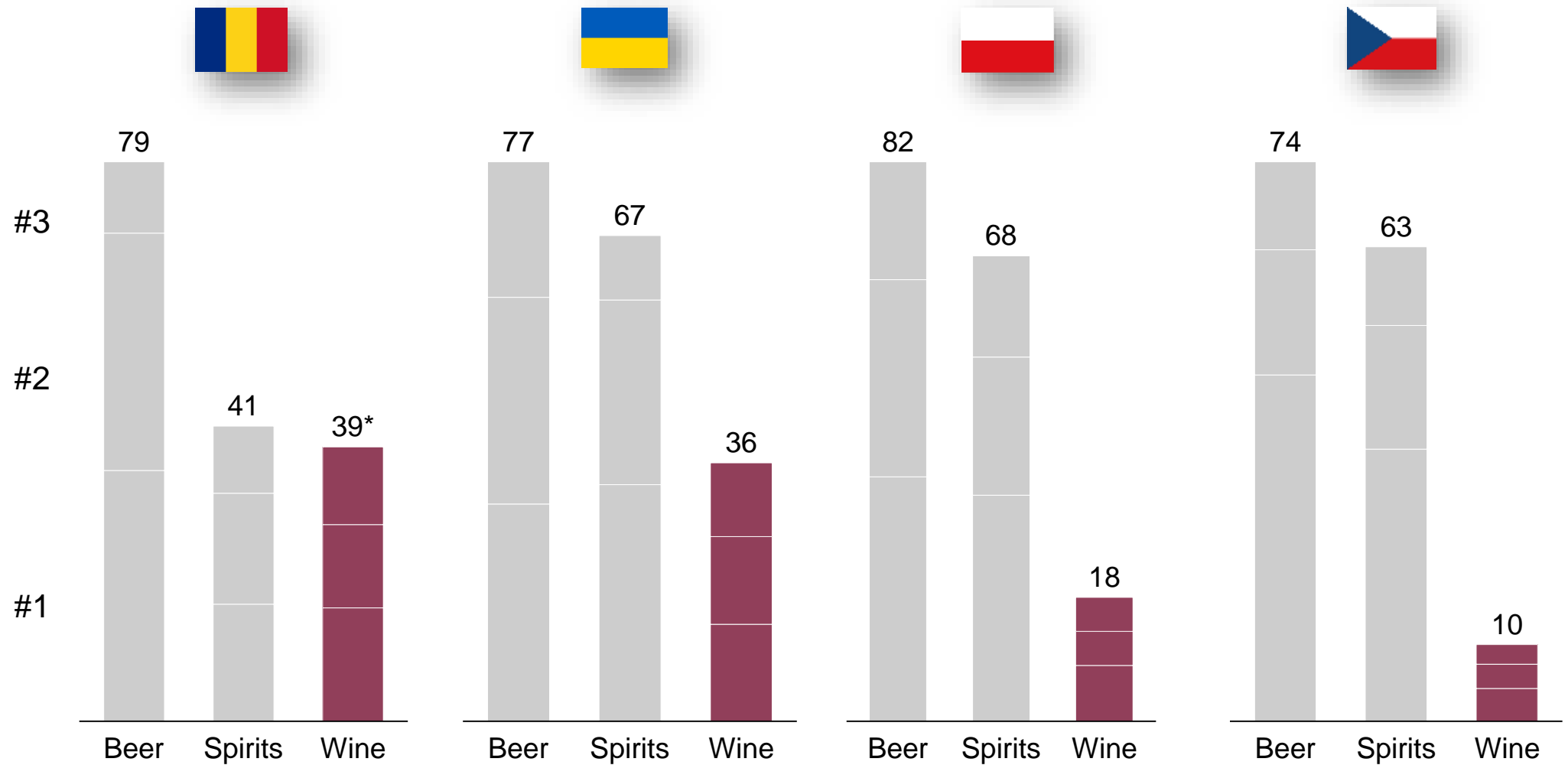
Net Income



Note: (1) EBITDA normalized for non-recurring, IPO-related expenses incurred in 2017 and 2018

1 Vision: be the consolidator of a fragmented market

Volume share top-3 players by country, %

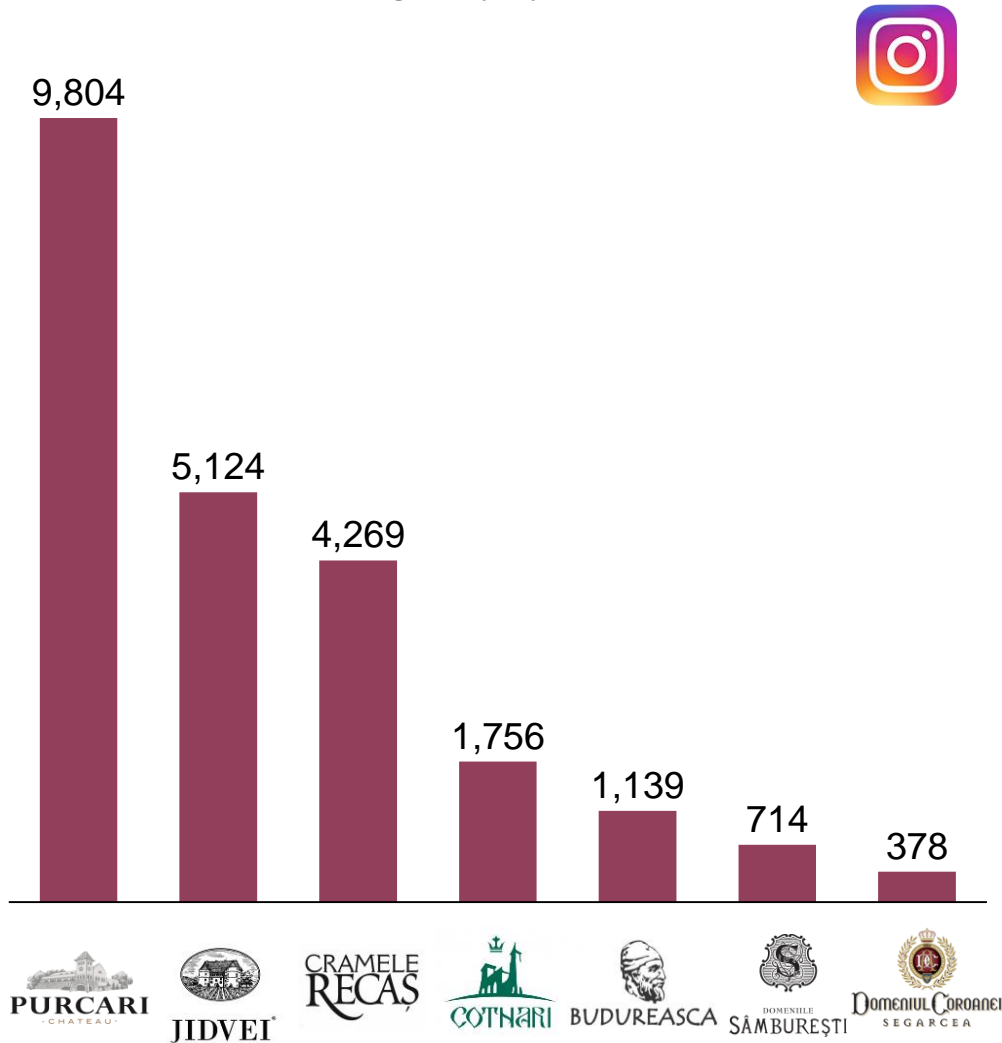


*Unlike beer or spirits, **wine market remains very fragmented**; players who have the scale and sophistication needed – are in a **great position to consolidate it***

1 Topping competition at engagement, quality

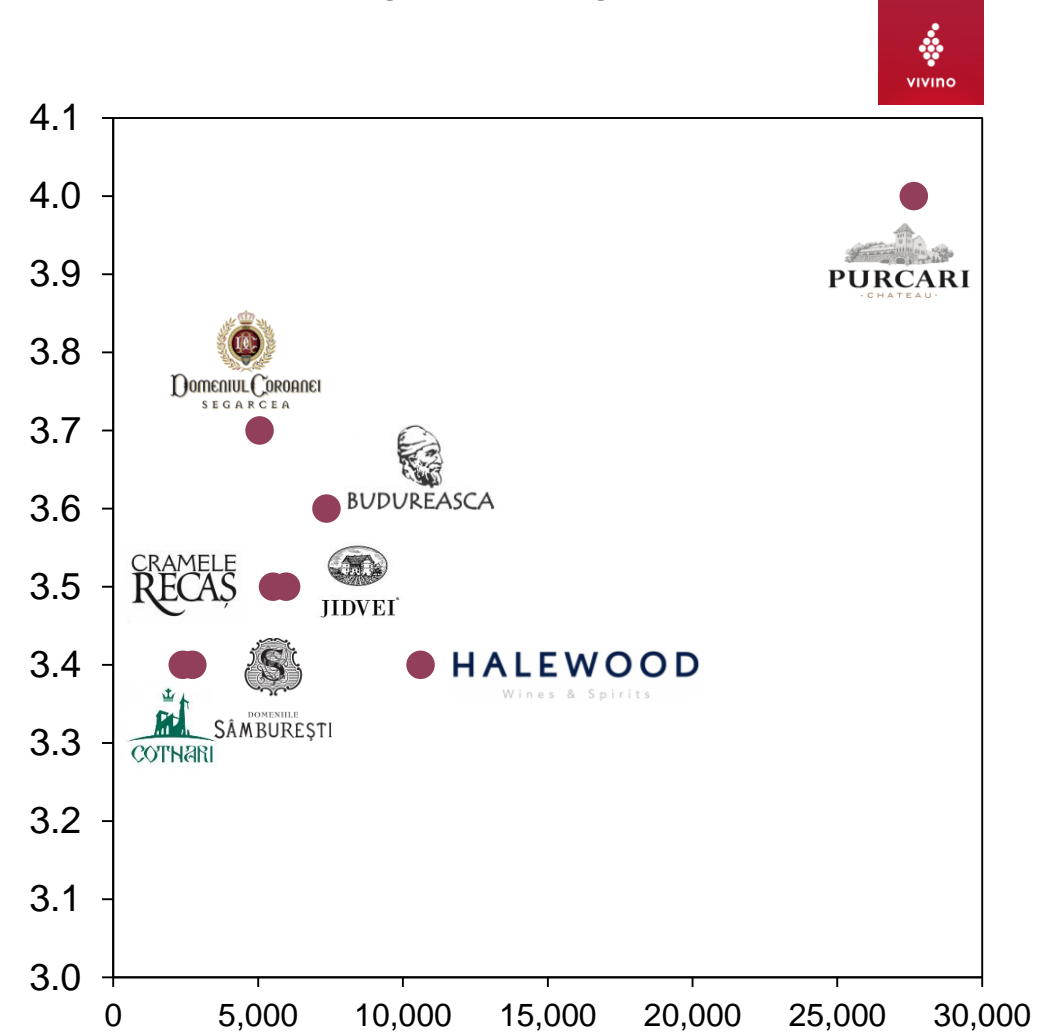
Aspirational brand which consumers like sharing about

Number of #brand uses on Instagram, by key Romanian brands



Highest number of ratings and highest scores on Vivino

X axis – number of Vivino ratings; Y axis – average Vivino score

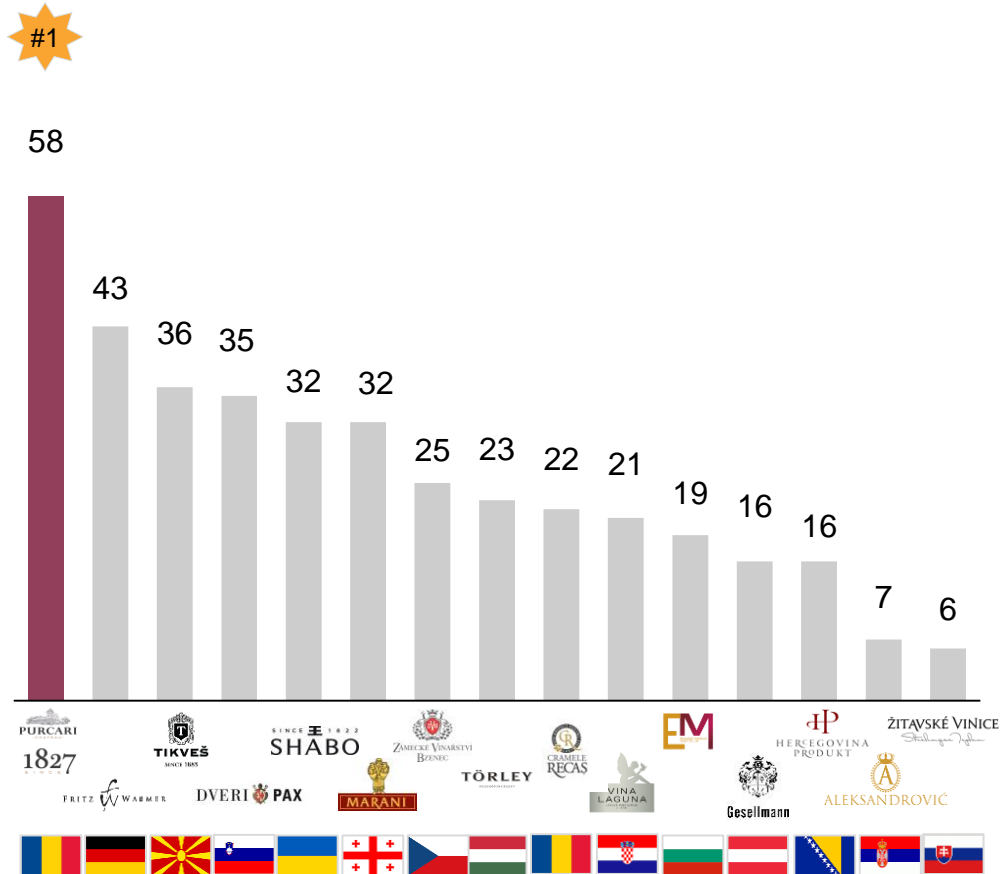


Note: Purcari - #purcari, Cramele Recas - #recas, Jidvei - #jidvei, Cotnari - #cotnari, Budureasca - #budureasca, Samburesti - #samburesti, Segarcea - #segarcea
Sources: Instagram, Vivino as of August 2, 2019

1 Quality highly commended, remain the most awarded winery in CEE

Leading medal-winning winery in CEE at Decanter, the Wine "Olympics"

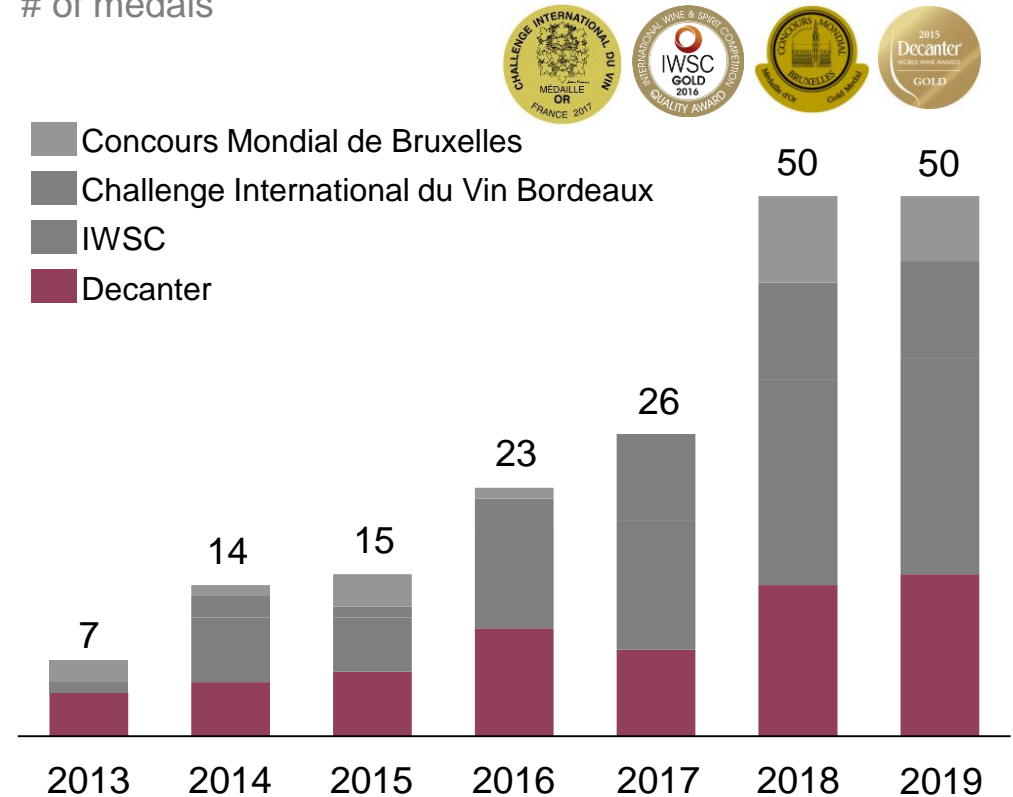
of Decanter medals in 2015 - 19⁽¹⁾



- Most awarded winery to the east of Rhine, ahead of reputable (and much pricier!) German, Hungarian or Austrian wineries

Increasing number of medals won from year to year

of medals



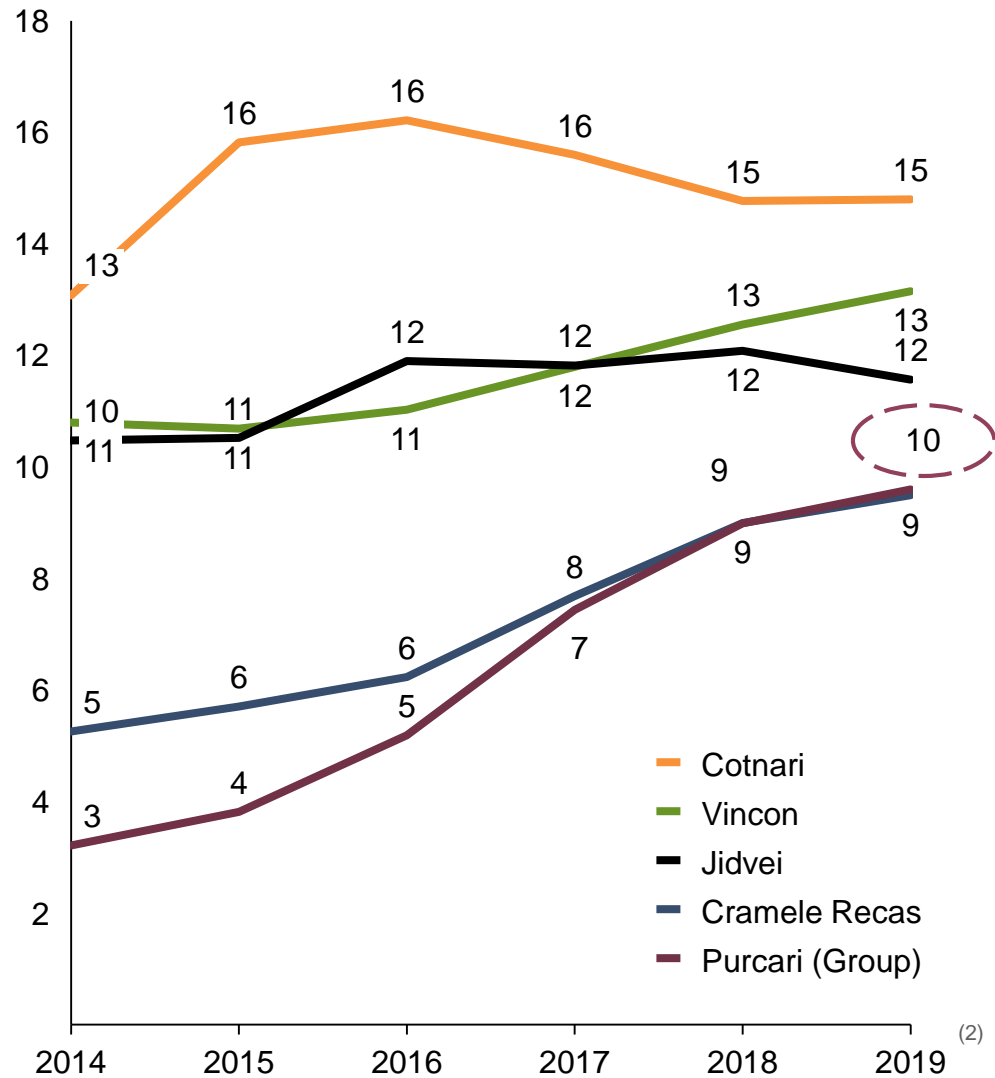
- Unlike beer or spirits, wine production is more prone to quality fluctuations. The Group has demonstrated the ability to keep raising the bar quality wise, as illustrated by the mounting number of medals won at top global competitions



1 Clear #1 in premium in Romania, keep gaining share, ample headroom

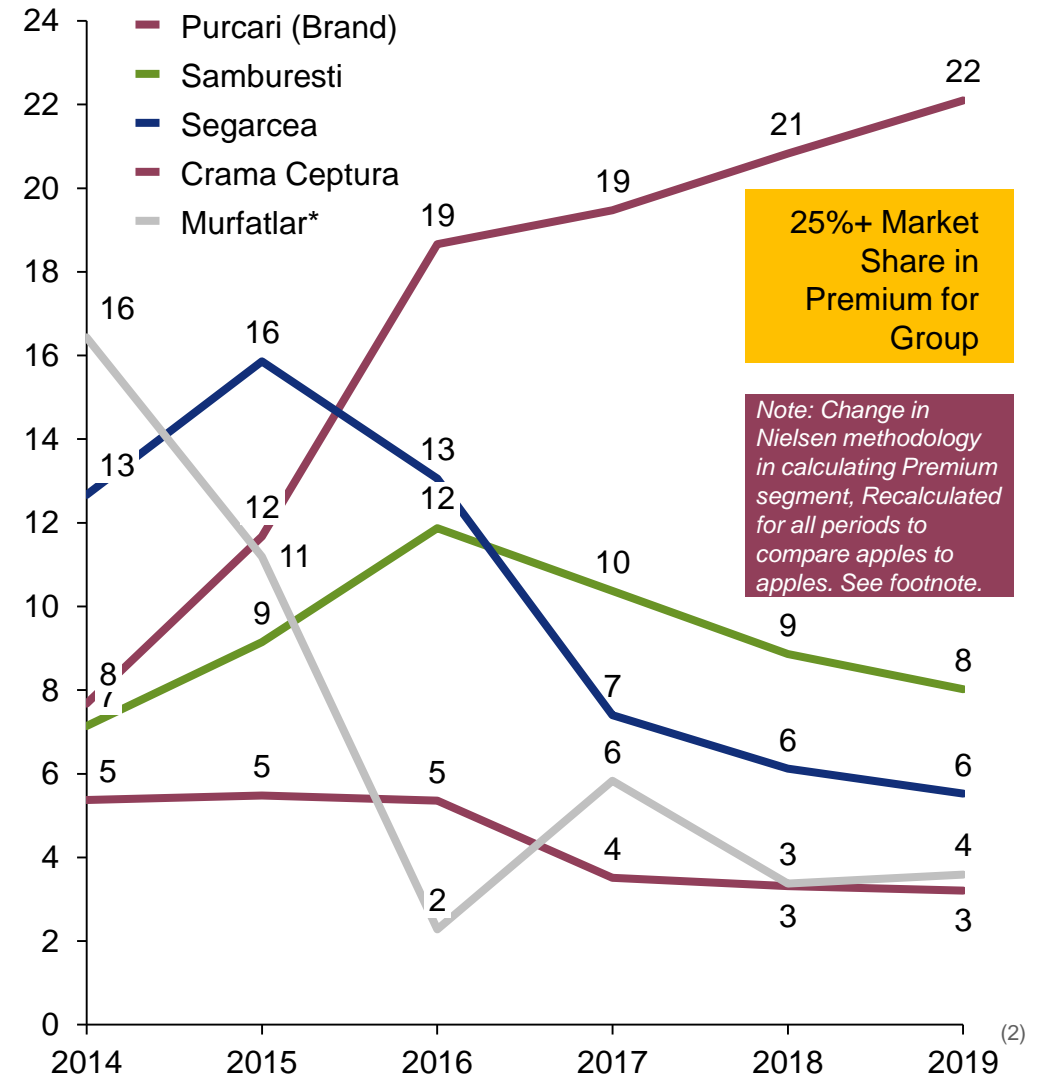
Overall, Purcari has tripled MS in 4 years....

Value share of TOTAL retail market, Romania, %



...while becoming a clear #1 in Premium¹

Value share of Premium (RON 30+/liter) retail market, Romania, %



25%+ Market Share in Premium for Group

Note: Change in Nielsen methodology in calculating Premium segment, Recalculated for all periods to compare apples to apples. See footnote.

Notes: (1) Difference in reported market share figures compared to the previous quarter is due to changed calculation methodology. Calculation of the total size of the premium market now includes all listed brands, as opposed to the data on TOP-40 manufacturers, which was used previously. (2) 2019 year-to-date Sources: Nielsen report; Purcari Group = Purcari, Crama Ceptura and Bostavan brands;

1 Our Group

2 **1H 2019 Operational Results**

3 Update on 2019 Outlook

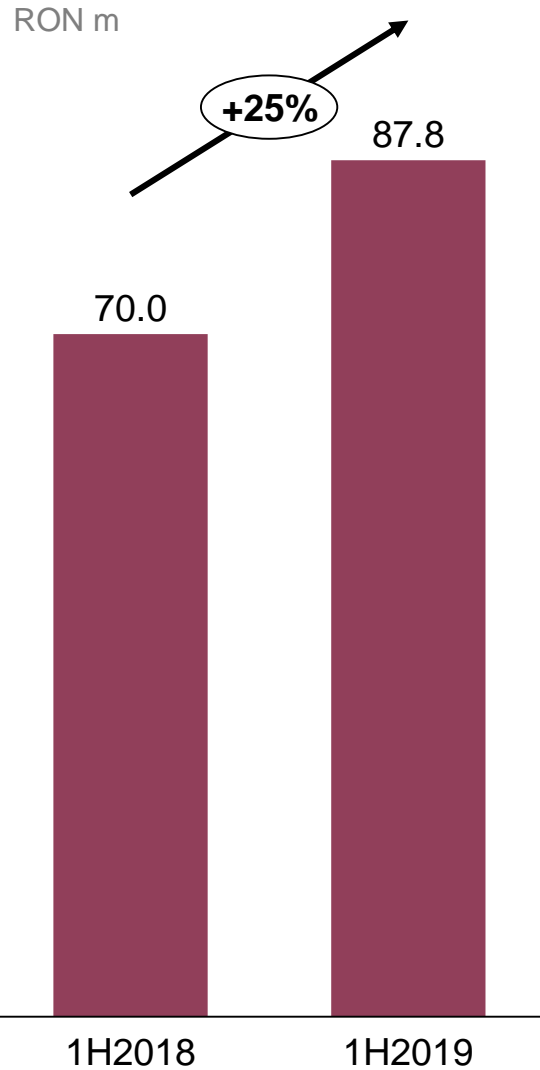
4 Q&A



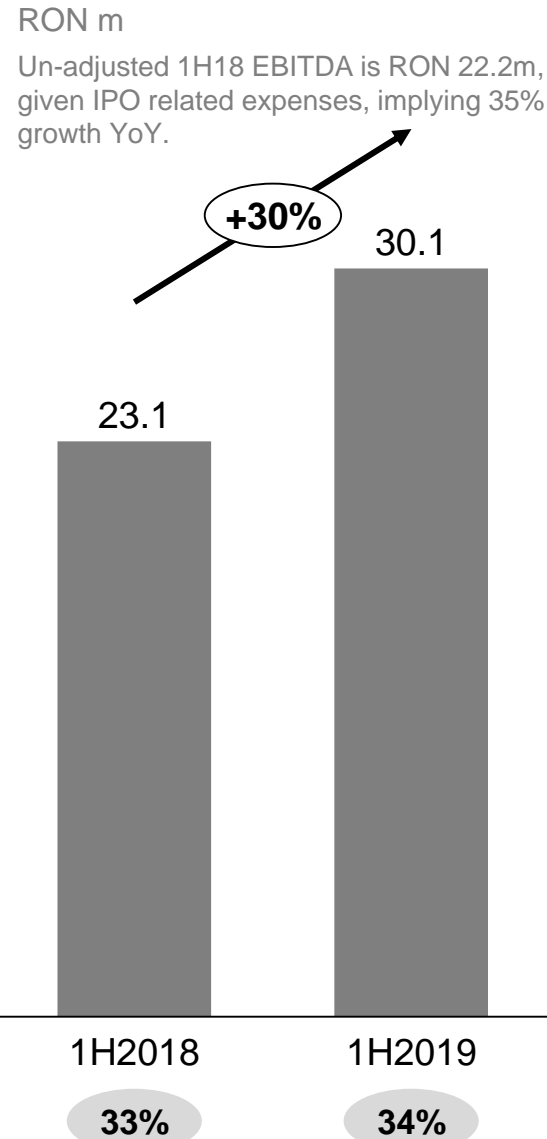
Negru de Purcari
2013, 4.4 score on
Vivino, top 1% wine
globally

2 Growing above guidance in 1H19

Revenues

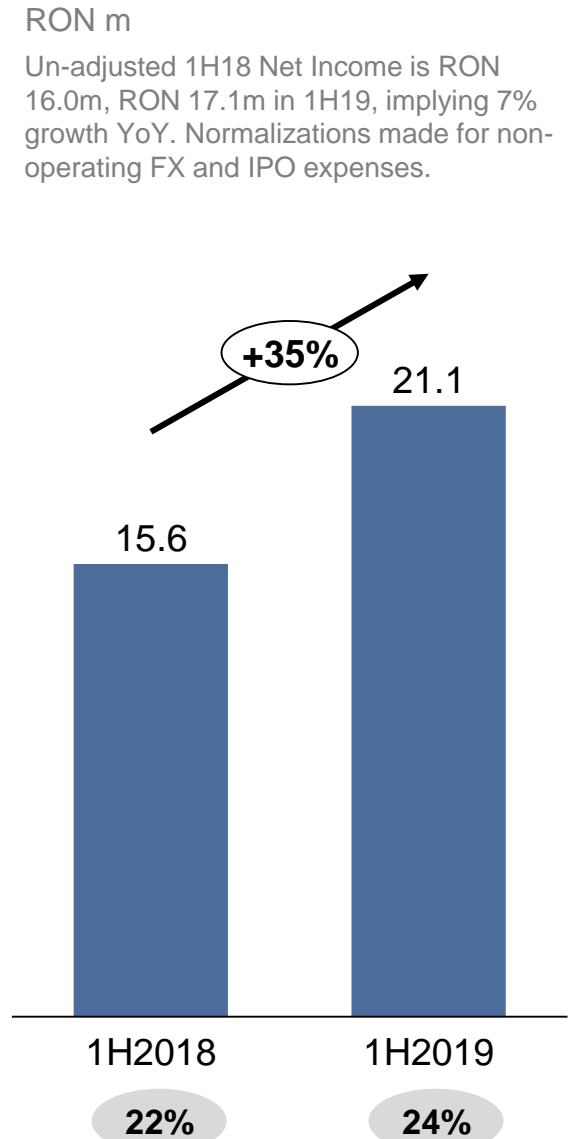


Adjusted EBITDA



EBITDA margin

Adjusted Net Income



Normalized NI margin

2 Highlights: strong growth, profitability increasing ahead of revenue

Strong revenue growth

- Accelerating growth, sales increasing +25% YoY in 1H19, to RON 88m (vs. +19% YoY in 1H18)
- Poland contributing most to the growth, increasing 47% YoY, on improved Bostavan performance
- Encouraging performance of Bostavan brand +30%, helped by strong traction in Poland, Czechia, Slovakia, see significant further room for growth, focusing on brand rejuvenation

Solid margins, even in the seasonally lower 1H

- EBITDA margin at 34% and Normalized Net Income margin at 24%, helped by prudent approach to SG&A, strong gross margins
- Selling and marketing expenses stable as share of revenue despite vigorous growth, G&A expenditures down 8% YoY

Excellent customer feedback, both on existing and new varietals

- 8 out of top 10 wines in Romania according to Vivino (30-60 RON) are Purcari's
- Chardonnay de Purcari won the Platinum medal at Decanter London, awarded 97 points
- Traminer de Purcari, our newest addition to the portfolio, is already top-3 in the Vivino Romania rankings with an outstanding 4.4 rating, ranked a top 1% wines globally

Favorable Fx trend, softer MDL, boosting competitiveness








- MDL depreciated 6% YoY on quarter-average basis, reflecting the sustained current account deficit of the country.
- Highly positive development for the Company as most expenses are denominated in local currency, expect improved cost efficiency on both gross margin and SG&A level shall the trend continue.

On track for 2019 outlook

- Solid start of the year, sales growth significantly above provided guidance for full 2019 of +18-22%
- Profitability on track, EBITDA margin within guidance despite seasonally low quarter, with disproportionate share of profits generated in Q3 and Q4







2 Markets: Romania remains key growth driver, record quarter in Poland

Market	Share of sales, 1H19	Growth, 1H19 YoY	Comments
RO 	40%	+16%	<ul style="list-style-type: none"> RO: Strong Purcari performance, up c. +30% YoY, per IFRS and +44% per managerial reporting¹. Overall, the growth in Romania per managerial reporting was +33%. Strong dynamics on Bardar, newly introduced to the market – 2Q sales up over 50% vs. 1Q19, albeit from a low base.
MD 	20%	+16%	<ul style="list-style-type: none"> MD: Growth accelerating vs. 1Q as Coca Cola Hellenic, new distribution partner, picks up pace. Still see transition challenges, expect significant benefits in channel penetration and consequently sales performance in mid-to-long-term.
PL 	12%	+47%	<ul style="list-style-type: none"> PL: Maintained success in Bostavan development initiatives, expanding within key accounts, price increases pushed through. Continue to work on brand revamp, still early in the process.
CZ SK 	5%	+24%	<ul style="list-style-type: none"> CZ&SK: Strong growth in Bostavan sales performance; buffer stock effects on a large order from key partner led to lower dynamics versus Q1.
ASI 	6%	+43%	<ul style="list-style-type: none"> ASIA: Strong quarter, driven by promising Bostavan, Bardar performance on large orders from new distributor accounts, continue work on developing the commercial strategy for China.
UA 	3%	+8%	<ul style="list-style-type: none"> OTHER: Strong dynamics helped by Q2 Bardar sales in Belarus, which may normalize by year-end, resulting in somewhat calmer dynamics.
RoW 	12%	+41%	

Note: (1) The IFRS reporting impacted by the change in discount application practices by key retail partners in Romania in 2Q18, which increased the comparative base. Starting Q3 the comparison shall be apples-to-apples again.

2 Brands: Bostavan and Purcari lead the growth

Brand	Share of sales, 1H19	Growth, 1H19 YoY	Comments
	39%	+22%	<ul style="list-style-type: none"> PURCARI: ongoing strong traction in Romania, growing circa 30% per IFRS versus 2018, ample headroom remaining (growth per managerial accounts +33%¹. Continue to see adverse effects of distributor shift in Moldova - even though growth is double digit, expect larger benefits in mid-to-long-term.
	32%	+30%	<ul style="list-style-type: none"> BOSTAVAN: good performance across all key markets, strong traction in Poland as expanding to new large retail chains. Successfully optimizing pricing policy, average price per liter up 5% YoY.
	15%	+2%	<ul style="list-style-type: none"> CRAMA CEPTURA: growth per managerial reporting is +18%. The IFRS reporting impacted by the change in discount application practices by key retail partners in Romania in 2Q18, which increased the comparative base. Starting Q3 the comparison shall be apples-to-apples again.
	14%	+46%	<ul style="list-style-type: none"> BARDAR: Ongoing switch from bulk to bottle. Successful commercial strategy in Moldova resulting in stable double-digit growth, despite challenges with distributor transition. High growth in Belarus, albeit affected by quarterly procurement shifts for key clients, may normalize by year-end.

Note: (1) The IFRS reporting impacted by the change in discount application practices by key retail partners in Romania in 2Q18, which increased the comparative base. Starting Q3 the comparison shall be apples-to-apples again.



2 Profitability growing ahead of sales, on strong GM and good GA control **PURCARI**

RON m	1H18	1H19	Δ '19/'18
Revenue	70.0	87.8	25%
Cost of Sales	(33.9)	(44.6)	31%
Gross Profit	36.0	43.2	20%
<i>Gross Profit margin</i>	51%	49%	(2 pp)
SG&A	(17.4)	(17.7)	2%
Marketing and selling	(5.5)	(6.8)	25%
General and Administrative	(12.4)	(11.4)	(8%)
Other income/expenses	0.4	0.5	36%
EBITDA	22.1	30.1	35%
Adj. EBITDA	23.1	30.1	30%
<i>Adj. EBITDA margin</i>	33%	34%	+1 pp
Normalized Net Profit ¹	15.6	21.1	35%
<i>Normalized Net Profit Margin</i>	22%	24%	+2 pp
Net Profit	16.0	17.1	7%
<i>Net Profit margin</i>	23%	19%	(3 pp)
Net Profit after minorities	14.4	15.2	6%
<i>Net Profit margin, after min.</i>	21%	17%	(3 pp)

Comments

- Revenue up 25%, well-above guidance range of 18-22%, on strong performance of Bostavan, Bardar brands.
- Higher 1Q dynamics partly impacted by historical accounting practices distorting 2018 allocations (first time reporting post-IPO) between quarters, with half-year data as more representative.
- Gross margin down insignificantly, pushed down by higher cost of raw materials, helped by improved pricing and lower personnel costs (variable production part, showing in COGS) on MD tax reform effects.
- Good control at GA level, down 8% YoY, executing on cost discipline, helped by halt in MDL appreciation and lower professional fees year-on-year (2018 IPO costs).
- Maintain stable level of marketing investments, slightly below 8% of revenue, despite the accelerating revenue growth.
- Adjusted EBITDA margin at 34% level. Normalized EBITDA growth of 30% shown, excludes the IPO related expenses in 1H18, with non-adjusted EBITDA up 35% YoY.
- Normalized Net Profit, excluding non-operating FX stood at RON 21.1 million, up 35%², 24% margin. A good net margin given the typical seasonal profitability skew towards Q3-Q4.
- Weakening MDL in 1H2019, while a clear positive for the company given predominantly export sales, led to a non-operating non-cash FX loss on revaluation of FX debt of Moldovan entities. Given the nature of these costs, we calculate normalized net profit, excluding negative 2019 FX effect of RON 4.0m and positive 2018 FX effect of RON 1.3m

1: 2019 Normalized Net Profit excludes RON 4.0m in non-operating FX loss;
2018 Normalized Net Profit excludes RON 1.3m in non-operating FX gain, RON 0.9m in IPO costs

2: For a like-for-like comparison, 1H2018 Normalized Net Profit excludes IPO-related expenses, resulting in higher 1H2018 figure and slower 2019 relative growth

2 Excellent feedback from digital natives, dominate premium segment

#1 presence in the RON <30 and RON 30-60 segment;
 Hold 8 out of TOP-10 positions in the crucial RON 30-60 segment, 10 in TOP-25



- We remain **obsessed about the quality of our wines**, which pays off in excellent consumer feedback
- In our core premium segment, 30-60 RON per bottle, shelf price, we dominate the category with **8 best rated wines in Vivino's top-10, 10 in top-25**
- Our **push in upper-mainstream** segment shows good results, #1 in top-25 <30 RON
- We remain convinced, it is the **product that will make the difference** mid and long term with consumers, so focus on making exciting wines, that capture people's imagination



2 Platinum & 97 points for our ~£13 Chardonnay @ Decanter; beats £50+ wines PURCARI

Selected top awarded white wines at Decanter London 2019

<i>Wine</i>	<i>Origin</i>	<i>Award</i>	<i>Points</i>	<i>Price (in UK)</i>
Chardonnay de Purcari (<i>Chateau Purcari</i>)		Platinum	97	£12.95
Ried Steinertal Smaragd Grüner Veltliner (<i>Alzinger</i>)		Gold	96	£41.39
Les Tillets (<i>Domaine Berthelemot</i>)		Gold	96	£45.99
Le Clos Monopole (<i>Château-Fuissé</i>)		Platinum	97	£50.00
Gravières (<i>Maison Evenstad</i>)		Gold	95	£60.00
Iphöfer Julius-Echter-Berg Riesling (<i>Hans Wirsching</i>)		Gold	95	£62.10
Cuvée des Hussards Extra Brut Premier Cru (<i>Frerejean Frères</i>)		Platinum	97	£70.00
Perrières (<i>Château de Meursault</i>)		Platinum	97	£71.68
Durell Vineyard Chardonnay (<i>Three Sticks</i>)		Gold	95	£74.99
Old Premium Rare Liqueur Topaque (<i>Morris</i>)		Gold	96	£99.99
Eszencia (<i>Grand Tokaj</i>)		Gold	96	£300.00

Note: prices taken from the Decanter platform, referenced for UK retailers to ensure “apples to apples” comparison; in case of a price range, the lowest price taken. Information as of August 8, 2019

Key ministers, bios



Maia Sandu

Prime Minister

- World Bank
- UNDP
- Ministry of Economy
- Harvard Kennedy School



Vadim Brinza

Minister of Economy & Infrastructure

- Logos Advisors, Private Equity
- Merrill Lynch
- PWC
- Harvard Business School



Natalia Gavrilita

Minister of Finance

- Global Innovation Fund
- Oxford Policy Management
- Ministry of Economy
- Harvard Kennedy School



Nicu Popescu

Minister of Foreign Affairs

- European Council for Foreign Affairs
- EU Institute for Security Studies
- Sciences Po
- MGIMO, Central European University

Developments

- New government in place as of June 14. Coalition between ACUM and Socialist parties
- Predominantly technocratic backgrounds. Half the ministers with meaningful US, EU work experience; 9 out of 12 speak at least 2 foreign languages fluently, including English; 7 out of 12 are women
- Unusual geopolitical congruence among EU, US, Russia in supporting the new government
- EU, IMF unlocked financing programs, welcomed the new government
- Governing program stipulates commitment to macro-economic stability and economic reforms; promises legal and fiscal predictability; aspires to change economic model from one focused on taxing consumption fueled by remittances to one stimulating productivity growth, exports
- Despite certain ideological divergences with regard to foreign policy, the governing coalition has been remarkably consensual to date
- World Bank projects GDP growth of 3.4% in 2019 and 3.6% in 2020

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Freedom Blend,
indigenous grapes
from Moldova,
Georgia, Ukraine;
91 points by Wine
Enthusiast

Target	2019 guidance	1H 2019 fact	Status	Comments
Organic revenue growth	+18-22%	+25%		<ul style="list-style-type: none"> Maintaining growth significantly above guidance, yet we prefer to err on the prudent side and not raise guidance, given high effect of late-year sales on the Company's performance
EBITDA margin	32-34%	34%		<ul style="list-style-type: none"> Top of guidance; larger chunk of sales made in Q3-Q4, seasonally heavier quarters, leaving room for additional upside.
Net Income margin	22-24%	19/24%		<ul style="list-style-type: none"> 19% IFRS margin. 24% normalized Net Income margin gross of non-operating Fx expenses. Same comment as per EBITDA. Nevertheless, we keep, for now, our guidance unchanged for the full year – we would rather under-promise.

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Cuvée de Purcari, the extension to sparkling launched in 2017. Made according to the traditional, *Champenoise* method, with in-bottle fermentation



Thank you.