

# Purcari Wineries Plc

9M2019 results presentation

November 15, 2019





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# Today's presenters

**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

**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 9M2019 Operational Results

3 Update on 2019 Outlook

4 Q&A



Our newest launch, Malbec de Purcari, tapping the global Malbec phenomenon, a fruit-bomb and big hit with consumers.

# 1 Purcari Wineries at a glance

## Leading wine player in Romania and the CEE...

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

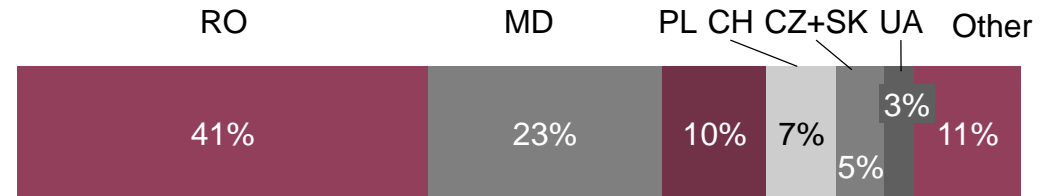
- #1** awarded CEE winery of the year in 2015-2019 at Decanter London, "wine Olympics"
- #1** premium wine brand in Romania, Moldova
- #1** fastest growing large winery in Romania
- #1** largest exporter of wine from Moldova
- top** 1,392+ hectares of prime vineyards, top production assets
- top** Reputable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

## 4 brands, covering a broad spectrum of segments



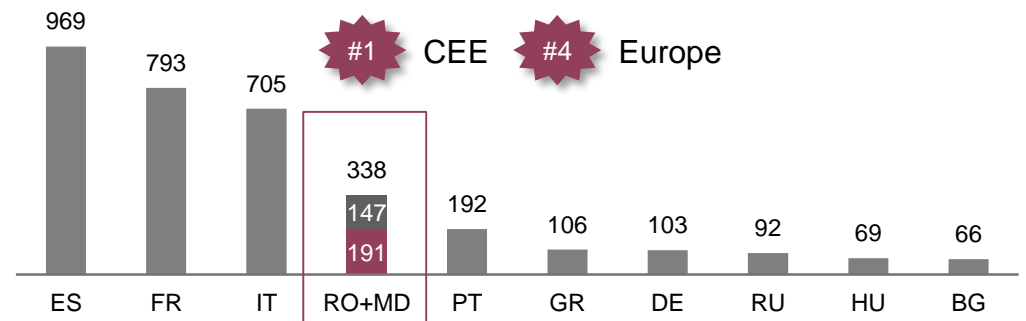
## ... with a strong & expanding regional footprint

Geographical breakdown of sales in value terms, 9M2019, %



## 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

<p><u>Attractive market</u></p>	<p>Secular shift from beer, spirits to wine, especially in CEE</p>	<p><u>Competitive advantage</u></p>	<p>#1 premium wine brand in Romania</p>
<p>Wine growth '16-'20F in Romania 9.0% vs. 1.9% for beer</p>	<p>Plenty to catch up: wine consumption in Poland = ¼ Germany, per cap.</p>	<p>#1 fastest growing large winery in Romania</p>	<p>#1 most awarded CEE winery at Decanter, “wine Olympics”</p>
<p>Shrinking vine plantations, create shortage, push prices up</p>	<p>Romania+Moldova undisputable #1 vineyards size in CEE, 5x vs #2</p>	<p>#1 EBITDA margin among global publicly traded wine peers</p>	<p>#1 on Instagram, Vivino engaging millennials in Romania</p>

# 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

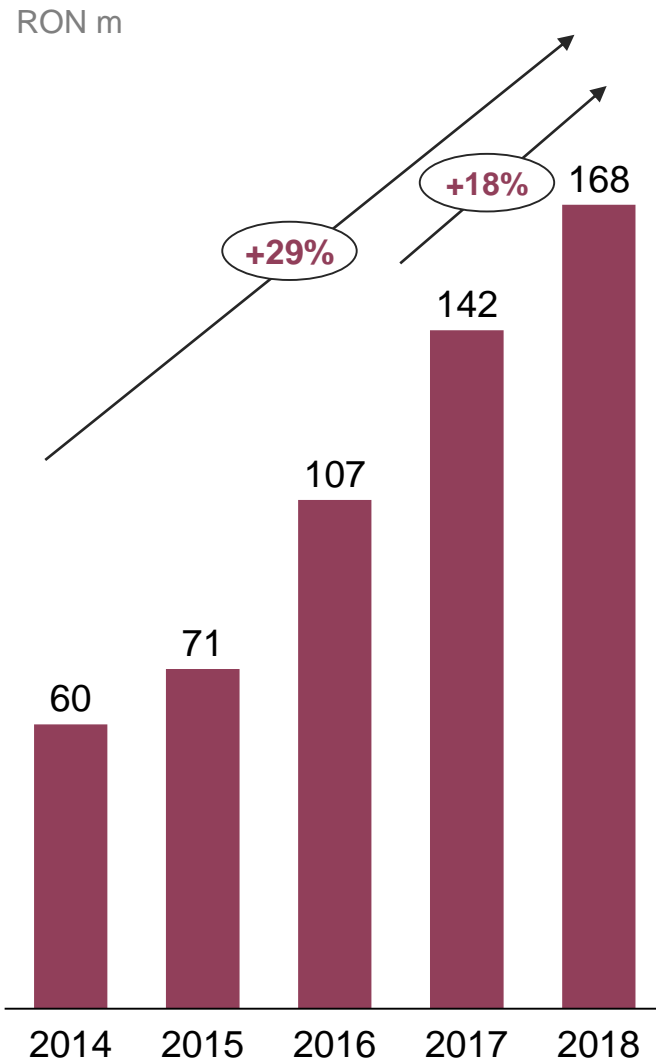
### *Better*

We keep improving – both our wines and our people

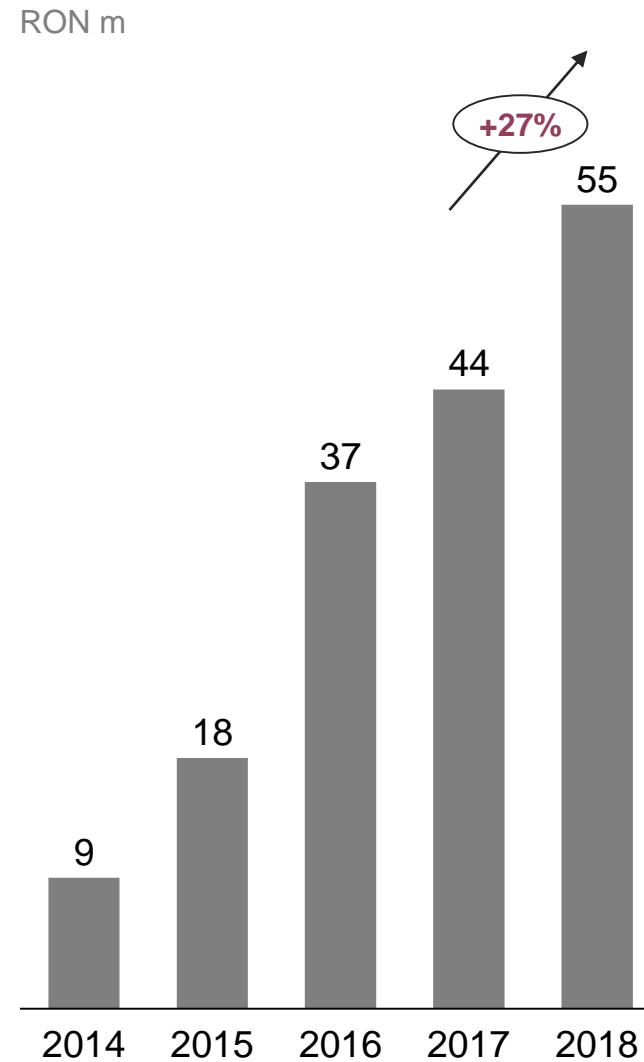


# 1 Strong track record of growth

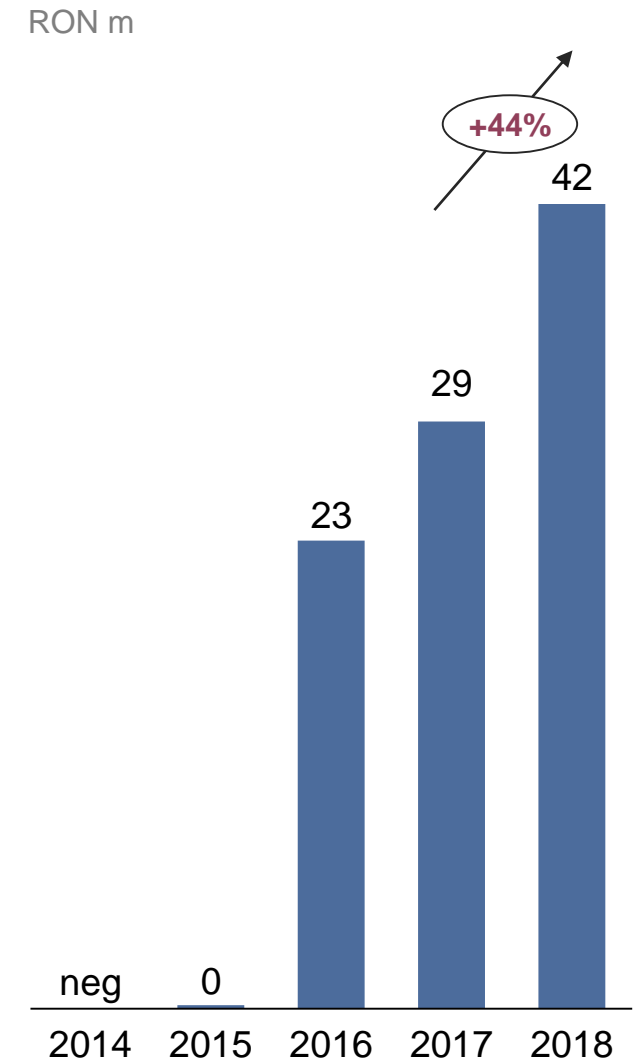
## Revenues



## EBITDA<sup>1</sup>



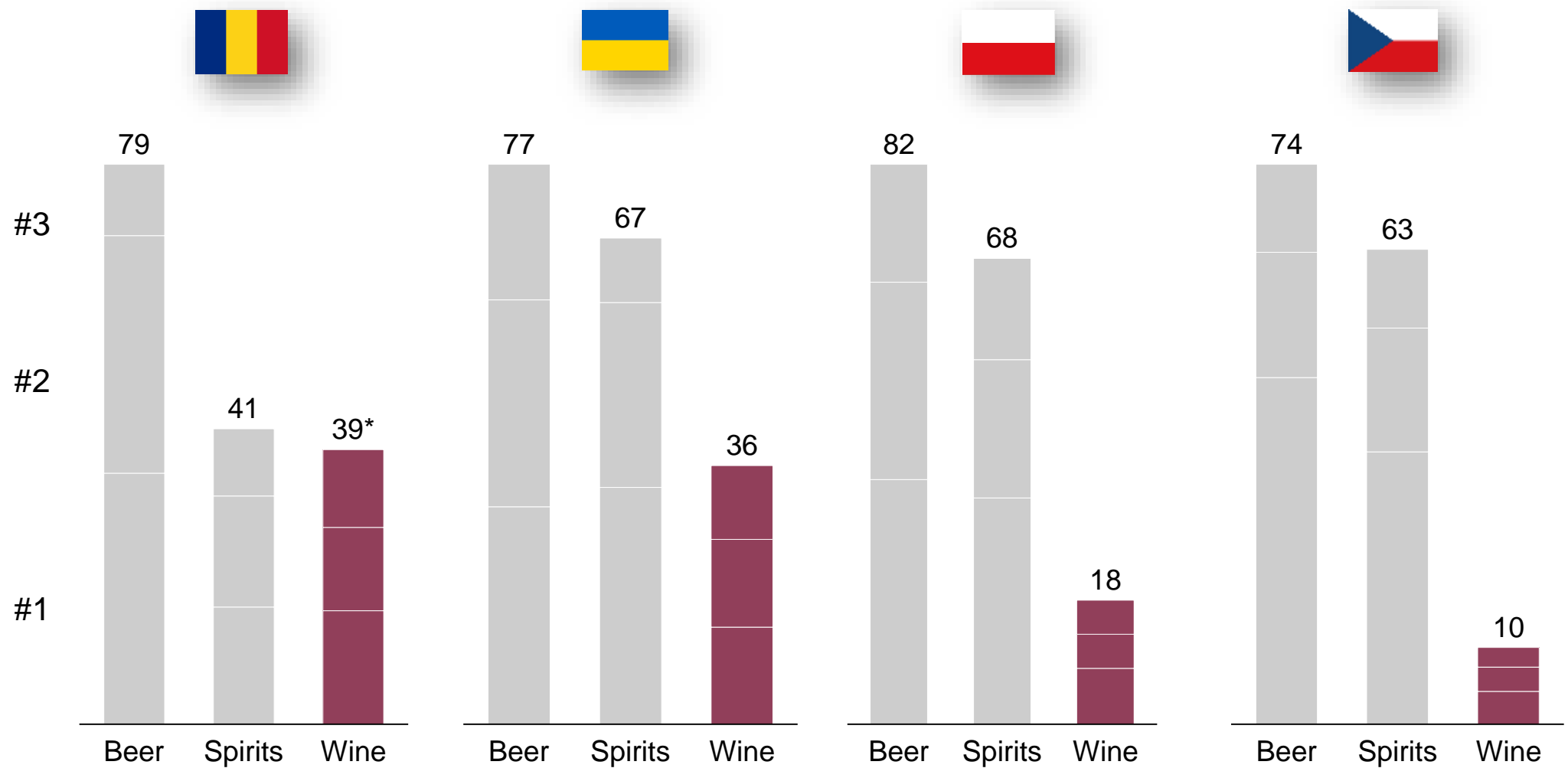
## Net Income



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, %

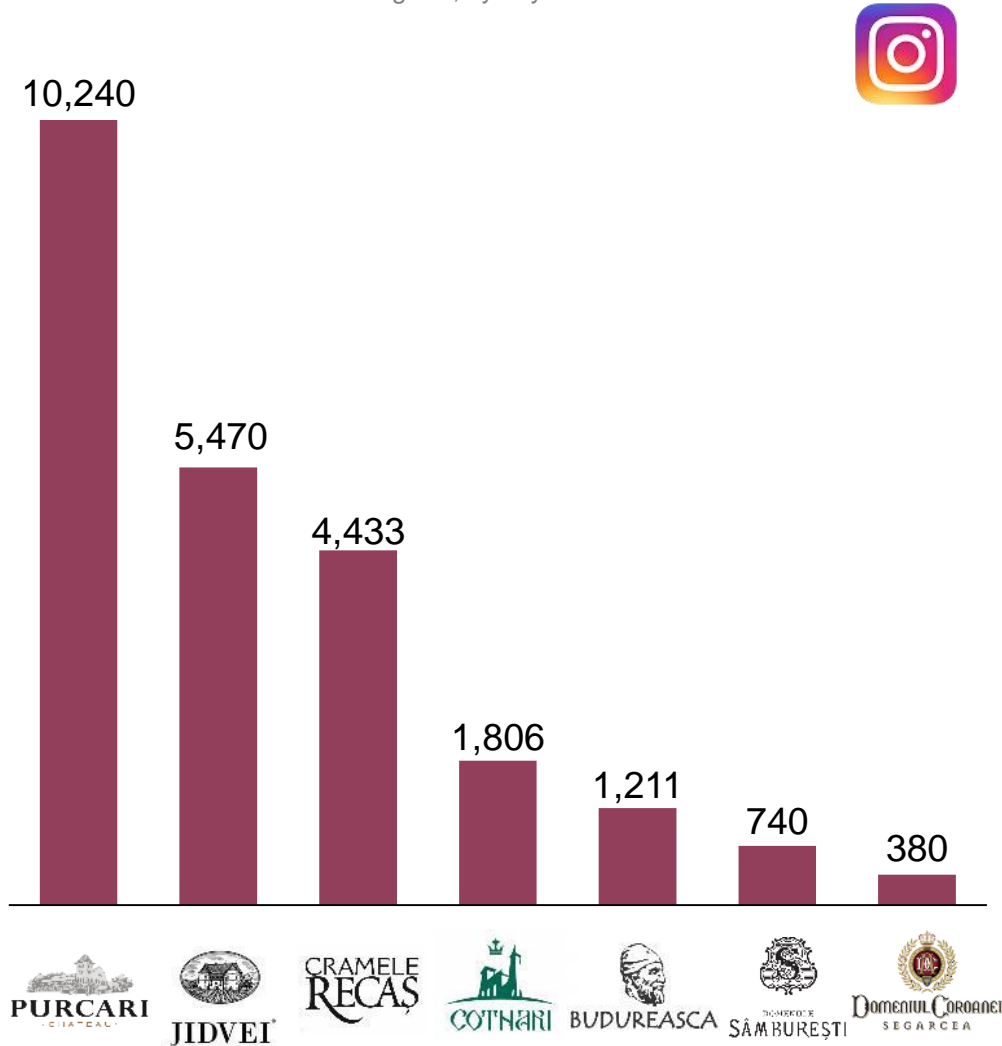


*Unlike beer or spirits, **wine market remains very fragmented**; players who have the scale and sophistication needed – are in a **great position to consolidate it***

# 1 Topping competition at engagement, quality

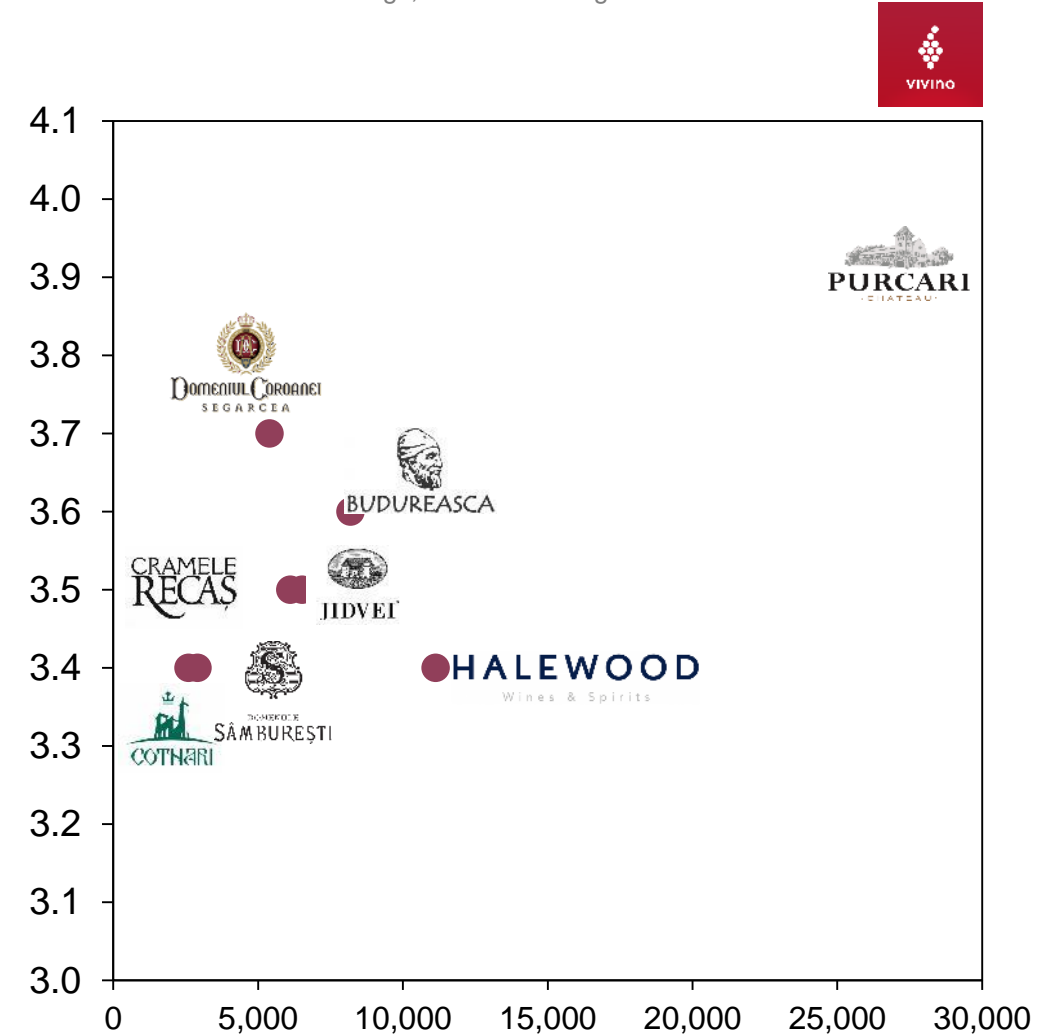
## Aspirational brand which consumers like sharing about

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



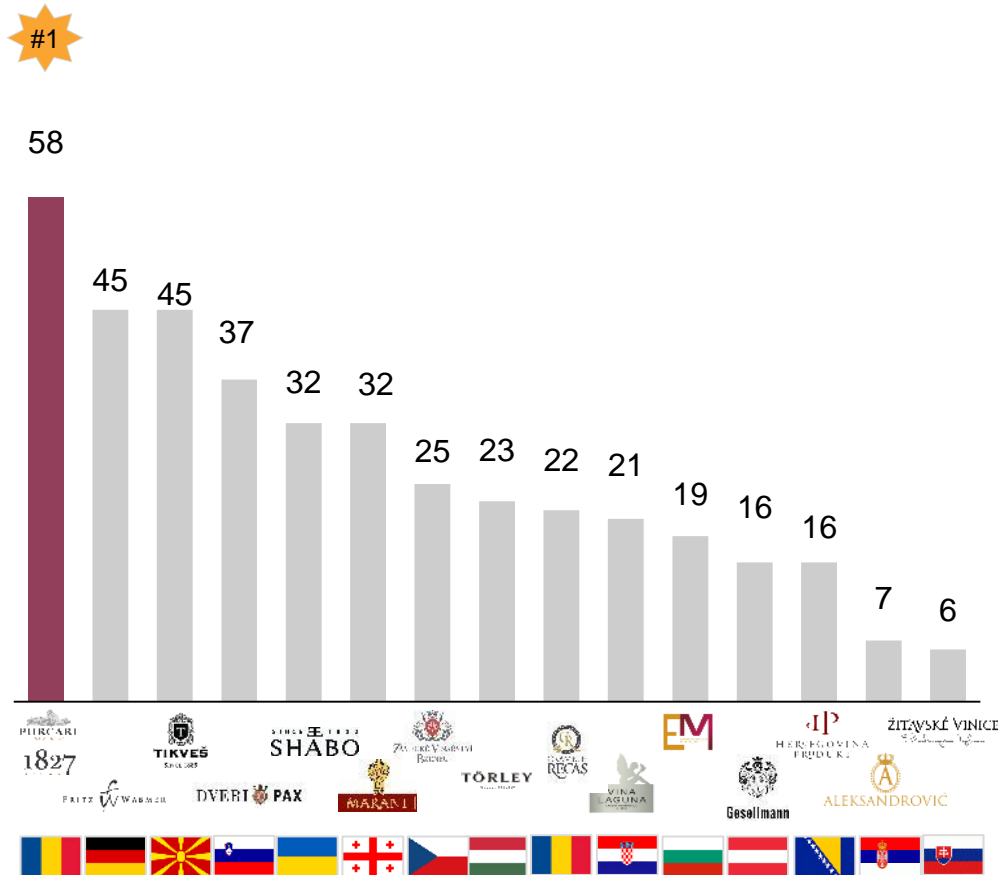




# 1 Quality highly commended, remain the most awarded winery in CEE PURCARI

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

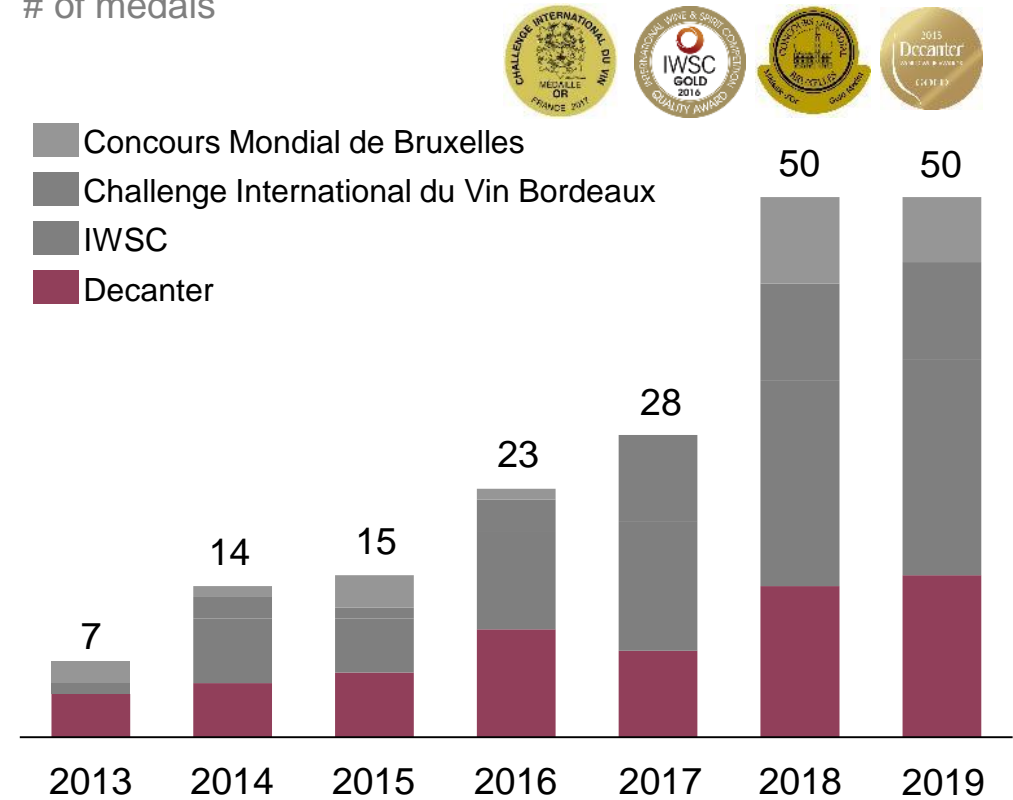
# of Decanter medals in 2015 - 19



- 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



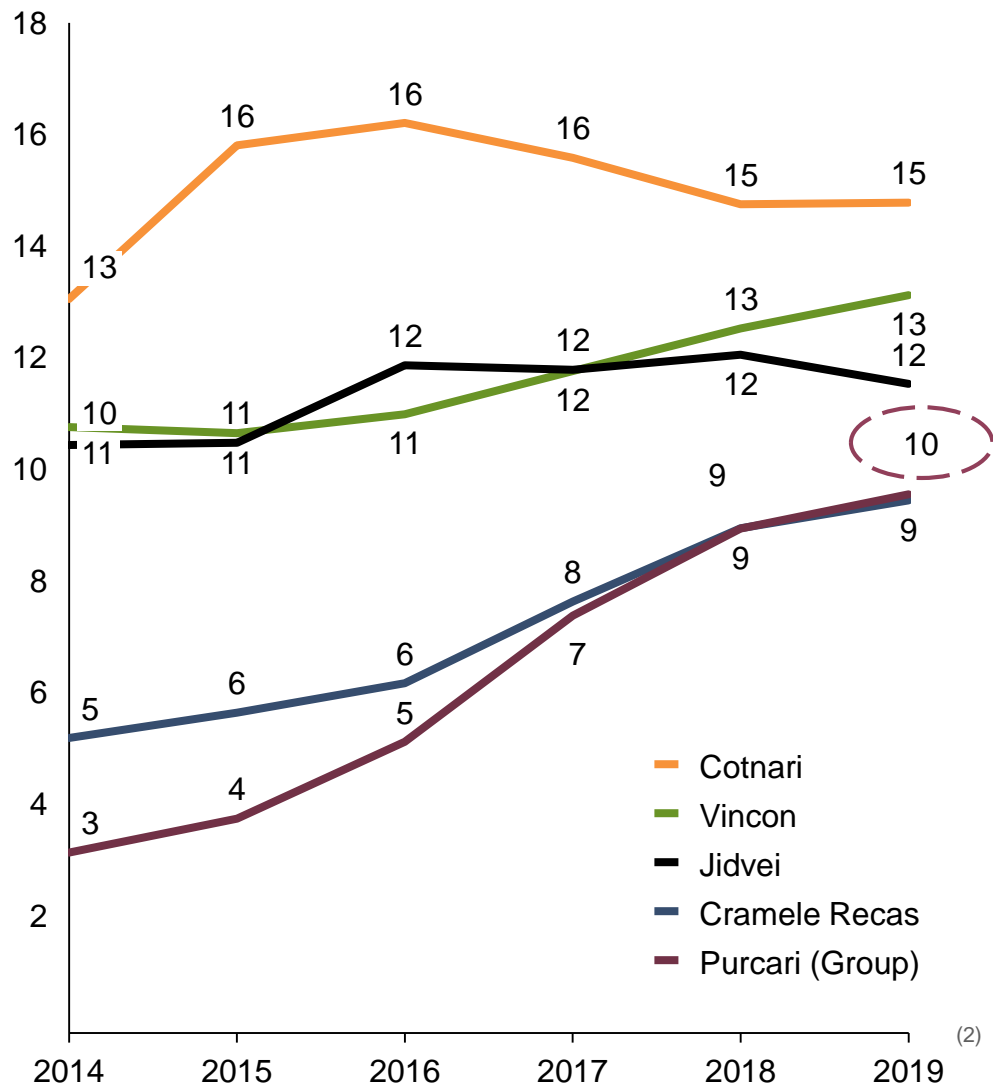
- Unlike beer or spirits, wine production is more prone to quality fluctuations. The Group has demonstrated the ability to keep raising the bar quality wise, as illustrated by the mounting number of medals won at top global competitions



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

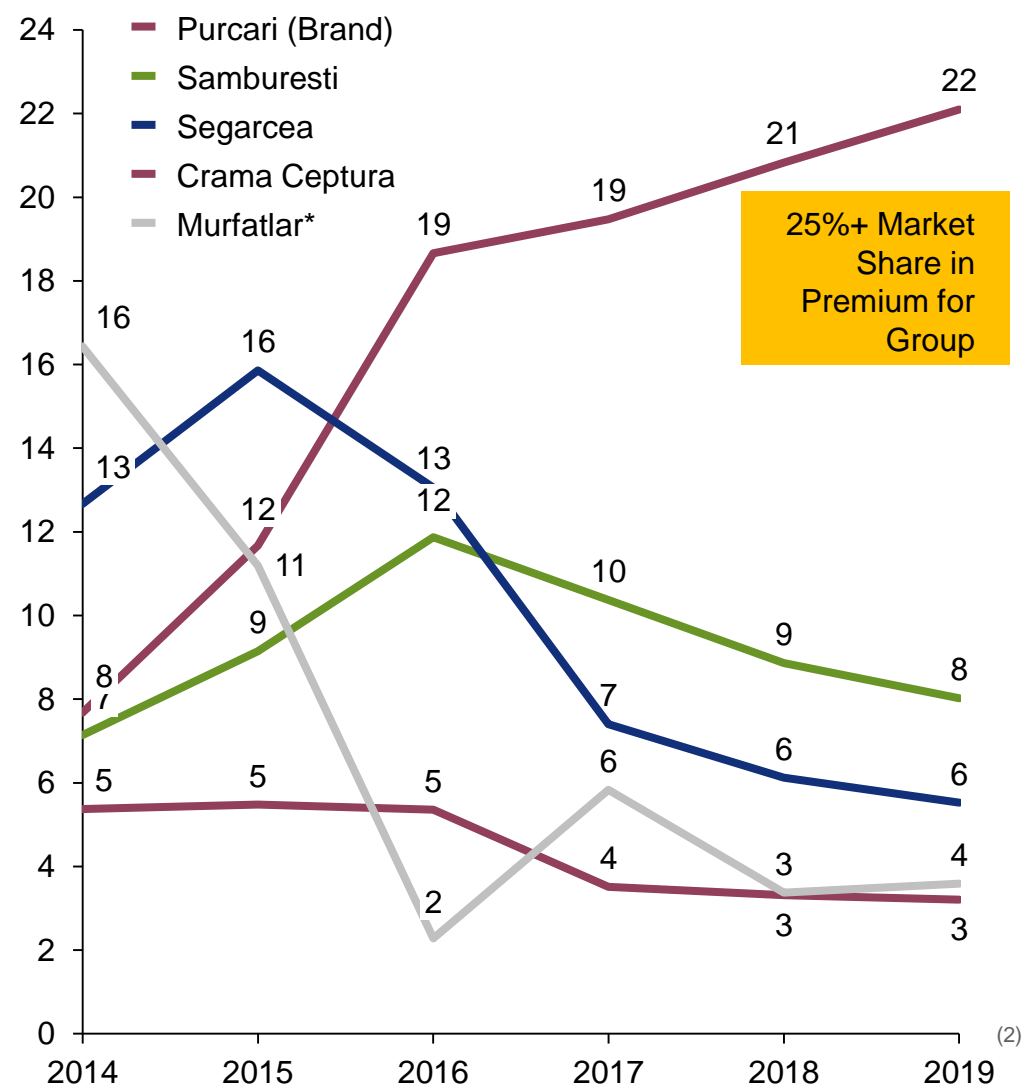
## Overall, Purcari has tripled MS in 4 years....

Value share of TOTAL retail market, Romania, %



## ...while becoming a clear #1 in Premium<sup>1</sup>

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



25%+ Market Share in Premium for Group

Notes: (1) YTD June 2019

Sources: Nielsen report; Purcari Group = Purcari, Crama Ceptura and Bostavan brands;

# Agenda

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1 Our Group

2 **9M2019 Operational Results**

3 Update on 2019 Outlook

4 Q&A

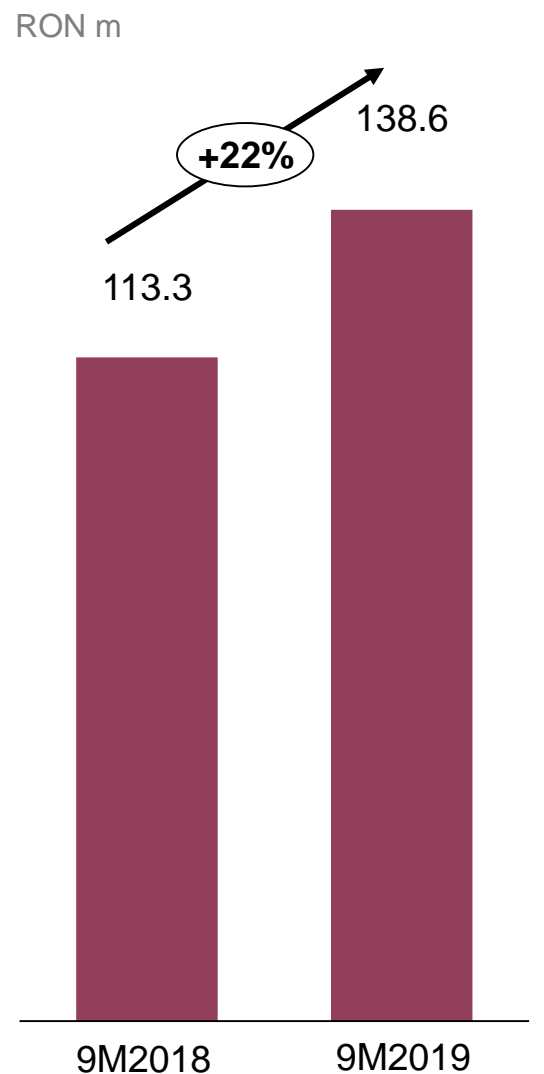


Negru de Purcari  
2013, 4.4 score on  
Vivino, top 1% wine  
globally

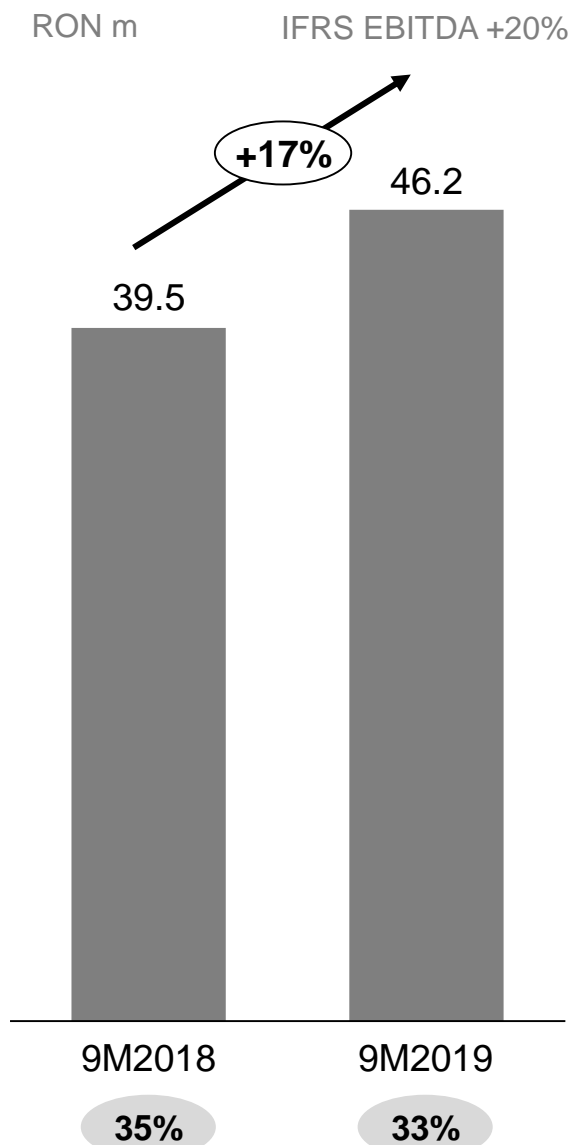


## 2 Continuing strong growth

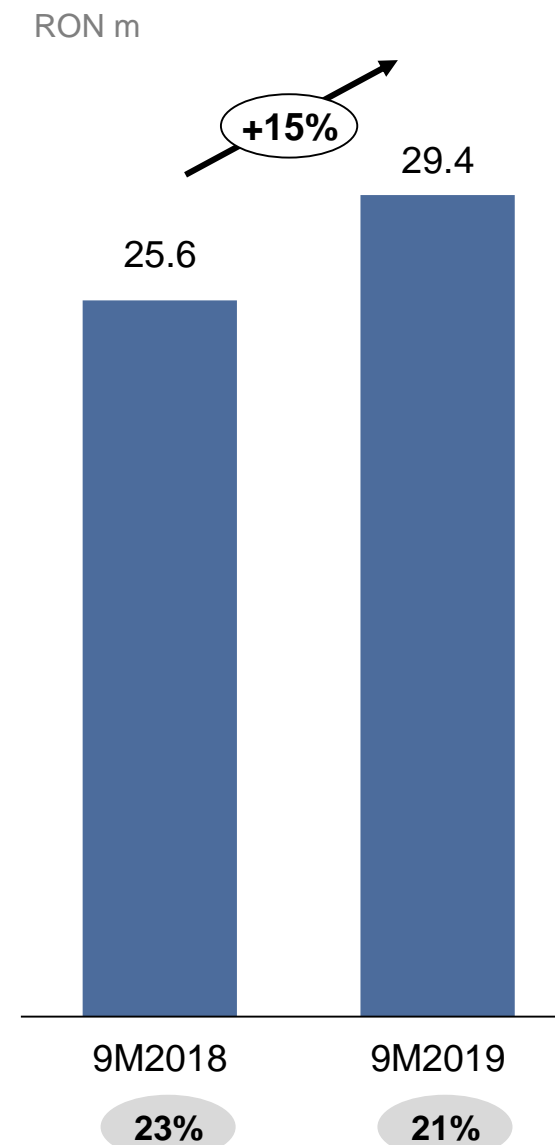
### Revenues



### Adjusted EBITDA<sup>1</sup>



### Net Income



Note: (1) - excluding non-recurring, 2018 IPO related costs;

*EBITDA margin*

*Net Income margin*

## 2 Key operational highlights for 9M2019

### Strong revenue growth

- Strong growth, sales increasing +22% YoY in 9M19, to RON 138.6m (vs. +20% YoY in 9M18).
- Romania contributing most to the growth, increasing 25% YoY, on accelerating Purcari performance.
- Promising performance in Asia. Strong development of Bardar in Moldova, following through the strategy of shifting from bulk to bottled sales.

### Solid margins

- EBITDA margin at 33% and Net Income margin at 21%, on solid revenues growth, good cost control.
- Selling and marketing expenses stable as share of revenue; growth year on year explained by uneven allocation among quarters in the comparable period last year.
- Includes RON 1.09m trade receivables impairment, per IFRS, which management is confident on recouping.

### Decent harvest in a challenging year for growers globally








- 2019 world wine production down 10% YoY, EU's down 15%; conditions for good pricing environment.
- Own harvest at Purcari Group down 9% YoY, lower purchases from third parties, along with significant stocks build-up in 2018 season.
- Positioned well stock-wise to support ambitious sales plan in 2020.

### On track for 2019 outlook

- Good outlook on full 2019, ahead of crucial Q4, seasonally the most important quarter sales and margin contribution wise.
- We maintain our guidance for Revenue, EBITDA and Net Income margin.





### Higher stock free-float and liquidity post PE divestment

- On October 2, Horizon Capital have divested their 22.7% stake held via Emerging Europe Growth Fund II (a 2008 vintage fund) via ABB. As result of this divestment, the free-float rose to 75%.
- Investor base and daily trading in the stock has expanded substantially, on the higher liquidity profile.

Market	Share of sales, 9M19	Growth, 9M19 YoY	Comments
RO 	41%	+25%	<ul style="list-style-type: none"> <li>RO: Strong Purcari performance, up 35% YoY, accompanied by lower double-digit growth of Crama Ceptura. Acceleration for Bardar, newly introduced to the market – 9M2019 sales up twofold FY'18, albeit from a low base.</li> </ul>
MD 	23%	+18%	<ul style="list-style-type: none"> <li>MD: Main growth drivers – Purcari and Bardar. Growth accelerating vs. 1H as Coca Cola Hellenic, new distribution partner, picks up pace. Significant benefits in channel penetration and consequently sales performance still to come in mid-to-long-term.</li> </ul>
PL 	10%	+19%	<ul style="list-style-type: none"> <li>PL: Growing faster than wine category in PL (+8%<sup>1</sup>). Sales shift for one of main distributor from Q3 to Q4. Maintained success in Bostavan development initiatives, expanding within key accounts, price increases pushed through. Continue to work on brand revamp.</li> </ul>
ASI 	7%	+72%	<ul style="list-style-type: none"> <li>ASIA: Strong quarter, driven by Purcari closely followed by Bostavan. Crama Ceptura accelerating its growth albeit from a low base. Continue work on implementation the commercial strategy for China.</li> </ul>
CZ SK 	5%	-18%	<ul style="list-style-type: none"> <li>CZ&amp;SK: Slowdown impacted by restructuring process of one of key distributors; buffer stock effects on a large order from key partner; much more aggressive price promo from local and EU competitors.</li> </ul>
UA 	3%	+21%	<ul style="list-style-type: none"> <li>OTHER: Strong dynamics helped by 9M Bardar sales in Belarus, which may normalize by year-end, resulting in somewhat calmer dynamics and almost double sales of Purcari in RoW.</li> </ul>
RoW 	11%	+9%	



## 2 Premium brands Purcari and Bardar lead the growth

Brand	Share of sales, 9M19	Growth, 9M19 YoY	Comments
	40%	+32%	<ul style="list-style-type: none"> <li>PURCARI: ongoing strong traction in Romania, ample headroom remaining through geographic expansion. Double digit growth in Moldova, larger benefits still to be expected in mid-to-long-term from distributor shift.</li> </ul>
	29%	+7%	<ul style="list-style-type: none"> <li>BOSTAVAN: strong traction in Poland +19% as expanding on to new large retail chains. Successfully optimizing pricing policy, average price per liter up 4% YoY. Two digits growth in Asia and Ukraine, albeit from smaller base. Certain challenges in CZ&amp;SK due to key distributor restructuring, aggressive price competition which overall eroded 7% 9M YoY growth. Expected to mitigate adverse impact in Q4'Y19 and Q1'Y20.</li> </ul>
	16%	+13%	<ul style="list-style-type: none"> <li>CRAMA CEPTURA: Higher growth expected on promising launch of Dominum Cervi, a popular premium offering, already listed in IKA, combined with launch of the new products from Husi Vineyard: Busuioaca de Bohotin, Zghihara de Husi, Tamaioasa Romaneasca.</li> </ul>
	15%	+25%	<ul style="list-style-type: none"> <li>BARDAR: Successful commercial strategy in Moldova resulting in very strong quarter, despite challenges with distributor transition. Ongoing switch from bulk to bottle. High growth in Belarus, albeit more temperate after previous quarters procurement shifts for key clients.</li> </ul>

## 2 Margins and sales continuous growth

RON m	9M18	9M19	Δ '19/'18
Revenue	113.3	138.6	22.2%
Cost of Sales	(56.8)	(69.2)	21.9%
Gross Profit	56.6	69.3	22.6%
<i>Gross Profit margin</i>	49.9%	50.0%	+0.1 pp
SG&A	(24.0)	(29.2)	22%
Marketing and selling	(8.5)	(10.7)	25%
General and Administrative	(15.6)	(18.2)	17%
Other income/expenses	0.1	(0.3)	n.a.
EBITDA	38.6	46.2	20%
Adj. EBITDA	39.5	46.2	17%
<i>Adj. EBITDA margin</i>	35%	33%	(2 pp)
Net Profit	25.6	29.4	15%
<i>Net Profit margin</i>	23%	21%	(2 pp)
Net Profit after minorities	22.8	26.2	15%
<i>Net Profit margin, after min.</i>	20%	17%	(3 pp)

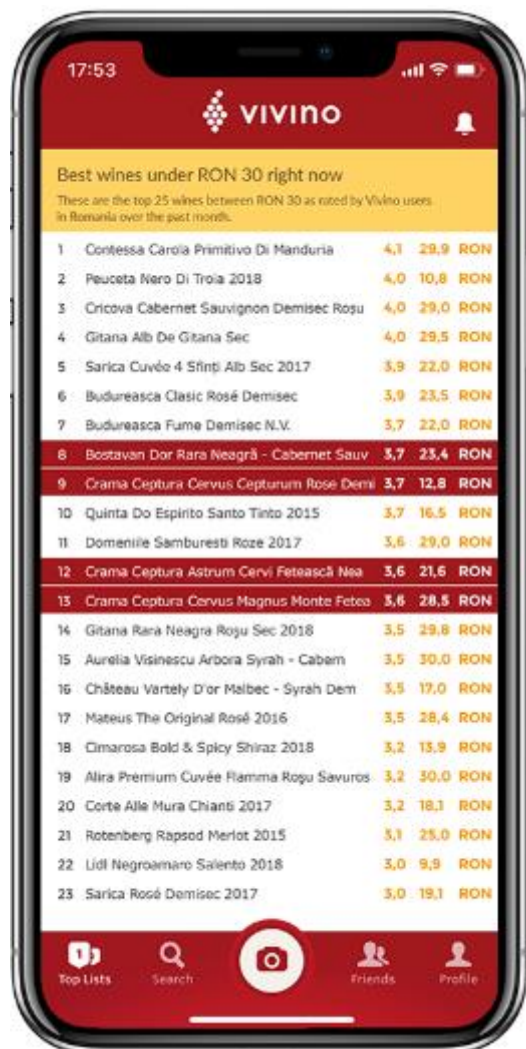
### Comments

- Revenue up 22.2%, marginally above guidance range of 18-22%, on strong performance of Purcari, Bardar brands.
- Gross margin slightly up with revenues growing faster than cost of goods sold, on improved mix and select price raises.
- GA +17% 9M YoY, but flat at 13% of revenue. Spike of GA costs in Q3 largely impacted by historical accounting practices distorting 2018 allocations (first period reporting post IPO) between quarters, with 9M data as more representative.
- Maintain stable level of marketing investments, slightly below 8% of revenue, despite the accelerating revenue growth. Increase of Marketing and selling triggered by variable components: i.e. trade marketing.
- Adjusted EBITDA margin at 33% level within the guidance range 32-34%. Normalized EBITDA growth of 17% shown, excludes the IPO related expenses in 1H18, with non-adjusted EBITDA up 20% YoY.
- Net profit stood at RON 29.4 million, up 15%, net margin slightly below guidance 21%, impacted by prudential 1.09 mil. RON provision on trade account impairment and larger finance cost. Excluding provision, Net Profit margin at 22% and growth at +19% YoY



## 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-25 positions in the crucial RON 30-60 segment



#1

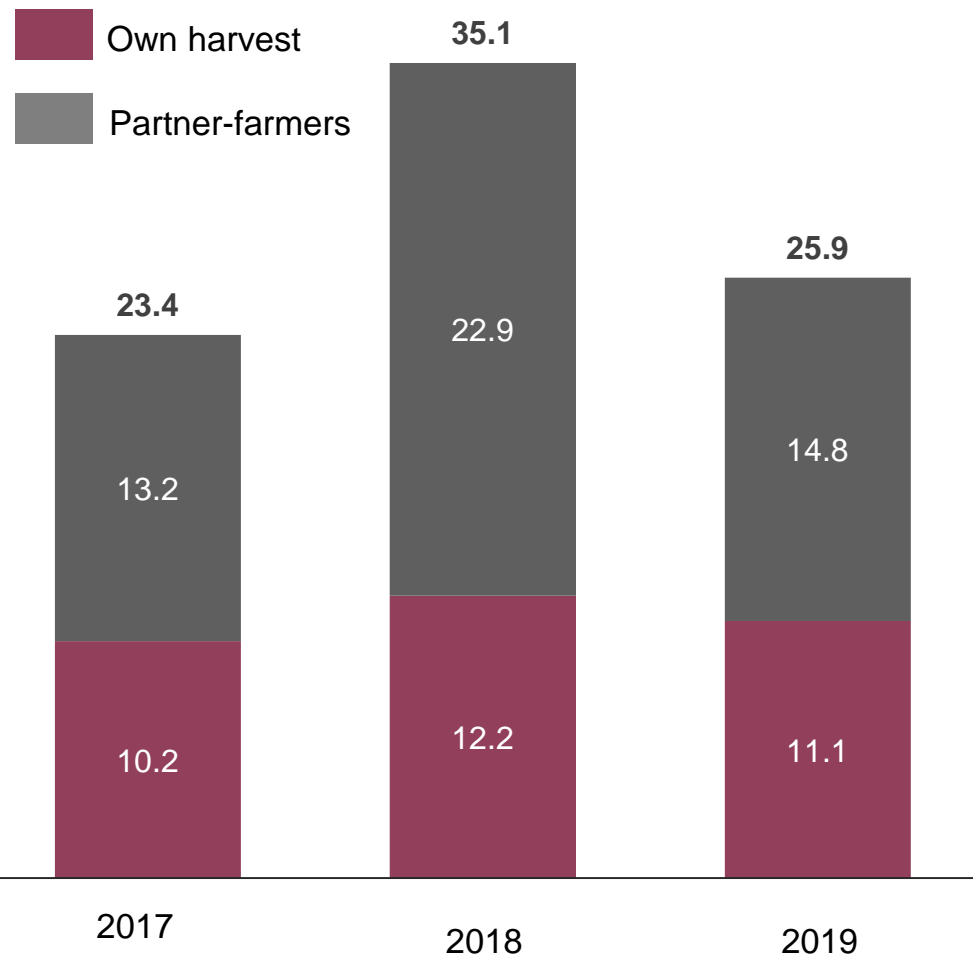


#1

- 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 in top-25**
- Our **push in upper-mainstream** segment shows good results, with 4 of our wines 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

### Good 2019 harvest, against a globally challenging year

Own harvest and 3<sup>rd</sup> party purchases of grapes, million kg



### Comments

- Own harvest 9% lower vs. previous record year, but estimated as better than MD / RO / EU averages. World production down 10%, EU's down 15%<sup>1</sup>.
- Processed grapes +11% vs 2017 along with significant stocks build-up in 2018 season are well enough to support ambitious sales plan in 2020.
- 3<sup>rd</sup> party purchases significantly lower, as have sufficient stock from 2018 season in which record purchases were made, especially for red wines and brandy distillates, which can be stored for longer.
- Managed to maintain a good cost base, hence anticipating to maintain a good Gross Margin level into 2020.
- Lower EU harvest expected to create a good pricing and demand environment. Harvest in the big-3 producers – France, Italy and Spain – down 13%, 17% and 19% respectively.<sup>1</sup>
- Paul Attwood-Philippe (Vinex, main global wine trading platform): *“The smart buyers will know what wine will be available and will move fast to pick up allocations. But generally we can expect to see 10-15% price rises, particularly across France, Italy and Spain. It will be more stable pricing in Central Europe which might see increases of around 5%. [...] From a VINEX point of view we are seeing more buyers working with us from Germany, Scandinavia and the Netherlands. Businesses who are starting to look outside their traditional supply base and into Eastern Europe. But overall people are looking at smarter ways to buy wine”*<sup>2</sup>

Note: (1) – International Wine Organization, European Commission's Directorate-General for Agriculture (DGAgri);

(2) – Vinex, Regional Manager Report – Europe, 16 October 2019

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1 Our Group

2 9M2019 Operational Results

3 **Update on 2019 Outlook**




4 Q&A



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



### 3 Guidance 2019 – on track to deliver

Target	2019 guidance	9M2019 fact	Status	Comments
Organic revenue growth	<b>+18-22%</b>	<b>+22%</b>		<ul style="list-style-type: none"> <li>Maintaining growth within the guidance, ahead of crucial Q4 quarter, most important from a seasonality point of view.</li> </ul>
EBITDA margin	<b>32-34%</b>	<b>33%</b>		<ul style="list-style-type: none"> <li>EBITDA margin on track in 9M 2019, with favorable seasonality effects in Q4, driven both by margin and share of Q4 EBITDA.</li> </ul>
Net Income margin	<b>22-24%</b>	<b>21%<sup>1</sup></b>		<ul style="list-style-type: none"> <li>Net Income margin on track in 9M 2019, with favorable seasonality effects in Q4, driven both by margin and share of Q4 Net Income.</li> </ul>

Note: (1) – 22% if excluding prudential provision on trade account impairment amounting 1.09 mil. RON

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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.