

# Purcari Wineries Plc

2020 Preliminary Unaudited Results



February 26, 2021

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## 1 Our Group, Vision and Strategy

## 2 2020 Operational Results

## 3 2021 Outlook

## 4 Q&A



Viorica de Purcari caters to the increasing interest in indigenous aromatic grapes. **BEST IN SHOW** at Decanter 2020, 97 pts.

# 1 Purcari Wineries Group at a glance

## Leading wine player in Central and Eastern Europe...

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

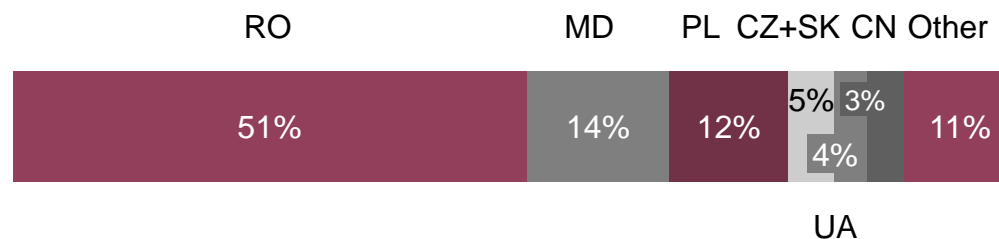
- #1** Most awarded CEE winery of the year in 2015-2020 at Decanter London, "wine Olympics"
- #1** Best premium wine brand in Romania, Moldova
- #1** Fastest growing large winery in CEE
- #1** Largest exporter of wine from Moldova
- top** 1 400+ hectares of prime vineyards, top production assets
- top** Listed on Bucharest Stock Exchange, with reputable shareholders alongside founder, Victor Bostan: Fiera Capital, Aberdeen, Conseq, East Capital, SEB, Franklin Templeton, Horizon Capital, etc.

## 6 production sites and 4 brands, covering a broad spectrum of segments



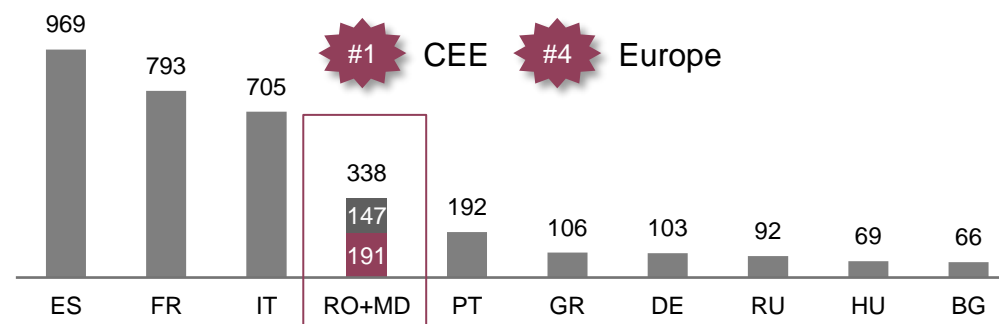
## ... with a strong & expanding regional footprint

Geographical breakdown of sales in value terms, 2020, %



## 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 the 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



## 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*

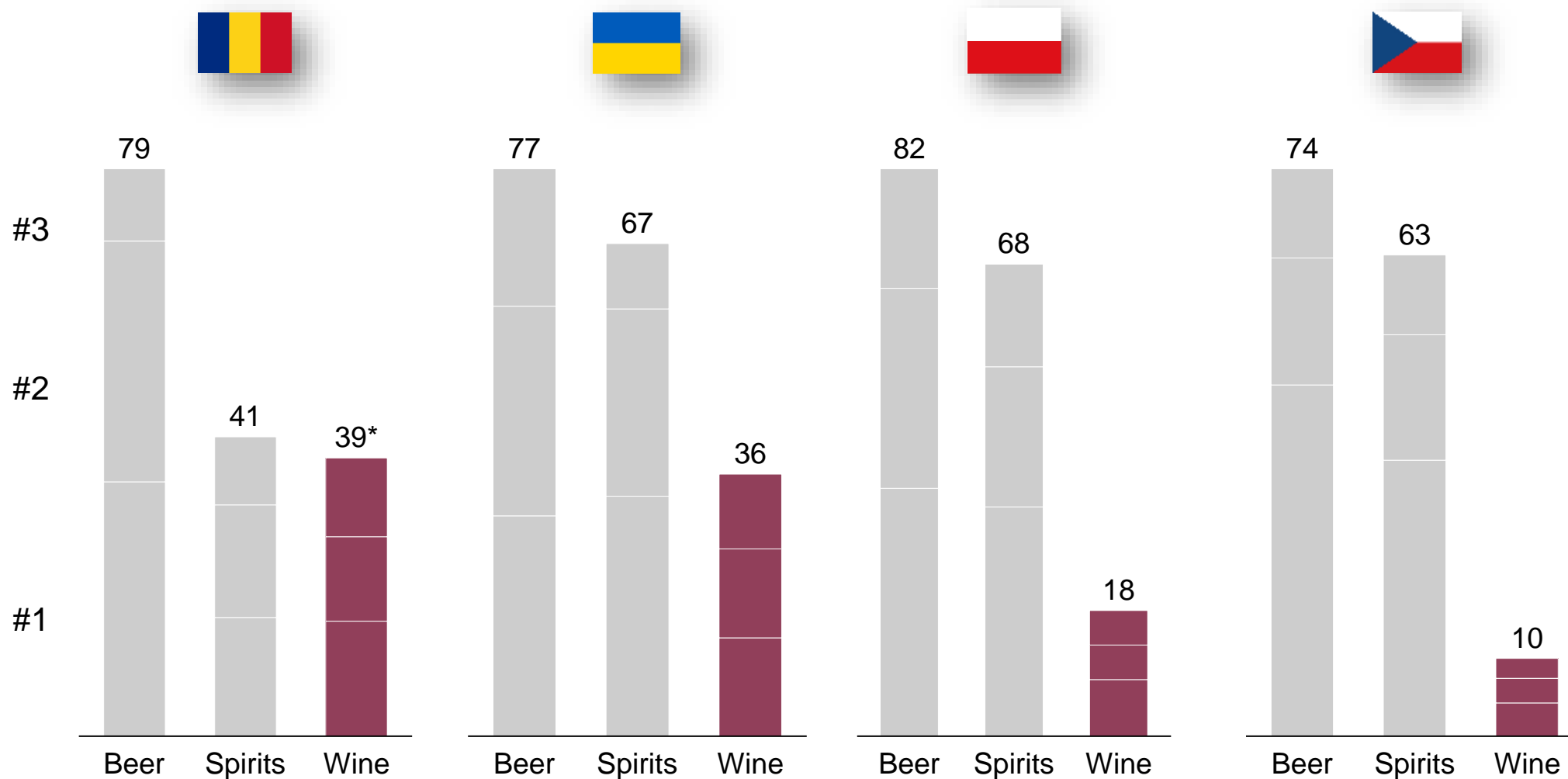
We proud ourselves on taking a fresh look on things

### *Better*

We keep improving – both our wines and our people

# 1 Vision: be the consolidator of a fragmented market

Volume share top-3 players by country, %



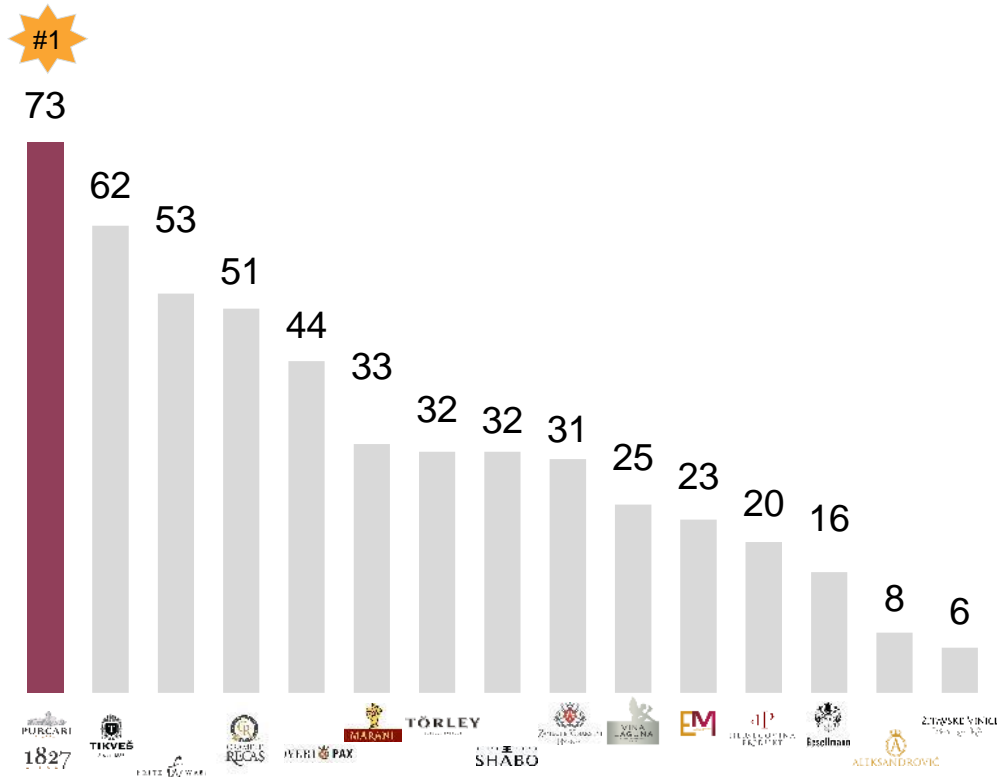
*Unlike beer or spirits, **wine market remains very fragmented**; players who have the scale and sophistication needed – are in a **great position to consolidate it***



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

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

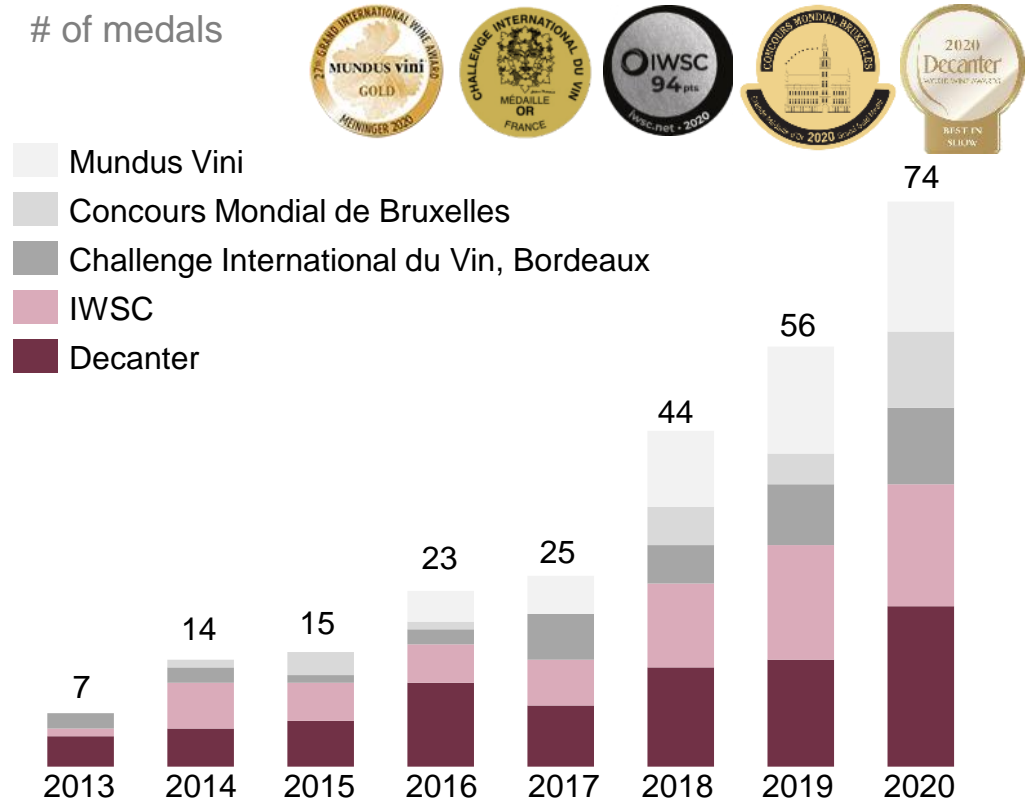
# of Decanter medals in 2015 – 20



- 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

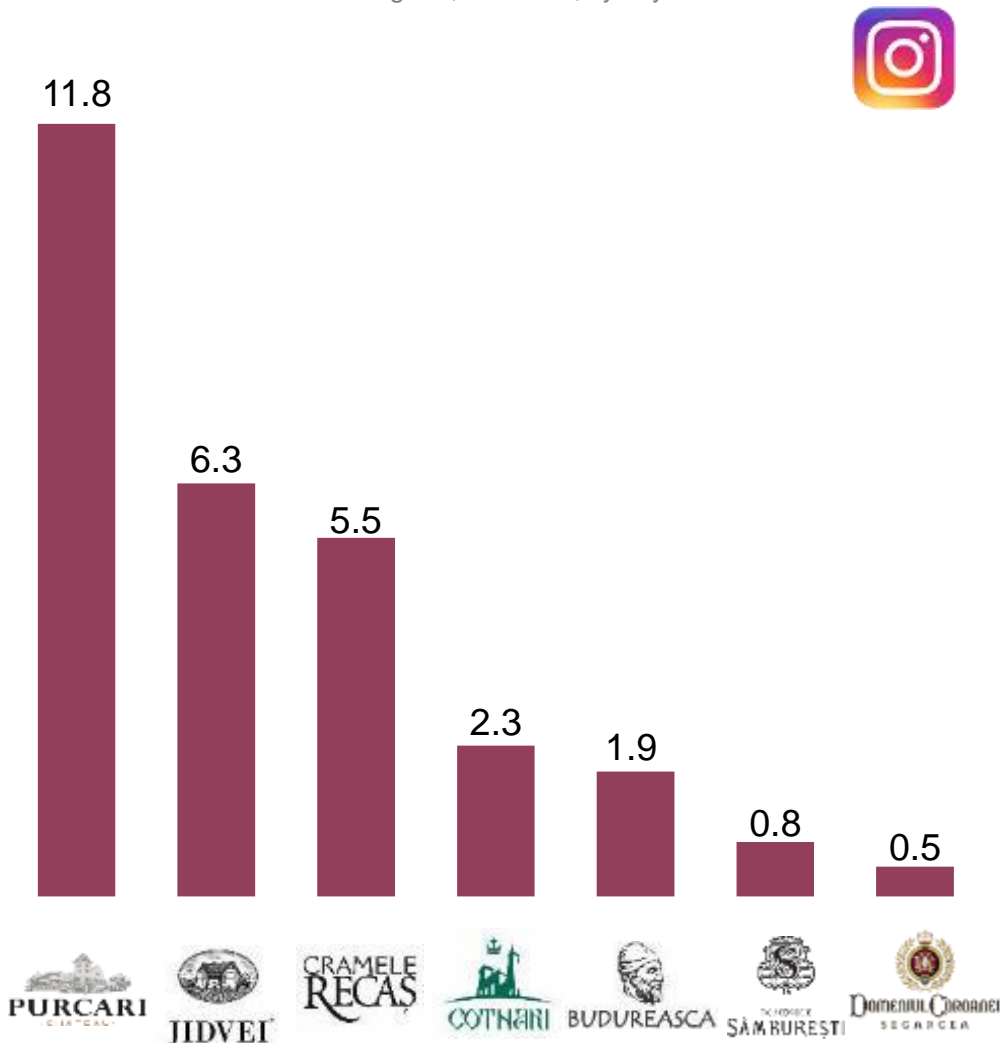


- Unlike beer or spirits, wine production is more prone to quality fluctuations. The Group has demonstrated the ability to keep raising the bar quality wisely, as illustrated by the mounting number of medals won at top global competitions

# 1 Topping competition at engagement, quality

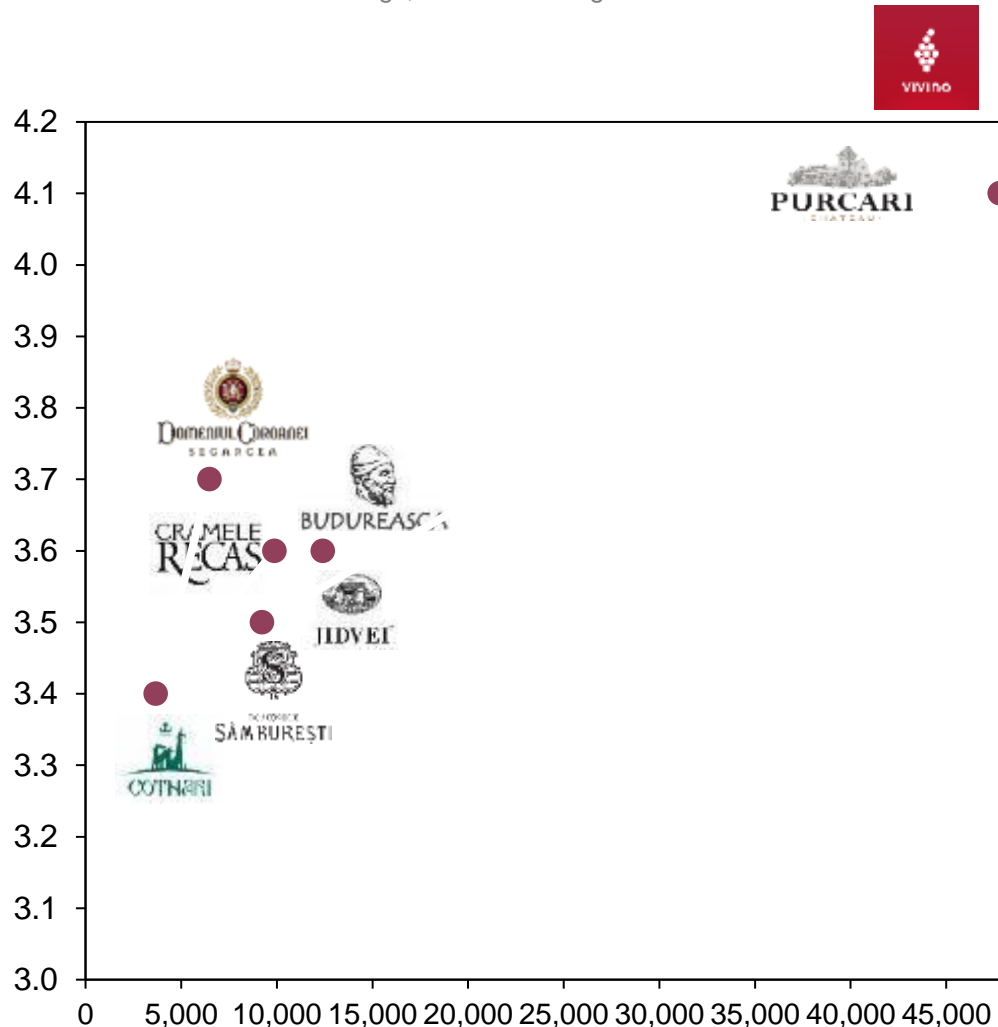
## Aspirational brand which consumers like sharing about

Number of #brand uses on Instagram, thousand, 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 February 2021

# 1 Vivino feedback remains very strong, key for online sales too

#1 presence in the crucial RON 30-60 segment, holding 12 out of TOP-25 positions

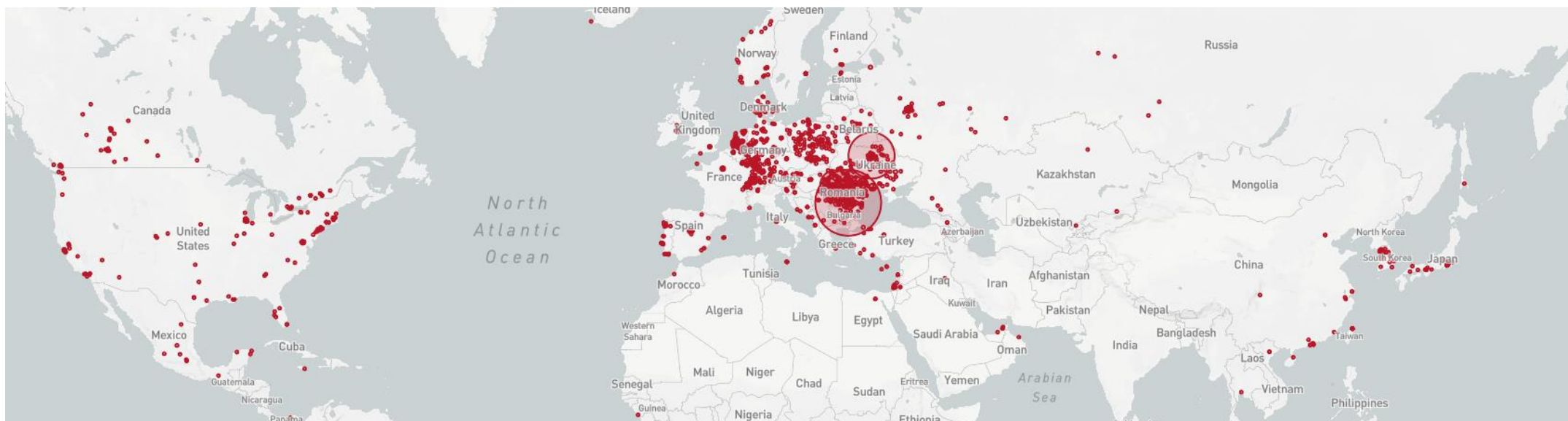


#1



- 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 **12 best-rated wines in Vivino's top-25**
- Negru de Purcari 2015 among the **top 1% of all wines in the world**
- We remain convinced, it is the **product that will make the difference** in the mid and long term with consumers, so we are focusing on making exciting wines, that capture people's imagination

## 1 Growth in Vivino usage, key for consumer engagement



**4.2**

Average score out of  
5.0 in 4Q20

**81.1%**

Scores equal or  
above 4.0

**Top-1%**

Global ranking based  
on avg. score received

**27,813**

Vivino scans in  
4Q20

**+57%**

QoQ scans growth

**+73%**

YoY scans growth in  
Romania LTM



1 Our Group, Vision and Strategy

2 **2020 Operational Results**

3 2021 Outlook

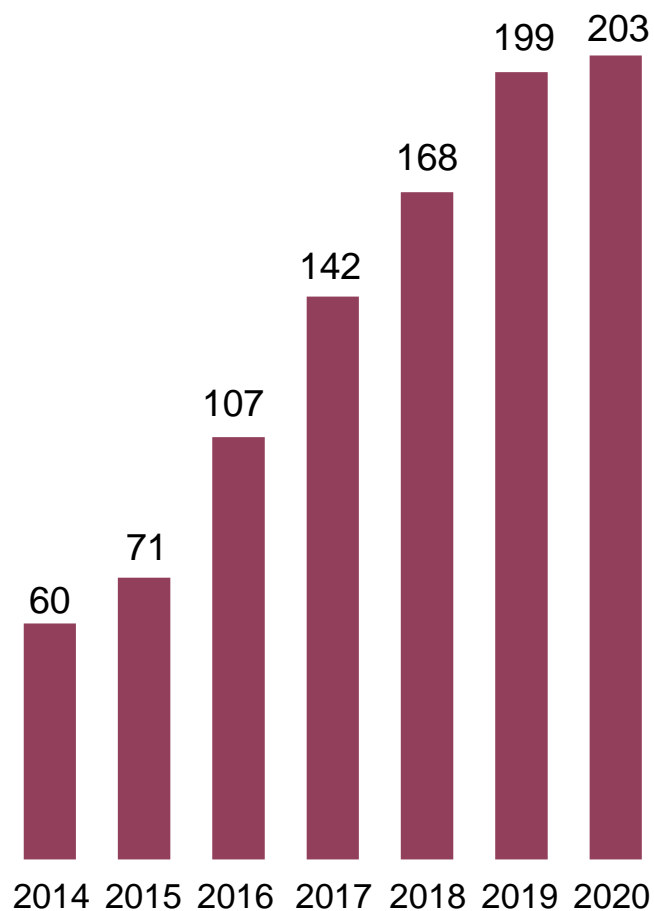
4 Q&A



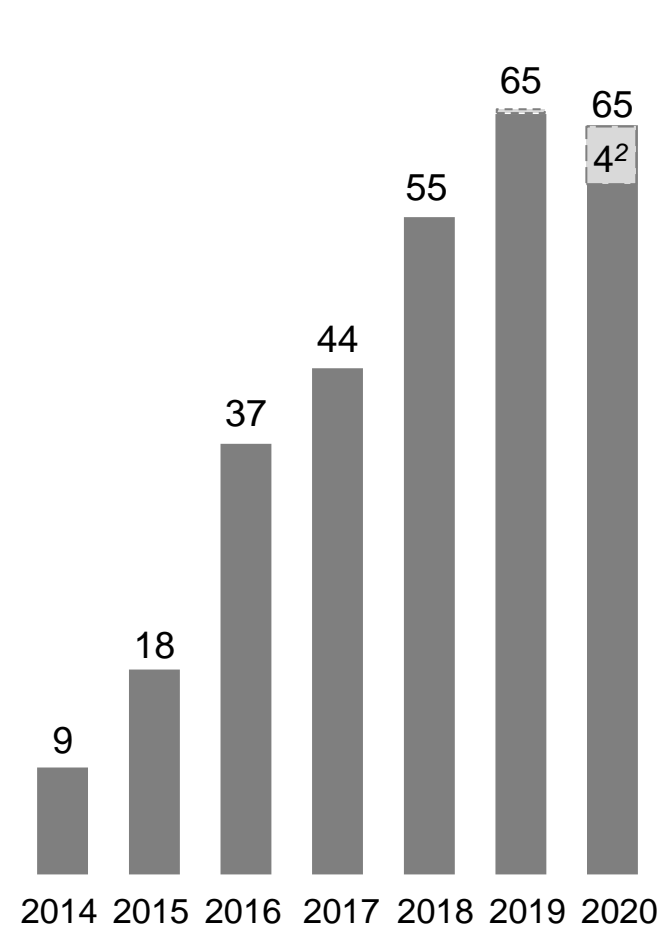
Negru de Purcari  
2015, **GOLD** at  
**Decanter 2020**,  
**95 pts.**, 4.4 score  
on Vivino, top 1%  
wine globally

## Revenues

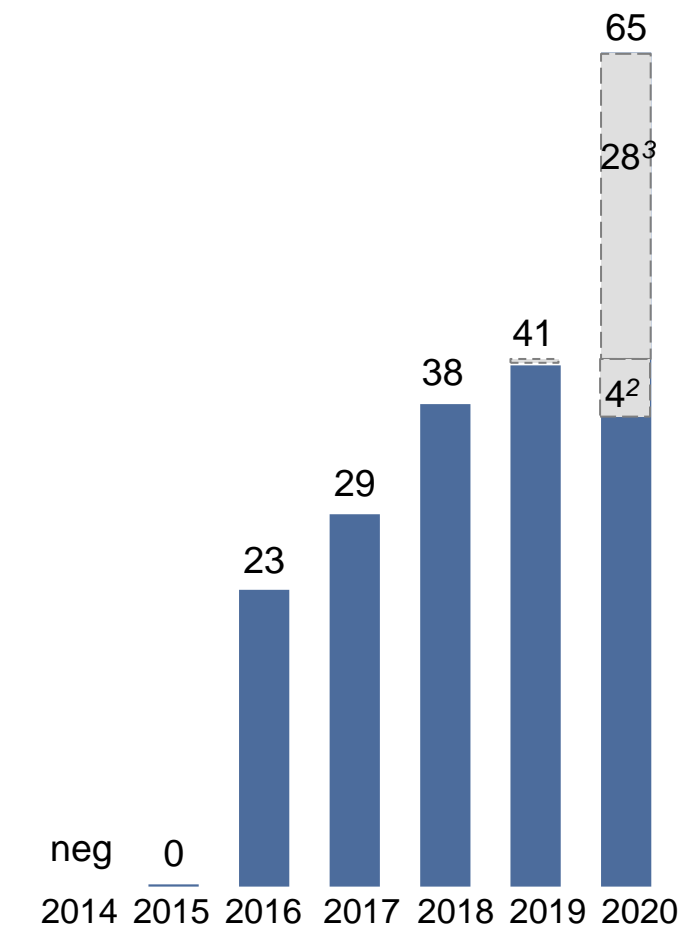
RON m

Normalized EBITDA<sup>1,2</sup>

RON m

Normalized Net Income<sup>2,3</sup>

RON m



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

(2) Normalized with the impact of fair value adjustment of biological assets: RON 4.5mil. (Y20) and RON 0.1mil. (Y19).

(3) Includes net income from one off transactions adjusted to implied taxation: settlement of assigned receivable from Speed Husi and sale of the stake in Glass Container Company.

## 2 P&L: solid performance and margins against a difficult macro backdrop

RON m	4Q			Full year		
	2019	2020	Δ 4Q	2019	2020	Δ
Revenue	60.5	65.0	7%	199.1	203.4	2%
Cost of Sales	-30.9	-34.9	13%	-100.2	-105.0	5%
Gross Profit	29.6	30.1	2%	98.9	98.4	-1%
Gross Profit margin	49%	46%	-3 pp	50%	48%	-2 pp
SG&A:	-14.2	-17.8	25%	-43.1	-46.6	8%
Marketing and selling	-8.9	-8.4	-6%	-19.6	-22.5	15%
General and Administrative	-5.3	-9.4	77%	-23.5	-24.0	2%
Other income/expenses:	-1.0	-0.2	n.m.	-1.0	-4.3	n.m.
Adj. of FV of biological assets	0.2	-1.4	n.m.	-0.1	-4.5	n.m.
Miscellaneous	-1.2	1.2	n.m.	-0.9	0.2	n.m.
EBITDA	19.1	15.8	-17%	65.4	60.0	-8%
EBITDA margin	32%	24%	-8 pp	33%	30%	-3 pp
Net Profit	11.1	34.9	215%	40.5	60.4	49%
Net Profit margin	18%	54%	+35 pp	20%	30%	+10 pp
One off transactions	-	32.4	-	-	32.4	-
Net gain from disposal of equity investments	-	27.6	-	-	27.6	-
Other financial Income	-	4.8	-	-	4.8	-

### Comments

- 4Q20 revenue continued the recovering trend, surpassing strong 4Q19 by +7%. The 1H20 drop entirely recovered, YoY growth at +2%. Tourism Sales for Chateau Purcari recovering at a slower pace, at -60% YoY.
- Gross margin slightly behind YoY with Cost of Sales being pushed up by the effect of depreciation and ongoing lower sales to markets with higher premium share, including Moldova, China.
- Marketing and selling expenses at 11% of revenue. Kept investing in brand support, as opposed to resorting to discounting. Includes also the costs of community contributions to support the fight against COVID-19. and certain salary cost reallocations<sup>1</sup> from G&A to marketing and selling expenses.
- G&A expenses at 12% of revenue. A large share of the increase comes from higher professional fees related to Group activity: auditor fees, market making services, M&A consulting, legal fees. Additional expenses with COVID-19 related materials (masks, sanitizers, COVID-19 tests, disinfection services, etc.) have been financed with the proceeds from cost optimization program.
- 4Q20 EBITDA margin 8pp down considering the fair value adjustment of biological assets. Normalized EBITDA<sup>2</sup> net of adjustments is at RON 64.5 million.
- Net profit at RON 60.4 million, increase by 60% YoY, including one-off transactions with relating to the sale of stake in Glass Container Company and settlement of assigned receivable from Speed Husi.

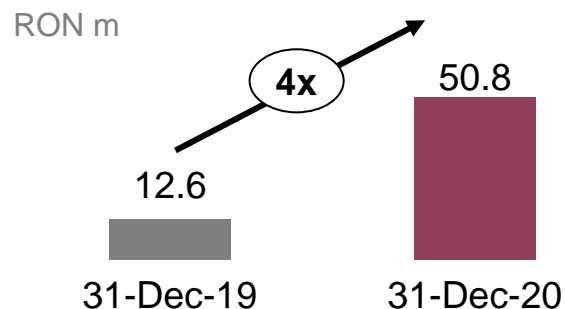
(1) Upon discussions with Group's auditors, the Company performed certain re-allocations of cost items between G&A and Sales and Marketing categories.

(2) IAS 41 adjustment: excluding RON 4.5mil. (Y20) and RON 0.1mil. (Y19) in fair value adjustments of biological assets. The biological assets are revalued upwards, running as gains through P&L, in years with good harvest and downwards, showing as loss in P&L, in years with poor harvest.

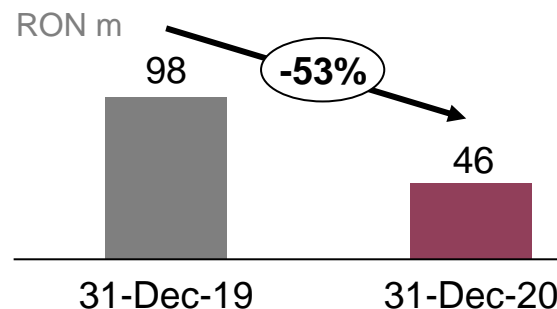
## 2 Balance sheet further strengthened by proceeds from GCC sale

### Cash and Receivables

#### Cash Position



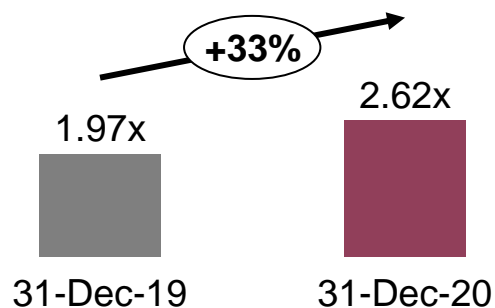
#### Net Debt



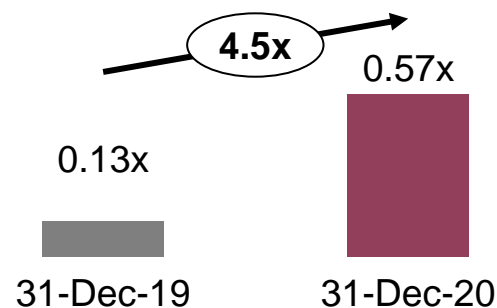
- Solid Cash position.
- Net Debt decreased by 53% due to 4x increase in cash and 13% decrease in Total Debt BoP.

### Liquidity

#### Current Ratio



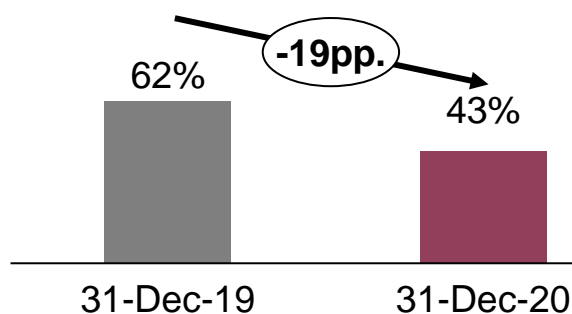
#### Cash Ratio<sup>1</sup>



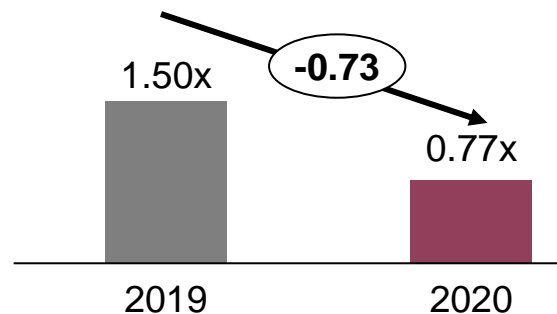
- Healthy Current Ratio above 2.6x, as of the end of 2020.
- Increased cash position improved cash ratio by 4.5x BoP.

### Solvency

#### Debt-to-Equity



#### Net Debt-to-EBITDA



- In 2020 Total Debt decreased by 13% BoP, down to RON 96.8m, improving Debt/Equity ratio by 19pp.
- Net Debt-to-EBITDA ratio improved by 0.73 on 4x cash increase.

(1) Cash to current liabilities;



## 2 Key operational highlights for 2020

### Strong performance in Romania, other CEE; slowly recovering Moldova, China

- Strong performance in Romania, Poland, Baltics, Ukraine, driven by modern trade channel.
- The heavier reliance on HoReCa, Duty-Free and Chateau revenues in Moldova, continued to negatively affect sales there, though the situation turned on recovery path in 2H20.
- In Asia, YoY drop at 44%. Dynamic improved from -97% YoY in 2Q to only -6% YoY in 4Q.

### Successful divestment in Glass Container Company and Speed Husi

- Exited Glass Container Company for a cash consideration of EUR 7.2 mil.
- Successful transformed investment in Speed Husi into cash from financing activity.
- Cash pile maximizes optionality on various growth initiatives.

### Strong margins, despite weakness in Moldova, China, which skew more premium

- Normalized EBITDA margin remains at a strong 32%, despite revenue and cost of sales pressures.
- Strong performance in Romania and Purcari brand compensate for softness in Moldova, China, which skew more premium.
- Drop of higher-margin Bardar brand (Moldova, China, Belarus are the key markets) contributed to margin erosion; by 4Q, nearly reached strong 4Q19 level, only 1% off.








### Poor harvest, on severe drought throughout Moldova, region

- Grape harvest in Moldova significantly down YoY, on unprecedented drought; accentuates the need to roll out irrigation systems, which, we estimate, will have a payback period of circa 3 years.
- Lower yields do have a silver lining in great quality, especially for the reds, so expect a stellar 2020 vintage.
- Comfortable stock levels to support an ambitious sales plan in 2021 given Covid impact on sales in 2020.

### Liquidity position strong, well placed to weather the crisis

- Net debt / EBITDA at all time low improved to 0.77x, offering a comfortable leverage level; grace periods extended on selected existing facilities. Debt line of EUR 3 mil. in place, optional for draw-down.
- Strong cash position as of the end of 2020, on tighter liquidity management, including operating expenses, CAPEX, working capital and successful divestment of Glass Container Company and Speed Husi.

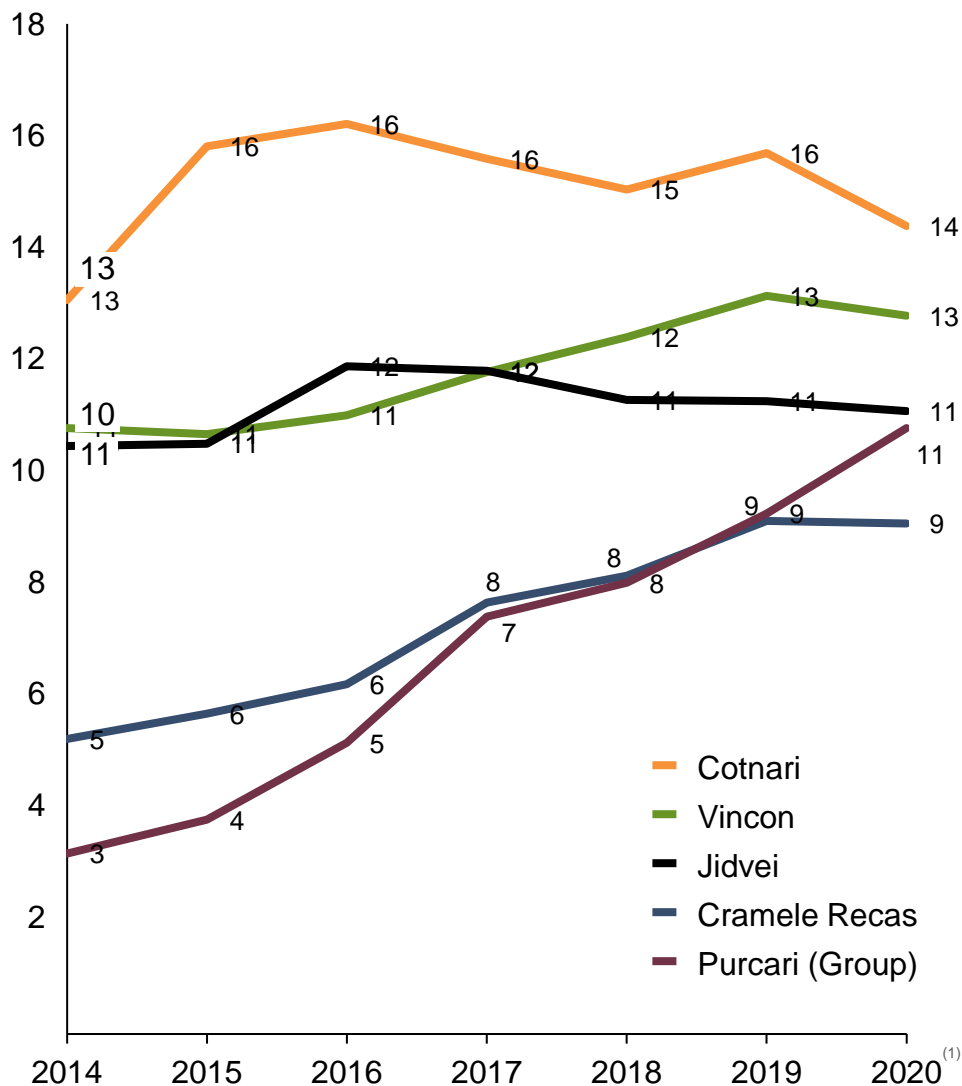
## 2 Markets: strong Romania, Poland; improving trend Moldova, China

Market	Share of sales, FY20	Growth, FY20 YoY	Comments
RO 	51%	+24%	<ul style="list-style-type: none"> <li><b>RO:</b> Strong growth in 4Q20 +20% YoY, achieving +24% YoY. Brands performing well with Purcari leading the growth by 31% YoY. IKA sales outperformed 2019 results, retail recovered at the last year figures compensating modest sales through HoReCa channel.</li> </ul>
MD 	14%	-38%	<ul style="list-style-type: none"> <li><b>MD:</b> Demand environment significantly improved, but still below 2019 levels. Strongest quarter among all brands: Bardar 43%, Purcari 37% and Bostavan 32% of full year sales. Market most dependent on HoReCa and Duty-Free in Group's universe. Recovery trend crystallized, continue with adopted strategy of avoiding short-term solutions and focus on preserving brand equity.</li> </ul>
PL 	12%	+13%	<ul style="list-style-type: none"> <li><b>PL:</b> Growth fueled by an improved product mix, medium price segment sales increase across all partners supplemented by new listings. Fortifying the leading position among Moldovan wine players in PL, despite heavy discounting from competitors. Strong premium growth i.e. Purcari +77% YoY, Bardar +18% YoY, albeit from a smaller base.</li> </ul>
ASIA 	3%	-44%	<ul style="list-style-type: none"> <li><b>ASIA:</b> 4Q continue the recovery, being only at -6% YoY. Bardar - the only brand outperforming 2019 results with +69%, albeit from a lower base. Purcari was the only company from MD attending China International Import Exposition in Nov'20.</li> </ul>
CZ SK 	5%	-2%	<ul style="list-style-type: none"> <li><b>CZ&amp;SK:</b> Recovery continues with 4Q representing 29% of 2020 sales. Good outcome from campaigns with main partners and new partnership signed mitigated the COVID-19 adverse effects and impact of TESCO restructuring.</li> </ul>
UA 	4%	+11%	<ul style="list-style-type: none"> <li><b>UA:</b> Expanding with Purcari +18% YoY, reaching 54% of total Group sales in UA, as it becomes increasingly popular with Ukrainian consumers, influencers, giving excellent value for money offered.</li> </ul>
RoW 	11%	+12%	<ul style="list-style-type: none"> <li><b>OTHER:</b> Good traction for main brands, Purcari doubling the sales in 2020. Focus on building out partnerships launched in 2020.</li> </ul>

## 2 Turned crisis into an opportunity, boosting market share in Romania

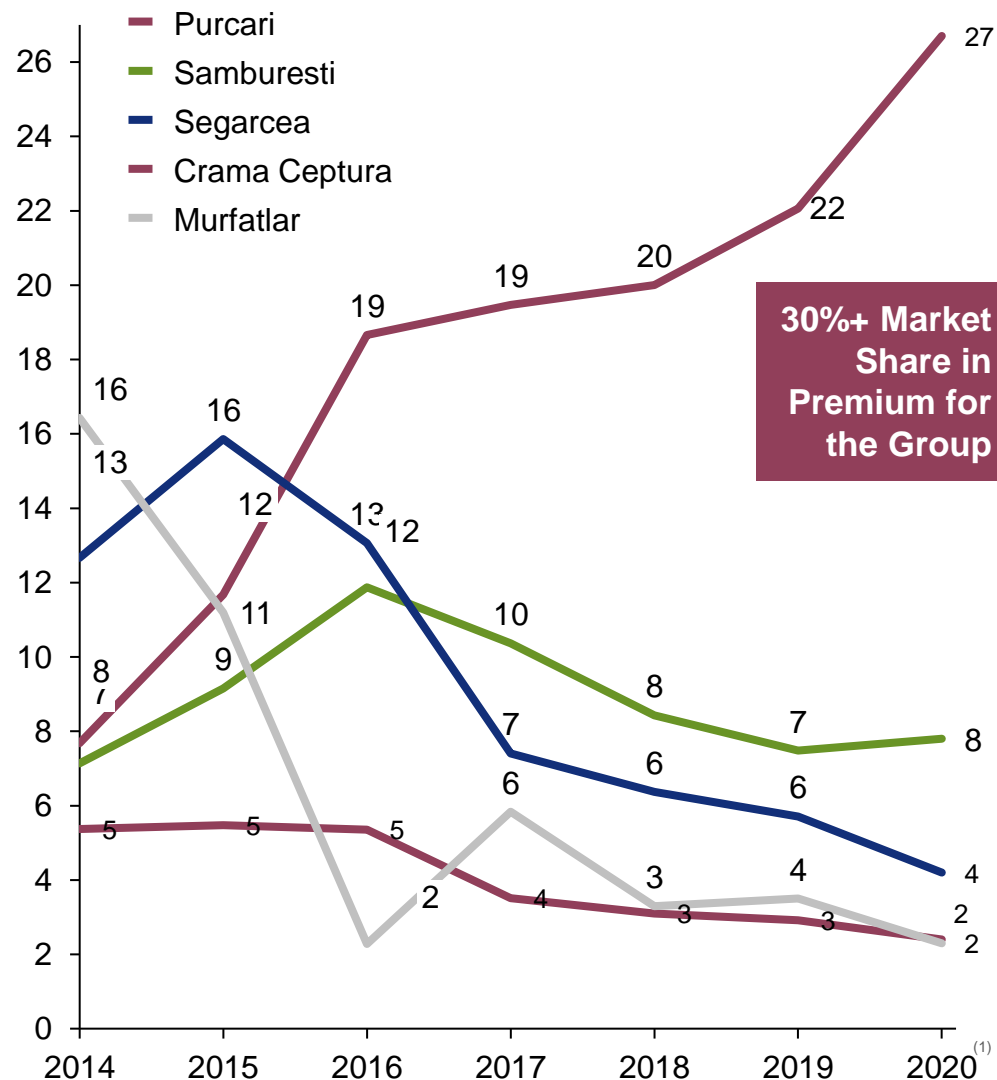
### Jumped to #4 in overall market, reaching 10%+ share...

Value share of TOTAL retail market, Romania, %







### ...while distancing by 20+ percentage points vs #2 in premium

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



**30%+ Market Share in Premium for the Group**

## 2 Premium Purcari and Crama Ceptura brands lead the growth

Brand	Share of sales, FY20	Growth, FY20 YoY	Comments
	45%	+10%	<ul style="list-style-type: none"> <li><b>PURCARI:</b> Ongoing strong traction in Romania, largely in the IKA segment; traditional retail has recovered and surpassed by 2% the 2019 figures. Promising performance in newer markets: Poland, Belarus, Czech Republic and Slovakia. Moldova and China are the only markets still underperforming YoY. Most affected by HoReCa and Duty-Free closures in Moldova and slow recovery in China.</li> </ul>
	27%	-2%	<ul style="list-style-type: none"> <li><b>BOSTAVAN:</b> 4Q strongest in 2020, standing at 28% of year sales. Performing best in PL by +12% YoY, growth being triggered by equal increase in volumes and prices. Other CEE markets showing good results: both Belarus and Baltics +26% YoY.</li> </ul>
	17%	+11%	<ul style="list-style-type: none"> <li><b>CRAMA CEPTURA:</b> Brand continues strong rebound, as a result of re-invigorating marketing campaigns and improvements in quality, new listings (i.e. Pelin, Dominum). Romania +13% YoY.</li> </ul>
	11%	-24%	<ul style="list-style-type: none"> <li><b>BARDAR:</b> Very strong 4Q at only -1% YoY. Full year sales in Moldova still down 37% YoY, significantly affected by HoReCa closure, ban on public events (i.e. weddings, anniversaries), traveling restrictions heavily impacting Duty-Free channel. Actioned against the trend of heavy discounting applied by main competitors. Avoided brand erosion, 2020 being the year of lower volumes sold, but at higher prices per liter YoY.</li> </ul>



## 2 Executed promptly to adapt marketing to new COVID-19 reality

### *Crama Ceptura*



- Campaign: “Cold minded solutions”
- Launched: September 10
- Medium: TV, Online, SM

### *All brands - Community*



- Campaign: “Breathe freely”
- Launched: March 24
- Medium: Social

### *Crama Ceptura*



- Campaign: “Easter on Zoom”
- Launched: April 14
- Medium: TV, Social

### *Purcari*



- Campaign: “Thank you, heroes”
- Launched: April 14
- Medium: TV, Social

### *Bostavan – DOR*



- Campaign: “A different Easter”
- Launched: April 15
- Medium: TV, Social

### *Bardar*



- Campaign: “Cheers to heroes!”
- Launched: April 15
- Medium: TV, Social

## 2 More Portfolio innovations...





## 2 State-of-the-art winery... Upgraded to 10 mil. bottles per annum



Arial view of Purcari Winery production facilities



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Platinum at  
Decanter 2020, 97  
pts., 4.4 score on  
Vivino, top 1% wine  
globally



### 3 Guidance 2021 – back to double digit growth

Target	2021 guidance	Comments
<b>Organic revenue growth</b>	<b>+12-14%</b>	<ul style="list-style-type: none"> <li>Romania to remain growth driver, continue focusing on Poland, Czech, Slovakia, Ukraine; Significant recovery expected in Moldova and Asia most affected by pandemic.</li> <li>Bardar expected to emerge strong after COVID situation is cleared up.</li> </ul>
<b>EBITDA margin</b>	<b>28-30%</b>	<ul style="list-style-type: none"> <li>Drought and poor harvest in 2020 to drag on margins.</li> <li>Assuming harvest back to normal in 2021 (abundant snow-fall bodes well for the year so far), to see margins revert to low-to-mid 30s.</li> </ul>
<b>Net Income margin</b>	<b>18-20%</b>	<ul style="list-style-type: none"> <li>Drought and poor harvest in 2020 to drag on margins.</li> <li>Assuming harvest back to normal in 2021 (abundant snow-fall bodes well for the year so far), to see margins revert to low-to-mid 20s.</li> </ul>



Thank you.

\*Purcari vineyards resting under snow January 2020