

Purcari Wineries Plc

1Q2020 Results Presentation

15 May 2020



This picture was taken at the Purcari vineyard on April 15. It shows a Merlot grape bud, pushing stubbornly ahead, oblivious to the pandemic.

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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

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

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

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 1Q20 Operational Results + COVID19 Update

3 Update on 2020 Outlook + Contingency Plans

4 Q&A



Our newest launch, Viorica de Purcari, caters to the increasing interest in indigenous aromatic grapes. Truly, an explosion of aromas and likely summer hit.

1 Purcari Wineries 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 2015-2019 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



CRAMA CEPTURA



BOSTAVAN

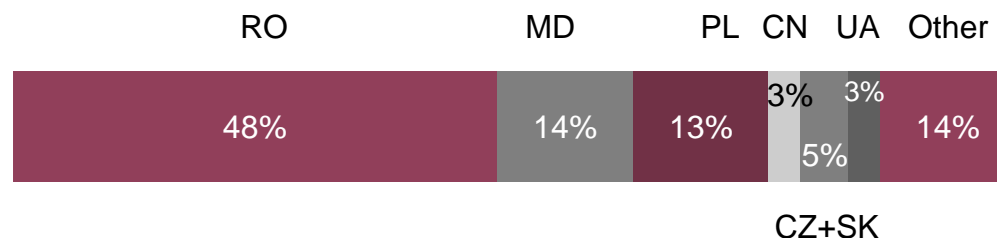


DIVIN BARDAR



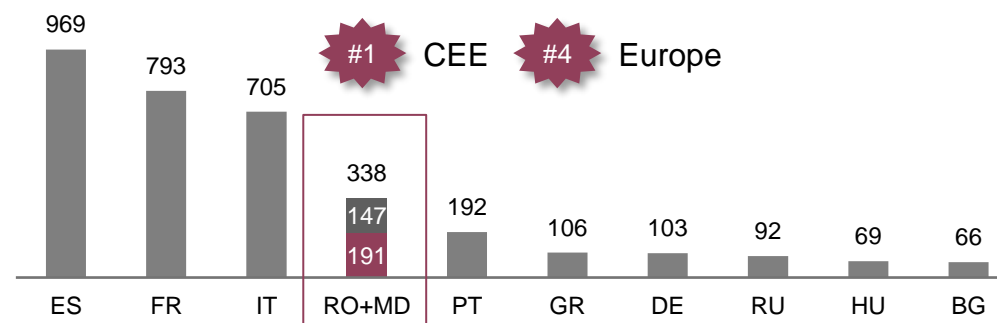
... with a strong & expanding regional footprint

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"

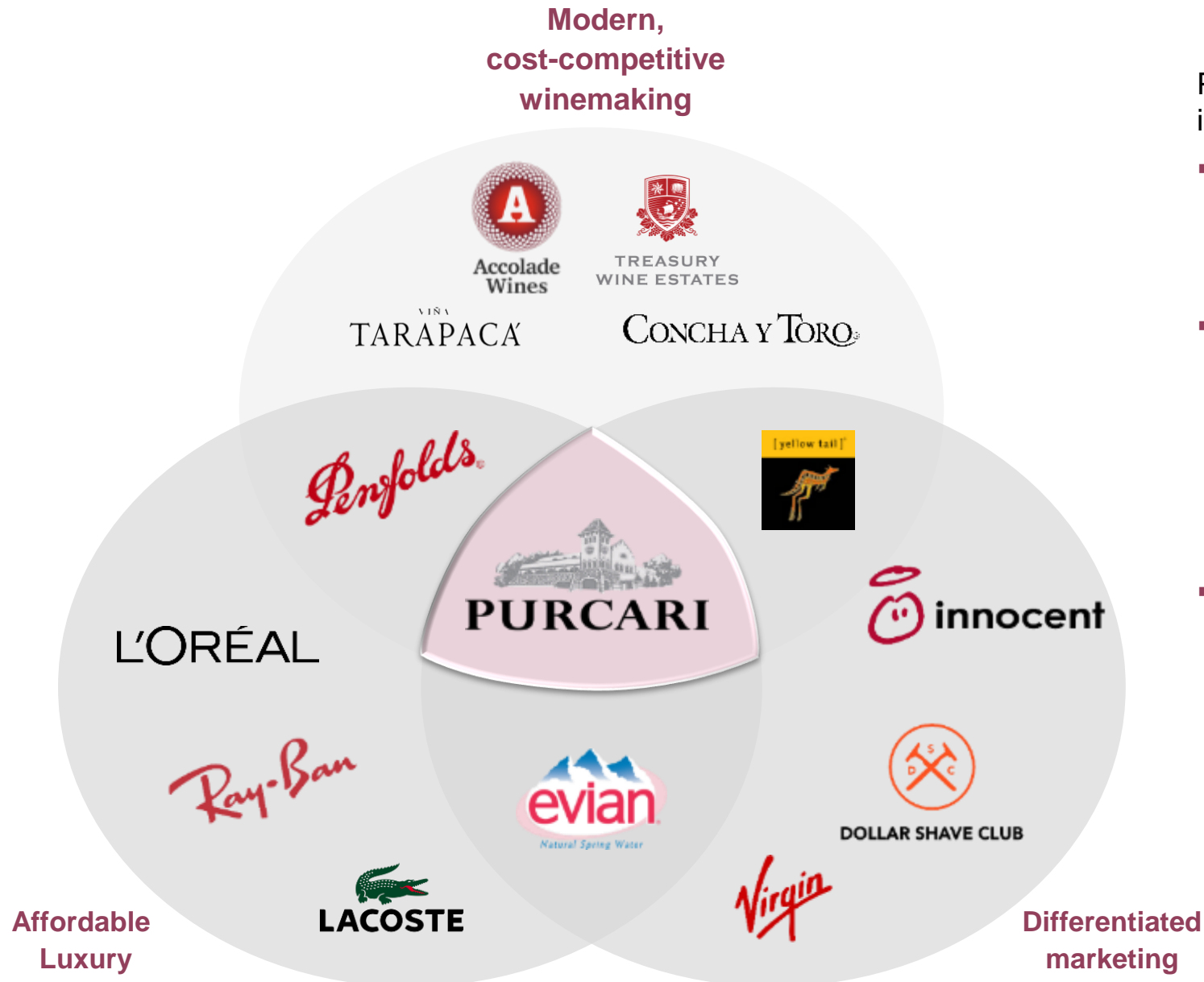
Shrinking vine plantations, create shortage, push prices up

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



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

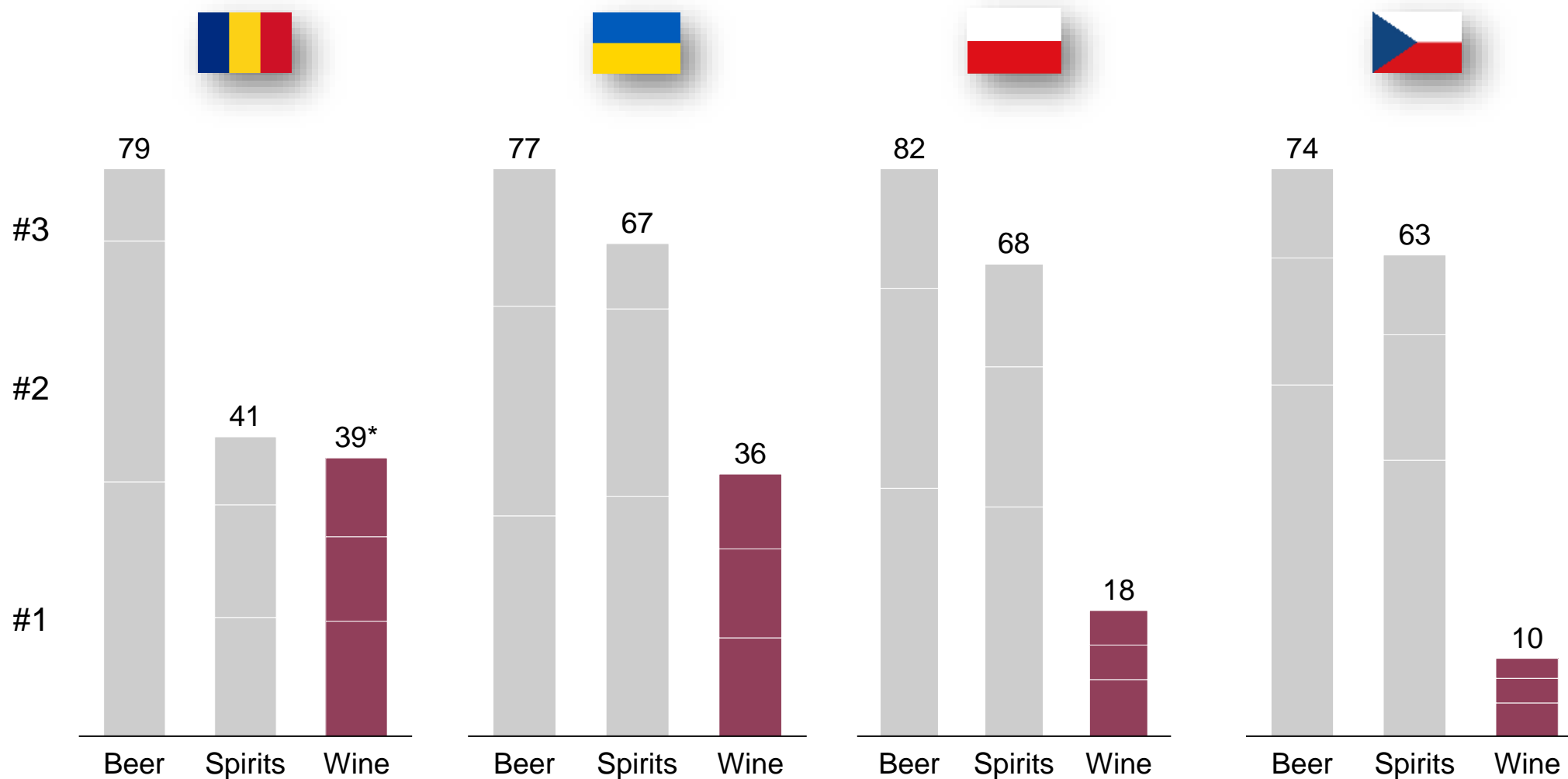
We proud ourselves on taking a fresh look on things

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, %

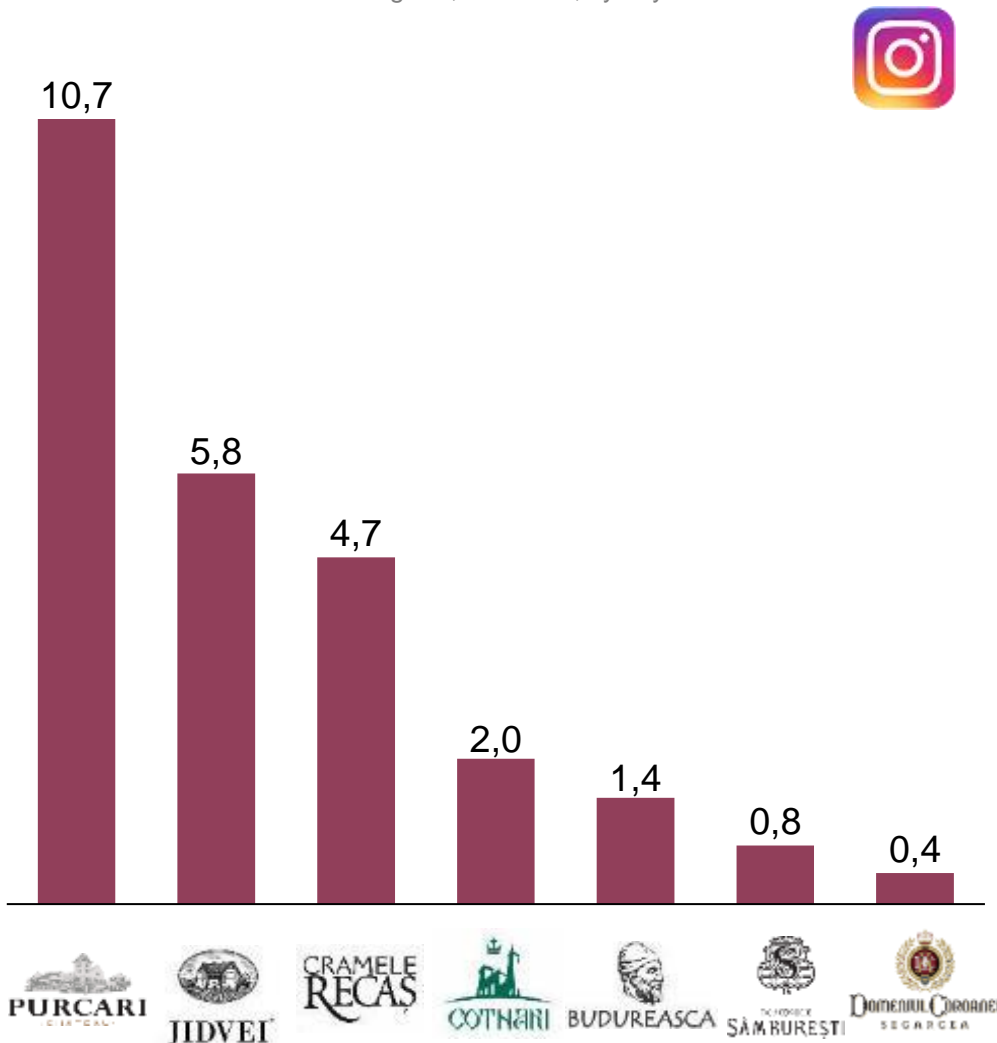


*Unlike beer or spirits, **wine market remains very fragmented**; players who have the scale and sophistication needed – are in a **great position to consolidate it***

1 Topping competition at engagement, quality

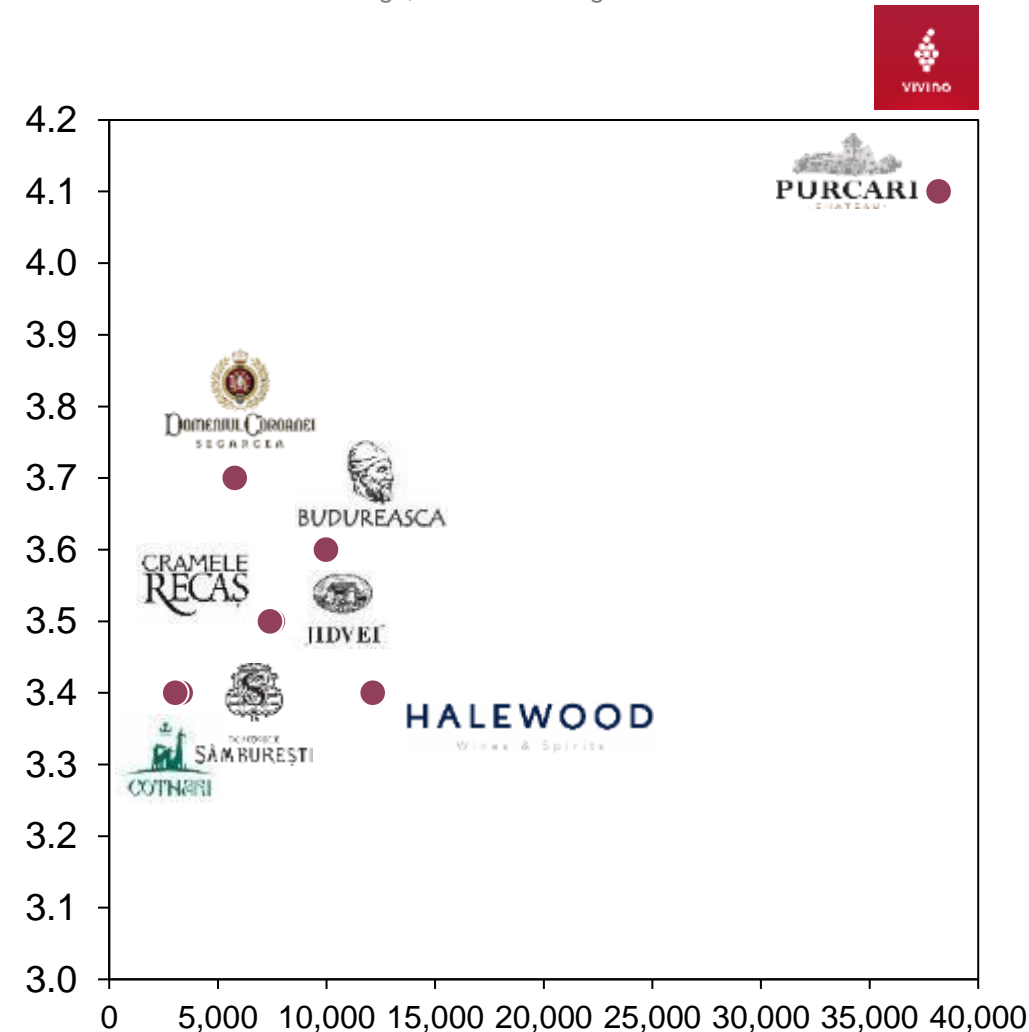
Aspirational brand which consumers like sharing about

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



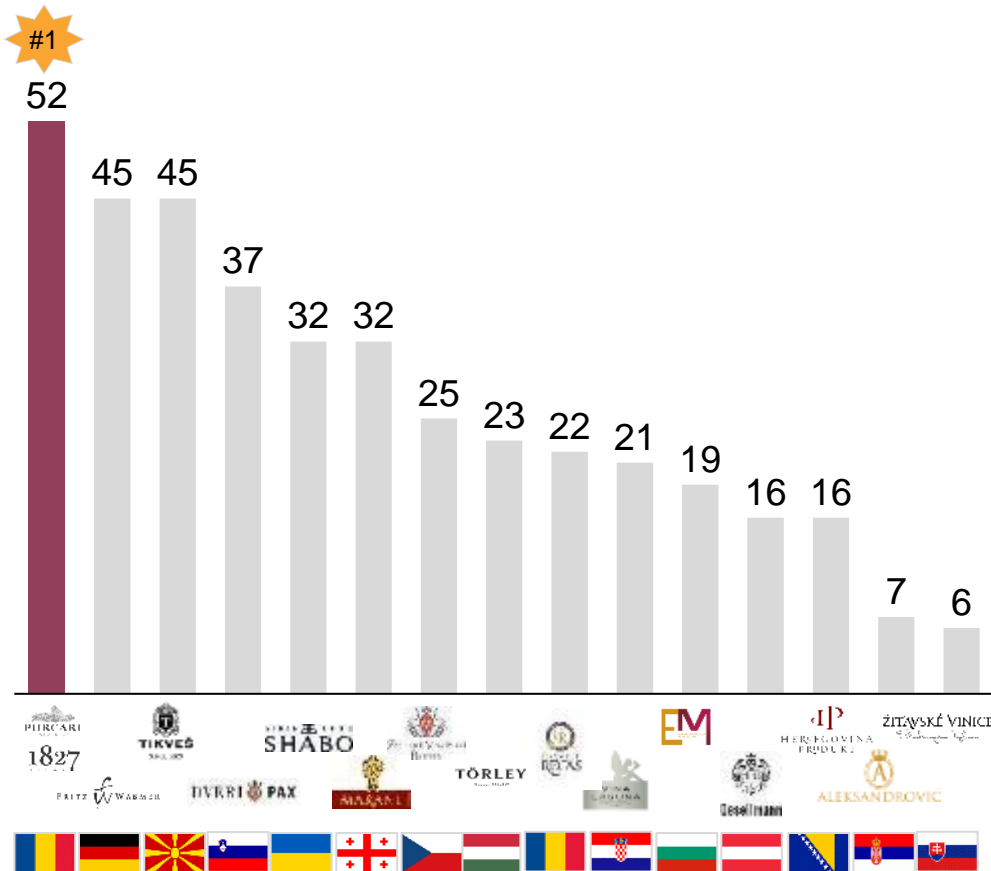
Note: Purcari - #purcari, Cramele Recas - #recas, Jidvei - #jidvei, Cotnari - #cotnari, Budureasca - #budureasca, Samburesti - #samburesti, Segarcea - #segarcea

Sources: Instagram, Vivino as of May 2020

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

Leading medal-winning winery¹ in CEE at Decanter, the Wine "Olympics"

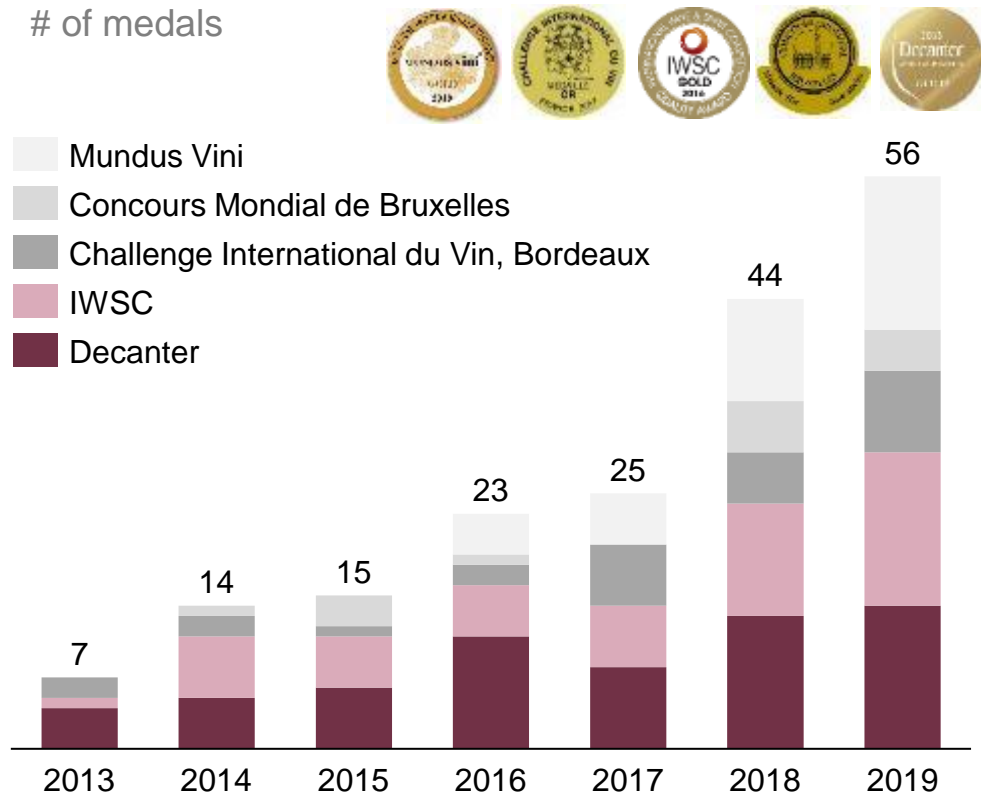
of Decanter medals in 2015 - 19



- 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



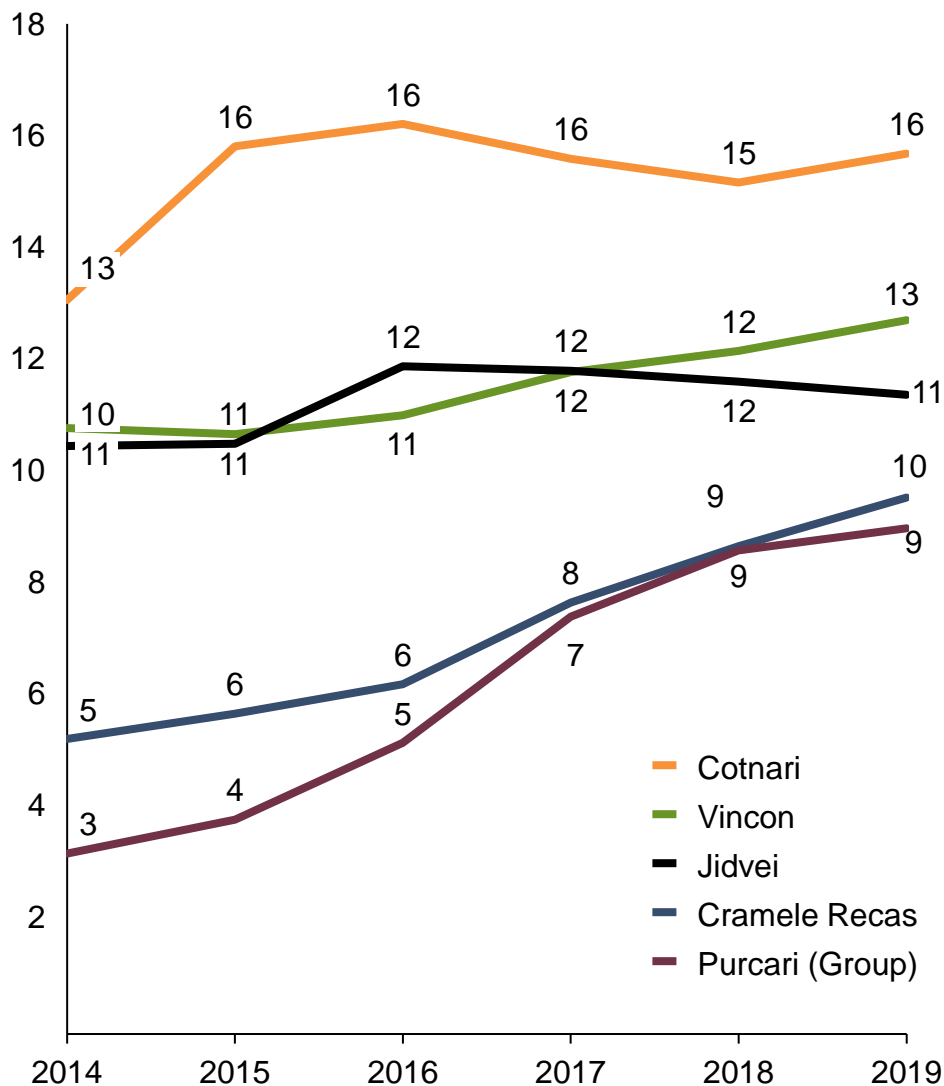
- Unlike beer or spirits, wine production is more prone to quality fluctuations. The Group has demonstrated the ability to keep raising the bar quality wisely, as illustrated by the mounting number of medals won at top global competitions



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

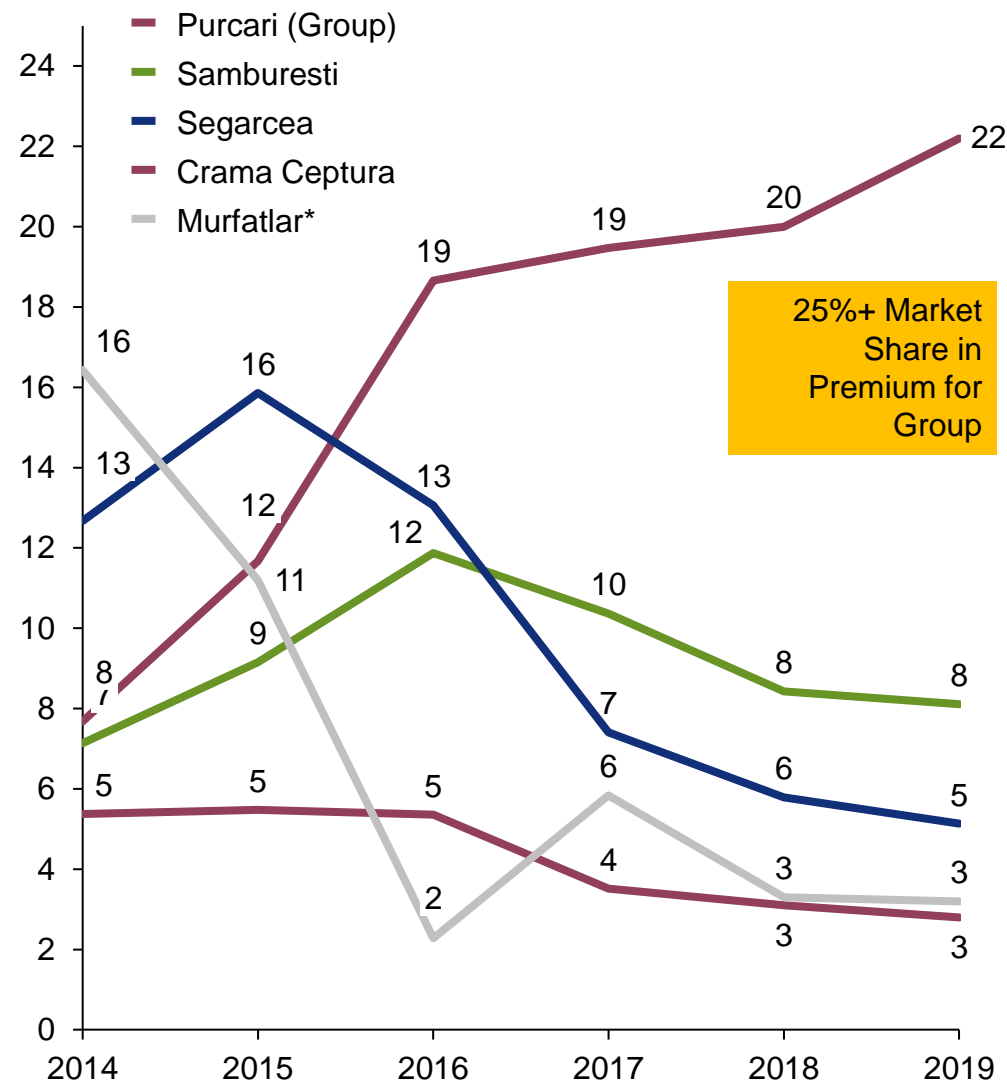
Overall, Purcari has tripled MS in 5 years....

Value share of TOTAL retail market, Romania, %



...while becoming a clear #1 in Premium¹

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



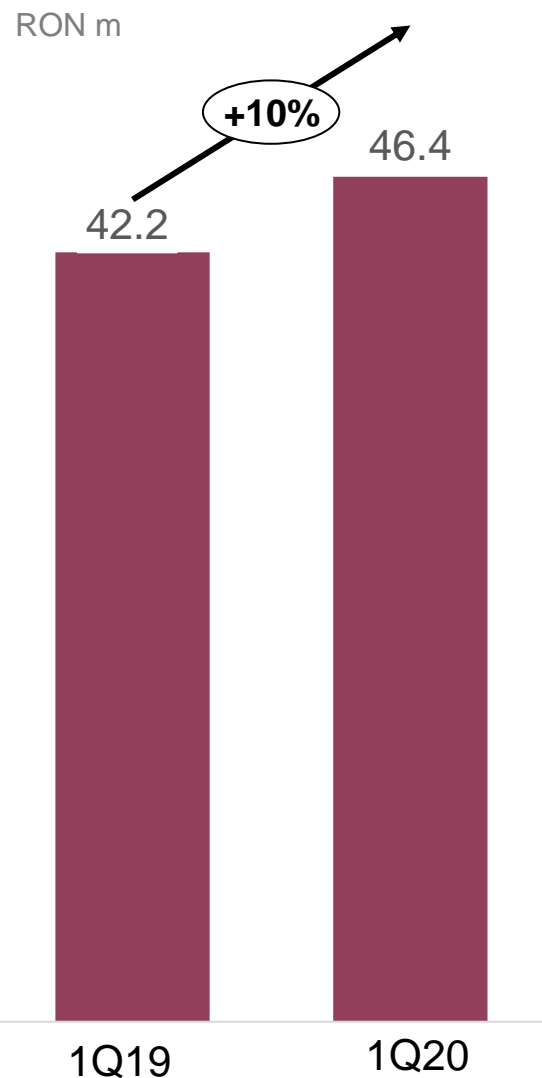
- 1 Our Group
- 2 **1Q20 Operational Results + COVID19 Update**
- 3 Update on 2020 Outlook + Contingency Plans
- 4 Q&A



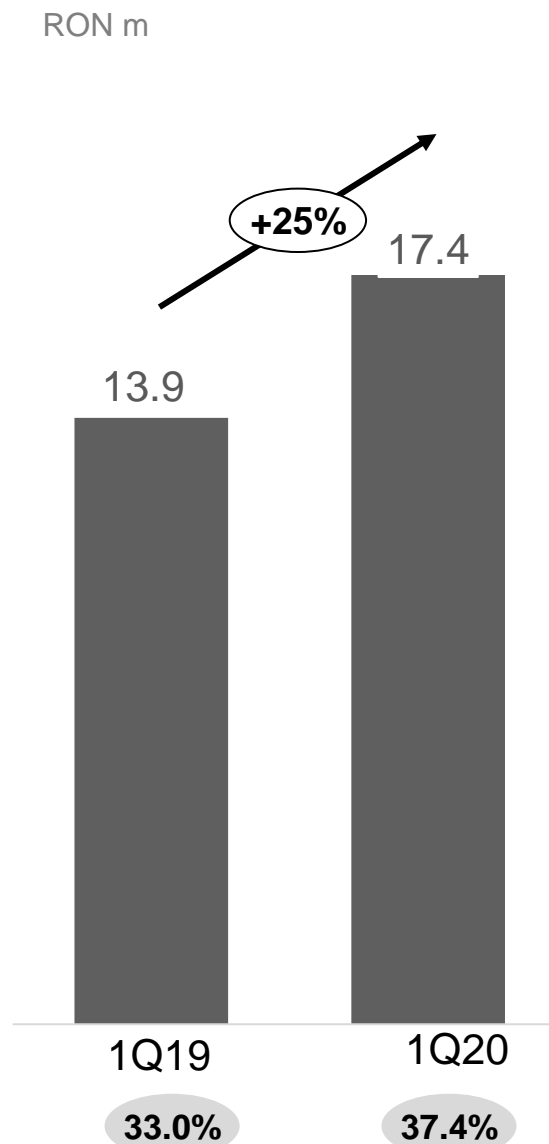
Negru de Purcari
2013, 4.4 score on
Vivino, top 1% wine
globally

2 Solid 1Q20 growth, despite headwind in China, HoReCa, DutyFree

Revenues

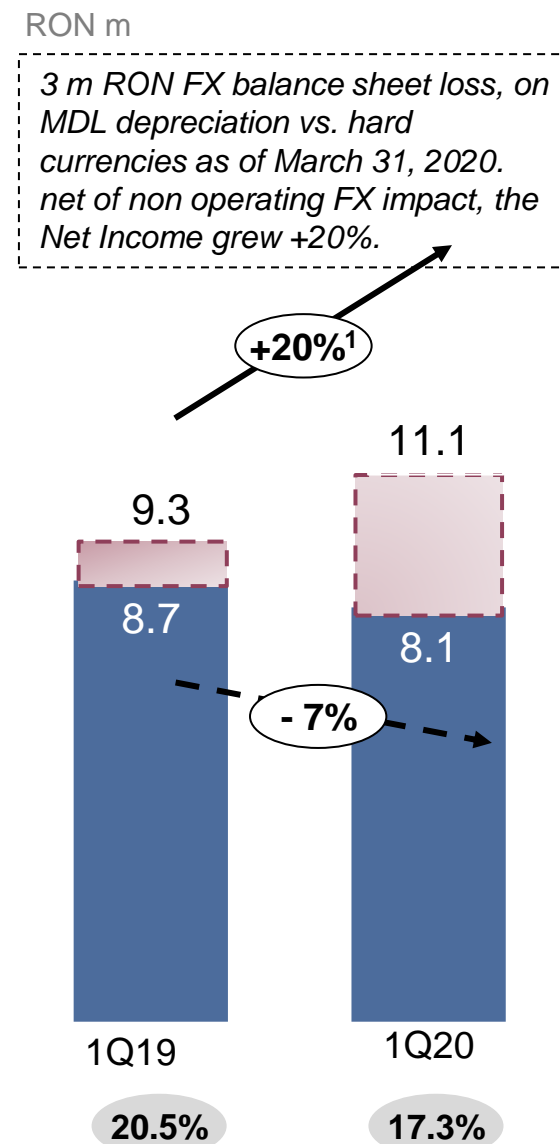


EBITDA



EBITDA margin

Normalized Net Income



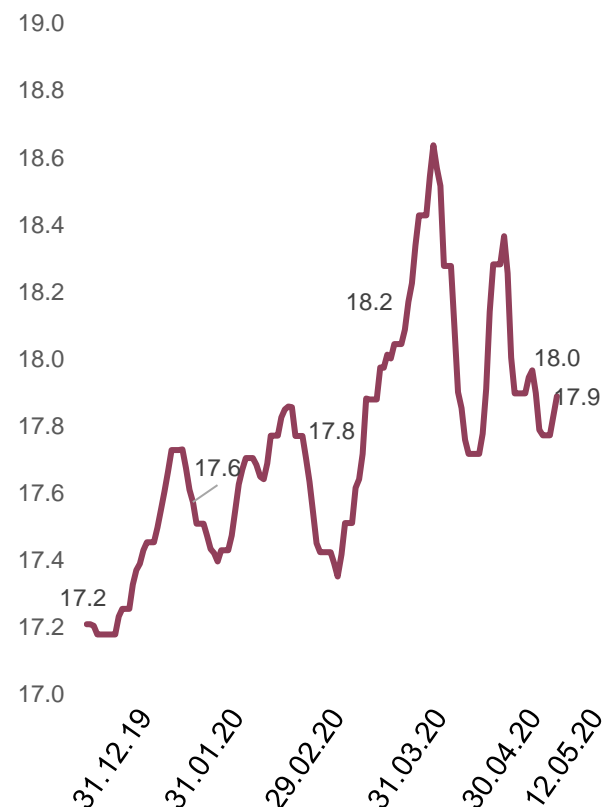
Net Income margin

3 m RON FX balance sheet loss, on MDL depreciation vs. hard currencies as of March 31, 2020. net of non operating FX impact, the Net Income grew +20%.

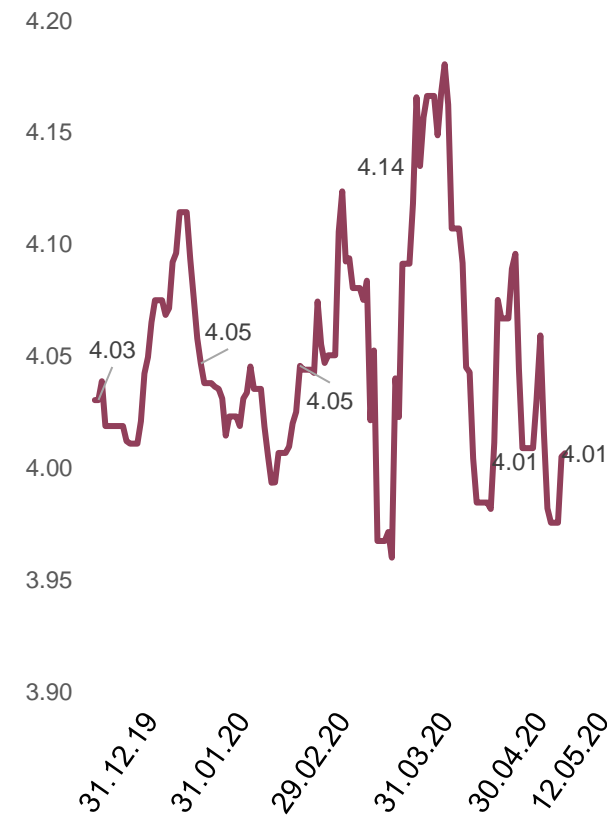
MDL vs EUR



MDL vs USD



MDL vs RON



- FX translation loss for reevaluation of Assets and Liabilities as of 31.03.20, amounting 3m RON vs 0.6m RON in Q1 2019.
- Spike in MDL exchange rate to USD +5%, EUR +4% and RON +2%, due to COVID Outbreak.
- As of date of reporting exchange rates returned to average.
- While MDL weakening vs. hard currencies leads to non-operating balance sheet losses, it does improve the Company margins, given most costs MDL denominated while revenues are largely in RON, EUR, USD.

2 Key operational highlights for 1Q2020

Solid growth, despite China, HoReCa weakness

- Sales up +10%, mainly driven by strong performance in modern-retail segment in core CEE markets
- Shipments to China down by half, given lockdown peak in 1Q20
- HoReCa segment, accounting for <15% of revenues, mostly in Moldova and Romania, as well as DutyFree sales most affected. Tourism sales at Chateau Purcari, ~2% of revenues, affected too.

Still, demand environment remains uncertain

- Despite robust 1Q20 performance, no steady state picture of demand yet can be inferred, given CEE markets boosted by consumer-overstocking in March, while HoReCa / DutyFree impact reflected only in the last two weeks of March
- April sales registered a moderate drop year on year, with May orders ~flat vs. May 2019 sales

Margins holding well, on better mix, cost savings








- Gross margin up 3pp and gross profit up 17%, ahead of sales, given improved mix with Purcari brand showing strongest growth, now accounting for 41% of sales (vs. 37% in 1Q19)
- Ongoing cost optimizations, help lift gross margins further up

Operations largely un-disrupted on supply side





- Despite a number of Covid-19 infections reported at Company's Etulia site (Bostavan) the disruption on supply side has been avoided, given all sites were scheduled for a planned Easter break; sufficient stocks have been prepared in advance at 3rd party facilities, distributors
- All sites re-opened after the Easter closure and operate with heightened safety measures in place

Liquidity position strong, well placed to weather the crisis

- Net debt / EBITDA at 1.3x, offering a comfortable leverage level; grace periods extended on select existing facilities. Additional debt line of 2m EUR in place, optional for draw-down.
- Cash position increase by end of 1Q20, also on back of tighter liquidity management, including A/R

Market	Share of sales, 1Q20	Growth, 1Q20 YoY	Comments
RO 	48%	+39%	<ul style="list-style-type: none"> RO: Strong Purcari performance, up 42% YoY. Crama Ceptura reinvigorated growth on back of quality improvements, active marketing, up 35%; Bardar +80%, albeit from lower base. Growth engine – IKA sales. Very strong year start for HORECA, averaged down to +8% yoy for 1Q20, following March lockdowns
MD 	14%	-17%	<ul style="list-style-type: none"> MD: Market most dependent on HoReCa and DutyFree in Group's universe, suffering most from lockdown. Demand environment continued to be weak in April.
PL 	13%	+12%	<ul style="list-style-type: none"> PL: Growth fueled by improved mix of products, increases in medium price segment sales. Expanding with Purcari and Bardar brands, +21% and +101% accordingly, albeit from a smaller bases.
ASI 	3%	-47%	<ul style="list-style-type: none"> ASIA: Covid-19 outbreak disrupted commercial activity for all major Wine players in China. Sales slowly started to recover, but still far from the pre-Covid levels.
CZ SK 	5%	-34%	<ul style="list-style-type: none"> CZ&SK: Greater magnitude of Covid-19 impact felt vs. other markets. Drop also explained by timing of shipments, with higher base in 1Q19. Sales in April and orders for May showing recovering trajectory.
UA 	3%	+61%	<ul style="list-style-type: none"> UA: expanding sales for Bostavan +39% and Purcari +186%, as the latter becomes increasingly popular with Ukrainian consumers, influencers, given excellent value for money offered.
RoW 	14%	+11%	<ul style="list-style-type: none"> OTHER: Good traction for Bostavan in Baltics +106% and the rest of brands in other countries, totaling +32%.

2 Premium Purcari and Crama Ceptura lead the growth

Brand	Share of sales, 1Q20	Growth, 1Q20 YoY	Comments
	41%	+29%	<ul style="list-style-type: none"> PURCARI: ongoing strong traction in Romania, largely in the IKA segment, compensating for the headwind in HoReCa. Promising performance in newer markets, such as PL +21%, UA +186%. MD most affected by HoReCa and Duty-Free closures, which impacted the premium Purcari brand most.
	31%	-8%	<ul style="list-style-type: none"> BOSTAVAN: Negative sales effects in MD, CZ&SK overshadowed the strong traction in Poland +12% on improved mix of products, increases in medium price segment sales, and the good traction in Baltics and Ukraine.
	17%	+31%	<ul style="list-style-type: none"> CRAMA CEPTURA: the brand is on a strong rebound, falling declining growth rates in 2019 (+11% for the year) as result of re-invigorating marketing campaigns and improvements in quality. Pushing the popular premium offerings most of all – Astrum, Dominum series, which also have better margins.
	12%	-10%	<ul style="list-style-type: none"> BARDAR: Sales in MD down 18%, significantly affected by HoReCa closure and ban on public events (i.e. weddings, anniversaries). Abolition of Tax-Free regime for the duty-free point of sales at the land entrance to MD. Partial shifts of orders for Belarus and Baltics to Q2.

2 P&L – solid growth and margins given circumstances

RON m	1Q19	1Q20	Δ '19/'18
Revenue	42.2	46.4	10%
Cost of Sales	(22.0)	(22.8)	3%
Gross Profit	20.2	23.6	17%
<i>Gross Profit margin</i>	<i>48%</i>	<i>51%</i>	<i>+3 pp</i>

SG&A	(9.1)	(9.5)	5%
<i>Marketing and selling</i>	<i>(3.3)</i>	<i>(3.9)</i>	<i>21%</i>
<i>General and Administrative</i>	<i>(5.8)</i>	<i>(5.6)</i>	<i>-4%</i>
Other income/expenses	0.7	(0.2)	-121%

EBITDA	13.9	17.4	25%
<i>EBITDA margin</i>	<i>33%</i>	<i>37%</i>	<i>+4 pp</i>

Net Profit	8.7	8.0	-7%
<i>Net Profit margin</i>	<i>21%</i>	<i>17%</i>	<i>(4 pp)</i>

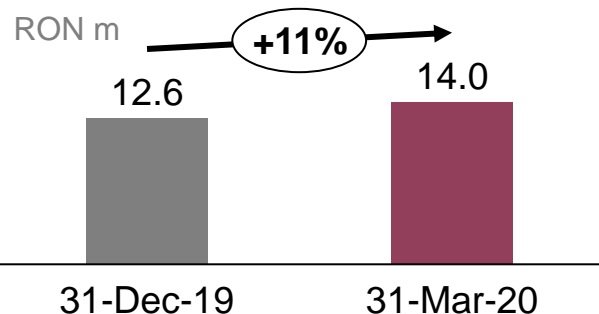
Normalized Net Profit	9.3	11.1	20%
<i>Normalized Net Profit margin</i>	<i>22%</i>	<i>24%</i>	<i>+2 pp</i>

Comments

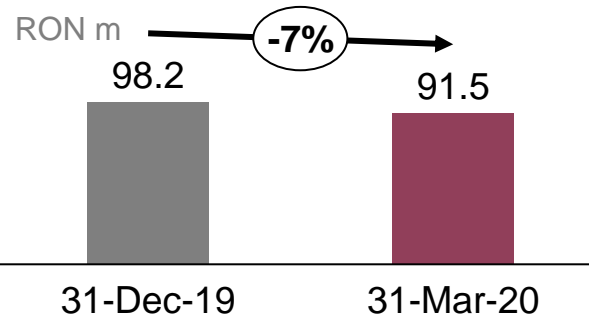
- Gross margin up 3pp with revenues growing faster than cost of goods sold, on improved mix and select price raises combined with a revision of cost lines.
- Maintain stable level of marketing investments, at 8% of revenue. Revised Marketing activities in relation to Covid-19 outbreak. Trade Marketing up 7% in line with Sales growth, concentrated on IKA. Reallocation of certain salary costs from G&A to MK expenses.
- G&A expenses reduced to 12% as share of revenue due to certain salary cost reallocations to MK expenses. Initiated holistic cost optimization program.
- Higher operating expenses reflect adjustment to the maintenance of vineyards costs related to 2018 and performed in 1Q'19, no such reversals required in 2020.
- EBITDA up 25% yoy, with EBITDA margin reaching 37%, on back of good gross margin evolution and containment of fixed costs.
- Normalized Net profit stood at RON 11.1 million, up 20%. Normalization stands for FX translation loss due to depreciation of MDL rate as of March 31, leading to re-adjustment of balance-sheet items, resulting in a negative 3M RON FX impact.

Cash and Receivables

Cash position



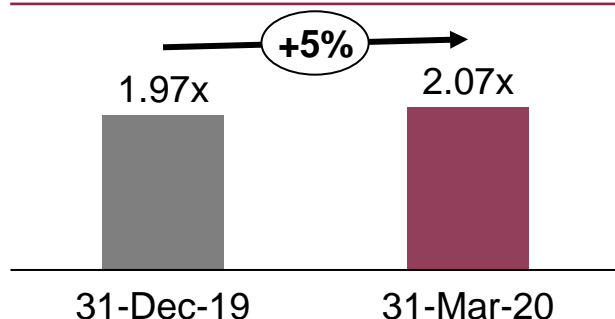
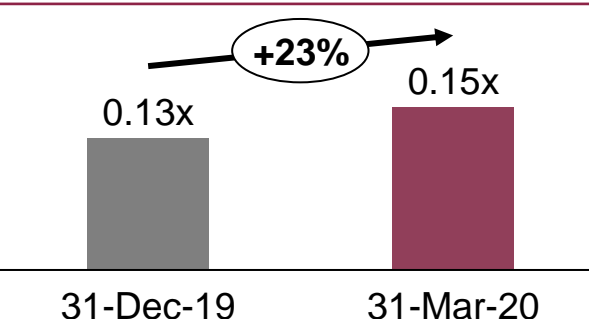
Net Debt



- **Solid Cash position up 11% QoQ**
- **Net Debt improved by 7%** due to both decrease of Debt and increase of Cash balance

Liquidity

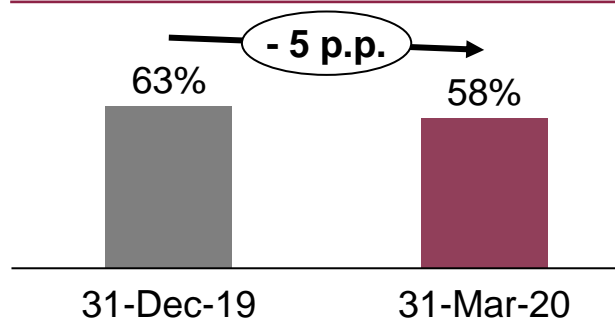
Current ratio

Cash ratio¹

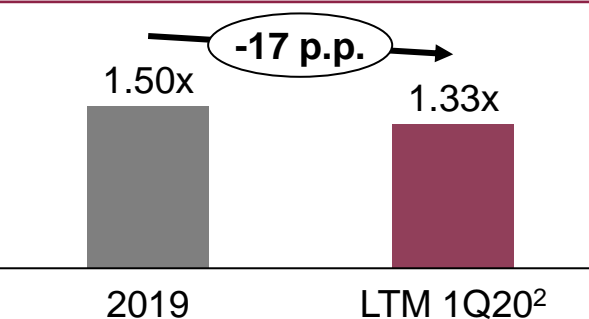
- **Healthy Current ratio above 2x**, as of end of 1Q20
- Increased Cash position **improved cash ratio by 23% QoQ**

Solvency

Debt-to-Equity



Net Debt-to-EBITDA



- In 1Q20 **Total Debt decreased by 5%QoQ**, down to RON 105.5m
- Supported by further EBITDA growth in 1Q20, **Net Debt-to-EBITDA ratio improved by 17 p.p.**

2 Health & safety remains a top priority amid suspected staff infections

Health and Safety measures	Update on SARS-CoV-2 infections	Actions undertaken
<ul style="list-style-type: none"> • Work for home rule for all administrative staff, as of March 16 • All production sites, continued operating, in line with legislation • Additional safety measures: masks, gloves, sanitizers, workplace distance, regular disinfecting of spaces, temperature checks before shift start, chlorine solution shoes etc • Self-quarantine for employees returning from abroad • Ongoing communication, workplace education regarding health and safety rules 	<ul style="list-style-type: none"> • Five employees at Vinaria Bostavan subsidiary hospitalized, testing positive to SARS-CoV-2 during the Easter weekend (April 17-19) • The five employees all live in two villages surrounding Bostavan winery • Company resorted to massive testing of its employees, with more cases identified, the vast majority of them asymptomatic • None of the employees are in serious or critical state based on our latest knowledge • Management is providing all assistance needed to the affected employees and authorities in coping with this situation. 	<ul style="list-style-type: none"> • All four production underwent additional disinfection during the planned Easter closure period through May 4 • All production sites reopened with heightened safety measures put in place, including masks, face shields, disinfection tunnels, social distancing norms, sanitizers, chlorine solutions for shoes, temperature checks, UV lights etc. • No meaningful supply disruptions registered as sufficient safety stock has been built up in advance of the planned closure at 3rd party facilities, distributors

2 Agri, production, distribution – adapted to new Covid-19 reality

Vineyards



- Operating with safety measures in place at all vineyard plots. No disruptions to date.
- March, April – higher intensity manual labor period in vineyards. Finished for all plots.
- May, mid June – limited manual works planned, only low labor mechanized. Very few employees involved.
- Mid June – mid July, higher intensity labor works.
- Mid August – mid October, grape picking season.

Wineries



- Operating with safety measures in place at all production sites.
- Planned closure through May 4 for Easter break was used to further beef up the safety measures.
- Sufficient inventory on 3rd party warehouses, distributors to continue shipment to retail.

Distribution



- Export clearance to / from Romania and from Moldova working without interruptions.
- Green corridor from Moldova to / through Romania for commercial freight, speeding up customs clearance, simplifying logistics.
- No disruptions to date due to transportation capacity shortage (14 days quarantine rule doesn't apply to freight drivers)

Retail



- No major out of stock issues in shipments to retail
- Some out of stocks in store, given overloaded retail capabilities during panic buys in 2nd half of March
- Sharp drop in HoReCa segment, accounting for <15% of Company sales; affecting mostly Moldovan market and to lesser extent Romanian. Virtual closure of DutyFree channel and Tourism Sales (the latter ~2% of revenues).

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

3 Vivino feedback very strong, particularly important for online sales

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



















- 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 **11 best rated wines in Vivino's top-25**
- Our **push in upper-mainstream** segment shows good results, with 3 of our wines in top-25 <30 RON
- We remain convinced, it is the **product that will make the difference** in mid and long term with consumers, so we are focusing on making exciting wines, that capture people's imagination

3 Ready for summer: outstanding 2019 vintage whites, rosé





3 Our key operating markets have been coping well with the outbreak to date

Market	Share of sales, FY19	Number of infections ¹	Infections per mln ¹	Number of fatalities ¹	Fatalities per mln ¹	RO number ² *	Doubling time ³ **	Trend ³ ***
RO 	42%	15.778	820	1.002	52	1.0	-	
MD 	23%	4.995	1,238	175	43	0.9	-	
PL 	11%	16.921	447	839	22	1.0	-	
CH 	6%	82.919	58	4.633	3	0.7	-	
BL 	4%	24.873	2,632	142	15	1.2	23	
CZ 	4%	8.198	766	283	26	1.0	-	
UA 	3%	16.023	366	425	10	1.2	20	
SK 	1%	1.465	268	27	5	0.4	-	

* RO number (effective reproduction number) – the average number of secondary infections produced by a typical case, used to measure the transmission potential of a disease

** Doubling time – estimate of the doubling time in days (when the rate of growth is negative the doubling time is assumed to be non-existent)

*** based on observed change in daily cases across the last ten days

Note: (1) Worldometers.info as of May 12, 2020 (2) epiforecasts.io as of May 12, 2020 (3) ourworldindata.org as of May 12, 2020

3 Globally, wine category holding well so far; yet can't conclude on steady state

Wine has been holding well through March, across markets....



- Wine sales in US up +10% in March, according to industry body¹, though unclear if consumers buy more or consume more. Wine sales up +28% in the week to March 14, + 66% to March 21 according to Nielsen, so likely signs of overstocking.



- Alcohol sales up +22% in supermarkets and corner shops, according to Kantar. 61% of Britons report to consuming more during lockdown.



- Wine sales at Shinsegae Department Store network rose 5.2% in the week of Feb 11-29 (the strict quarantine period) vs. overall sales drop of 15.8% for the department store as a whole.

...but data remains noisy, given overstocking in March, no clear steady state; April and May do point to softening in demand

- Data for March is unlikely to be representative for steady state sales, given strong overstocking across markets
- Still, there are numerous indications people have been increasing their wine consumption as a way of entertaining at home
- However, consumer behavior difficult to predict amid changing economic situation, likely contraction in purchasing power and subsequent shopping and consumption shifts.
- April data does show a softening in demand, with Purcari sales moderately down year on year; May orders ~flat vs. May'19 sales.



Angela Merkel, 21 March, before self-isolating for quarantine

3 Executed promptly on adapting our marketing to the new COVID reality

Crama Ceptura



- Campaign: “Elbow bump”
- Launched: March 17
- Medium: TV, Social

All brands - Community



- Campaign: “Breath 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



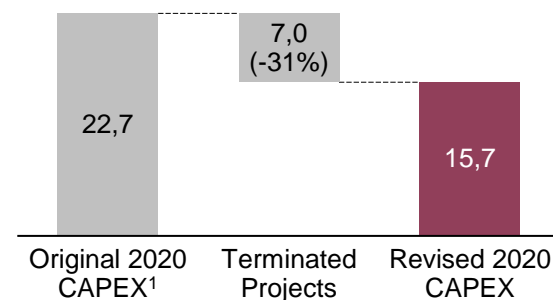
- Campaign: “Cheers to heroes!”
- Launched: April 15
- Medium: TV, Social

3 Broad and deep cost and cash optimization program initiated

A CAPEX cut

- **CAPEX program was revised** with all non-critical projects terminated / postponed, resulting in circa **RON 7 mln savings**, or 31% of original CAPEX program
- Management had **reached out to suppliers** of equipment for revised CAPEX project with **request of discounts** and **revision of payment terms**, to reflect the new realities of the day

2020 CAPEX Program, RON mln



B OPEX cut

- Management had initiated **holistic OPEX cost optimization program**. Cross-functional team is working on design and implementation of cost cutting initiatives across all main pillars.
- **Program is focused on:** procurement excellence, elimination of all non-critical purchases, negotiations of discounts with suppliers, order size optimization, forecasting improvements
- Management and Board have all taken **voluntary salary cuts** of between 25% to 100%, for periods of between 3 and 12 months to set the tone for the rest of organization, protect more vulnerable employees and finance community contributions – more details: <https://bit.ly/34OzGQz>

C Liquidity optimization

- Bank grace extensions in process for ~35M RON in Moldova; extra financing for ~4M RON to be secured; option for additional credit lines (including revolver) of ~12M RON. Expect lower interest rates, amid drop in base rates.
- Tight liquidity monitoring, including working capital. Overall, run more prudent, cautious liquidity profile.

¹ Including agricultural investments

3 We suspend our guidance for 2020; to be updated upon more clarity

Guidance for 2020

Target	2020 guidance	Comments
Organic revenue growth	+16-20%	<ul style="list-style-type: none"> Romania to remain growth driver, continue focusing on Poland, Czech, Slovakia, Ukraine; continue seeding newer markets – Asia, Scandinavia, Germany. Launch a number of new products from our Bostavan winery, on premiumization drive.
EBITDA margin	30-32%	<ul style="list-style-type: none"> Expect moderate increase in COGS given smaller harvest, but to be compensated by favorable pricing environment and ongoing premiumization of portfolio.
Net Income margin	20-22%	<ul style="list-style-type: none"> Financing cost does rise on higher rates in Romania; financing in Moldova remains very competitively priced.



Guidance suspended

- Due to **high uncertainty** related to the development of Global COVID-19 crisis
- Including uncertainty on **time and extent** of COVID-19 related **restrictions** and depth of **negative economic** effects
- We must **suspend** earlier disclosed **Guidance for 2020** until a better grasp of what the new steady state looks like

- 1 Our Group
- 2 1Q20 Operational Results + COVID19 Update
- 3 Update on 2020 Outlook + Contingency Plans
- 4 **Q&A**



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



Thank you.