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Investors and Analysts' Conference Call: First Half 2023 Financial Results

Vasile Tofan, Chairman of the Board of Directors, Purcari Wineries Public Company Limited: Ladies and Gentlemen, it is a pleasure to have so many of you on today's Earnings Call for Q2 for Purcari Wineries Public Company Limited. Despite it being a Friday, I hope we'll have all of you very much focused on our results, because we are very proud of the set of results we are presenting.

In today's presentation team we have: Eugeniu Baltag, Investor Relations Manager and Victor Arapan, Chief Financial Officer, they will do most of the talking. We also have Victor Bostan, Chief Executive Officer, Victoria Moldovan, part of our Investor Relations team, and me, Vasile Tofan, Chairman of the Board of Directors.

We are very proud of the track record of growth we have been showing for so many years now, and I'm very proud that despite the Company's scale getting larger, and despite the macro environment being so difficult, we, even today, in presenting these Q2 results, continue accelerating that track record of growth. We increased revenues by 30% in the first quarter and we are proud that in the second quarter too, revenues stayed at the same, very high level, of 30% expansion versus last year.

Without further ado, I will pass the floor to Eugeniu Baltag, who will take it from here, jointly with Victor Arapan, and will take you through our results, and then we'll open the floor for questions.

Eugeniu Baltag, Investor Relations Manager, Purcari Wineries PCL: Thank you Vasile for the introduction. It is good to see so many people attending our Conference Call and I would like to thank you for the decision to spend with us two hours of your time on the last Friday of the summer.

We have a long agenda, but I propose to focus more on operational results, our guidance and, of course, the Q&A session. We are here to give you more color on how Purcari Wineries Group has performed during the last three months and what are the perspectives for the rest of the year. As Vasile already mentioned, indeed, we have a very strong quarter and we managed to deliver exceptionally well in terms of revenue by growing 30% for the second quarter in a row. We performed very good in terms of profitability as well, reaching a 22% growth in net profit and a 15% increase in EBITDA on a year-on-year basis. We have achieved this exceptional performance based on a mix of two things. First - volume increases and second – price increases. Please consider that roughly two-thirds of our growth comes from volume and one-third comes from price increases pushed through across the markets.

We delivered strong margins above guidance with an EBITDA margin of 28%. If you recall our guidance on this KPI, its top end was at 26%. We also delivered a Net Profit margin of 16%, at the top end of the mentioned guidance. Thus, in current turbulent environmental and geopolitical turmoil, we consider our first half results to be a very good achievement and an excellent contribution of the entire Purcari team.

Unfortunately, with the onset of COVID in 2020, turbulences have become a new normal, but our affordable luxury model proved to be highly lucrative and adaptive to the new reality. Nevertheless, we must mention that in the second quarter we experienced the highest pressure on COGS from inflation and the more expensive wine stock of the 2020 and 2021 vintages. However, the good news is that we already see the first signs of the pressure easing and we expect certain operational improvements in the second half.

We also have good news in terms of Investor Relations. Purcari has been maintained in the FTSE Russell Global MicroCap Index as of the August 2023 review. We are in the top five performing companies in that index with a 37% increase year to date. Additionally, our shareholders managed not only to benefit from the upside in the share price, but also, on the 18th of August they received a dividend of 0.55 RON per share. In this Quarter, we also moved closer to our ESG targets, by increasing our Photovoltaic System capacity to ~1 MW (960 KW), ensuring 40% of Purcari Winery's annual energy requirements, and 15% of both Bostavan and Bardar Wineries' annual energy requirements.

That being said, I leave the floor to Victor Arapan, CFO of Purcari Wineries Group, who will provide some additional insights on the financial evolution of the Company during the 1H of 2023.

Victor Arapan, Chief Financial Officer, Purcari Wineries PCL: Thank you, Eugeniu and good day to everybody. As mentioned by my colleagues, the Group recorded a great performance in the first six months of the year, with sales and financial performance above or at the top range of the guidance. In Q2, the Group's sales kept the same growth pace as in Q1, as a result, we have an increase of +30% year-on-year in revenue, for the reported period. Gross profit increased 14% year-on-year, reaching 67 million RON, slower than sales as production cost increase due to the use of the more expensive stocks of bulk wine of the 2020 and 2021 vintages, which still has a big share in production, as well as more expensive packaging stocks made at the end of the previous year to avoid any disruptions that could've happened in the winter of 2023.

For example, the packaging used in the first half of 2022 was mainly from the stocks purchased by the end of 2021, at a much lower cost, due to fear of an energy crisis and tensions at the Ukrainian-Russian border at that time. Cost of sales also increased due to higher depreciation expenses, as most investments made in 2022 were put into operation by the end of the previous year, including the acquisition of Angel's Estate in Bulgaria, in Q4 2022. Total depreciation expenses increased by 38% year-on-year, or 3.4 million RON, which led to an increase in manufacturing costs. We should not ignore the increases occurred in the recycling services segment as well, provided by our subsidiary EcoSmart from Romania, which grew to a share of 8% of total sales in the reported period, however with a much lower margin compared to the core segment.

All these factors led to a decrease in gross margin from 47% to 41% in the first half of this year. SG&A expenses registered an increase as a share of sales to 23% compared to 22% for the same period of last year. We have a significant increase in marketing and selling of 52% in the first half of the year. In the previous year, trade and marketing activities were very ununiform due to uncertainty related to the war in Ukraine. Therefore, please note that last year, 76% of trade and marketing activities or expenses were made in the second half of the year. Hence, we believe that in the period of 9 or 12 months we will have more clearance on growth, compared to last year. Also, we do expect them to grow similarly with sales.

Other income expenses did not have an overall significant impact, however, when we separate the items, we do have significant changes such as an increase in interest expenses by 51%, from 2.1 million RON to 3.1 million RON, and our borrowings increased by 30% as of June 30th compared to June 22nd, of course based on Euribor rate increase. At the same time, as a result of MDL appreciation against EUR, the Group recorded a net Forex gain of 1.9 million RON, while in the 1H of 2022, the Group recorded a net Forex loss of 2.8 million RON. EBITDA and net profit registered increases by 15% and 22% respectively, compared to the previous year. Margins in both indicators are above the top range of the guidance presented in February.

A few words about the waste recycling services offered by EcoSmart. The results are still insignificant in the first 6 months of the year. The gross margin of this segment is significantly lower compared to 1H of 2022, mainly due to increases in recycling costs as the national target for waste and packaging recycling in Romania also increased with an average 8%. Sales prices were later adjusted, thus, for this segment we expect an improved annual figure for gross margin, but still lower than 2022.

On slide 18, you can personally observe that the Group continues to have a very strong financial position over the years, with a low level of indebtedness and optimal liquidity. The decrease in the current liquidity ratio as of June 30th is due to the distribution of dividends in Q2, which increased current liabilities by 22.1 million RON. It should be noted that the Group's goal is to maintain a Net Debt/EBITDA of 1.5x, thus there is room for sustaining strong growth in the future.

That is all from my part, Eugeniu, the floor is yours for a short overview of sales by markets and brands.

Eugeniu Baltag, Investor Relations Manager, Purcari Wineries PCL: Thank you, Victor, for the detailed information on the financial data. Now, let's see how we achieved these figures, by looking through the commercial lens.

The growth that we achieved today is just the tip of the iceberg. What is not seen here is the huge amount of work and dedication that was put in by the entire team. Today's results are the outcome of a multitude of strategic decisions taken over a longer period, as Purcari Wineries is not looking for quick results, but rather for sustainable growth.

In terms of performance by country, Romania shows a strong growth for all brands. Expansion of existing channels and adding new SKUs, new regions, and new distributors. Usually, Purcari gets all the credit, but there are other stars as well: Crama Ceptura, which grew by 24% year-on-year, in Romania, and Bardar which increased by 30%. We strongly believe in diversification and increasing revenues. An example in this respect would be Domeniile Cuza, which grew 4x year-on-year, albeit from a smaller base.

Moldova also has performed well; however, consumer confidence is moderate. Nevertheless, Purcari shows double-digit growth. For Bostavan, we see an almost direct elasticity for mainstream brands, practically flat in the first half. Bardar grew single digit as we continue to focus on premiumization with the brandy division.

If we look at other markets, we can see a silver lining for free markets. For example, in Poland, Czech Republic and Slovakia, there is high pressure on the mainstream wine market. Consumer confidence is moderate and there is high sensitivity to price increases in all free markets. Despite the circumstances, we promised to deliver high quality wine and provide good value for money. Thus, we will not pursue an easy path of unsustainable discounts or quality reductions as this is a one-way ticket. Therefore, we are betting on premiumization and adding value to our consumers in different creative ways. Nevertheless, in Poland, Czech Republic and Slovakia, we registered good growth with Purcari, albeit from a smaller base.

With respect to Ukraine, of course the situation is difficult, but it's stable. We had a strong first half in 2023, but still behind pre-war H1 2021. Despite this, we are sure that once the war ends, we will have no other way than growth.

If we look at our performance by brand, for Purcari we are capitalizing on brand value. We are enforcing our presence in the existing markets, exploring new ones, and pushing forward new SKUs. With respect to Bostavan, there are quite challenging conditions for mainstream brands, and the decisions which are currently being taken will provide dividends in the future. Thus, we opt for prioritizing margins over volumes and seeking new opportunities.

Regarding Crama Ceptura, the quality of the wine is still exceptional. We had a 20% increase in 1H. My advice would be, for those in Romania to go and grab a few bottles of Crama Ceptura and see the value for money it offers.

On Bardar, as you might recall from our previous meetings, Moldova is still the main market. We registered a middle single-digit growth in 1H, partly impacted by the increase of excise duties in Moldova, enforced from January 1st, mainly for spirits and branded products. On our second market by size, Romania, we are registering a strong growth and expanding through channels.

With respect to Angel's Estate, our latest addition, it is undergoing a transformation process as we are solving past inefficiencies on the go. It takes time to make it work right but we are sure that we will achieve good results in Bulgaria as well. We have an experienced CEO at the steering wheel of Angel's Estate, who contributed to the success of Purcari in Romania, and who now is applying his know how to replicate the Romanian success in Bulgaria.

On slide 21, you may see our latest achievements from the most reputable wine competitions this year. Our most recent results are from Decanter that offered 4 gold medals to Republic of Moldova, three of which are for Purcari Wines: Maluri de Prut (95 pts.), Saperavi de Purcari - Limited Edition (95 pts.) and Academia Purcari Saperavi (96 pts.).

Prior to jumping to the Q&A session, I would like to pass the floor to Vasile Tofan, to continue our presentation with insights on our guidance for 2023.

<u>Vasile Tofan, Chairman of the Board of Directors, Purcari Wineries PLC:</u> Yes, thank you. Perhaps you've heard me saying this many times, we have one rule of thumb in approaching guidance. We always try to under promise and over deliver, that is why our approach to guidance is formulated in our policies. Our guidance policy is to be prudent, so, to that end, many of you will notice a significant overperformance in terms of the guidance outlined at the beginning of the year for the 1H. The numbers are here, we are significantly above revenue targets, 8 pp for total revenue growth and 11 pp for the top range in terms of wine growth. Similarly, with regard to EBITDA margin, we're 2 pp above the top range of the indicated EBITDA margin, and we're at the top range in terms of net income margin.

Now, many of you will ask why do we keep the guidance unchanged? Again, there are two reasons here. One goes back to the principle of being extra prudent and trying to under promise and over deliver. Second, is the fact that historically, the first half of the year accounts for about 40% to 45% of annual sales. The second half of the year is crucial from a seasonality perspective, and it is still an environment that poses lots of challenges in terms of the macroeconomic environment. While we personally feel very good about where we stand in the marketplace and how we perform, we do not see material reasons for things changing in our operations, hence we decided at the latest board to still preserve the guidance unchanged and hopefully, strongly deliver against it.

Eugeniu Baltag, Investor Relations Manager, Purcari Wineries PLC: Thank you, Vasile, for the update on guidance. We can now proceed to our Q&A session. Please feel free to address your questions directly by turning your microphone on or typing your questions in the chat.

Questions and Answers

Vasile Tofan, Chairman of the Board of Directors, Purcari Wineries PLC: Maybe we will start with the written question in the chat. And for the benefit of the colleagues who do not speak Romanian, there is a question about a suggestion in terms of more metrics to be shared by the company. This primarily reflects the use of capital and the delta between the yields on our cost of capital. This suggestion is of a number of metrics to be included such as economic value added, IRR and other similar metrics.

Thank you very much for this suggestion. I think I am speaking for the rest of the team here. We agree that some metrics would be valuable for us, for our investors, e.g., a version of economic value added or some guidance in terms of the internal rate of return we employ for assessing our capital investment projects. At the same time, my humble and perhaps wrong view is that some of these metrics maybe would be a little bit or not fully relevant for our business. This is because, like the delta between the cost of capital and the yielding capital would probably apply to a more financial institution, a bank, but would be a little less relevant for a wine company.

Again, that is just my subjective view, assuming I'm understanding the question correctly. But thank you again for the suggestion. I think some of the metrics, in terms of directional IRR or hurdle rate for Capex projects or EVA could be indeed helpful.

Last, in terms of the capital structure aspired, we do not have strong rules that we have communicated in terms of capital structure. You probably have observed that we are typically at a level of 40% debt to equity level. And while we do not have a target written down, we would probably aim to stay at around 50% of debt-to-equity level. Therefore, very well capitalized. One metric that we have communicated consistently related to this is the net debt to EBITDA.

We are a reputable company, and while we see many companies going on with a much more aggressive capital structure, we always aspire to stay at a level below 1.5x net debt to EBITDA. At the moment, we are around 1.2x – 1.3x. Still, within that realm, we may go slightly above 1.5x if we have an attractive acquisition opportunity and we raise extra financing for that. However, we believe, especially in this high interest rate environment, staying below or around 1.5x net debt to EBITDA is the right way to go.

Participant 1: Hi, a couple of questions from me. So first, how sustainable is the growth in Romania? I mean, it is impressive, but how sustainable is it? Second, if you could provide an outlook on margins? Third, can you provide a bit of color for the rest of the countries?

Eugeniu Baltag, Investor Relations Manager, Purcari Wineries PLC: Participant 1, good to hear from you. Let's split your questions and answer them one at a time. With respect to sustainable growth in Romania, of course, there, we still have plenty of room for growth. As I previously mentioned, we still have some areas in this market which are not yet covered. Our current market share is around 10%, thus we have plenty of potential for growth starting from key accounts, including HoReCa, while launching other SKUs and new brands like Domeniile Cuza, etc.

We have room for growth on this market and despite it not being an "easy walk", we have a capable team on site that puts all its efforts into continuing this growth.

To cover your question on margins, I believe we saw the peak of inflation pressure in Q2, especially through the price of packaging. We saw a significant difference in the highest price for packaging in Q2 2023 vs. the lowest price in Q1 2022. This difference was, of course, reflected in the margins. Furthermore, we are currently selling more wine stocks from the 2020 and 2021 vintages, which were more expensive.

As I mentioned during the presentation, we are growing revenue both from price and volume increases. Therefore, as the more expensive stocks of wine are diminishing, we expect their impact to decrease by the end of the year. Indeed, this transition will happen gradually as it is dependent on the sales mix, thus we expect a slow and steady decrease in inflation and inventories' cost pressure as well. Despite all this, we have to take into account that winter is not very far, so we should be prepared for how things might evolve.

<u>Vasile Tofan:</u> Just to add to your question with respect to sustainable growth in Romania. I believe Eugeniu covered it fully, but I would like to say a few more words. First, we are still player number 4/ number 3 in the market. So, we are behind Jidvei, Vincon, Cotnari and on par with Recas, and, to that end, we still see plenty of room to grow in terms of market share. Looking at some mature markets with an established leader like US or Chile, that have big domestic players like E. & J. Gallo (US) and Concha y Toro (Chile), they both are north of 20% in terms of market share. Clearly, this is where we aim to be, at +20% market share in Romania. Currently we are at around 12%, half of our aspired market share.

Second, while we are strong in still wines, two other important segments are still, almost in startup mode for us. One is sparkling wines, an important high growth segment. We are still weak, but we see plenty of potential to capitalize on existing brands by expanding to the sparkling market segment. We are doing that, but we are certainly not yet where we must be in terms of market share and sparkling wines. Two is brandy, which is a large, profitable category. We launched Bardar and it has a very strong growth in Romania, but we are still at the beginning of the journey. In that sense, I understand that many of you wonder whether growth in Romania is going to continue. Please don't forget that the market is growing, and we are only at half of the market share with our target, therefore, there's certainly room to at least double our sales in Romania, in a reasonable period.

<u>Participant 1:</u> If I may, one more question related to this. What is the actual growth for the total market?

<u>Vasile Tofan:</u> Not ready to share the latest data. Apologies, I don't have it - top of my mind. Historically, the growth rate has been at high single digits, based on Euromonitor, that is with respect to volume growth. I am not ready to tell you the number for 2023, but we are happy to share it as soon as we check the latest Nielsen data.

<u>Eugeniu Baltag:</u> Participant 1, I believe you had one more question. Could you repeat it, please?

<u>Participant 1:</u> Yes, I asked about Romania, so the last question was about the rest of the countries.

<u>Eugeniu Baltag:</u> With respect to the other countries, the volatility is very high as well. As mentioned, the mainstream brands are performing less efficiently than the premium brands, thus we are pushing Purcari in the markets where we are present. We are focusing on premiumization, and we continue to build our strategies so that we can obtain sustainable growth in each market.

Indeed, it is not an easy journey, so we must do it step by step. Of course, going forward, we will increase some prices because we have to cover the inflation impact on our costs and adjust in accordance with each country's market and situation.

Participant 1: We have seen a decline for Poland and Ukraine in Q2. Can you provide some insight there? What is happening and what should we expect?

Eugeniu Baltag: In Ukraine, we are beating last year's results, however we are comparing with a quarter when the war was raging in its fullest.

Participant 1: Sorry, I was referring to Q1, as the Q-on-Q comparison is not that encouraging.

Eugeniu Baltag: Sure. We continue to implement our strategies in Ukraine. We are growing both in terms of volume and value, and we have started a partnership with Coca-Cola for Bardar to increase our local presence there. However, at this moment, the uncertainty is too big. We are selling to the western part of Ukraine, only half of the country, so currently everything depends on the stability in the country and how the war evolves.

Participant 1: Poland, Czech Republic, Asia. What should we expect there?

Eugeniu Baltag: With respect to Asia, I believe that most of you are following what is happening in China. There was a general cooldown, however, despite this, our country manager remains on site. He's actively building new relationships and strengthening current partnerships. The situation with Asia is still uncertain, thus we cannot make assumptions at the moment. We stick to our guidance, and we believe that will achieve it this year.

In terms of European markets like Poland, Czech Republic, and Slovakia. We have a strong recovery for Czech Republic and Slovakia after a weak Q1. For 1H 2023, we managed to increase by 2% year-on-year. For Poland, we saw some seasonality and moderate consumption. We have yet to see how things will evolve in Q3 and Q4, but I believe that we should moderate our optimism and put all efforts into maximizing sales in these countries.

Participant 1: Thank you. If there are no other questions from other participants, one last question regarding SG&A. Can you guide us on the percentage going forward? We're seeing it around 23%. Do you keep the 22% guidance?

Eugeniu Baltag: Our internal guidance is not something that we write on paper, but historically, we always target an SG&A around 22% - 23% from revenues. Achieving this target is not easy, especially in the current macro situation, but we did manage to maintain the growth of expenses up to 22% of revenues. Since the addition of Angel's Estate and EcoSmart to our core business, this target might become more difficult to attain since these (companies) require additional SG&A expenses, but nevertheless, we are pushing sales to achieve our target.

Participant 1: Thank you.

Participant 2: Good afternoon. I also have some questions. I had a question regarding the EBITDA margin, but you have already covered it. My next question would be with respect to what could happen to surpass this prudent guidance. Are we speaking about an increase in revenues or rather the rate of COGS and SG&A expenses going forward?

Eugeniu Baltag: Hello and thank you for the question. Again, there is no straightforward answer to this question. We are pushing in both directions. First, we understand that we have to work on our top line, hence we should push forward with our sales, as the sales mix has the biggest impact.

Currently, we have a range of premium and mainstream brands that continuously improve, with the main objective of increasing revenues.

Second, monitoring our costs is vital. It does not matter how good you are at selling when you have no cost discipline. We try to focus on both: remaining hungry and increasing sales, while being very strict with our cost base. Indeed, there are some cost components that we can influence, so we are continuously negotiating prices, our acquisitions department working around the clock to ensure the best deals and secure sufficient inventories and stocks for production. However, there are some factors that are beyond our control, e.g., the wine stocks from the 2020 and 2021 vintages.

Thus, we are pushing both revenues and costs, which in the end should give us margins, hopefully within our guidance.

Participant 2: Regarding the mentioned expensive wine stock. Will it persist in the second half of the year, or will it diminish by the third quarter?

Eugeniu Baltag: Currently, we are selling more of the 2022 stock. The more expensive vintage will gradually pass through the commercial cycle, though it might take some time since most of the stocks are of red wine.

Participant 2: If we were to speak about a deadline, will it be at the end of 2023 or it might take more time?

Eugeniu Baltag: We do expect the biggest portion of the stock to run out by the end of 2023. However, we might still have some wine stocks in 2024. Again, it depends on the mix of sales and how quickly we are going to sell.

Participant 2: Regarding Turkey, it is a new market for you?

Eugeniu Baltag: Yes, Turkey is a new market. In this market we had the most significant sales when Republic of Moldova received its quota, giving it the option to sell without excise duties and other tariffs. Last year, we fulfilled the quota for an entire year just in the first two quarters. This year, we fulfilled most of our sales for the year in the first quarter. Despite this, we expect to receive a new quota in Q4 for the next year, and we believe that we will be able to deliver some sales. Our commercial team is working towards this objective, as we focus not only on the subsidized wines without tariffs, but also on building partnerships in order to increase sales despite the quota (additional sales, aside from the quota). Therefore, currently, Turkey, for us is quite an interesting country and market.

Victor Arapan, Chief Financial Officer, Purcari Wineries PLC: If I may, I would like to add some clarifications with respect to the EBITDA margin, prior discussed. For this period, our expenses, depreciation, and amortization increased significantly. We spent about 4.5 million EUR on our Capex program for the existing wineries and the newly acquired Angel's Estate, compared to last period. On both acquisitions of new subsidiaries and our Capex program, we increased our expenses with depreciation. The benefits from these increases will be higher revenue and production with a lower cost per unit. With respect to inventories, I'll mention again, there is a higher cost for the 2020-2021 vintages. Currently, at the end of Q2, these inventories represent around 25%. For many brands, this stock is yet to be consumed in the second half of the year.

Also, for this year we expect to have a good harvesting season, therefore we should have a much better position for inventories costs by the end of the year.

Participant 2: Thank you for making it clear. Another question would be whether you are going to increase prices going forward.

Eugeniu Baltag: Thank you for the question. Of course, price increases on all channels, partners, distributors, are not as easy as pushing a button. It is a matter to which we must pay close attention. We closely analyze and monitor each move we make with respect to gradual price increase. I believe that it is still early to give you an elaborate answer, with specific numbers, e.g., a price increase of 5% or 10%.

We apply a tailored approach with respect to price management to each market and even to each partner, to secure not only a value increase but a volume increase as well, as our objectives suppose a well balanced mix of both.

Currently, we are monitoring the macroeconomic environment and how does it evolve, especially with respect to inflation in our regions of interest. Further, based on our observations, we will make separate decisions for each market. Our commercial department works closely together with our top management in order to set the best formulas on how to obtain a better mix between volumes and value.

Participant 2: Thanks a lot. My last question is about the net financial results. Can you provide some guidance, or what should we expect in the second half of the year? I've noticed that in 1H 2023, you have a Forex gain, do you expect it to persist in the second half of the year, as well?

Eugeniu Baltag: I believe that Victor Arapan might provide some insight regarding the net finance cost.

Victor Arapan: We do expect our costs with interest to continue to increase compared to last year, as we have higher interest rates in the market.

The Central Bank of the Republic of Moldova decreased a few times, four times during the last period, and the basic rate is now quite low.

Interest in Moldova is still quite high, and we continue to borrow in EUR, as it is our main export currency; we also want to match the cash flow of borrowings with revenues.

As you know, the European Central Bank is raising the interest rate, so we expect possible increases in EUR borrowings.

However, we also have to increase our business, our inventories, to ensure the highest quality, which requires acquisitions of big quantities of grapes and their processing. We expect to increase our borrowing level and the interest to be high. If we were to speak net finance costs, we have been positively impacted by the evolution of MDL, which appreciated against EUR. We cannot guess what the exchange rate will be by the end of the year, but we expect it to stay at current levels, so I do not believe that we will have significant adverse impacts from exchange fluctuations.

Participant 2: Thank you for your answers, that was all from my part.

Vasile Tofan: I'll add one more note here. Of course, the strengthening of the MDL is a double-edged sword. Indeed, it helps us save for an accounting gain in terms of the finance cost line, however this is also affecting our gross margin, because most of our costs are in MDL. In that sense, we hope that the MDL will weaken. Now it is abnormally strong, which will boost our margins overall, because in the end, we are an export business.

This may have an impact on the accounting side, the financing cost side, but will have a positive effect in terms of cost base and overall margins. So in general, so that everybody understands, a weaker MDL is better for us.

Participant 2: Thank you.

Vasile Tofan: Okay, I think you've been very generous with your time on a Friday afternoon. As Eugeniu said, indeed, it is the last Friday of this summer, so we'll let you slowly transition into the weekend. Not our team though, we still have a retail call in Romanian. Retail investors, specifically Romanian retail investors are an important segment for us. We have nearly 10,000 retail investors and we are very grateful for all of them. Many of them are also our consumers. So, it is great to have such ambassadors.

I remember when we did our IPO, I think we were at around 1.5 thousand retail investors. That number has expanded a lot, and I'm very grateful to our Investor Relations team for helping increase that number so much. The Romanian language call that is scheduled later for the day is a testament to how important we see this base. Also, because these are our consumers and ambassadors of our brand. On this note, thank you, everybody, for backing us.

We are also going to participate at WOOD’s Fondul Proprietatea Conference on September 7th and 8th. We already have quite a few meetings lined up, so if you would like to talk to us, please do reach out. We would really like to take the opportunity to update you in person on our latest news.

So, September is going to be a busy month for us, with lots of activities, so please stay tuned. I hope we’ll have a lot more positive news to share.

Thank you everybody. Have a great Friday, weekend, end of summer, and hopefully we’ll see you in Bucharest in September at the Investor Conference. Thank you. Goodbye.