

# Purcari Wineries Plc

SEE Day - Corporate presentation  
November 22, 2021

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

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

- #1 World's most awarded winery in 2021
- #1 Most awarded CEE winery of the year in 2015-2021 at Decanter London, "wine Olympics"
- #1 Best premium wine brand in Romania, Moldova
- #1 Fastest growing large winery in CEE
- #1 Largest exporter of bottled wine from Moldova
- top 1 300+ hectares of prime vineyards, top production assets
- top Listed on Bucharest Stock Exchange, with reputable shareholders alongside founder, Victor Bostan: Horizon Capital, Fiera Capital, Conseq, East Capital, Paval Holding, Franklin Templeton, SEB etc.

## 6 production sites and 5 brands, covering a broad spectrum of segments



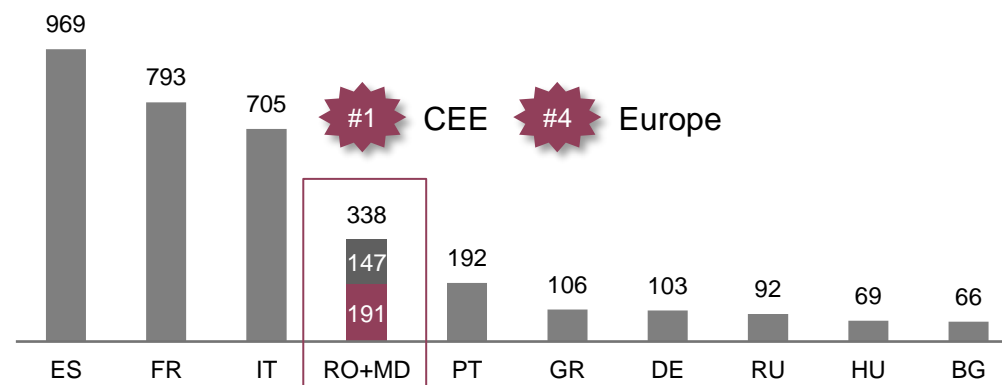
## ... with a strong & expanding regional footprint

Geographical breakdown of sales in value terms, 9M21, %



## Located in a region with one of the richest wine heritages

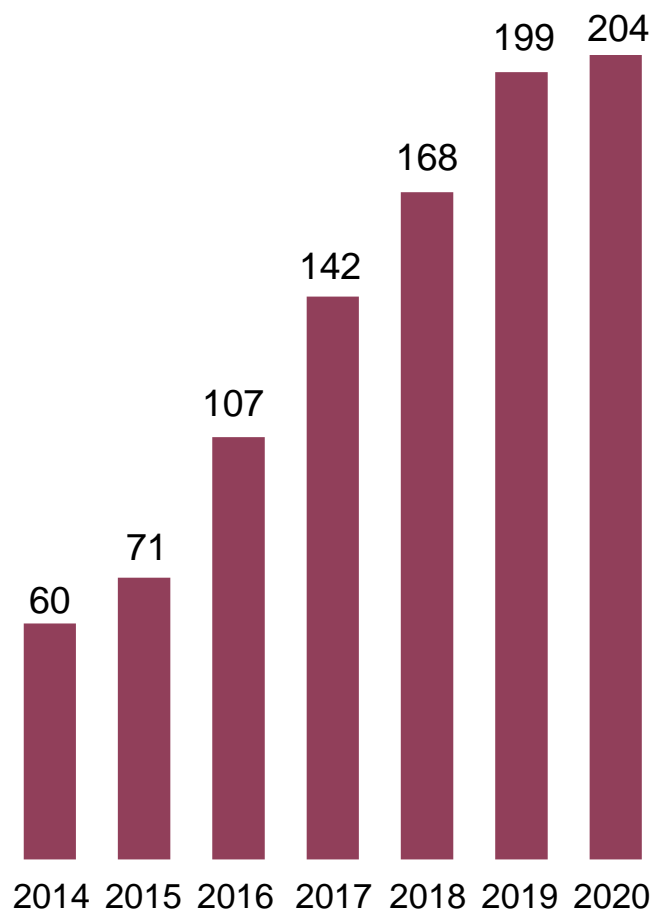
Top 10 European countries by area under vines, kha



## Strong track record of growth, despite headwinds in 2020

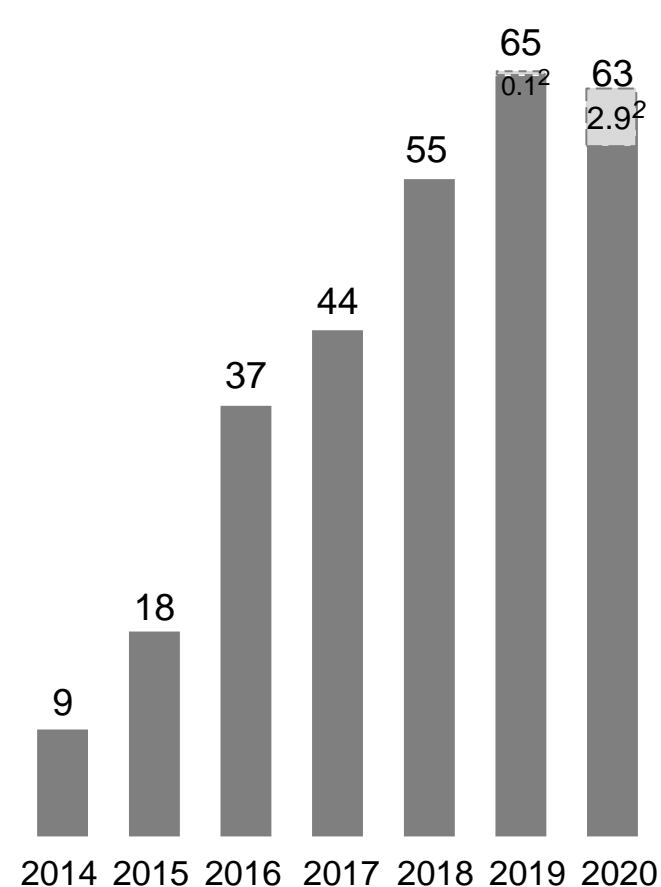
### Revenues

RON m



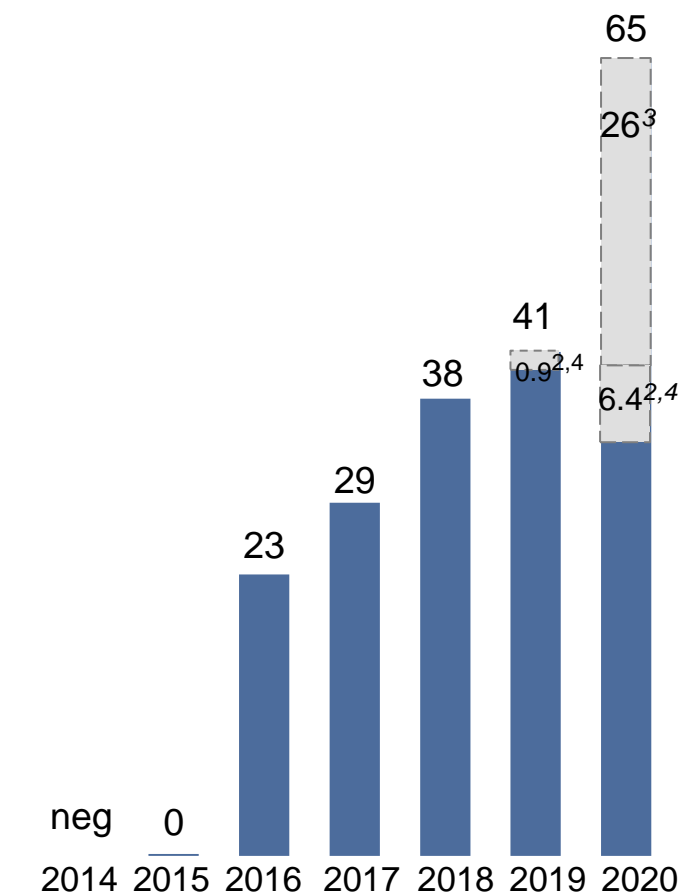
### Normalized EBITDA<sup>1,2</sup>

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 2.9mil. (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.

(4) FX translation loss due to MDL depreciation vs. hard currencies as of December 31, 2020 – RON 3.51mil. (Y20) and RON 0.81mil. (Y19).



# 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, vision and values

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### 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

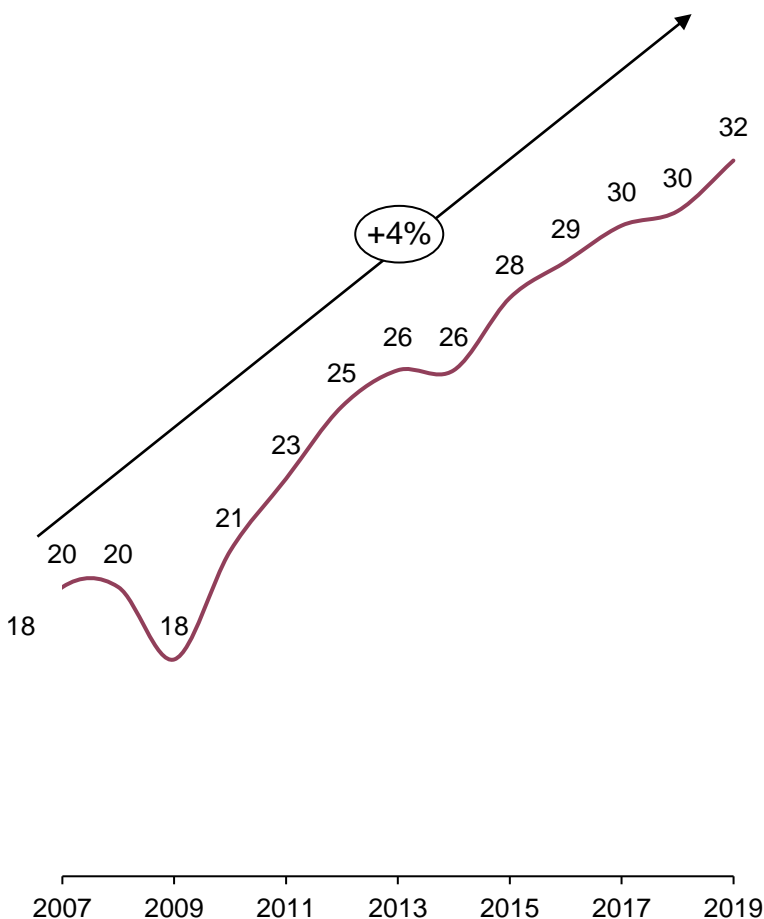
#### *Better*

We keep improving – both our wines and our people

# These secular shifts, have been favourable to wine pricing globally

## As wine trade grows at a fast pace...

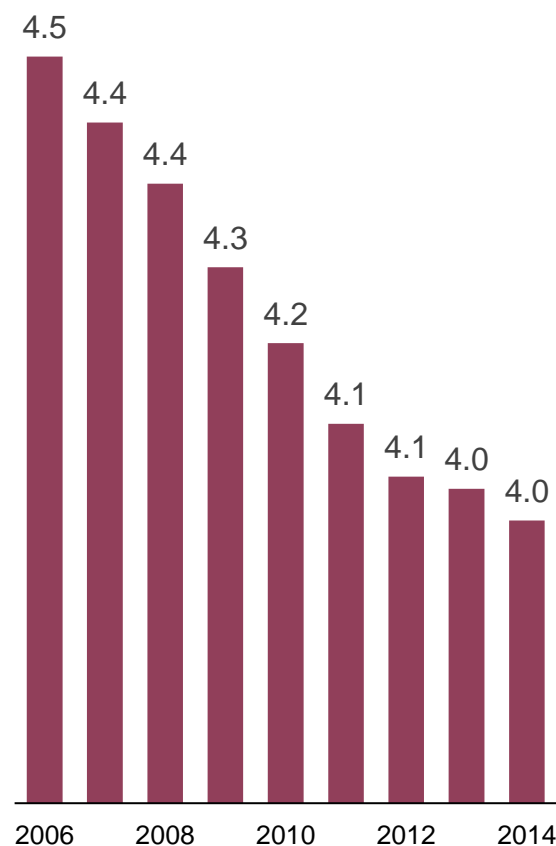
Global wine trade, €bn



- Wine trade has grown strong, as the sector becomes increasingly global

## ... and vine areas are decreasing...

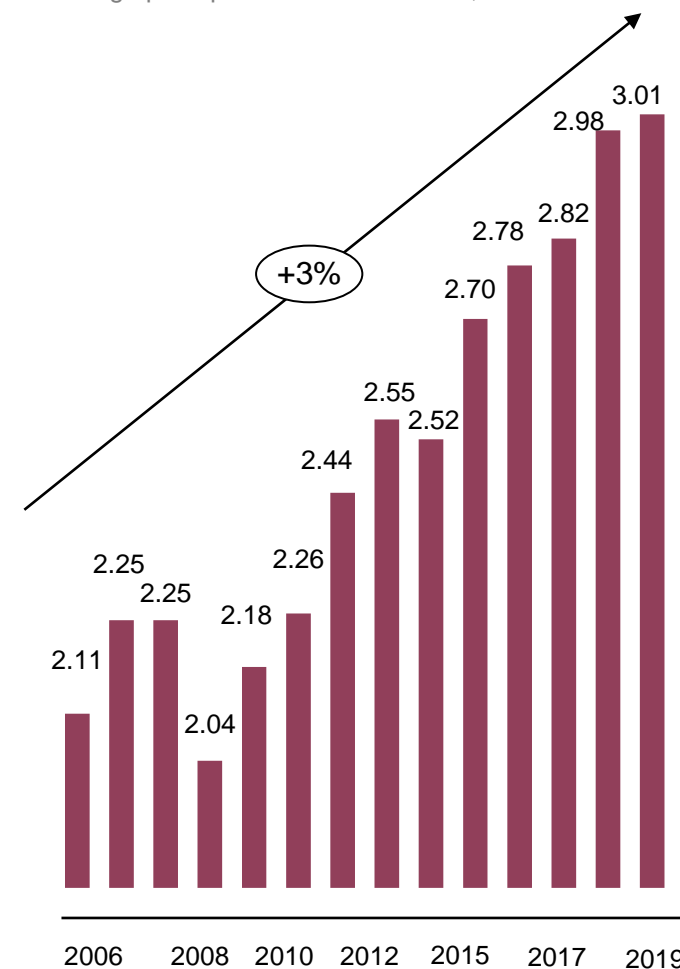
Area of vineyards in continental Europe, mn ha



- Regulation limiting new plantations, grubbing-up subsidies and generational change has led to a decrease in vine areas

## ... prices keep rising

Average price per liter of traded wine, €

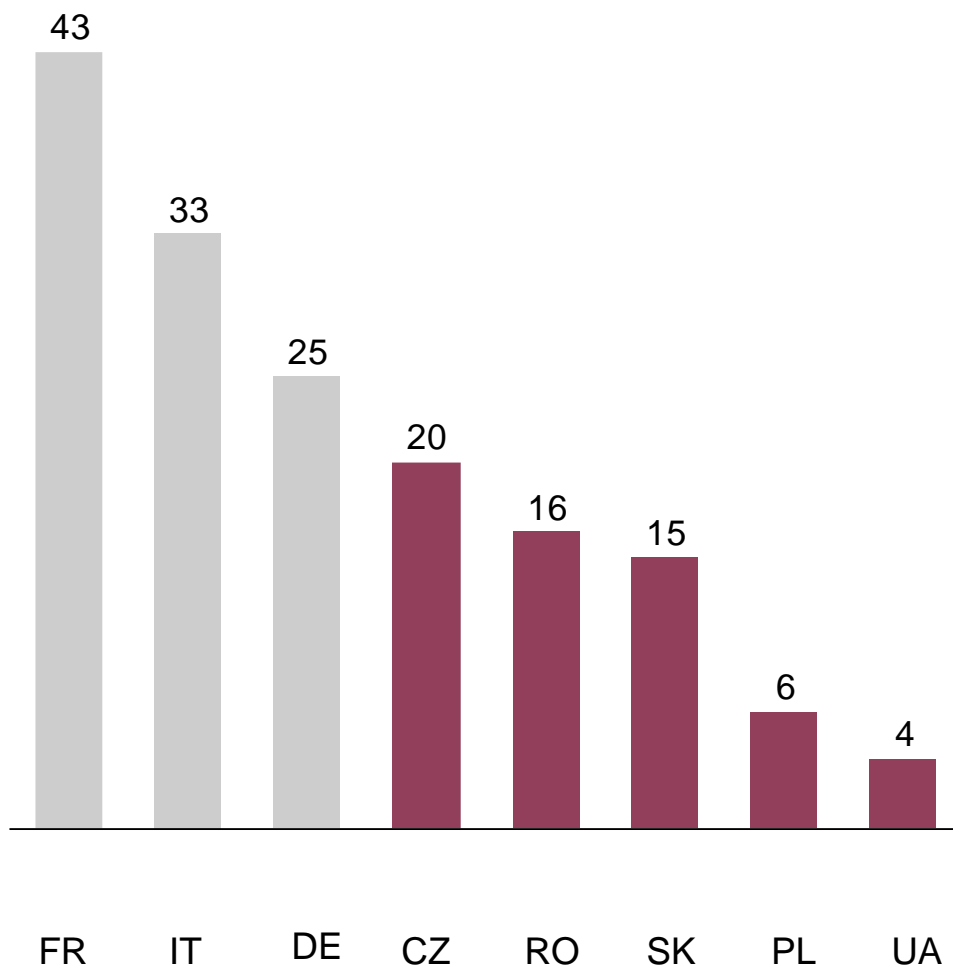


- The resulting supply decrease, combined with rising demand, has pushed prices up

# CEE consumption especially strong, on shifting drinking patterns

## Plenty of catch up for CEE countries

Wine consumption, litres per capita, selected countries

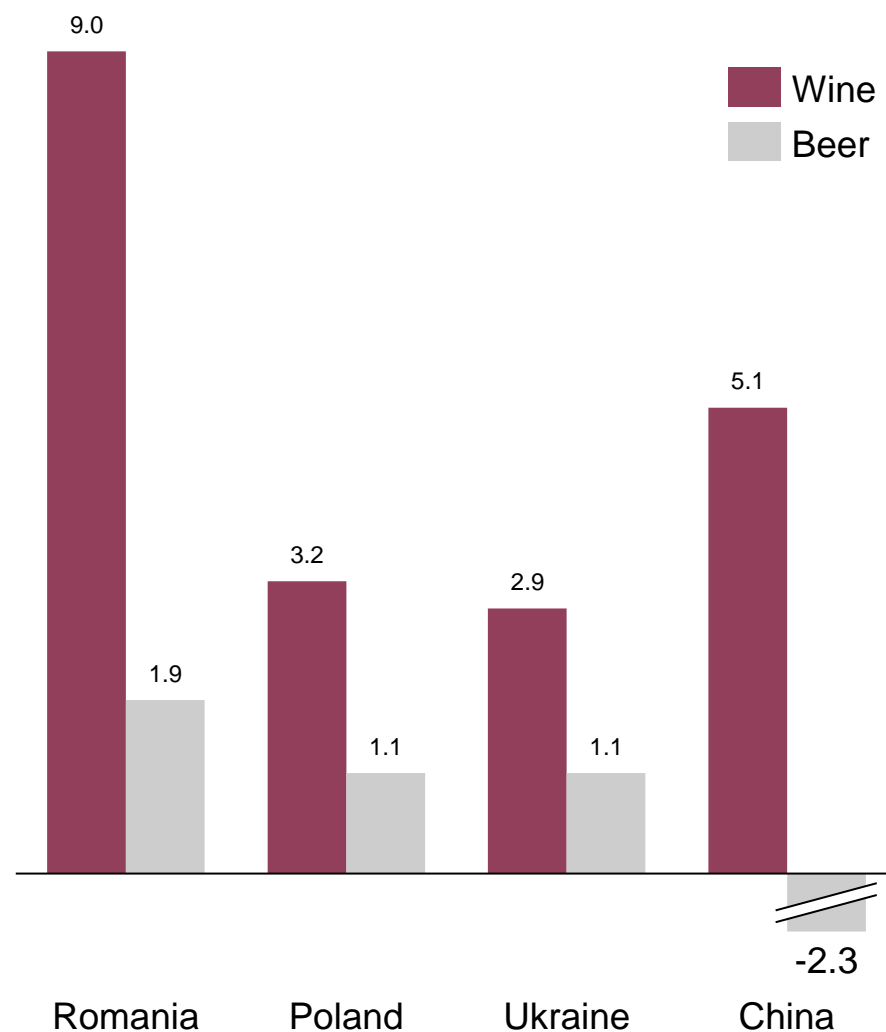


- Per capita wine consumption in CEE lags significantly WE levels, but catches up on growing share vs. beer

Source: Statista, Euromonitor, Nielsen

## Wine steals share from beer

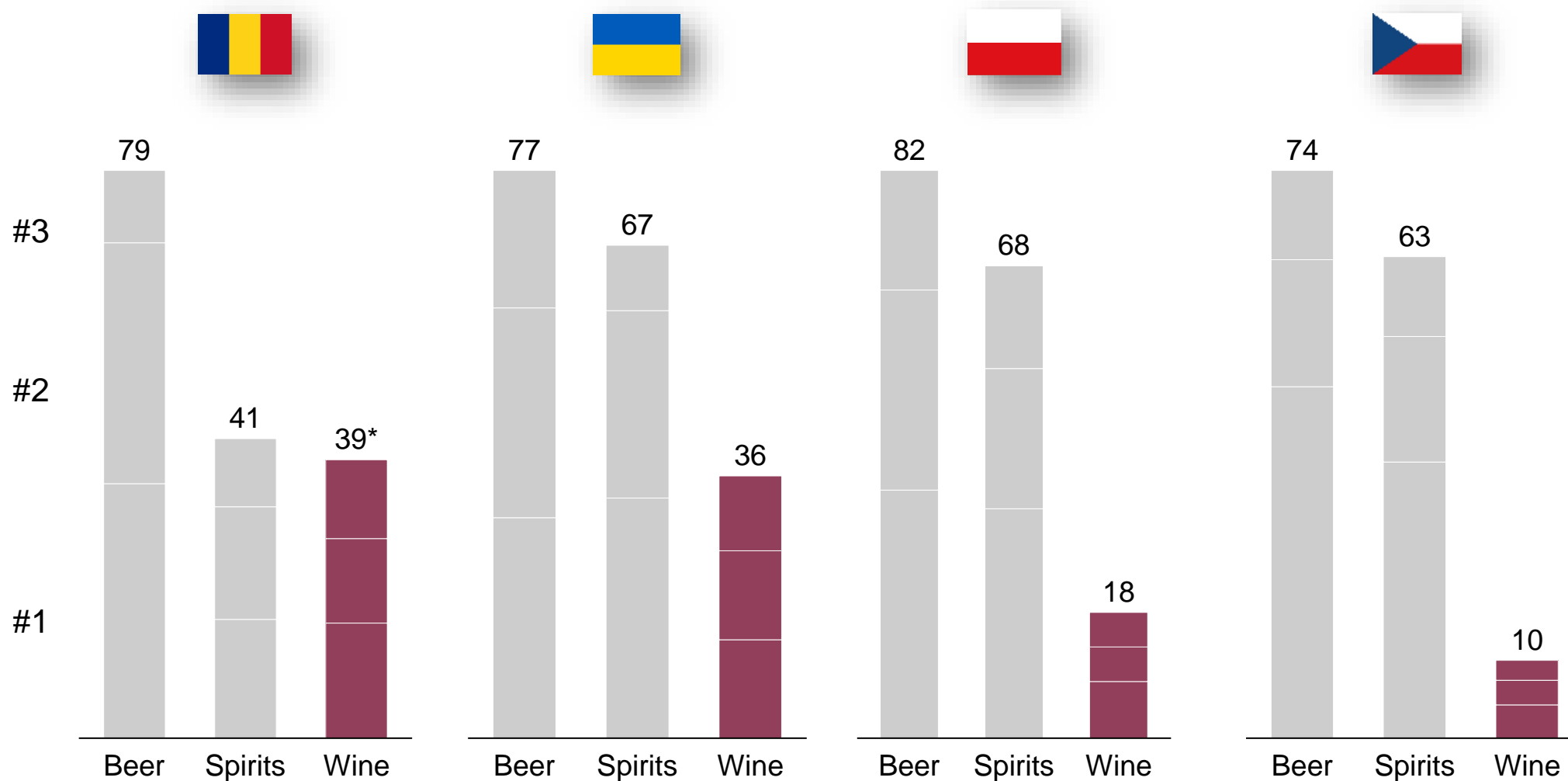
Forecast growth by category, by country 2016-2020F, %



- Romania, Group's largest market, show fastest growth forecast in CEE

## 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***



# Purcari formula: operational excellence meets sound marketing

## Operational excellence

- **Location:** low-cost production platform in Romania, Moldova, very competitive vs. other EU, New world
- **Scale:** large and growing scale in a fragmented market where scale matters
- **Processes:** solid processes in place, minimizing the guesswork and human factor in operations
- **Culture:** past crises – following 2006, 2013 embargos cultivated hard learned cost-discipline
- **Balance sheet:** strong balance sheet to trade payment terms for margin
- **Quality:** offer superior quality at a given price point

Lower costs

## Clever marketing

- **Philosophy:** be genuine, talk to the consumer, don't sell to them
- **On a shoestring:** focus on creative, viral marketing, on small budgets
- **Digital first:** focus on new media, with Facebook, Instagram and YouTube as main platforms
- **"Lean Startup":** fast prototyping, encourage experimentation, tolerate failure, react fast to flops
- **Product innovation:** constantly innovate line-up and packaging, to keep up with the changing tastes
- **Influencer marketing:** work along key opinion leaders, including bloggers and fashion divas

Brand premium

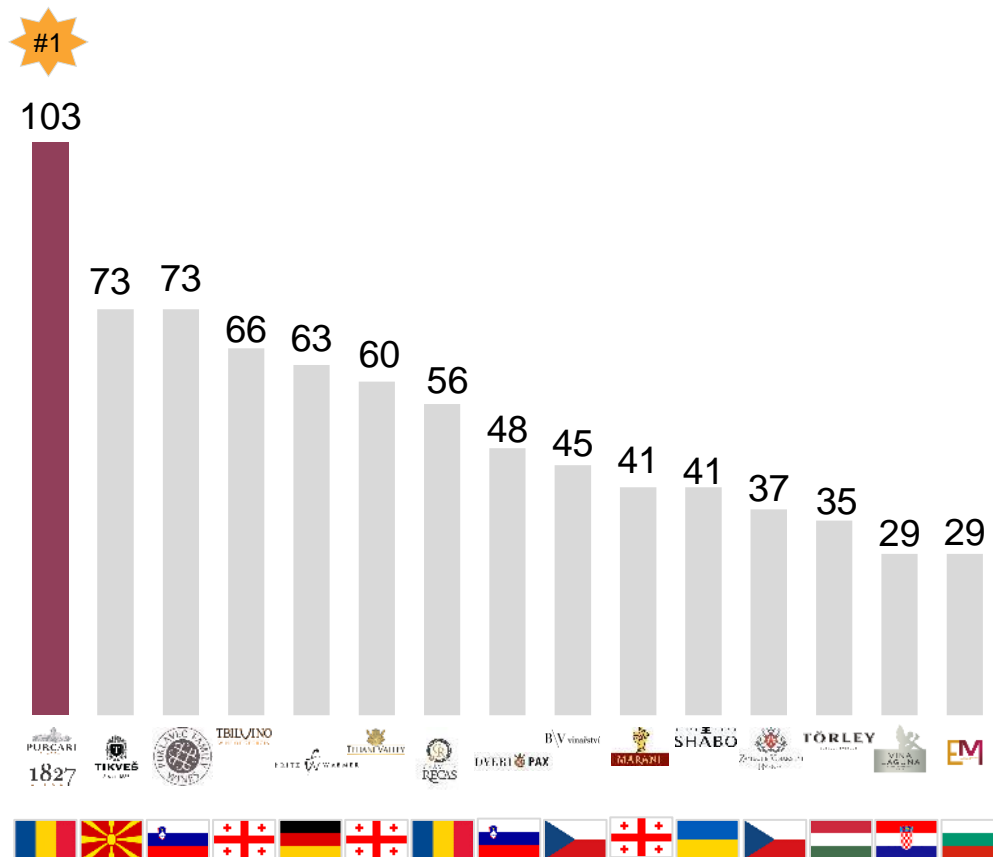
Strong sales and margins



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

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

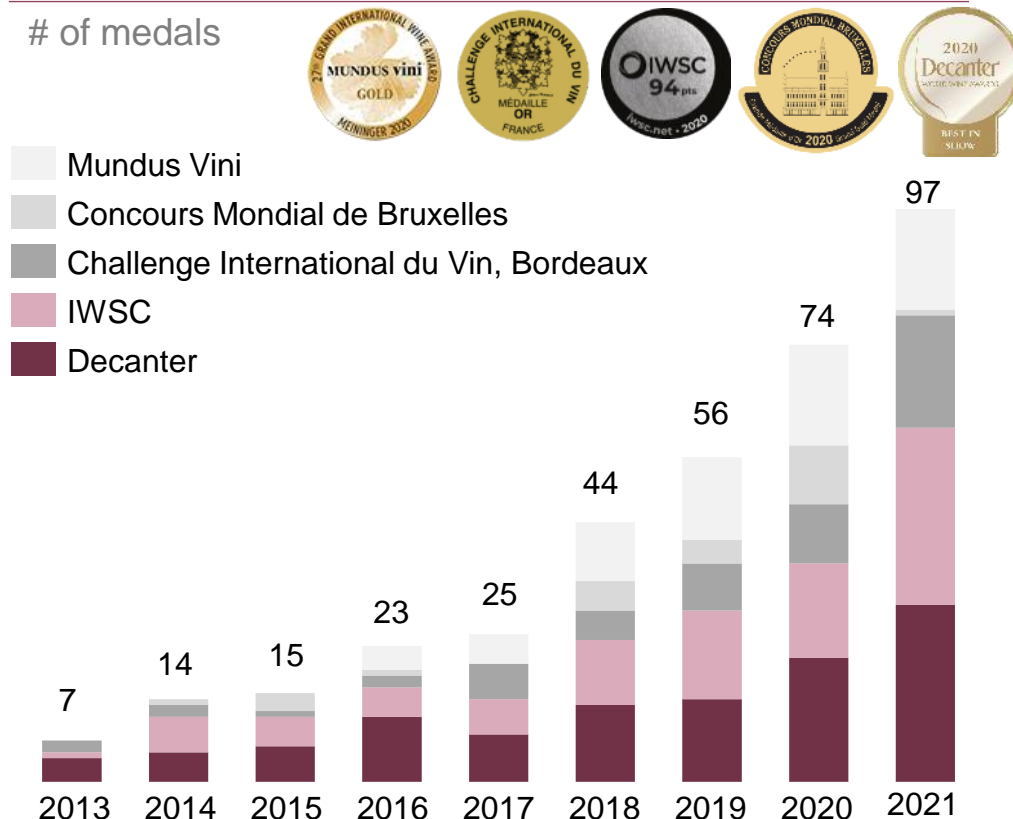
# of Decanter medals in 2015 – 21



- 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, In 2021 the most awarded winery in the World

# of medals

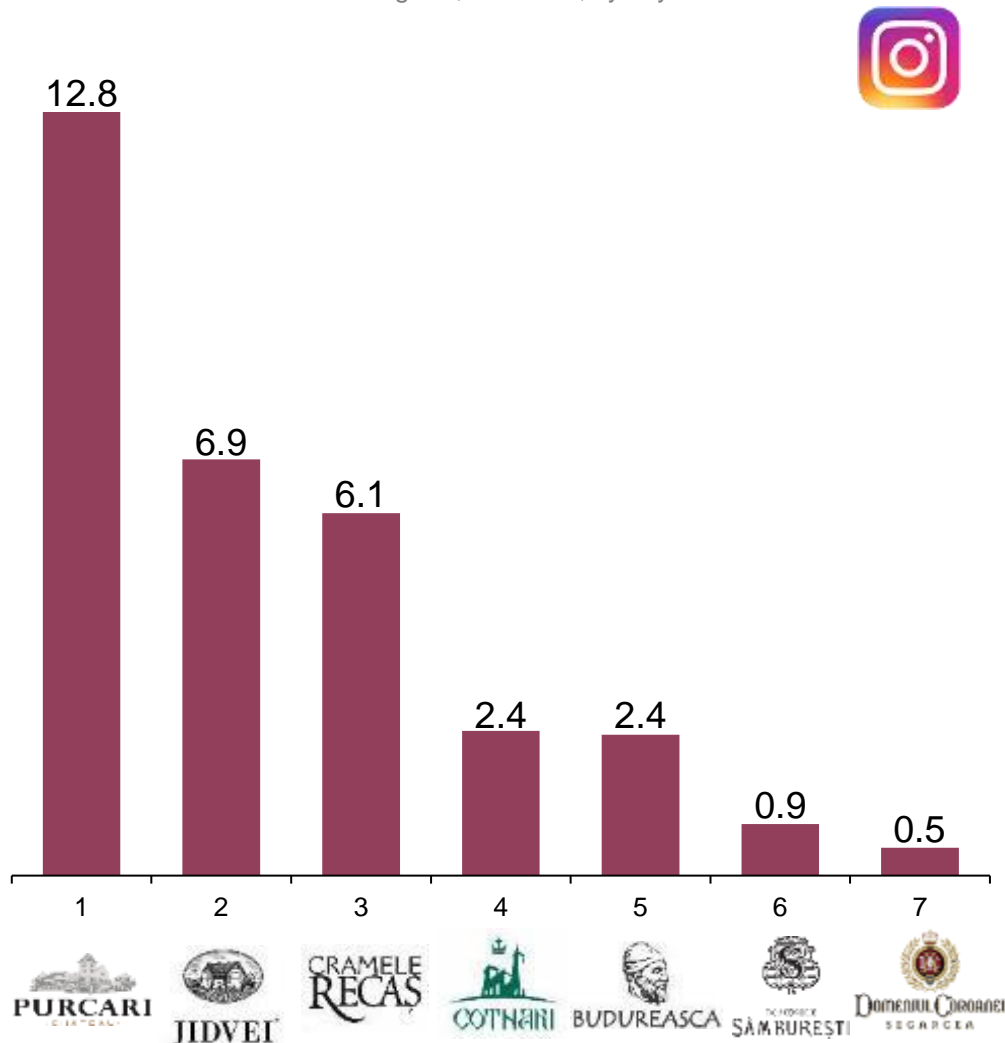


- Unlike beer or spirits, wine production is more prone to quality fluctuations. The Group has demonstrated the ability to keep raising the bar quality wisely, as illustrated by the mounting number of medals won at top global competitions

# 1 Topping competition at engagement and quality

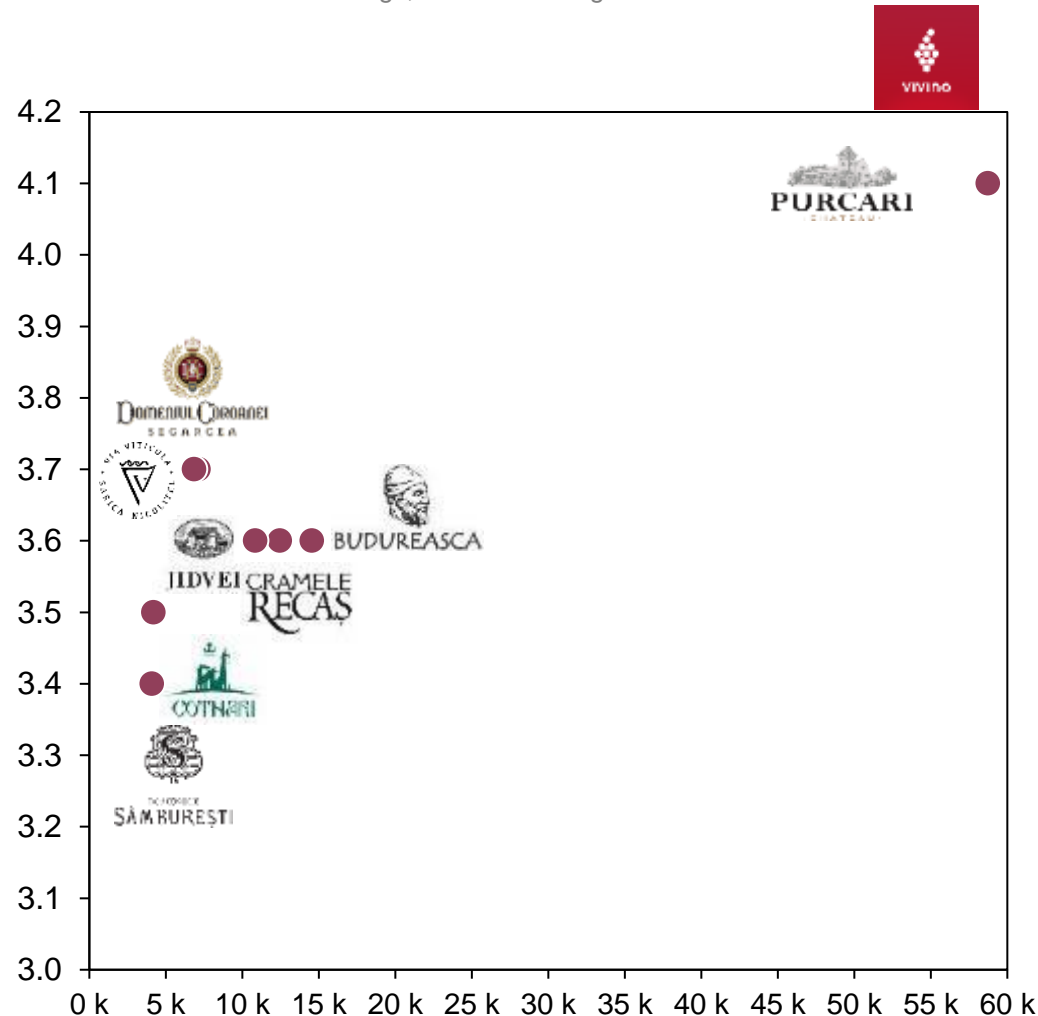
## Aspirational brand which consumers like sharing about

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



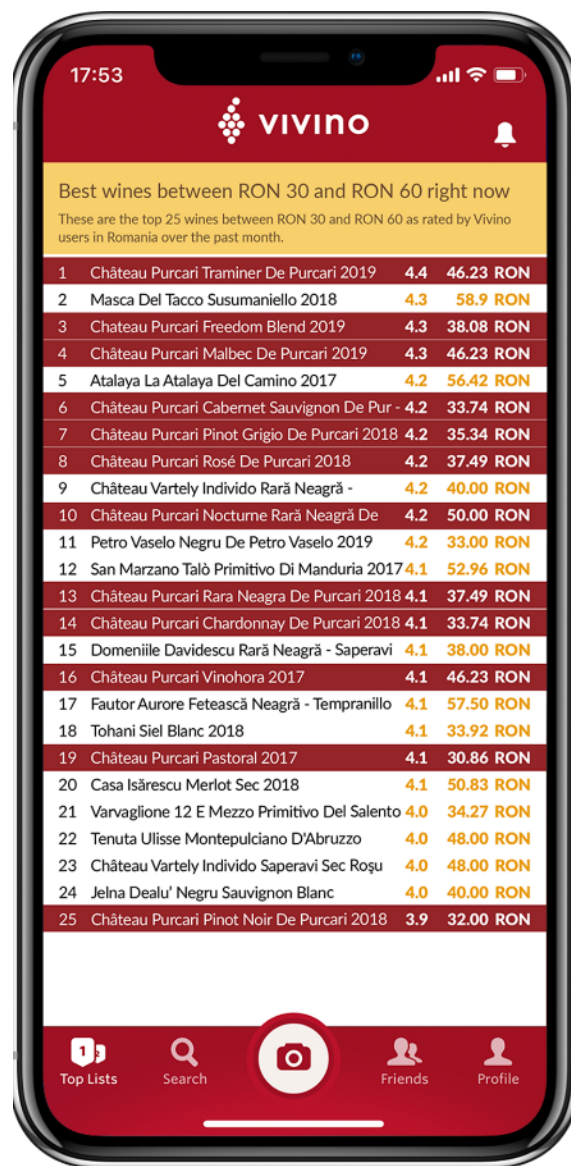
Note: Purcari - #purcari, Cramele Recas - #recas, Jidvei - #jidvei, Cotnari - #cotnari, Budureasca - #budureasca, Samburesti - #samburesti, Segarcea - #segarcea

Sources: Instagram, Vivino as of November 2021

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

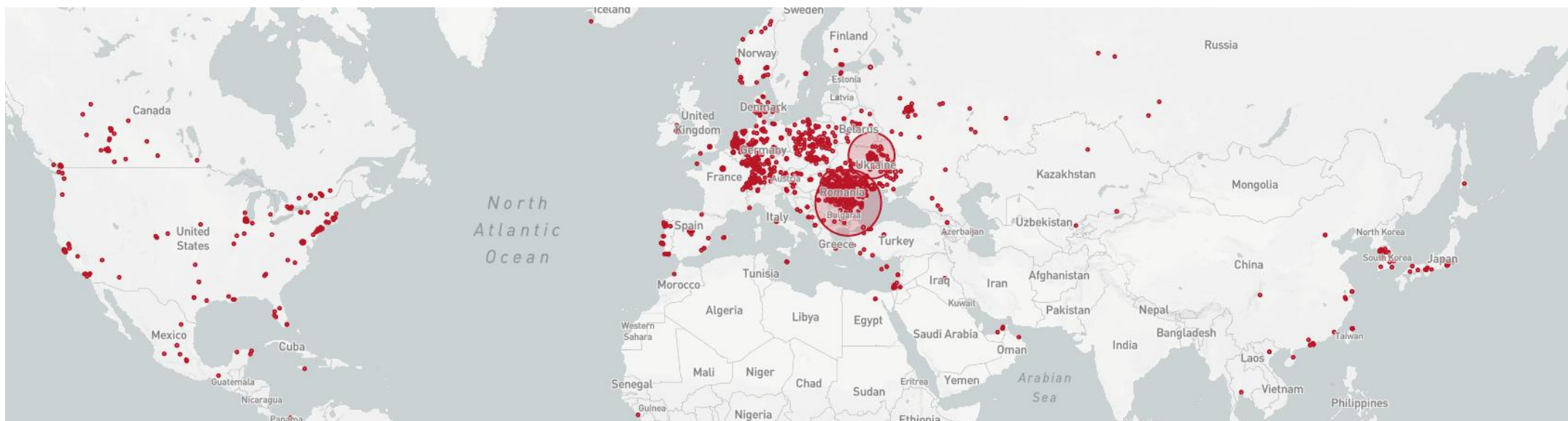


#1



- We remain **obsessed with 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



# 4.26

Average score out of 5.0 in 9M21

# 83%

Scores equal or above 4.0

# Top 1%

Global ranking based on avg. score received

# 78,245

Total Vivino scans in 9M21

# +32%

9M21 YoY scans growth

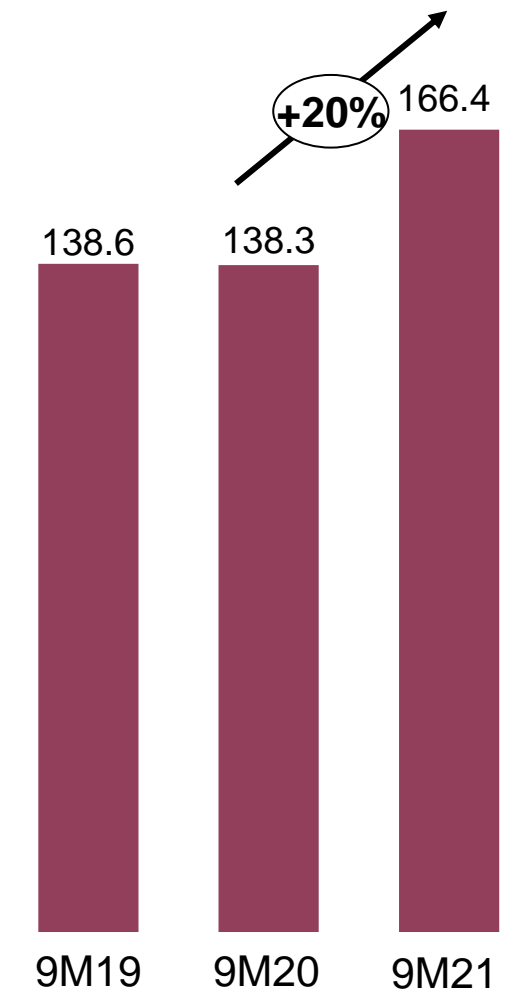
# 1241

# of cities where Purcari has been scanned

## 2 Strong growth, offsetting pandemic effects

### Revenues

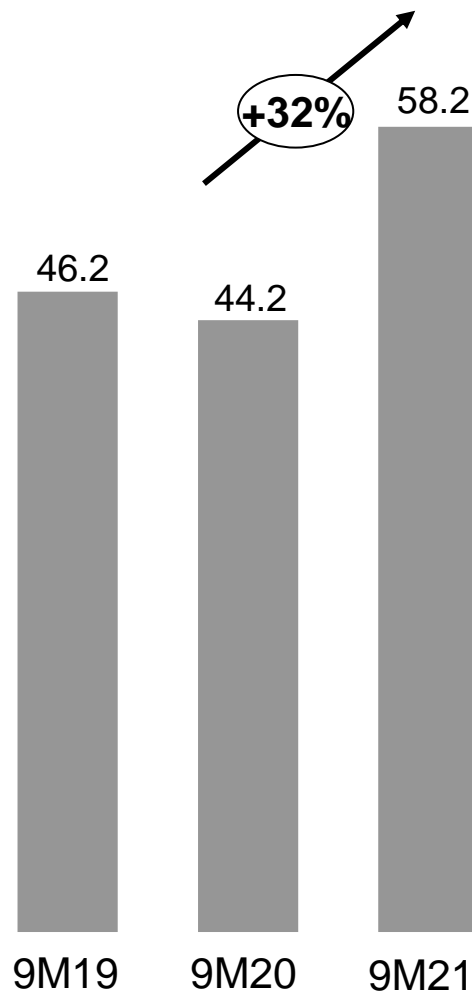
RON m



*Growth vs. 9M19, +20%*

### EBITDA

RON m



33%

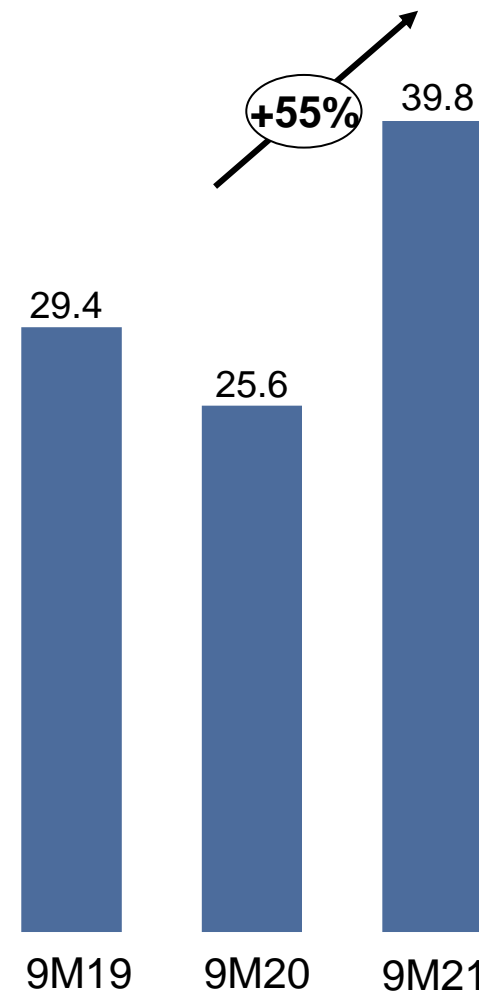
32%

35%

*EBITDA margin*

### Net Income

RON m



21%

19%

24%

*Net Income margin*



### Ongoing revenue growth

- Revenues up 20% vs 9M20 on “back to normal” conditions, with Purcari and Bardar leading the growth
- Romania (+24%) and Moldova (+79%) showing highest growth; Moldova nearly back to pre-Covid level
- Bostavan mainstream brands down in Poland, as prioritizing margin over volumes
- Bardar benefiting from lessened pandemic restrictions, still facing instability in Belarus. Delivering a strong 3<sup>rd</sup> quarter +46% YoY

### Sustaining high margins, strong cash position

- EBITDA up by 32% to RON 58.2m and Net Profit up by 55% at RON 39.8m, with margins up to 35% and 24% respectively on improving mix
- Implementation of Stock Option Plan and Share Grant Program in 2021 led to higher SG&A by RON 4.6m
- Additional EUR 978,232 in cash received on 30.07.21 from Glass Container Company exit transaction
- Net debt to LTM EBITDA at 0.67x




### Good harvest, in a low production year globally

- 2021 world wine production lowest since 2017, especially in Northern hemisphere. France, Italy, Spain most affected with volumes down 27%, 14% and 9% YoY, respectively; expected to fuel stronger pricing
- Romania - exceptional harvest +29% vs. 5 years average, good pricing and quality environment
- Own harvest +42% YoY, despite challenging year which affected many smaller producers

### Committed to shareholder returns

- Dividend of 0.65 RON/share paid on 09.09.2021, record date: 20.08.2021, 5.0% yield on announcement
- Buyback program of 329,156 shares carried out during 10.08.2021 – 27.10.2021 period at an average acquisition price RON 15.007 per share
- Two Market Makers for WINE: BRK since Nov’20 and Raiffeisen Centrobank since Sep’21, 8.2x increase in liquidity to 34.6 k shares in daily trading
- Purcari in Top-5 among BVB listed companies delivering highest returns in the first 10 months 2021, with stock up +40.91%

## 2 Additions to Purcari Wineries Structure

Company	Changes	Comments
	100%	<ul style="list-style-type: none"> <li>A new company for premium segment founded in Alexandru Ioan Cuza Village, Moldova</li> <li>Wines that write history. Since 1864</li> </ul>
	100%	<ul style="list-style-type: none"> <li>Subsidiary created in Ukraine to achieve ambitious commercial plans</li> <li>Focus on geographical coverage and increasing average sales per SKU and POS</li> </ul>
	65.75%	<ul style="list-style-type: none"> <li>Recycling operation in Romania, jointly owned with other drinks companies</li> <li>Increased participation from 27% to 65.75% as of October 2021</li> <li>Consolidate investment in waste recycle management and deliver on sustainability targets</li> </ul>
BOSTAVAN	100%	<ul style="list-style-type: none"> <li>Consolidating 100% ownership from 99.54%</li> </ul>

## 2 P&L: Strong performance on improved mixed of sales









RON m	9M21	9M20	9M19	Δ '21/'20	Δ '21/'19
Revenue	166.4	138.3	138.6	20%	20%
Cost of Sales	(81.5)	(70.1)	(69.2)	16%	18%
Gross Profit	84.9	68.3	69.3	24%	22%
Gross Profit margin	51%	49%	50%	2 pp	1 pp
SG&A:	(37.1)	(28.8)	(28.9)	29%	28%
Marketing and selling	(19.4)	(14.2)	(10.7)	36%	81%
General and Administrative	(17.7)	(14.6)	(18.2)	21%	-3%
Other income (expenses):	(0.2)	(4.1)	(1.4)	-95%	-86%
Adj. of FV of biological assets	(0.4)	(3.1)	(0.3)	-88%	27%
Other	0.2	(1.1)	(1.1)	-118%	-117%
EBITDA	58.2	44.2	46.2	32%	26%
EBITDA margin	35%	32%	33%	3 pp	2 pp
Net Profit	39.8	25.6	29.4	55%	35%
Net Profit margin	24%	19%	21%	5 pp	3 pp





(1) Effects reflected in Salary from implementing Stock Option plan and quotation variance for WINE share: Marketing & Selling (RON 1.44m) in 2021 vs (RON 0.2m) in 2020; G&A (RON 3.18m) in 2021 vs (RON 0.8m) in 2020.

(2) Registering provision of RON 0.4mil (Y21) vs. RON 3.1mil (Y20) for fair value adjustment 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.

### Comments

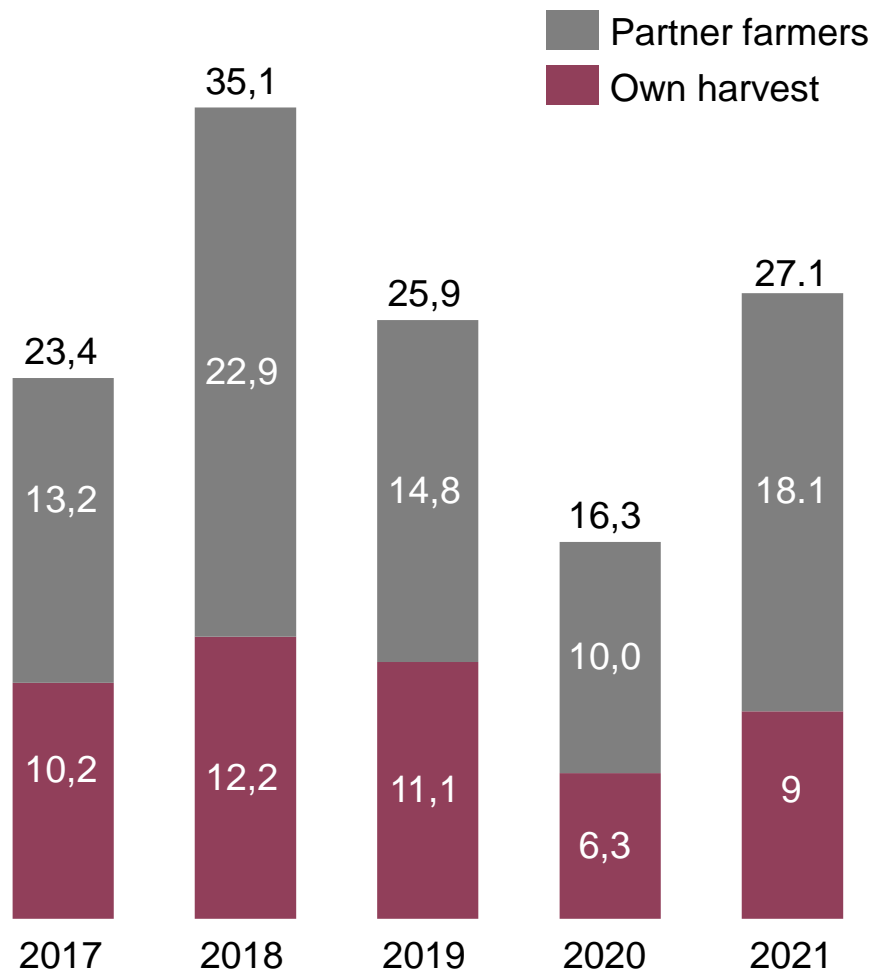
- Revenue well above 9M20 and pre-COVID 9M19 levels, both +20%. Organic growth and relaxation on pandemic restrictions on most markets in 2<sup>nd</sup> and 3<sup>rd</sup> quarters helped sales. Certain challenges in Poland for mainstream Bostavan brands given heightened price competition.
- Strong Gross margin, at 51%, +2 p.p. YoY, on improving mix with higher share of Purcari and Bardar in total sales. Rebound in Moldova and China – markets with more premium mix in portfolio.
- SG&A at 22% of Revenue, in line with our internal benchmarks, including implementation of Stock Option Plan and Share Grant Program number 2 totaling RON 4.6m<sup>1</sup>.
- Marketing and selling expenses at 12% of revenue. +36% YoY growth on higher promotion activity in 2021, including certain salary cost reallocated from G&A and effects reflected in salary from implementing Stock Option plan.
- G&A expenses stable at 11% of revenue, with +21% YoY on certain higher professional fees incurred, i.e. share capital increase, market-making services, M&A consulting, legal fees.
- EBITDA up by 32% to RON 58.2m million with a 35% margin, while carrying additional costs of RON 4.6m with Equity-settled share-based payments<sup>1</sup>.
- Net profit at RON 39.8 million, increase by 55% YoY with a 24% margin above the guidance.

Market	Share of sales 9M21	YoY Variance		Comments
		9M20	9M19	
RO 	53%	+24%	+55%	<ul style="list-style-type: none"> <li><b>RO:</b> continue the growth +24% vs. 9M20 and +55% vs 9M19. Purcari leading by 29% YoY. Bardar +68%, albeit from smaller base. Ceptura contributing by 14%. Both IKA and Retail sales continued growth on back of Covid-19 normalization.</li> </ul>
MD 	19%	+79%	-4%	<ul style="list-style-type: none"> <li><b>MD:</b> Strong rebound brought sales to a level 4% short of 2019 sales. Purcari and Bardar leading the growth with more than 80% growth each, followed by Bostavan +48%. All channels performing well, while HoReCa still recovering vs. 2019 levels.</li> </ul>
PL 	8%	-20%	-5%	<ul style="list-style-type: none"> <li><b>PL:</b> drop in sales by 20% YoY on strong price competition from international brands. Avoiding pricing wars, putting margin over volumes, refocus efforts on higher margin brands: Purcari +13% increase, Bardar +57% albeit from a smaller base. Tailored action plans for each partner for Q4: new products launch, Nocturne SKUs for HoReCa, trade activities.</li> </ul>
ASIA 	3%	+17%	-43%	<ul style="list-style-type: none"> <li><b>ASIA:</b> Sales up 17% YoY, but still significantly behind 2019 level; 3<sup>rd</sup> quarter results influenced by COVID restrictions, consequences on Chinese trading, delivery timing shifts. Closely working with local partners, launched Purcari web site in China, attended ProWine Shanghai 2021 in November.</li> </ul>
CZ SK  	4%	-3%	-6%	<ul style="list-style-type: none"> <li><b>CZ&amp;SK:</b> -3% yoy slide in sales. Tough price competition, adverse effects from TESCO restructuring and pandemic extended restrictions affected full 9M results.</li> </ul>
UA 	3%	+7%	+32%	<ul style="list-style-type: none"> <li><b>UA:</b> Increasing activity through our local office: expanding presence in Modern trade segment, growing numeric distribution in IKA, focus on increasing average sales per SKU and POS.</li> </ul>
RoW 	9%	-6%	+6%	<ul style="list-style-type: none"> <li><b>OTHER:</b> Good performance across all countries, except Bardar's lower sales in Belarus.</li> </ul>

Brand	Share of sales 9M21	YoY Variance		Comments
		9M20	9M19	
 <b>PURCARI</b>	50%	+34%	+46%	<ul style="list-style-type: none"> <li>• <b>PURCARI:</b> Strong performance on higher volumes and value increase. Moldova and Romania surpassing YoY sales for 3 quarters in a row. Promising performance in newer markets. Opened Ukrainian sales office to further accelerate growth.</li> </ul>
 <b>BOSTAVAN</b>	22%	-6%	-8%	<ul style="list-style-type: none"> <li>• <b>BOSTAVAN:</b> adverse evolution in Poland, Czechia and Slovakia on strong price competition, TESCO restructuring, pandemic effects. Sales in Moldova softened the drop, up 48% YoY, reaching 2019 full year results in 9M21. Focus on rebranding, new higher margin SKUs. Recovery plans agreed, negotiations in process with distributors and retail chains in key markets.</li> </ul>
<b>CRAMA</b>  <b>CEPTURA</b>	16%	+17%	+26%	<ul style="list-style-type: none"> <li>• <b>CRAMA CEPTURA:</b> +17% increase YoY, continuing the strong growth of core brands in Romania. New listings and selective trade activities in IKA and Traditional Trade channels. Gaining ground in Asia and other countries, albeit from smaller base.</li> </ul>
 <b>DIVIN BARDAR</b>	12%	+37%	-8%	<ul style="list-style-type: none"> <li>• <b>BARDAR:</b> Moldova leading the recovery +88% on fewer pandemic restrictions, decreasing the gap vs. 2019 figures. Good traction in China and promising new markets: Romania, Poland. Still slower development in Belarus, impacted by political instability and focus on diminishing bulk sales in favor of higher margin bottle sales.</li> </ul>

### Good 2021 harvest<sup>1</sup>, in a challenging year for growers

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



### Comments

- Own harvest +42% YoY. Vineyards recovering after 2 draught years – applying non-intensive approach and fulfilling required stocks from 3<sup>rd</sup> party purchases.
- Irrigation system roll out shifted to 2022-2023, to mitigate against drought risks
- Extremely low world wine production volume expected in 2021. Harvest in the big-3 producers affected – France, Spain, Italy – down 27%, 14% and 9% respectively. <sup>2</sup>
- Record Harvest in Romania +37% YoY and +29% vs. 5 years average level, favorable pricing and quality environment.
- Recovery in Moldova +20% YoY after an unprecedented draught in 2020 and extensive 2021 rainy season. High attention in maintaining the vineyards, to ensure a good health for the vineyards long term.



Target	2021 guidance	9M2021 fact	Status	Comments
Organic revenue growth	+12-14%	+20%	>	<ul style="list-style-type: none"> <li>Beating guidance at 9 months.</li> <li>Remaining prudent given uncertainties due to Covid.</li> </ul>
EBITDA margin	28-30%	35%	>	<ul style="list-style-type: none"> <li>Improved mix and sales boost in high margin markets supports performance.</li> <li>Among risks, inflationary pressures on cost side.</li> </ul>
Net Income margin	18-20%	24%	>	<ul style="list-style-type: none"> <li>Significantly lower net finance costs vs. 2020.</li> <li>Among risks, increasing cost of debt going forward, given base rates hikes in Romania, Moldova.</li> </ul>

Outstanding results at most reputable wine competitions...

# PURCARI – THE WORLD’S MOST AWARDED WINERY



\* Awards won at the most important international contests in 2021: Decanter World Wine Awards, Concours Mondial de Bruxelles, Mundus Vini Spring Tasting, Citadelles du Vin, Eurasia Wine & Spirits, Concurs International de Lyon, Berliner Wine Trophy, London Wine and Spirits Competition, IWSC, Challenge International du Vin, Vinarium, Women's International Trophy, Vinalies Internationales.

## 2 Innovations: continue creating, reinventing, inspiring

### *The launch of Domeniile Cuza*

*A new brand successfully launched  
for Romanian market*



### *The launch of Wine Crime*

*A new brand successfully  
launched*



### *The launch of Nocturne HoReCa collection successful in Romania, Moldova*



### *Purcari Wine Run (Sep) 10km/21km through the vineyards*



### *Rebranding of DOR Reinventing a classic*



### *Purcari getting involved A sponsor where it matters*



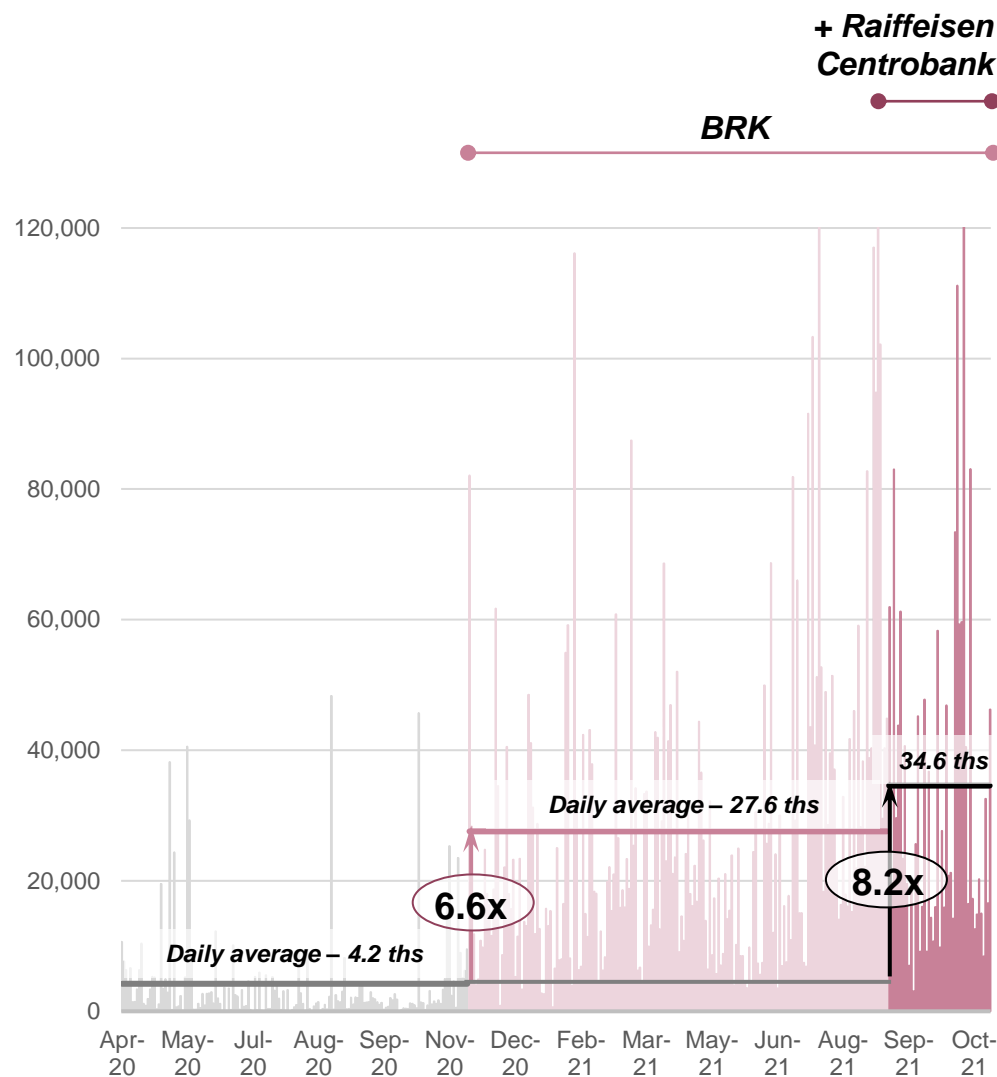




*THE ROSÉ OF YOUR STORIES... A new  
brand successfully launched*

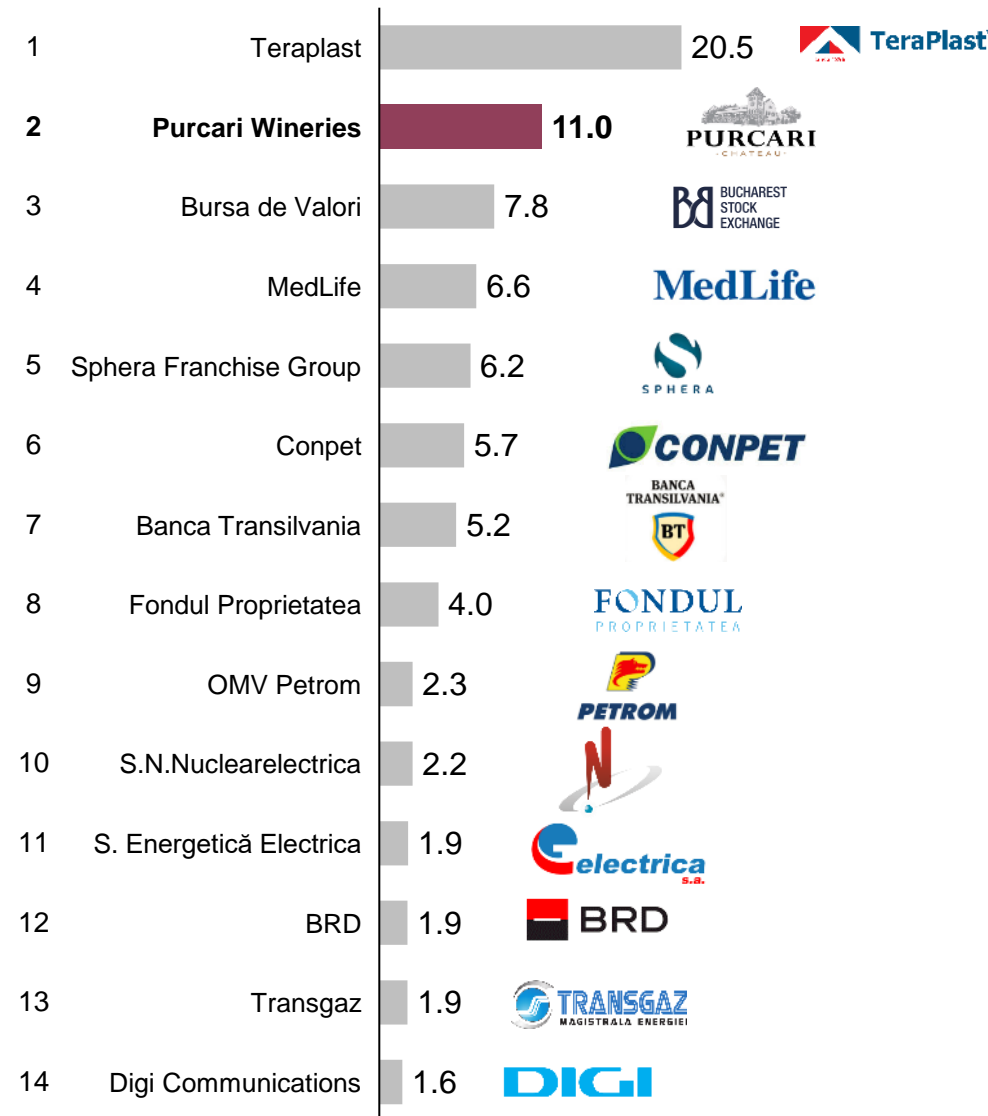
## Rapid rose of stock's liquidity after BRK Financial Group became Market Maker for Purcari shares

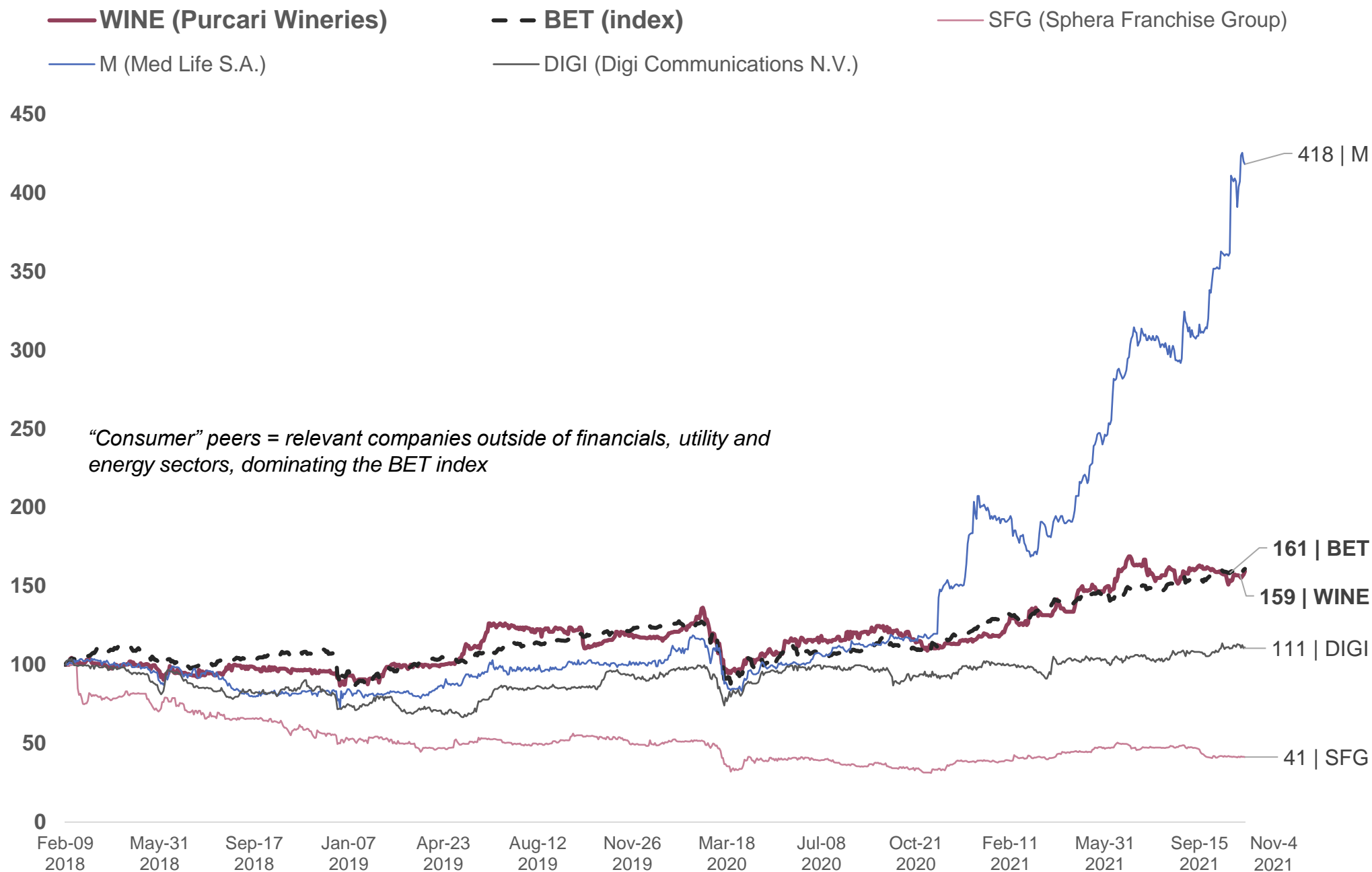
Daily volume



## Relative to Market Cap, Purcari's liquidity among strongest in BET

Ratio of daily trade value to Market Capitalisation, 2021 YTD (November-4) average, bps

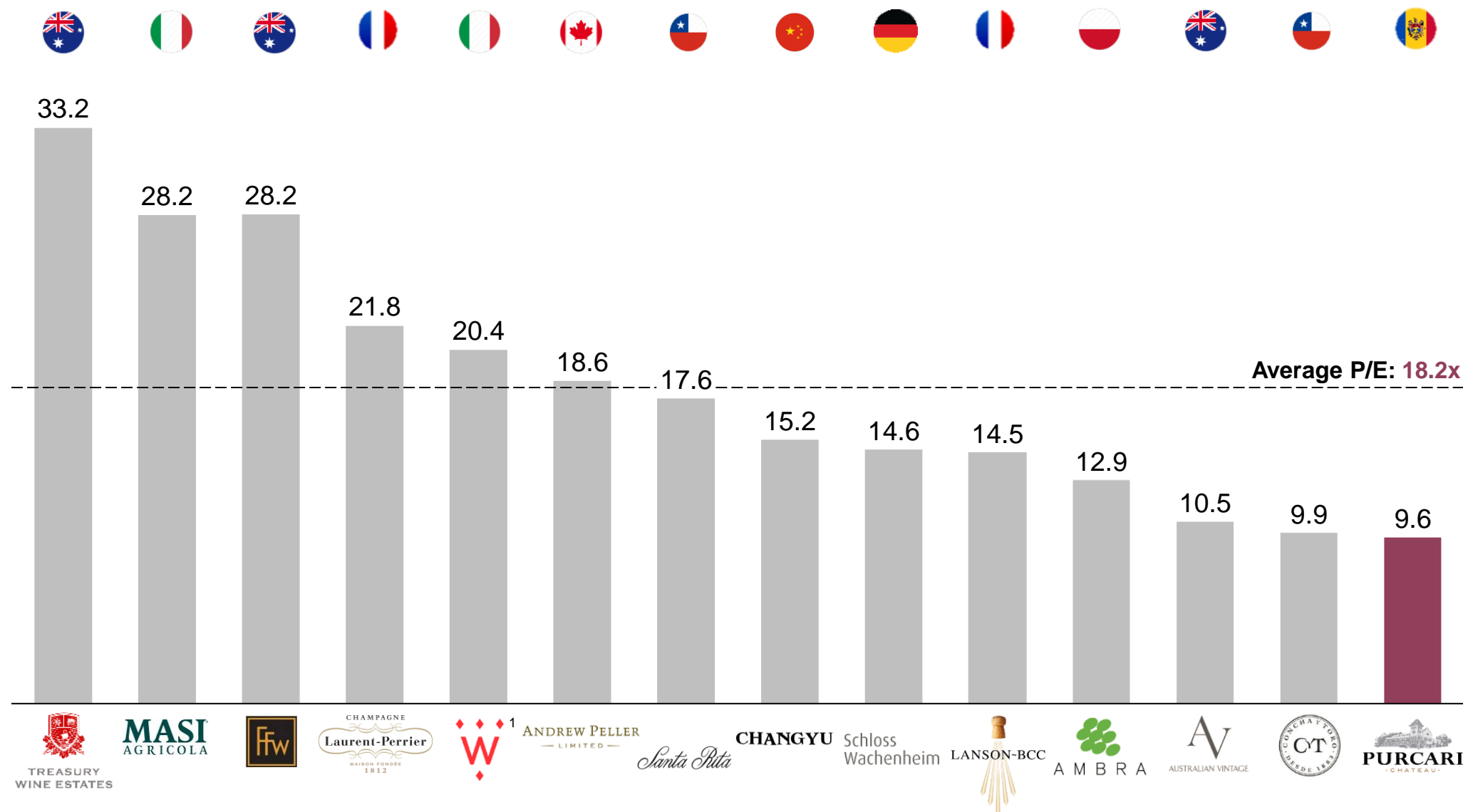






## Purcari vs Selected wine public companies

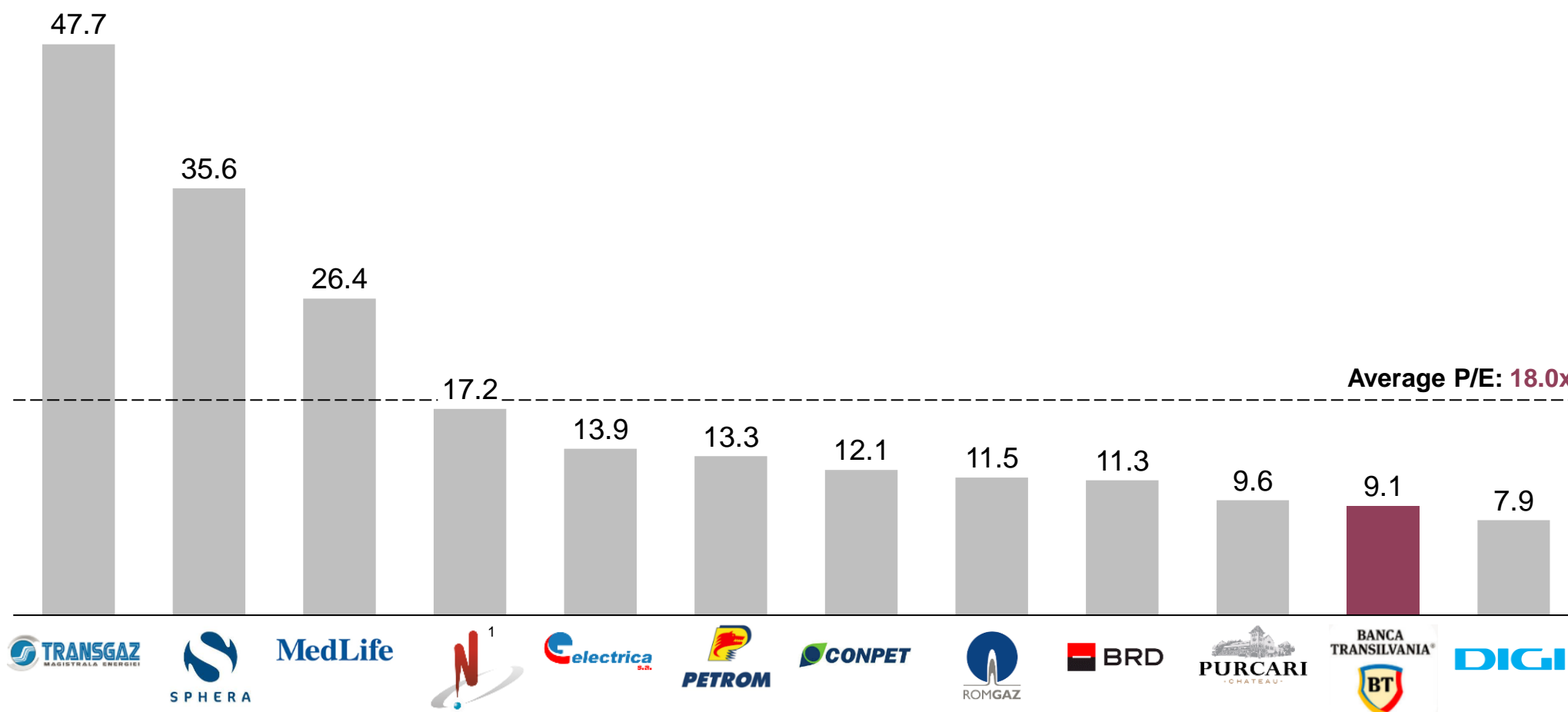
P/E LTM Multiples



## 4 Average valuation relative to Romanian listed peers

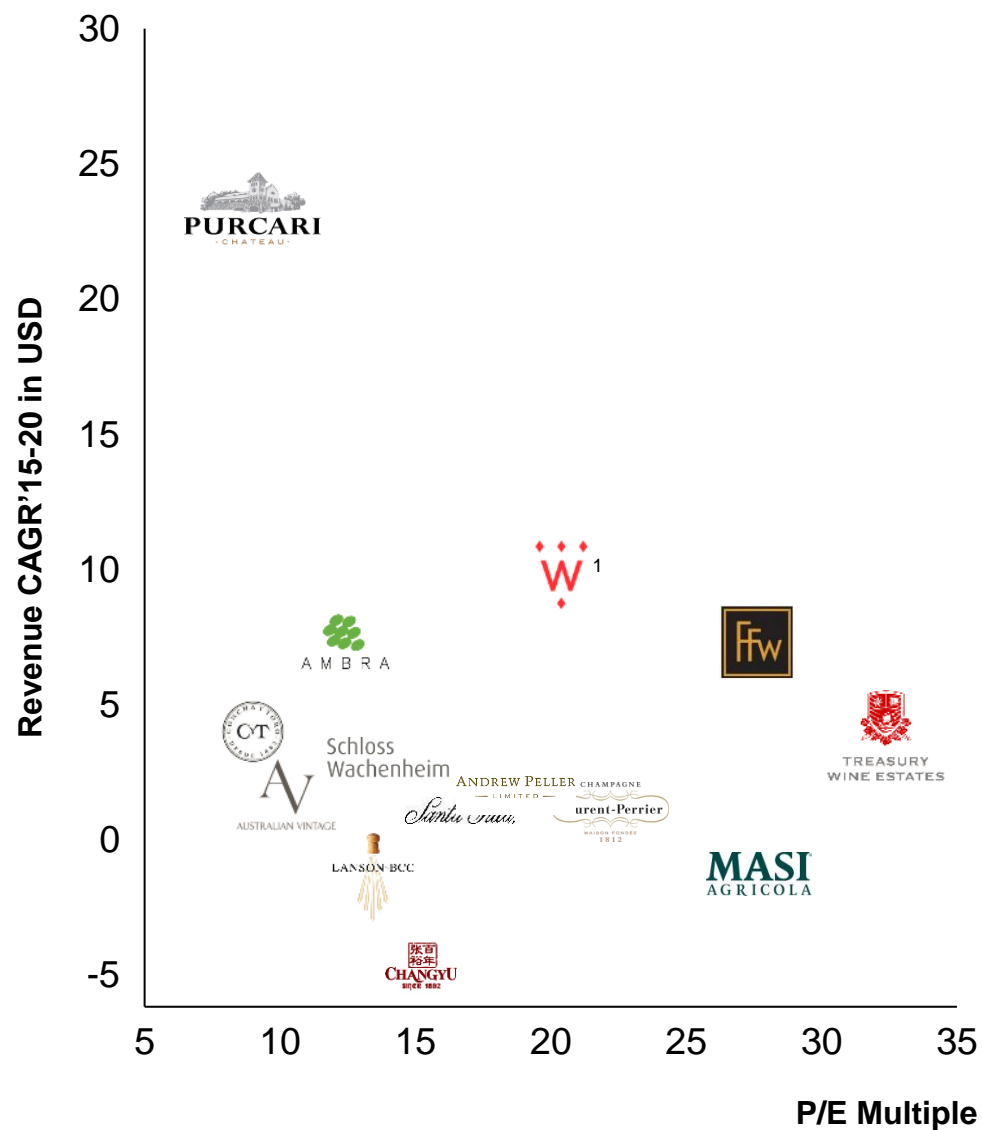
### Purcari vs Selected Romanian public companies

P/E LTM Multiples

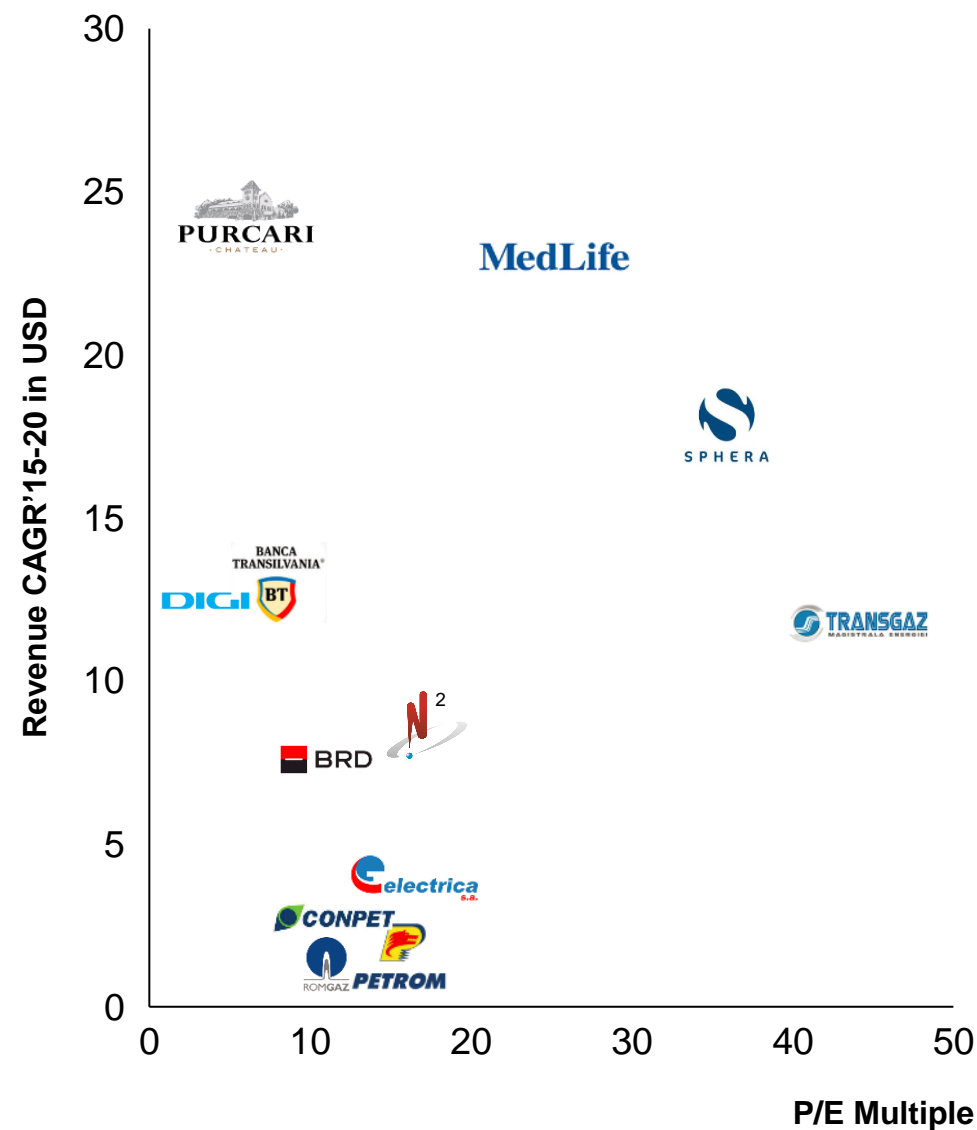


## 4 High growth not incorporated in valuations yet

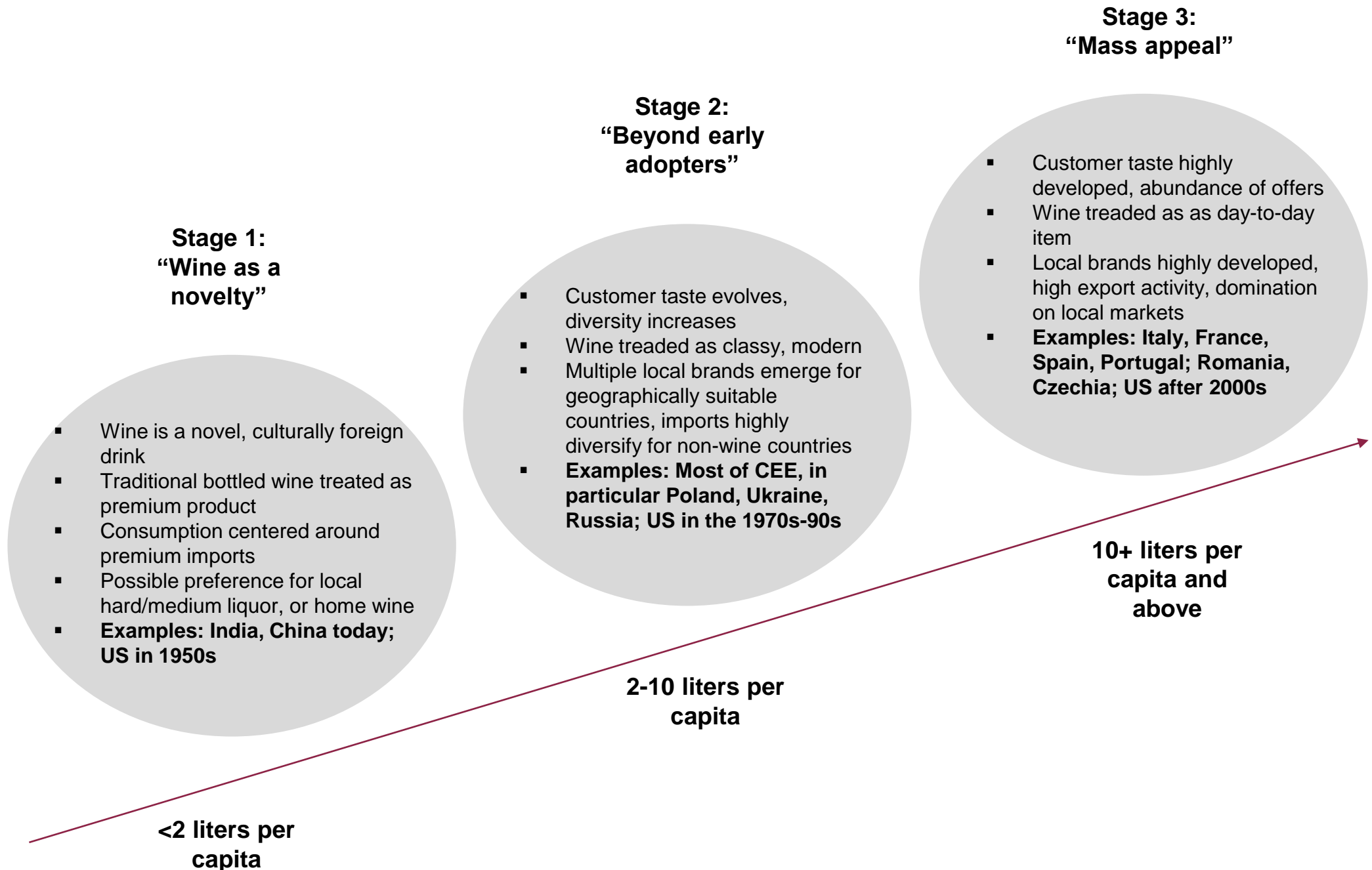
### Purcari vs Selected wine public companies



### Purcari vs Selected Romanian public companies



# Wine markets evolve, as wine moves from novelty to masses



# Country origin frontier pushed ahead, as millennials search for authenticity

## Old World *Before 1980s*



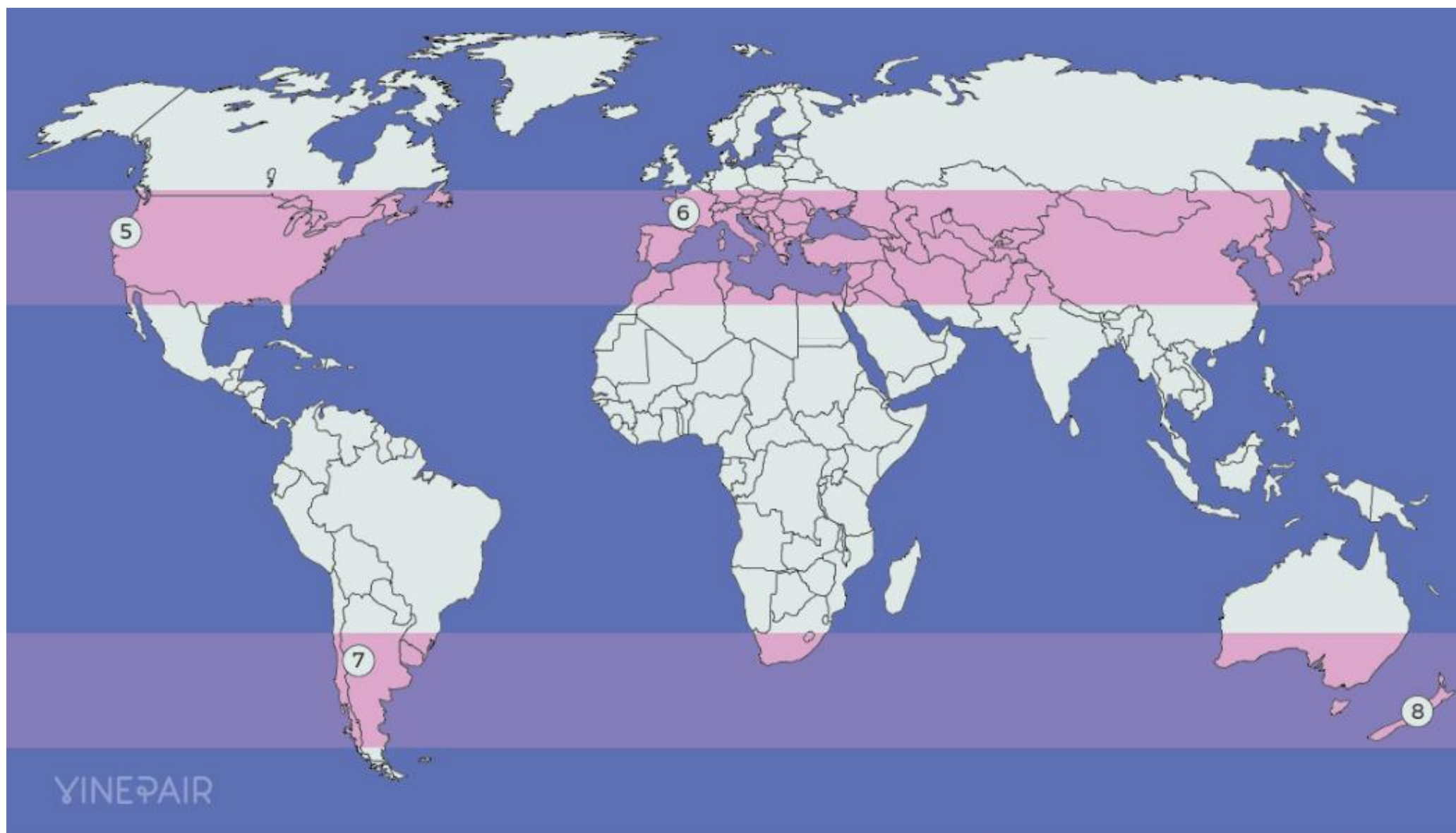
## New World *1980s-2010s*



## The New Frontiers *2010s - onwards*



***New Frontier champions will inevitably emerge, leveraging a lower cost structure, better access to new markets and better understanding of local consumers***





# Examples: pushing the wine frontier



## Case study: Developing Indians' taste for wine

Authorities have reclassified winemaking as an agribusiness

Anand Narasimhan and Aparna M. Dogra DECEMBER 6, 2011



**The story.** When Rajeev Samant left India to study and work in California, he also found himself learning about wine thanks to that state's burgeoning industry. After returning to India in the late 1990s, he took over land owned by his father outside Nasik, near Mumbai, and tried growing crops such as mangoes, peanuts and roses.

With Nasik being India's biggest table grape region it prompted a question: could he grow wine grapes too and develop a winery that could match foreign wines for quality?

**The challenge.** Growing and processing the grapes – starting with Sauvignon Blanc – turned out to be the easy part. For Sula Vineyards, the toughest test was how to change consumer tastes.

Alcohol has negative connotations in the Hindu, Buddhist, Jain and Muslim traditions, and most Indians had never tasted wine. Getting it into the Indian shopping basket would require a change in social attitudes.



Opinion FT Magazine

## Châteaux China

At several wineries, it is clear that Ningxia's raw material is impressively consistent, and five qualify as excellent

JANCIS ROBINSON

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Jancis Robinson SEPTEMBER 14, 2012



You know a wine venture is a success if you have the world's most energetic purveyor of special glasses and decanters, Georg Riedel of Austria, volunteering to take part.

Two weeks ago, I flew to a remote province of China to participate in the inaugural Ningxia Wine Festival. But Riedel got there several days before me – and when I managed to visit the

wine producer who first alerted me to the potential of Ningxia, vivacious Emma Gao of Silver Heights, I found that her collection of Riedel glassware took up almost more room than her tiny barrel cellar.

Ningxia is a small, impoverished province 550 miles west of Beijing. Until recently it was best known for its inhospitable mountains and desert, sheep and goji berries, but local government officials have become convinced that Ningxia's future lies in wine. A campaign started in earnest in the late 1990s



## Moldovan winemakers turn their eyes to the west

About 90% of exports used to go to other parts of the former Soviet Union



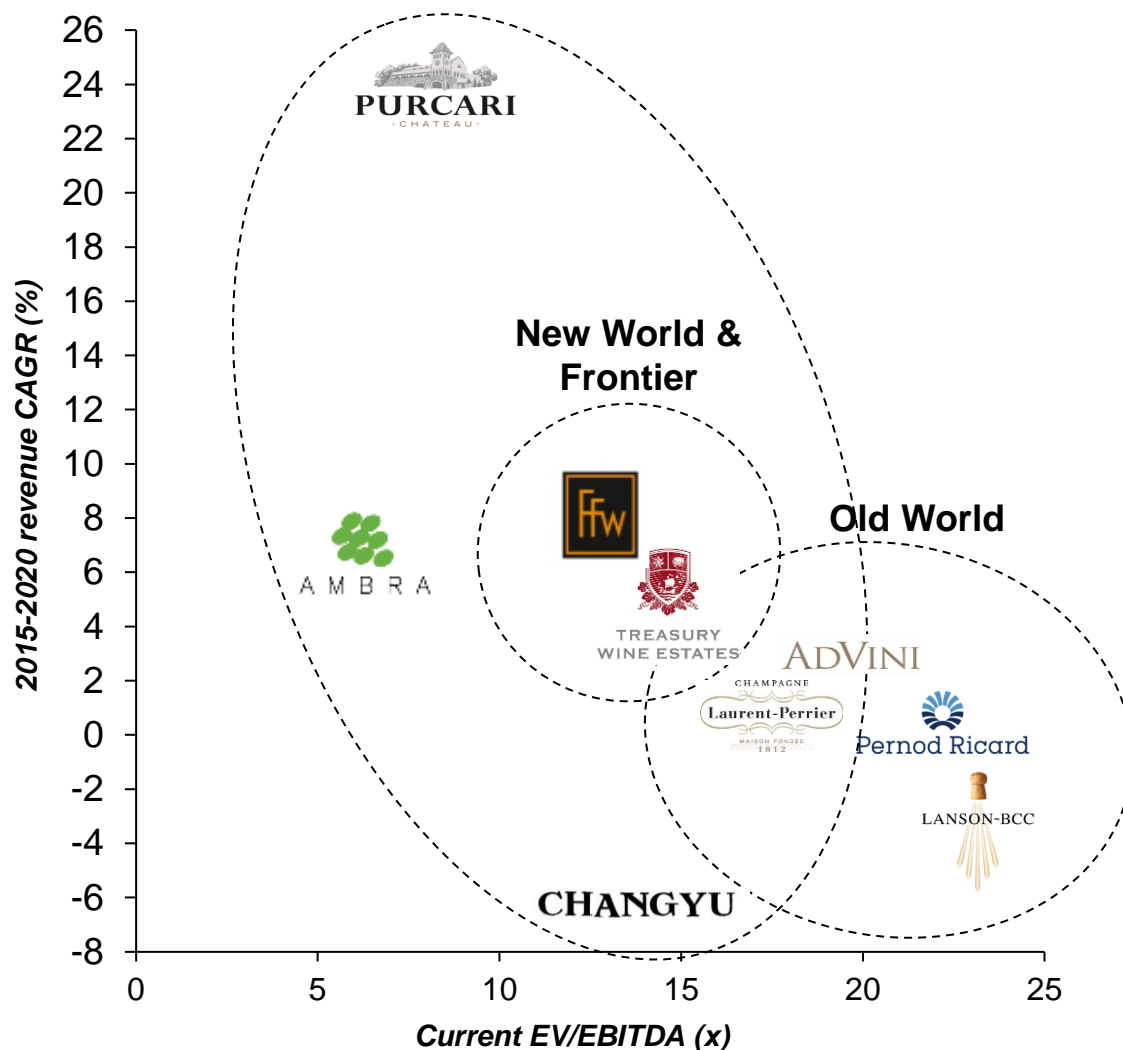
Victor Bostan: wine is in the blood

Henry Foy NOVEMBER 21, 2015



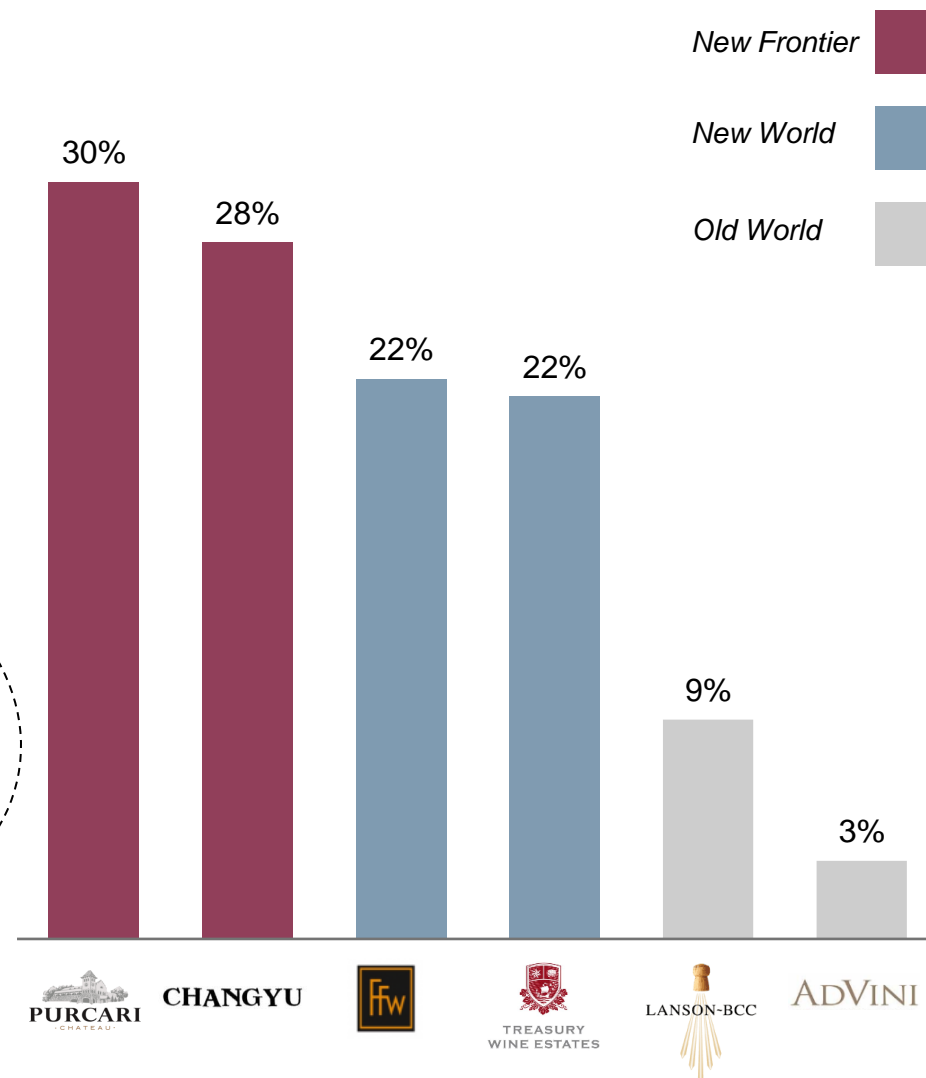
Moldovan winemaker Purcari's Freedom Blend was created in 2011 to commemorate [Moldova](#), Georgia and Ukraine's 20 years of independence from the Soviet Union. But it took on another meaning when Russian tanks rolled into Crimea last year.

At some point, the relationship between Sales growth and multiples got to catch up



New Frontier beating New and Old World wineries at economics

EBITDA margin, 2020





Thank you.