

Purcari Wineries Plc

COVID 19 Impact Update

21 April 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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Executive summary

1

Health and Safety

- Current Report issued on the five infections identified during April 17-19 (Easter break period in Moldova, Romania) at the Vinaria Bostavan subsidiary
- Full details available here: <https://bit.ly/2Kkh15B>

2

Supply

- All production platforms have been running uninterrupted throughout the pandemic, no supply bottlenecks
- Planned closure for Easter break through May 4, same as in previous years; to use down-period for additional facilities clean-up and disinfection
- Sufficient inventory prepared in advance of planned closure at 3rd party warehouses, distributors, to prevent out of stock in retail

3

Demand

- Sales in 1Q still on solid growth path, +9% yoy; orders for April show moderate growth / flat trend
- China and Moldova markets affected most, the latter on higher dependency on HoReCa segment
- Very strong growth sustained in the Romanian market in 1Q and April
- Unclear steady state demand though, as 4m20 results likely still under impact of retail overstocking
- We're cautiously optimistic, given signals wine doing well in lockdown, as consumers entertain more at home

4

Financials and guidance

- Suspend our guidance for 2020 given high level of uncertainty
- Focus on liquidity management and opex, capex savings
- Downside stress tests show EBITDA and Net Income margins contracting to 28-29% and 17-18% respectively, assuming 6-18% revenue drop range, pointing to margin resilience under the accompanying cost savings plan; liquidity position remains strong, given the suspended dividend for the time being

5

Capital markets

- Range of measures put to vote, aimed at maximizing the optionality for the Company, something which is particularly valuable given the uncertainty environment
- Please consult update in Current Report: <https://bit.ly/3ctBZeI>

1 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, suspected with SARS-CoV-2 during the Easter weekend (April 17-19)• Based on best Company knowledge, all five employees tested positive for the virus• The five employees all live in two villages surrounding Bostavan winery• 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 undergoing additional disinfection during the planned Easter closure period through May 4• Employees (and their families) suspected to be in contact with the five infected employees to be tested by private lab contracted by Company• All employees resuming work at the four production sites after May 4, to undergo additional testing by Company• No supply disruptions expected as sufficient safety stock has been built up in advance of the planned closure at 3rd party facilities, distributors |

Please check Current Report on the latest SARS-CoV-2 infections identified: <https://bit.ly/2Kkh15B>



2

Production, distribution uninterrupted so far; scheduled Easter break closure

Vineyards



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

Wineries



- Operating with safety measures in place at all platforms.
- Planned closure through May 4 for Easter break. To be used to further beef up safety measures, perform disinfections.
- 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



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 ² | Number of fatalities ¹ | Fatalities per mln | RO number* ³ | Doubling time** ³ | Trend*** ³ |
|--------|----------------------|-----------------------------------|---------------------------------|-----------------------------------|--------------------|-------------------------|------------------------------|-----------------------|
| RO | 42% | 8.936 | 459 | 469 | 24.1 | 1.0 | 190 | |
| MD | 23% | 2.548 | 942 | 70 | 25.9 | 1.0 | - | |
| PL | 11% | 9.593 | 253 | 380 | 10.0 | 1.1 | 62 | |
| CH | 6% | 83.817 | 60 | 4.636 | 3.3 | 1.4 | - | |
| BL | 4% | 6.264 | 661 | 51 | 5.4 | 1.2 | 20 | |
| CZ | 4% | 6.838 | 643 | 194 | 18.3 | 1.0 | - | |
| UA | 3% | 5.710 | 128 | 151 | 3.4 | 1.3 | 15 | |
| SK | 1% | 1.173 | 215 | 13 | 2.4 | 1.5 | 7 | |

* 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 expected change in daily cases

Note: (1) as of April 20 EoD, Johns Hopkins Resource Center (2) Population data as of 2018 from World Bank (3-5) epiforecast.io as of April 20, 2020

3 Solid traction in retail, compensating for hit on HoReCa

- Overall, the Company showed solid growth in **1Q20, +9% year on year**, despite missing significantly on **China** (down nearly 50%) shipments and drop in Moldova¹
- **April order** book shows **modest growth / flat** trend year on year
- Main drag on performance is the shutdown of HoReCa segment, accounting for <15% of Company sales
- **Moldova** sales strongly affected, down ~17% year on year, given higher reliance on HoReCa, Duty Free and Tourism (Chateau) sales
- On positive side, **Romania** (+36%), **Poland** (+12%), **Baltics** (+66%), **Ukraine** (+61%) performing very strong, helped by reliance on modern trade segment

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, no clear steady state

- 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.



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

4 Stress tests for downside scenarios show comfortable safety margin

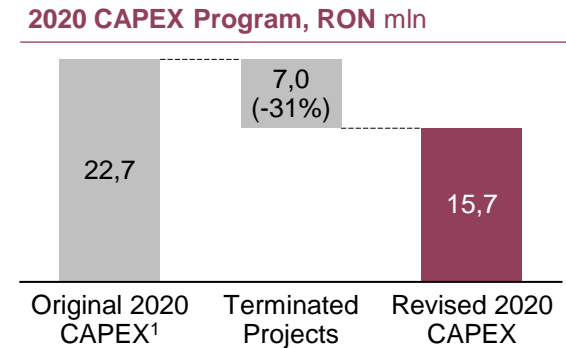
| RON | 1 – “Headwind” | 2 – “Storm” | 3 – “Hurricane” |
|----------------------------|----------------|-------------|-----------------|
| • Revenue 2020 vs. 2019 | - 6% | - 12% | - 18% |
| • EBITDA 2020 vs. 2019 | - 20% | - 26% | - 32% |
| • EBITDA margin | 29% | 28% | 28% |
| • Net Income 2020 vs. 2019 | - 21% | - 28% | - 36% |
| • Net Income margin | 18% | 17% | 17% |
| • Dividends | no | no | no |
| • Capex | 22M | 17M | 13M |
| • Net Debt / EBITDA | 1.2x | 1.3x | 1.5x |
| • Ending cash balance | 22M | 22M | 17M |

Important: the downside scenarios presented here are based on multiple additional P&L, BS and CF assumptions, showing a high-level sensitivity analysis of Company’s financials, focused primarily on the liquidity impact. For avoidance of doubt, this does not represent a guidance for 2020.

4 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



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

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

Guidance for 2020

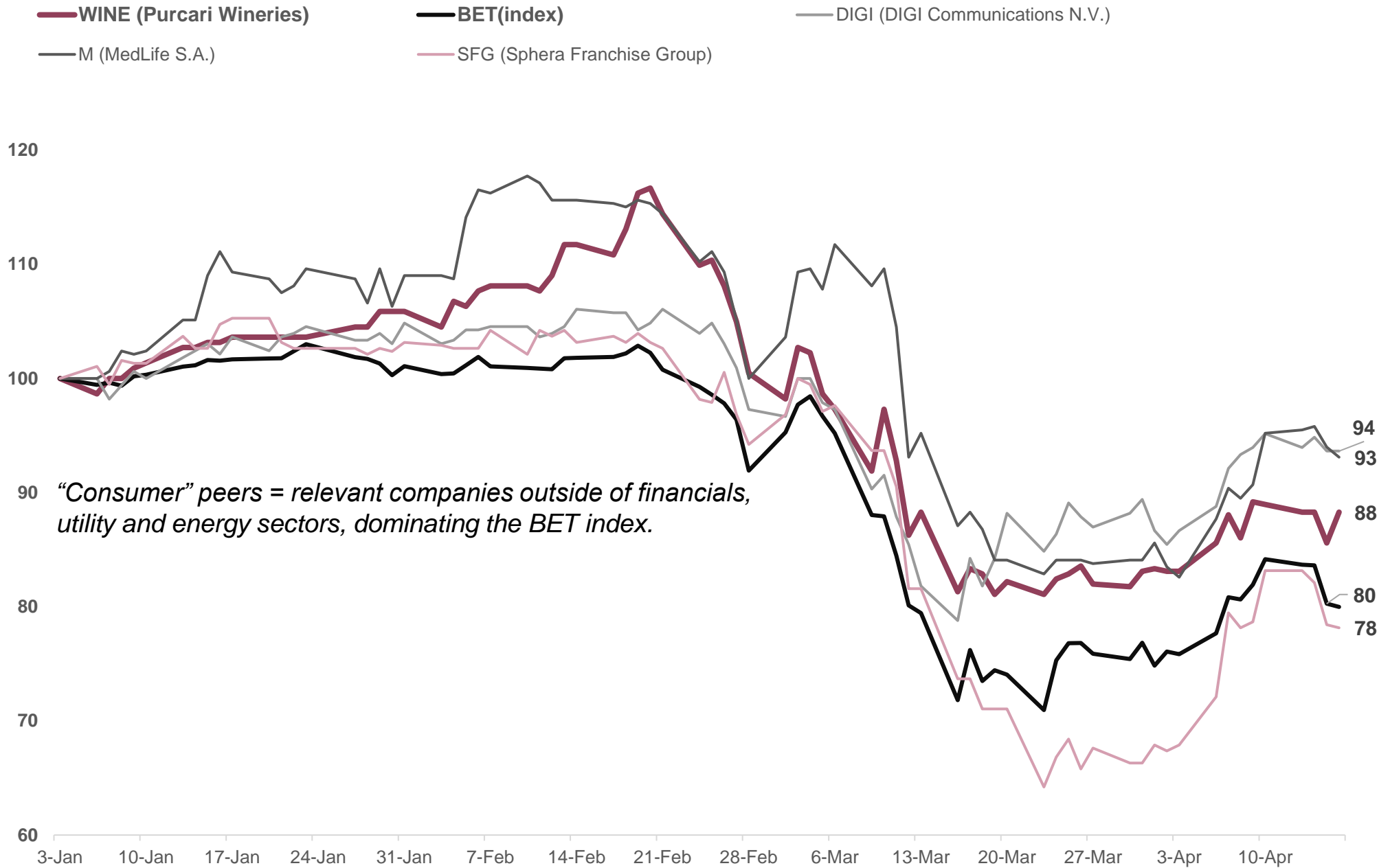
| Target | 2020 guidance | Comments |
|------------------------|---------------|--|
| Organic revenue growth | +16-20% | <ul style="list-style-type: none"> Romania to remain growth driver, continue focusing on Poland, Czech, Slovakia, Ukraine; continue seeding newer markets – Asia, Scandinavia, Germany. 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

5 Stock performance broadly in line with consumer peers, above BET



5 AGM proposals aiming to increase optionality, room for maneuver

Key initiatives:

Expand LTIP program, skewing compensation more towards stock based

- Long Term Incentive Program to be expanded by another 100,000 share grants, 100,000 stock options with strike price 20 RON, 125,000 options with strike price 30 RON and 150,000 options with strike price 40 RON (vs. 19.6 RON as of last close)
- Larger LTIP to help attract new talent to the company and further incentivize current management who have all taken significant salary cuts following the onset of the pandemic; key to company culture to have mid and top management think as shareholders, not merely employees.

Option, but not obligation for additional share buyback, if conditions opportune

- Given the Board has decided not to pay a dividend for the moment, which is a sensible decision with so much uncertainty in the air, we do want to have the option to compensate our shareholders through the means of such a buyback, which would increase the earnings per share, should we believe such purchases are in the interest of shareholders.

Option, but not obligation for additional capital increase, if situation demands it

- A capital increase may be needed both, as a defensive move – for instance, issuing new capital in case the Company will be in urgent need of additional liquidity, but also as an offensive one – for example, should we want to pull the trigger on an acquisition to be paid for in part or in full with stock.
- Any such decision would likely require a swift reaction, so the traditional route of calling an extraordinary GSM could likely prove to be too lengthy and cumbersome to enable a prompt and decisive reaction.

Please check the full AGM notice and letter to shareholders at: <https://bit.ly/3ctBZeI>

In summary

- We will **prioritize health and safety** of our employees, as we seek to find the right balance between protecting our staff and running our operations;
- The **demand for wine** category as a whole has been **holding well through the lockdown** period; nevertheless, we suspend our guidance for 2020 until more clarity emerges of the new normal;
- Company **sales have grown +9% in 1Q20** and show moderate growth / flat trend for April, **despite sharp drop in China and closure of HoReCa, DutyFree**, given strong growth in retail;
- We **adapted promptly our marketing** to better sync with consumers; see **opportunities for share gain**;
- **Broad and deep cost and liquidity optimization** program put in place. Downside stress tests show resilient margins, comfortable liquidity;
- We seek our shareholders' support for **measures put to AGM** vote that would **maximize Company's optionality**, room for maneuver amid unprecedented uncertainty;
- We are confident we will **emerge stronger** from this.



Thank you.