



## **Purcari Wineries**

**Frontier Investor Days 2019 by Wood & Co / Fondul Proprietatea**

**4 - 6 September, 2019**

# Disclaimer



THIS PRESENTATION IS MADE AVAILABLE ON THIS WEBSITE BY PURCARI WINERIES PUBLIC COMPANY LIMITED (the **Company**) AND IS FOR INFORMATION PURPOSES ONLY.

This presentation and its contents do not, and are not intended to, constitute or form part of, and should not be construed as, constituting or forming part of, any actual offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares issued by the Company and its subsidiary undertakings (the **Group**) in any jurisdiction, or any inducement to enter into any investment activity whatsoever; nor shall this document or any part of it, or the fact of it being made available, form the basis of an offer to purchase or subscribe for shares issued by the Company, or be relied on in any way whatsoever.

No part of this presentation, nor the fact of its distribution, shall form part of or be relied on in connection with any contract for acquisition of or investment in any member of the Group, nor does it constitute a recommendation regarding the securities issued by the Company, nor does it purport to give legal, tax or financial advice. The recipient must make its own independent assessment and such investigations as it deems necessary.

The information herein, which does not purport to be comprehensive, has not been independently verified by or on behalf of the Group, nor does the Company or its directors, officers, employees, affiliates, advisers or agents accept any responsibility or liability whatsoever for / or make any representation or warranty, either express or implied, in relation to the accuracy, completeness or reliability of such information, which is not intended to be a complete statement or summary of the business operations, financial standing, markets or developments referred to in this presentation. No reliance may be placed for any purpose whatsoever on the information contained in this presentation. Where this presentation quotes any information or statistics from any external source, it should not be interpreted that the Company has adopted or endorsed such information or statistics as being accurate. Neither the Company, nor its directors, officers, employees or agents accept any liability for any loss or damage arising out of the use of any part of this material.

This presentation may contain statements that are not historical facts and are "forward-looking statements", which include, without limitation, any statements preceded by, followed by or that include the words "may", "will", "would", "should", "expect", "intend", "estimate", "forecast", "anticipate", "project", "believe", "seek", "plan", "predict", "continue", "commit", "undertake" and, in each case, similar expressions or their negatives. These forward-looking statements include all matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control, and relate to events and depend on circumstances that may or may not occur in the future, which could cause the Company's actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on numerous assumptions and are intended only to illustrate hypothetical results under those assumptions. As a result of these risks, uncertainties and assumptions, you should in particular not place reliance on these forward-looking statements as a prediction of actual results, or a promise or representation as to the past or future, nor as an indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared or the information or statements herein are accurate or complete. Past performance of the Group cannot be relied on as a guide to future performance. No statement in this presentation is intended to be a profit forecast. This presentation does not purport to contain all information that may be necessary in respect of the Company or its Group and in any event each person receiving this presentation needs to make an independent assessment.

This presentation contains references to certain non-IFRS financial measures and operating measures. These supplemental measures should not be viewed in isolation or as alternatives to measures of the Company's financial condition, results of operations or cash flows as presented in accordance with IFRS in its consolidated financial statements. The non-IFRS financial and operating measures used by the Company may differ from, and not be comparable to, similarly titled measures used by other companies.

The information presented herein is as of this date and the Company undertakes no obligation to update or revise it to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

The distribution of this presentation in certain jurisdictions may be restricted by law and persons who come into possession of it are required to inform themselves about and to observe such restrictions and limitations. Neither the Company, nor its directors, officers, employees, affiliates, advisers or agents accept any liability to any person in relation to the distribution or possession of the presentation in or from any jurisdiction.

Investments in the Company's shares are subject to certain risks. Any person considering an investment in the Company's shares should consult its own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of such an investment.

- 1 Our Group, Vision and Strategy**
- 2 Operational performance 1H2019
- 3 Outlook for 2019
- 4 View on Purcari's Stock
- 5 Bigger Vision ... after becoming the undisputed CEE champion



Our newest launch, Traminer de Purcari, with an unmistakable aroma of rose petals confiture. All the ingredients of a summer hit.

# 1 Purcari Wineries at a glance

## Leading wine player in Romania and the CEE...

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

- #1 awarded CEE winery of the year in 2015-2019 at Decanter London, "wine Olympics"
- #1 premium wine brand in Romania, Moldova
- #1 fastest growing large winery in Romania
- #1 largest exporter of wine from Moldova
- top 1,392+ hectares of prime vineyards, top production assets
- top Reputable shareholders alongside founder, Victor Bostan: Horizon Capital, Fiera Capital, Franklin Templeton, IFC etc

## 4 brands, covering a broad spectrum of segments



CRAMA CEPTURA



BOSTAVAN

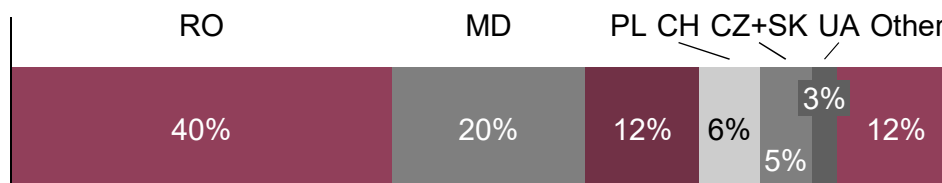


DIVIN BARDAR



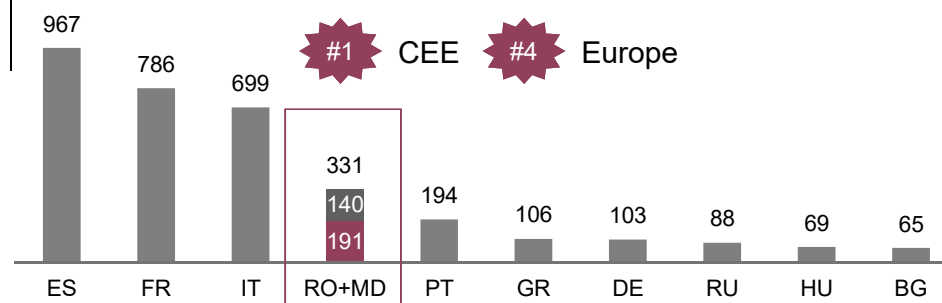
## ... with a strong & expanding regional footprint

Geographical breakdown of sales in value terms, 1H 2019, %



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

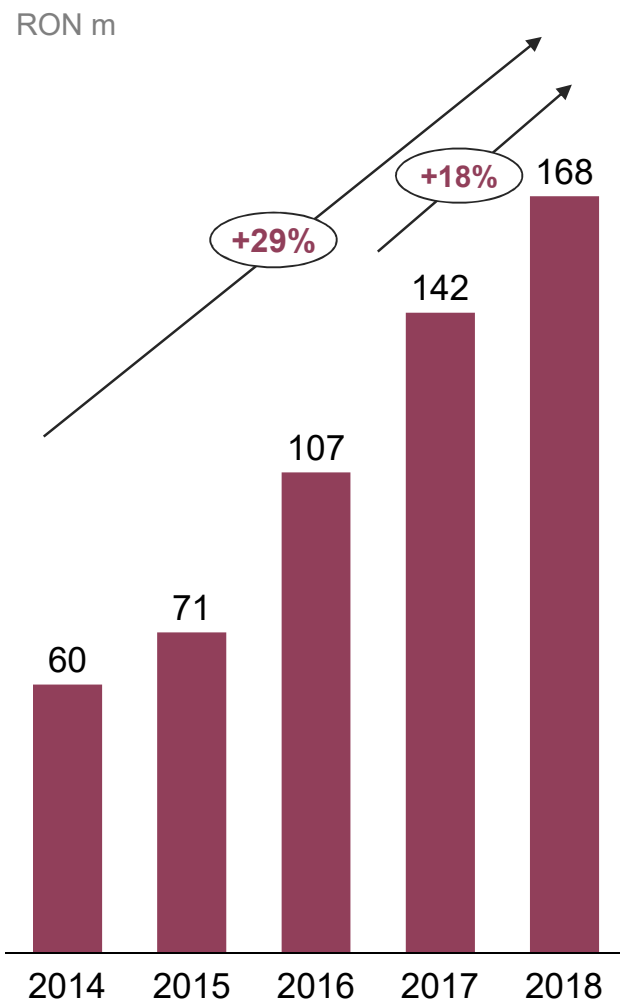
Top 10 European countries by area under vines, kha



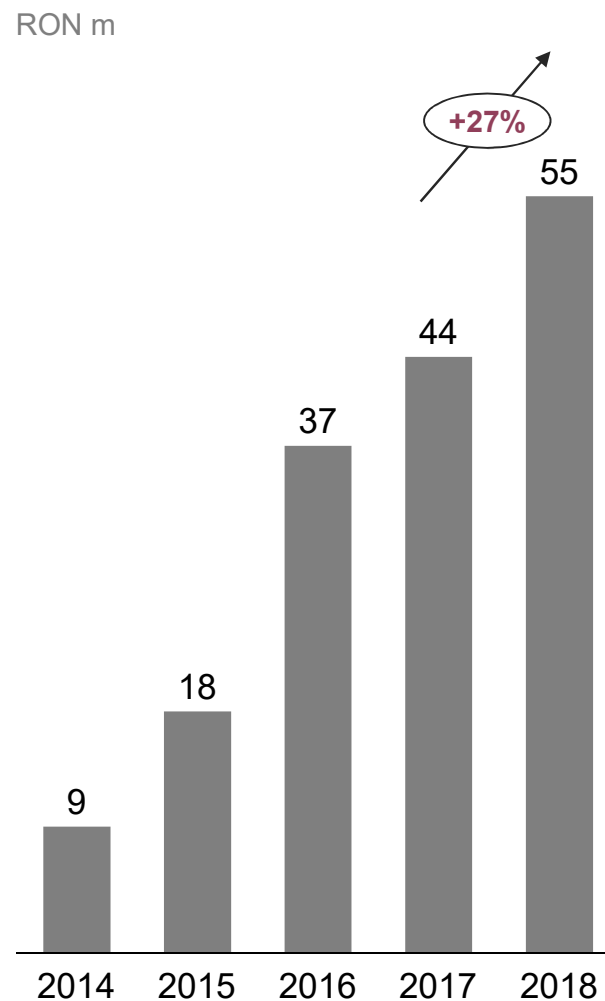


# 1 Long history of growth, profitability high

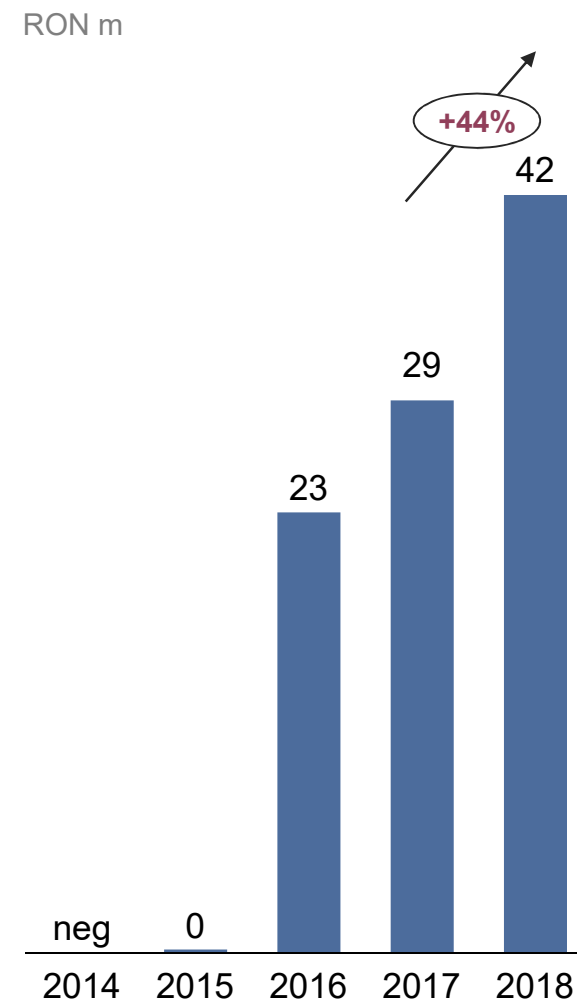
## Revenues



## EBITDA<sup>1</sup>



## Net Income



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

## 1 Our Group: Competitive advantage in a great market

### Attractive market

Secular shift from beer, spirits to wine, especially in CEE

### Competitive advantage

#1 premium wine brand in Romania

Wine growth '16-'20F in Romania 9.0% vs. 1.9% for beer

Plenty to catch up: wine consumption in Poland =  $\frac{1}{4}$  Germany, per cap.

#1 fastest growing large winery in Romania

#1 most awarded CEE winery at Decanter, "wine Olympics"

Shrinking vine plantations, create shortage, push prices up

Romania+Moldova undisputable #1 vineyards size in CEE, 5x vs #2

#1 EBITDA margin among global publicly traded wine peers

#1 on Instagram, Vivino engaging millennials in Romania

# 1 Our business model: Affordable Luxury

Modern,  
cost-competitive  
winemaking

Purcari is positioned at the intersections of three themes:

- **Modern winemaking:** the company is brand-, as opposed to *appellation*-centric and runs a cost-efficient business
- **Affordable luxury:** as an aspirational brand, Purcari wines are an example of affordable luxury, building on a heritage dating back to 1827 and ranking among 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



## 1 Our mission, vision and values

### 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

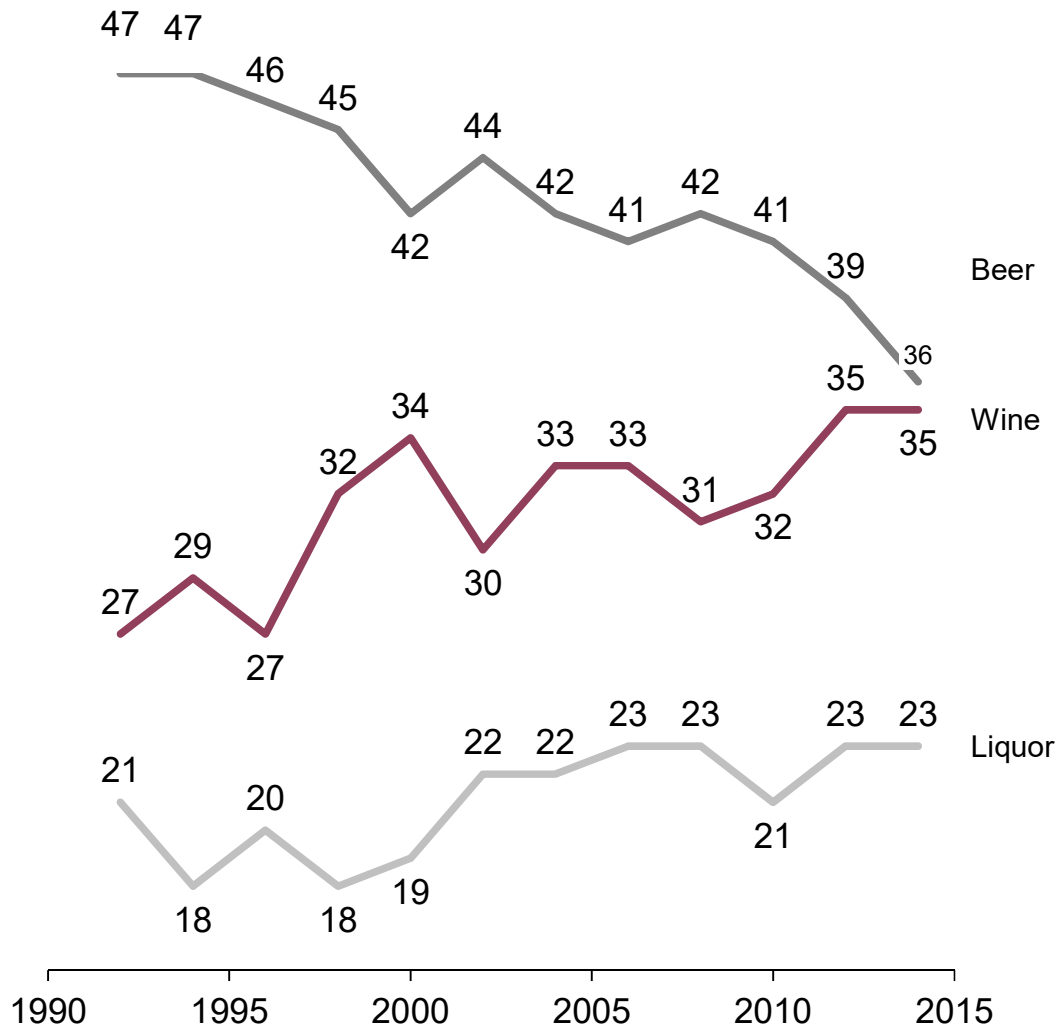




# 1 Consumption trends favour wine vs. alternative drinks, pushing demand up **PURCARI**

## Shifting consumer preferences: wine up, beer down

US Gallup survey: Do you most drink liquor, wine or beer? %



*"Rosé Is Seeing Explosive Growth as Its Summer Rival, Beer, Goes Flat"*

– 3 August, 2017

**Bloomberg**

*"Goldman downgrades beer stocks because millennials like wine better"*

– 24 July, 2017

**CNBC**

*"Millennials Are Drinking More Wine Than Boomers"*

– 17 February, 2016

**FORTUNE**

*"The world is facing a wine shortage, with global consumer demand already significantly outstripping supply, a report [by Morgan Stanley] has warned."*

– 30 October 2013

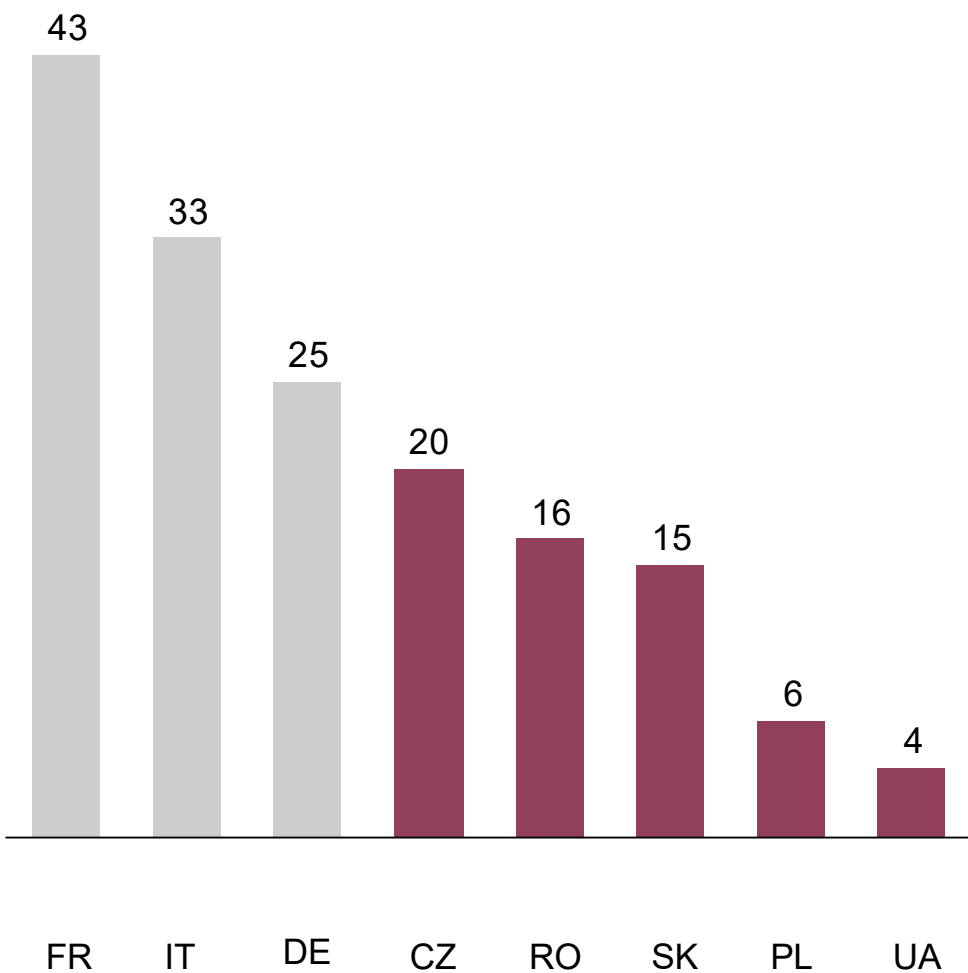
**BBC**



# 1 CEE consumption especially strong, on shifting drinking patterns

## Plenty of catch up for CEE countries

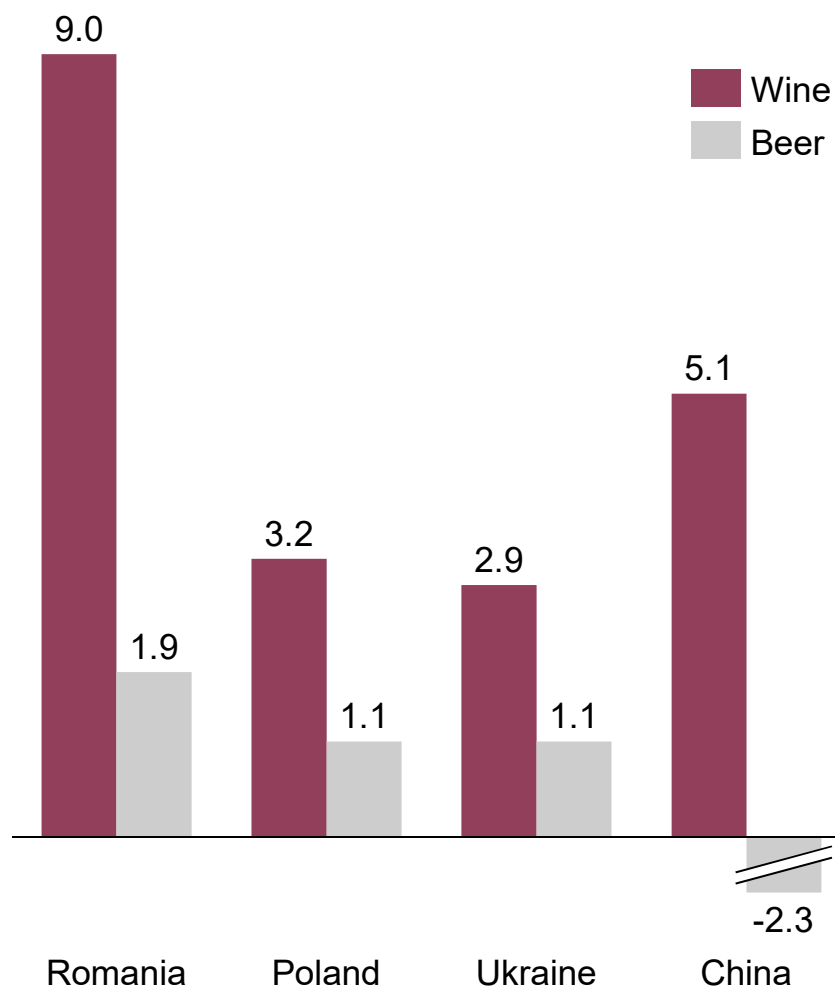
Wine consumption, litres per capita, selected countries



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

## Wine steals share from beer

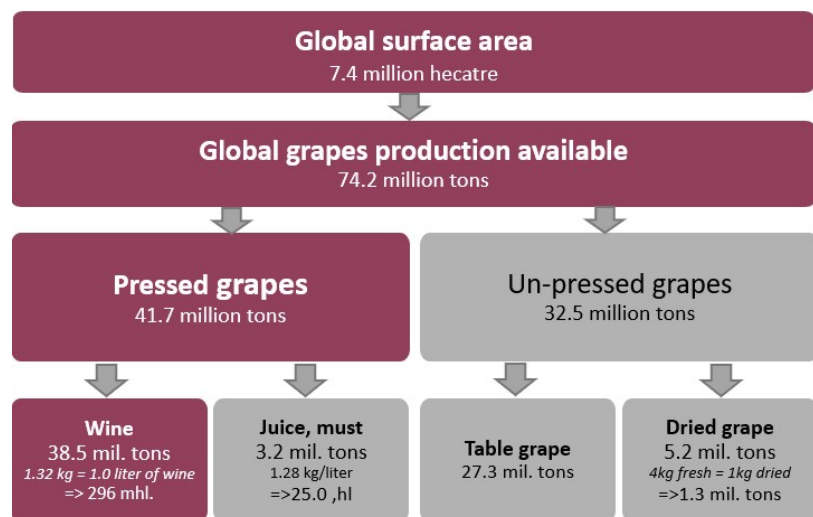
Forecast growth by category, by country 2016-2020F, %



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

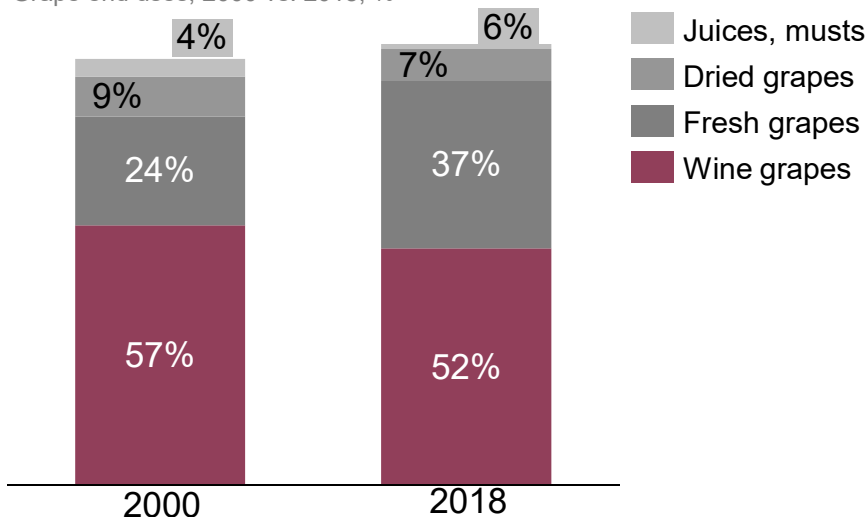
# 1 On supply side, the vineyards has been shrinking, constraining output

## 50% of grapes collected go for wine making



## Share of wine grape declining in total grape production

Grape end uses, 2000 vs. 2018, %



## Commentary

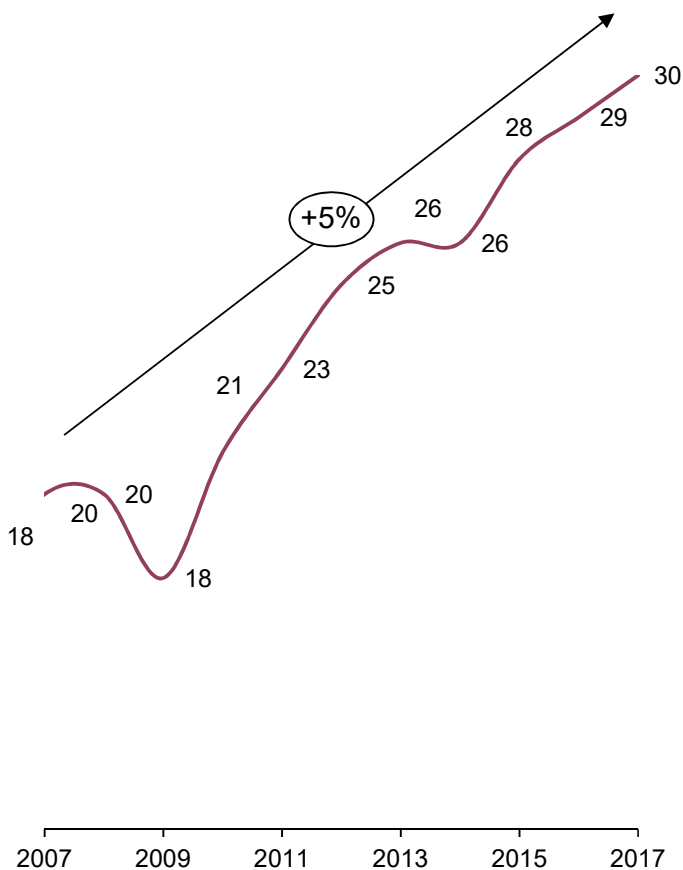
- Global area under vines, has gradually decreased between 2000 and 2018 from 7,782 ha to 7,449 ha, according to OIV;
- Overall, the corresponding share of wine grape production (versus other grape uses), has dropped from 57% to 52%, during the same period, from which one can infer an approximate 20% drop in vine surfaces used for wine grape cultivation;
- Much of the drop was driven by the EU, where regulation has been in place limiting planting rights and subsidizing so called grubbing-up schemes, in an attempt to address the oversupply;
- In Moldova, area under vines decreased to 147 kha in 2018 driven by the transformation of vineyards, historically composed of small plots that are currently being restructured;
- In China, among the very few countries which increased the vineyard plantations, only 12% of grape output goes to make wine (the rest being fresh and dried grapes);



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

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

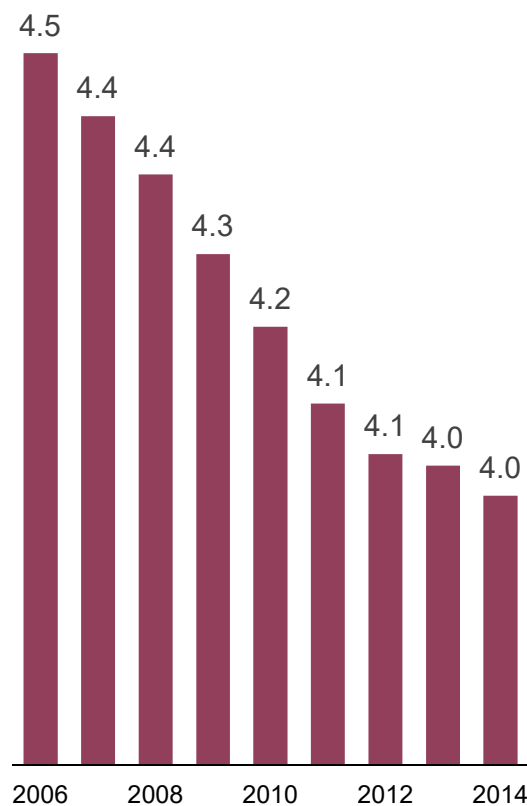
Global wine trade, €bn



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

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

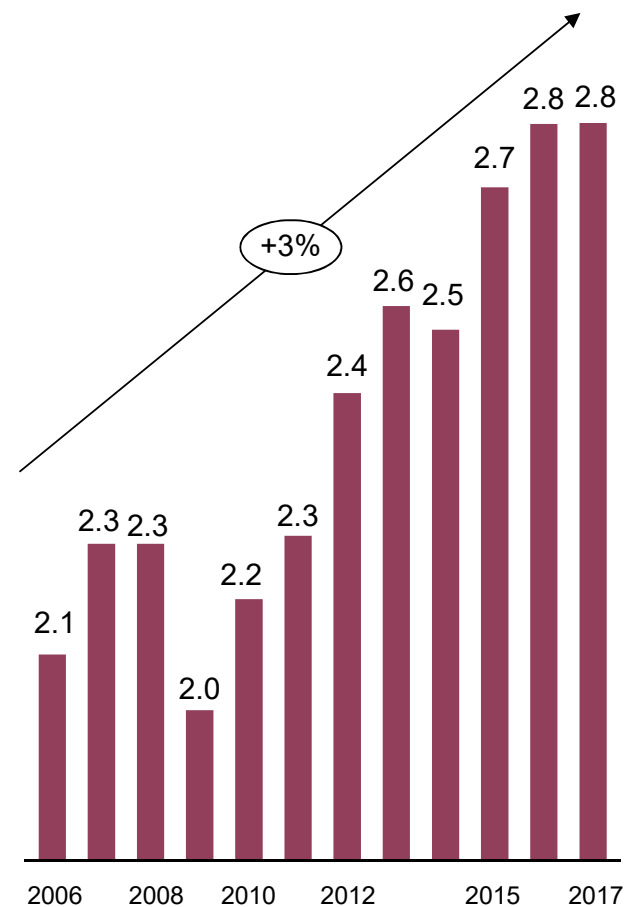
Area of vineyards in continental Europe, mn ha



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

## ... prices keep rising

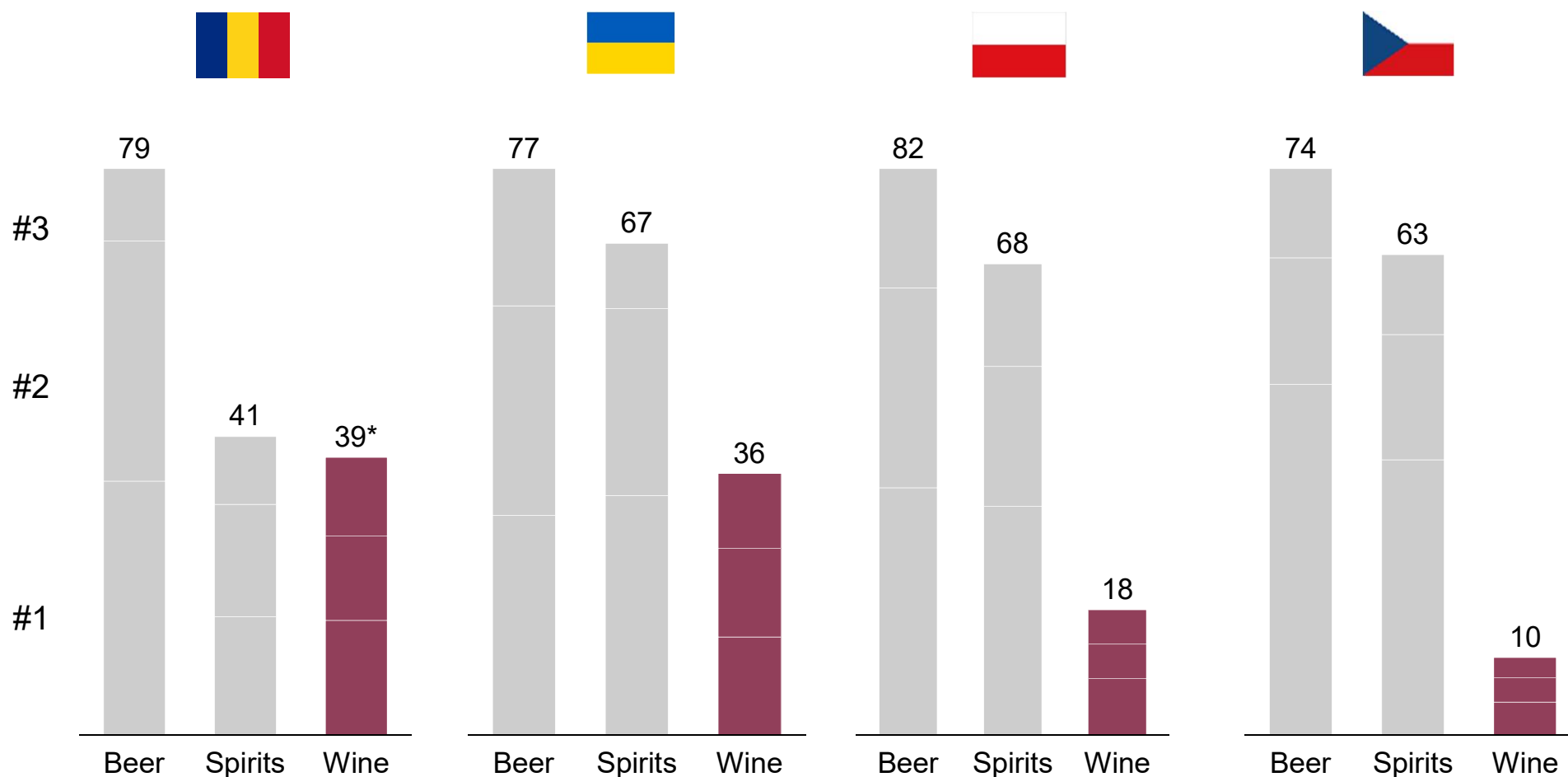
Average price per liter of traded wine, €



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

# 1 Vision: Be the consolidator of a fragmented market

Volume share top-3 players by country, %



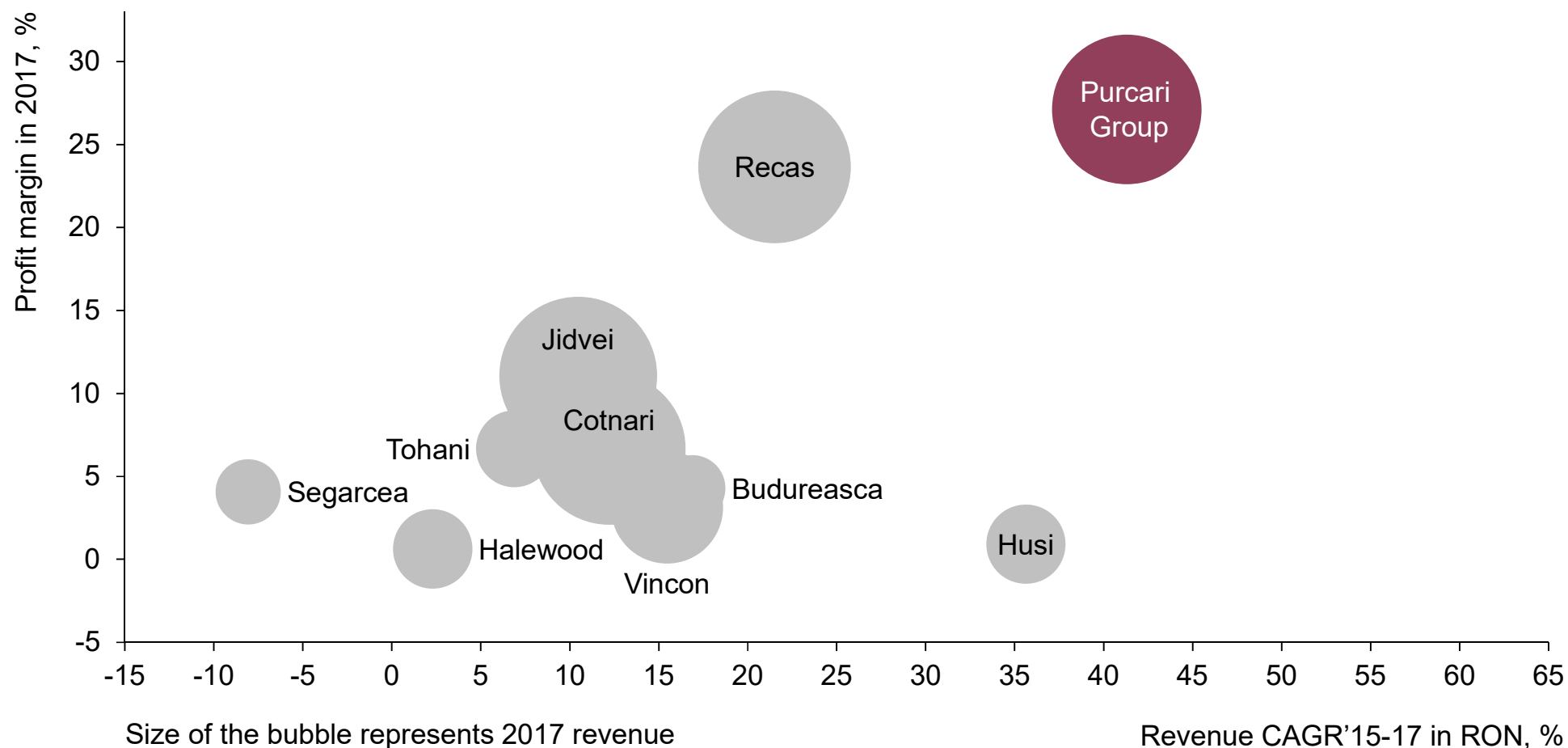
*As wine market moves from terroir- to brand-centric and leaders build scale / sophistication, the market is ripe for consolidation*



# 1 Fastest growing among large Romanian wineries

## Purcari Group – #1 fastest growing and #1 most profitable among large Romanian wineries

Revenue CAGR'15-17 in RON vs. profit margin in 2017 of top 10 wineries in Romania in terms of revenue in 2017



Note: Revenue for Purcari Group as per consolidated financial statements, revenue for other wineries as reported by the Ministry of Finance statutory accounts; The Ministry of Finance data is not on a consolidated basis. For Recas, Vincon, Halewood, Tohani, Budureasca only the main company of the group was considered. For Husi and Segarcea Profit margin of 2016 and Revenue CAGR'15-16 were considered as 2017 have been not published yet

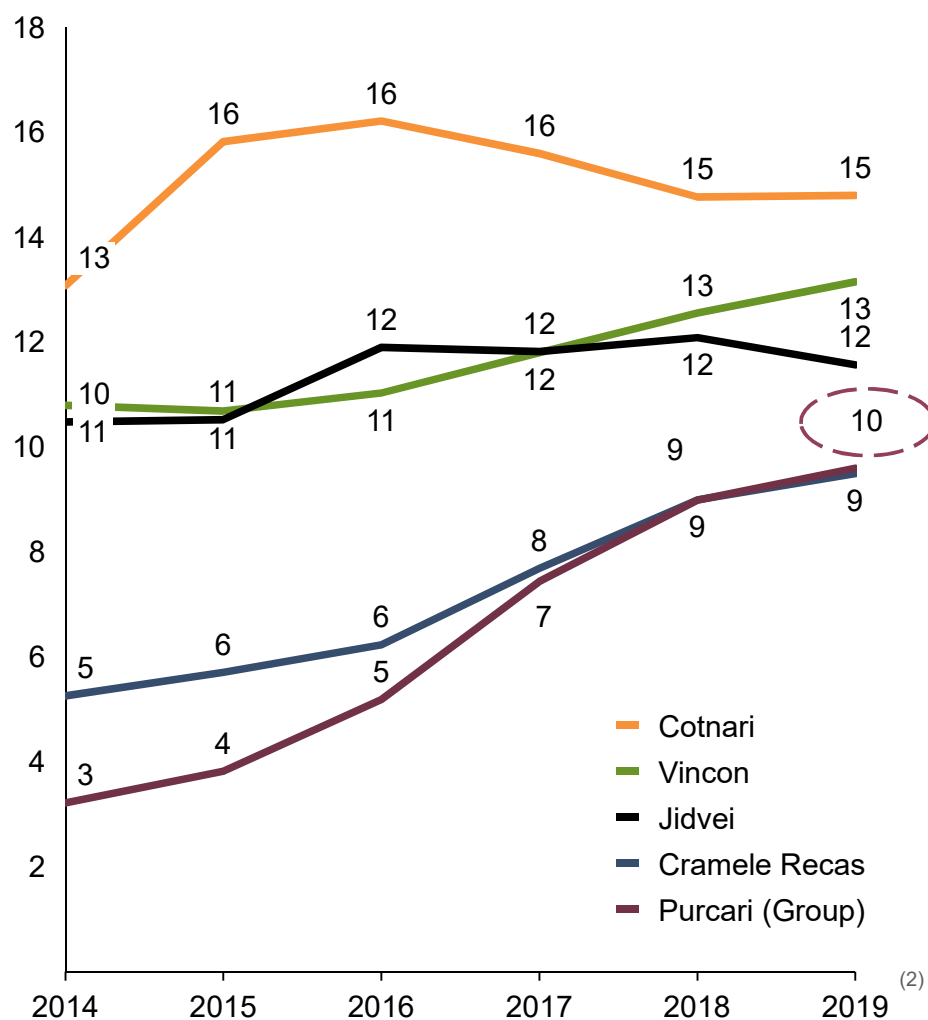
Source: company data, public data



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

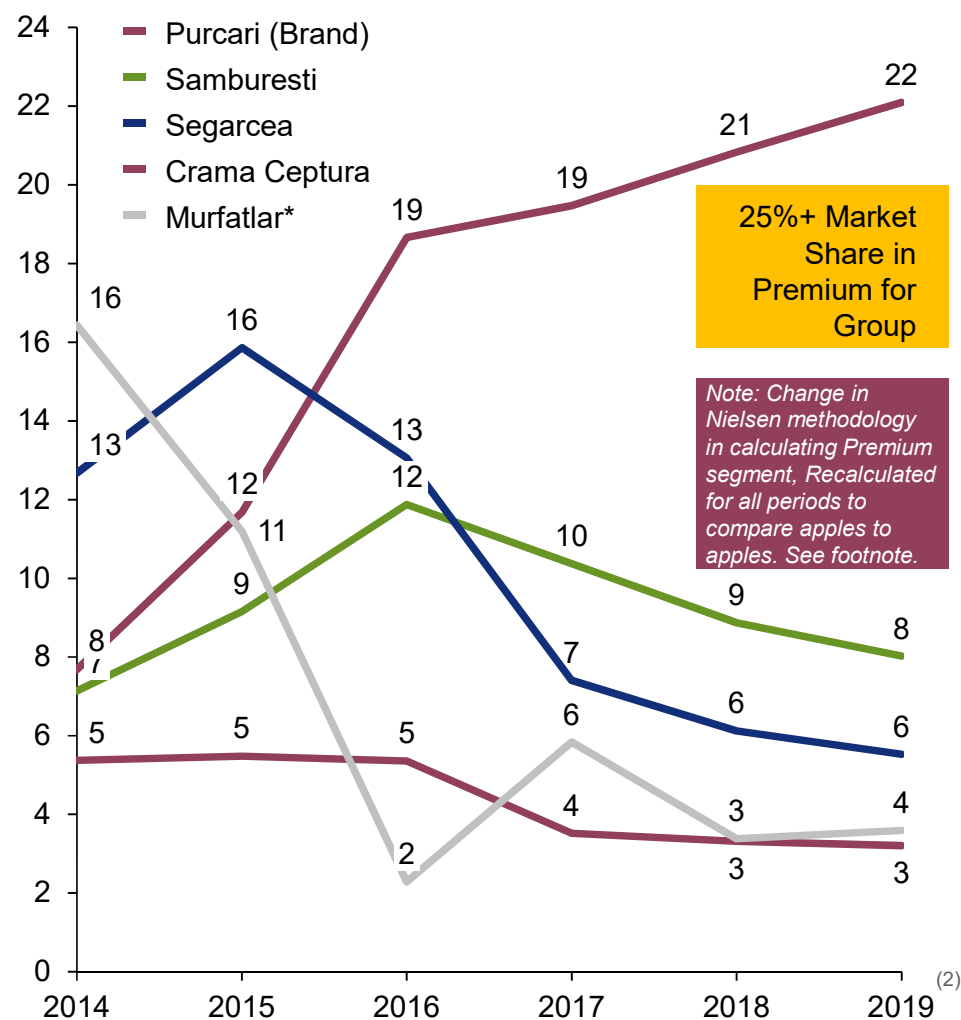
## Overall, Purcari has tripled MS in 4 years....

Value share of TOTAL retail market, Romania, %



## ...while becoming a clear #1 in Premium<sup>1</sup>

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



Notes: (1) Difference in reported market share figures compared to the previous quarter is due to changed calculation methodology. Calculation of the total size of the premium market now includes all listed brands, as opposed to the data on TOP-40 manufacturers, which was used previously. (2) 2019 year-to-date  
Sources: Nielsen report; Purcari Group = Purcari, Crama Ceptura and Bostavan brands;

# 1 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

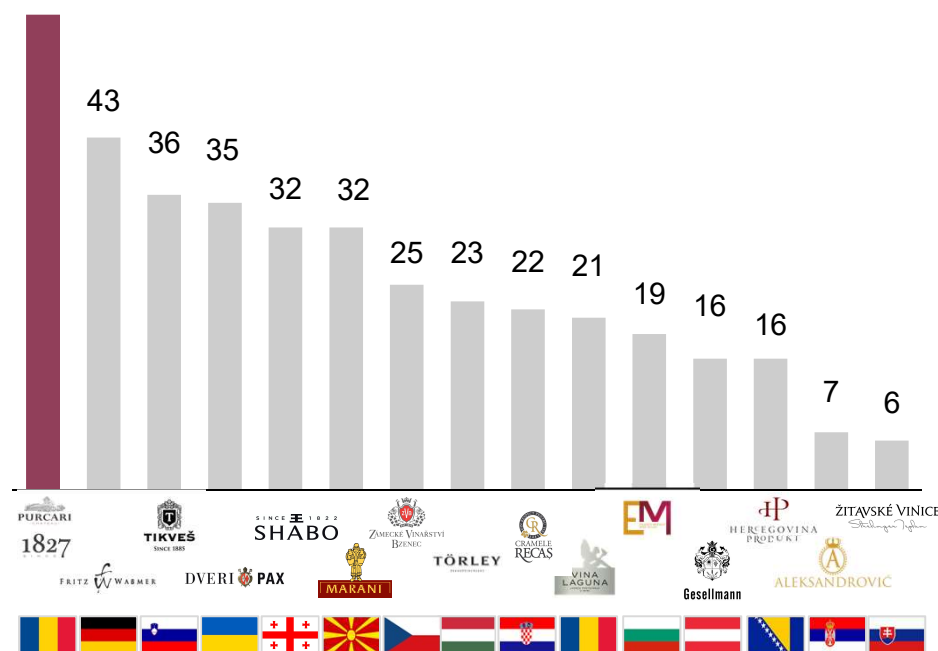
# 1 Costs: sustainable cost advantage, across the cost structure

					
<b>Average net salary [€/ month]</b> 	1,887	1,293	683	533	260
<b>Electricity [€/ kwh]</b> 	0.089	0.101	0.114	0.087	0.079
<b>Diesel [€/ liter]</b> 	1.42	1.19	0.75	1.19	0.85
<b>Bottle [€/ 0.75l]</b> 	0.25	0.30	0.15	0.18	0.15
<b>Grapes<sup>1)</sup> [€/ kg]</b> 	0.90 Val de Loire	0.85-1.20 Rioja	0.30 Colchagua	0.30 Ceptura	0.24 Purcari
<b>Vines<sup>2)</sup> [€/ ha]</b> 	25 k – 3.4 m	31 k – 50 k	27 k – 48 k	10k – 12k	4k – 9k

1) Quality comparable to Group's production 2) France (Bordeaux); France (Val de Loire, based on 10t/ha yield calculation); Spain (La Rioja, Pais Vasco); Chile (Colchagua); Romaina (Crama Ceptura Winery, 2017); Moldova (Purcari Winery, 2017)  
 Sources: Company data, Numbeo, Eurostat, ODEPA, Ministry of Agriculture of Spain, Agrifrance 2017 Rural Report, www.vinetur.com, www.larioja.org, http://www.lomejordevinoderioja.com, www.vivastreet.cl, [www.Globalpetrolprices.com](http://www.globalpetrolprices.com), <https://ec.europa.eu/eurostat/statistics-explained>, [www.exchangerates.org.uk](http://www.exchangerates.org.uk), [www.elobservador.com.uy](http://www.elobservador.com.uy)

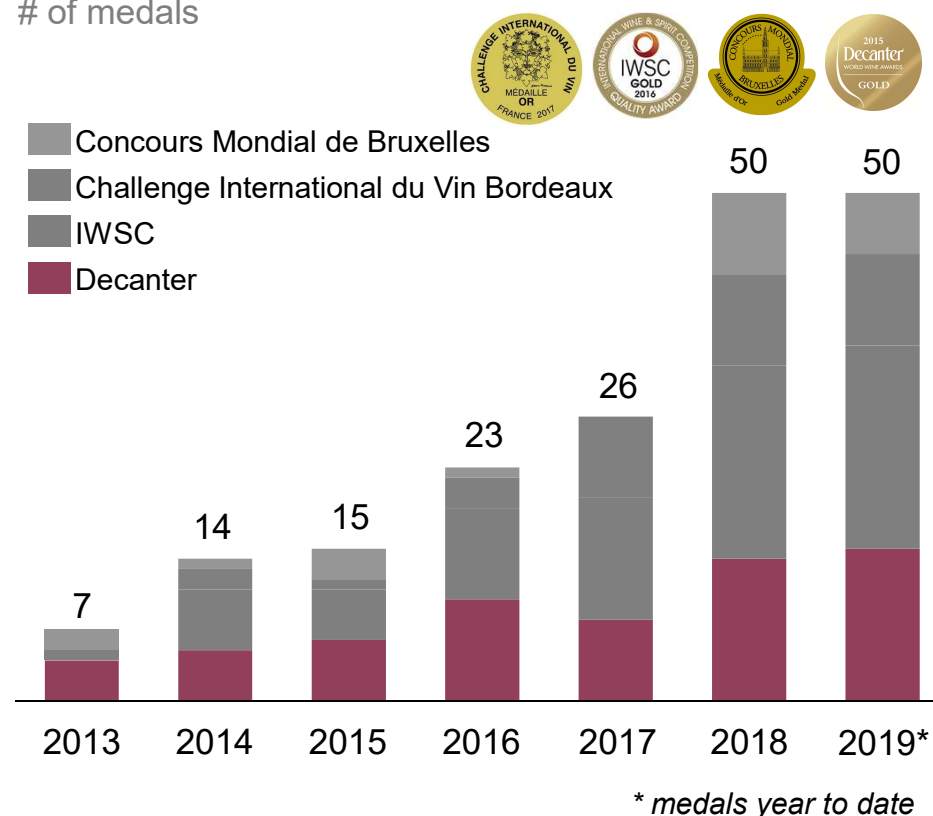
# of Decanter medals in 2015 - 19<sup>(1)</sup>

58



- Most awarded winery to the east of Rhine, ahead of reputable (and much pricier!) German, Hungarian or Austrian wineries

## # 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 wise, as illustrated by the mounting number of medals won at top global competitions



# 1 Continue creating engaging, differentiated brand building campaigns **PURCARI**

## Bostavan Dor Sparkling (Mar)

Taste the Life campaign



## Initial Cork Offering (Apr)

April's Fool prank



## Crama Ceptura Summer (May)

Summer has Taste campaign



## Purcari - Summer in Rosé (Jul)

7m+ reach, a stylish alternative to beer



## Purcari Wine Run (Aug)

10km through the vineyards



## Fireplace photo event (Oct)

Hundreds have lined up for photos



## Top-10 global sparkling award (Nov)

Best of the best at Effevescents du Monde



## Her Majesty gifted Purcari (Nov)

Our ambassador to UK, revives a tradition



## Accente campaign (Dec)

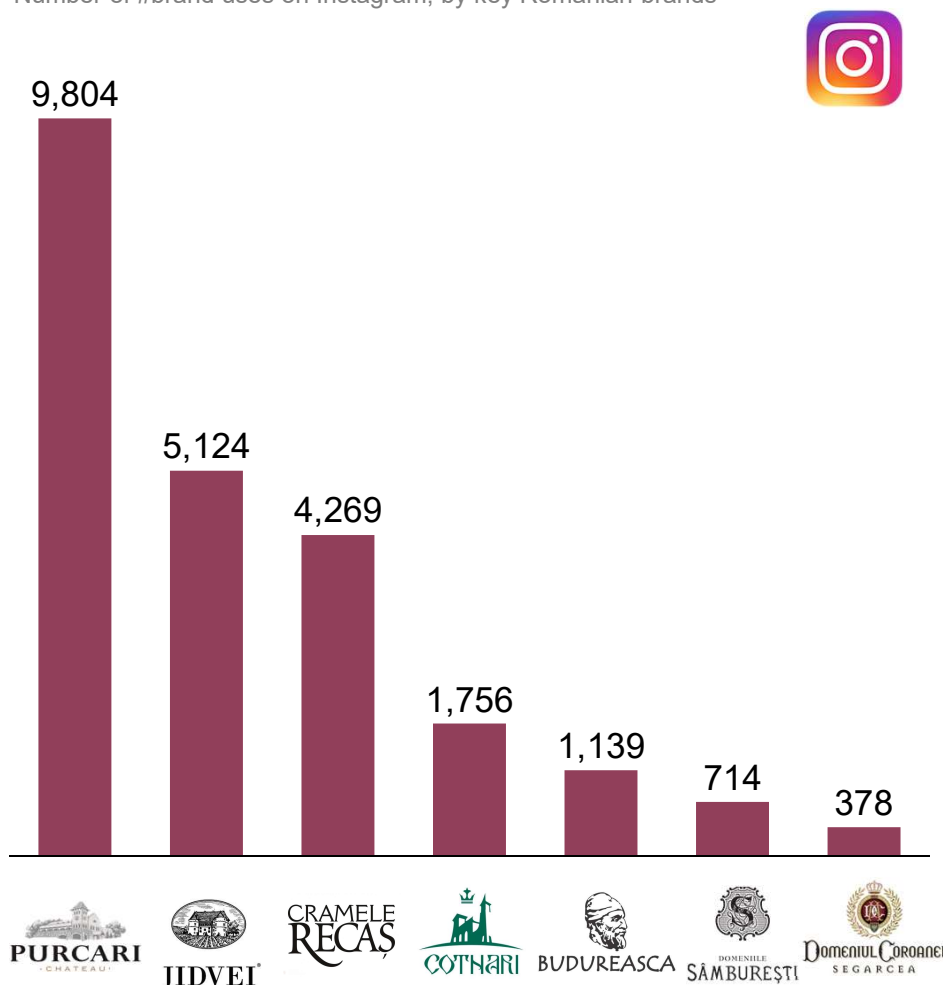
Gone viral, 3.6m views on FB, YT, Instagram



# 1 Topping competition at engagement, quality

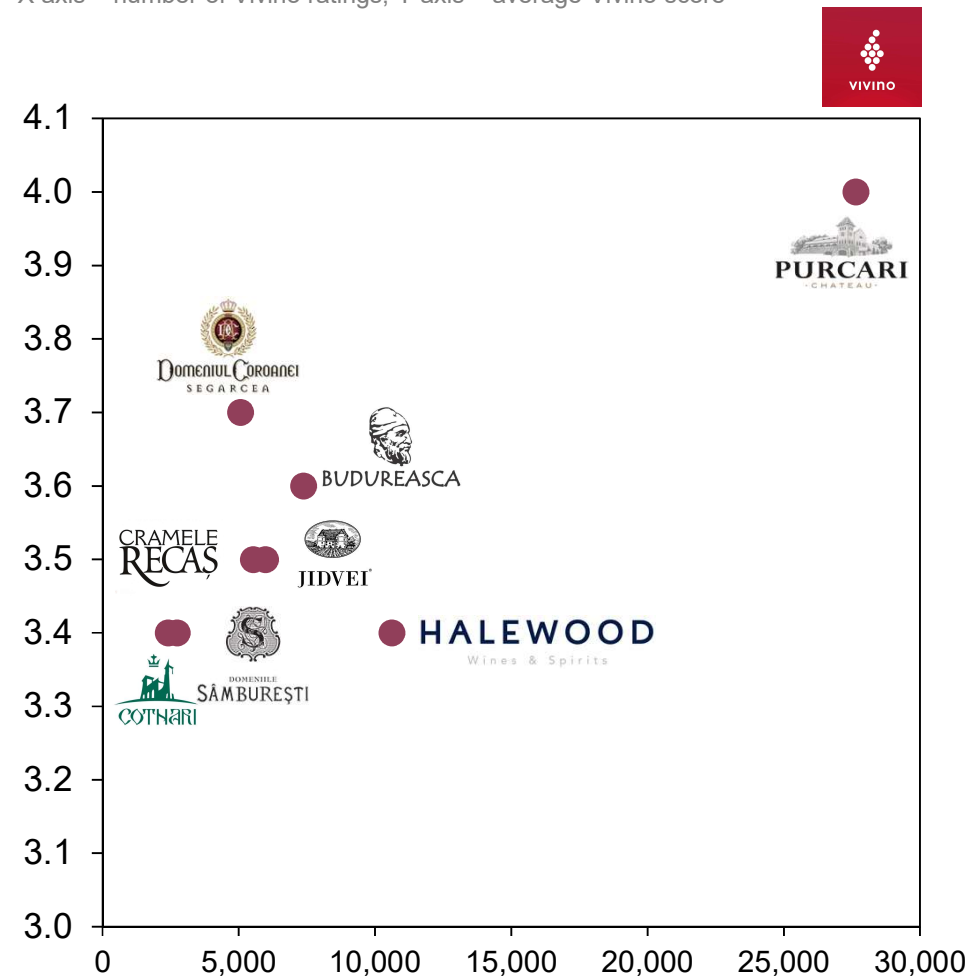
## Aspirational brand which consumers like sharing about

Number of #brand uses on Instagram, by key Romanian brands



## Highest number of ratings and highest scores on Vivino

X axis – number of Vivino ratings; Y axis – average Vivino score



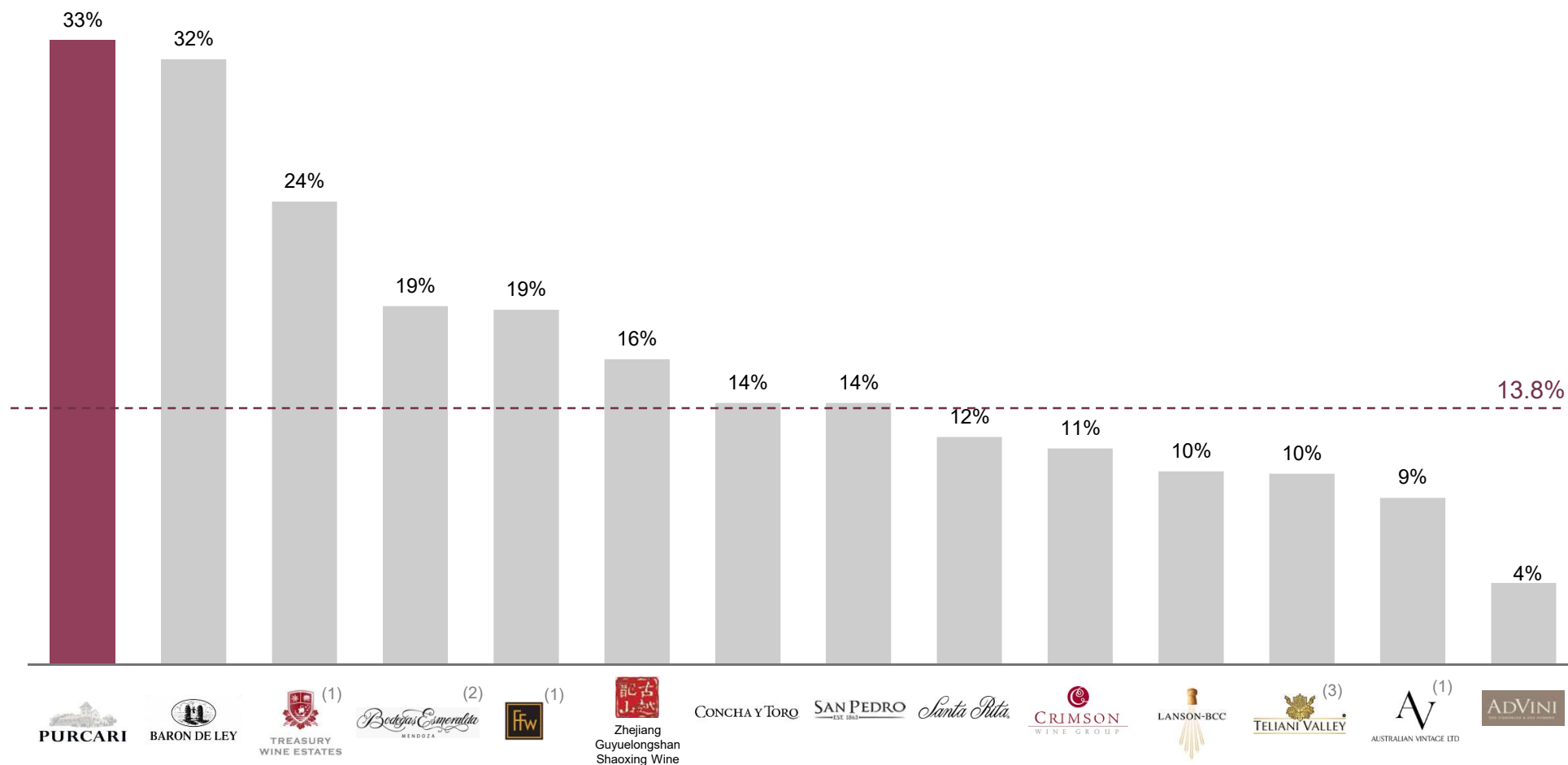
Note: Purcari - #purcari, Cramele Recas - #recas, Jidvei - #jidvei, Cotnari - #cotnari, Budureasca - #budureasca, Samburesti - #samburesti, Segarcea - #segarcea  
Sources: Instagram, Vivino as of August 2, 2019

# 1 Top of peer group margins; still room to grow

## EBITDA margin – global peer group

EBITDA margin 2018, %

--- Median



Source: IFRS Consolidated Financial Statements of the Group, Capital IQ;

(1) Financial year ends as of 06/30; e.g. for 2018, financial statements as of 06/30/2018 were taken into account

(2) Financial year ends as of 03/31; e.g. for 2018, financial statements as of 03/31/2018 were taken into account

(3) Financial statements as of 12/31/2017 were taken into account

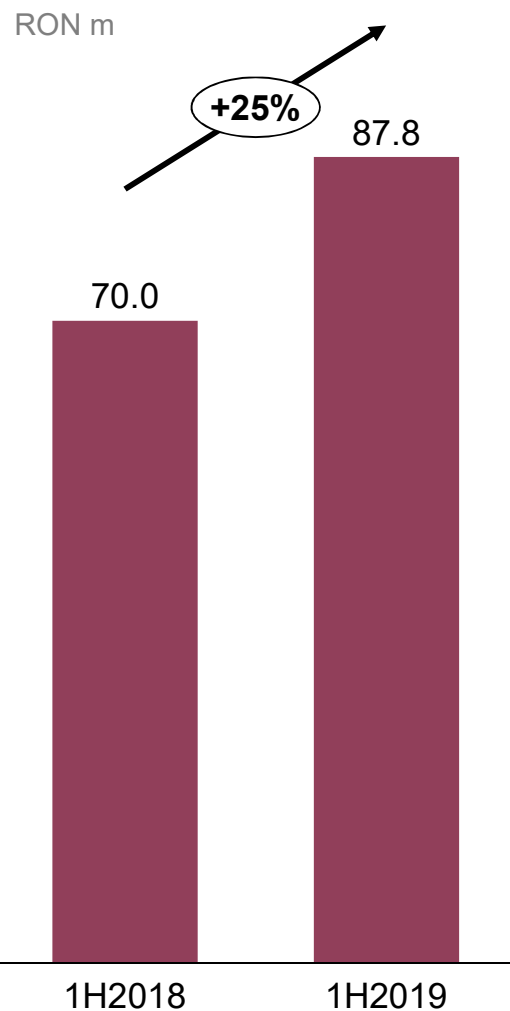
- 1 Our Group, Vision and Strategy
- 2 Operational performance 1H2019**
- 3 Outlook for 2019
- 4 View on Purcari's stock
- 5 Bigger Vision ... after becoming the undisputed CEE champion



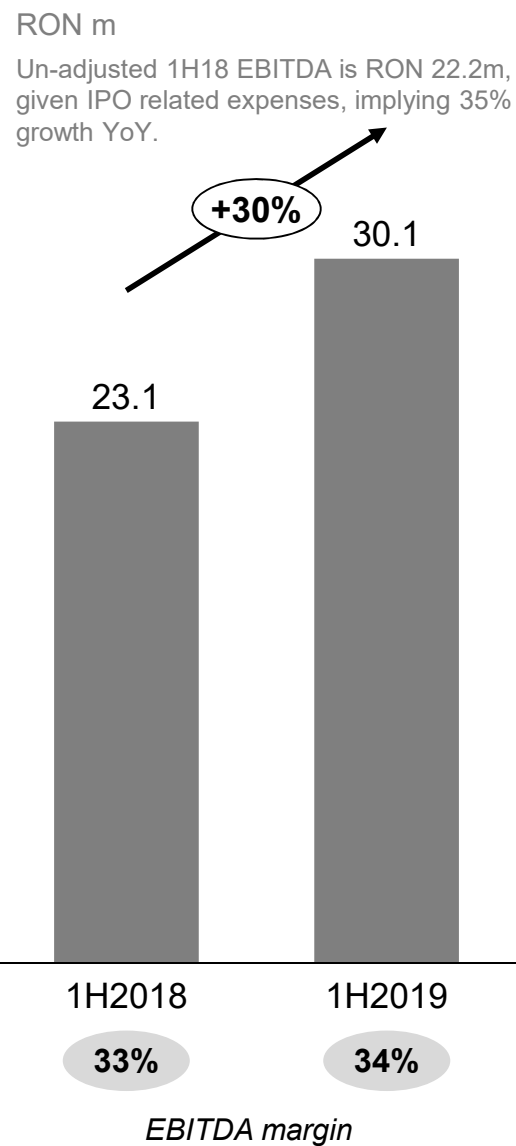
Negru de Purcari  
2013, 4.4 score on  
Vivino, top 1% wine  
globally

## 2 Growing above guidance in 1H19

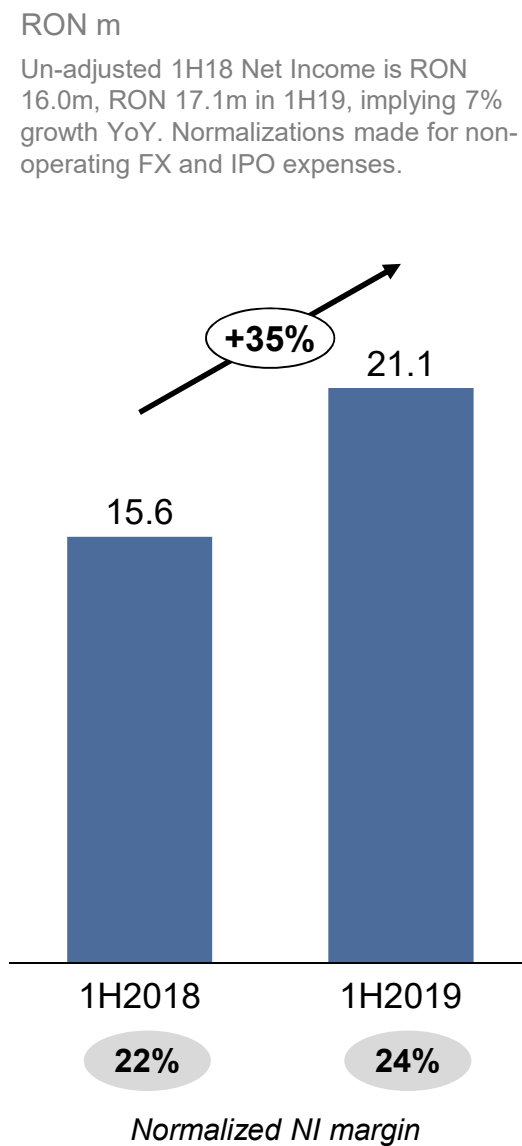
### Revenues



### Adjusted EBITDA



### Adjusted Net Income







## 2 Highlights: strong growth, profitability increasing ahead of revenue

### Strong revenue growth

- Accelerating growth, sales increasing +25% YoY in 1H19, to RON 88m (vs. +19% YoY in 1H18)
- Poland contributing most to the growth, increasing 47% YoY, on improved Bostavan performance
- Encouraging performance of Bostavan brand +30%, helped by strong traction in Poland, Czechia, Slovakia, see significant further room for growth, focusing on brand rejuvenation

### Solid margins, even in the seasonally lower 1H

- EBITDA margin at 34% and Normalized Net Income margin at 24%, helped by prudent approach to SG&A, strong gross margins
- Selling and marketing expenses stable as share of revenue despite vigorous growth, G&A expenditures down 8% YoY

### Excellent customer feedback, both on existing and new varietals

- 8 out of top 10 wines in Romania according to Vivino (30-60 RON) are Purcari's
- Chardonnay de Purcari won the Platinum medal at Decanter London, awarded 97 points
- Traminer de Purcari, our newest addition to the portfolio, is already top-3 in the Vivino Romania rankings with an outstanding 4.4 rating, ranked a top 1% wines globally

### Favorable Fx trend, softer MDL, boosting competitiveness








- MDL depreciated 6% YoY on quarter-average basis, reflecting the sustained current account deficit of the country.
- Highly positive development for the Company as most expenses are denominated in local currency, expect improved cost efficiency on both gross margin and SG&A level shall the trend continue.

### On track for 2019 outlook

- Solid start of the year, sales growth significantly above provided guidance for full 2019 of +18-22%
- Profitability on track, EBITDA margin within guidance despite seasonally low quarter, with disproportionate share of profits generated in Q3 and Q4







## 2 Markets: Romania remains key growth driver, record quarter in Poland PURCARI

Market	Share of sales, 1H19	Growth, 1H19 YoY	Comments
RO 	40%	+16%	<ul style="list-style-type: none"> <li>RO: Strong Purcari performance, up c. +30% YoY, per IFRS and +44% per managerial reporting<sup>1</sup>. Overall, the growth in Romania per managerial reporting was +33%. Strong dynamics on Bardar, newly introduced to the market – 2Q sales up over 50% vs. 1Q19, albeit from a low base.</li> </ul>
MD 	20%	+16%	
PL 	12%	+47%	<ul style="list-style-type: none"> <li>MD: Growth accelerating vs. 1Q as Coca Cola Hellenic, new distribution partner, picks up pace. Still see transition challenges, expect significant benefits in channel penetration and consequently sales performance in mid-to-long-term.</li> </ul>
CZ SK 	5%	+24%	<ul style="list-style-type: none"> <li>PL: Maintained success in Bostavan development initiatives, expanding within key accounts, price increases pushed through. Continue to work on brand revamp, still early in the process.</li> </ul>
ASI 	6%	+43%	
UA 	3%	+8%	<ul style="list-style-type: none"> <li>CZ&amp;SK: Strong growth in Bostavan sales performance; buffer stock effects on a large order from key partner led to lower dynamics versus Q1.</li> </ul>
RoW 	12%	+41%	<ul style="list-style-type: none"> <li>ASIA: Strong quarter, driven by promising Bostavan, Bardar performance on large orders from new distributor accounts, continue work on developing the commercial strategy for China.</li> <li>OTHER: Strong dynamics helped by Q2 Bardar sales in Belarus, which may normalize by year-end, resulting in somewhat calmer dynamics.</li> </ul>

Note: (1) The IFRS reporting impacted by the change in discount application practices by key retail partners in Romania in 2Q18, which increased the comparative base. Starting Q3 the comparison shall be apples-to-apples again.

## 2 Brands: Bostavan and Purcari lead the growth

Brand	Share of sales, 1H19	Growth, 1H19 YoY	Comments
	39%	+22%	<ul style="list-style-type: none"> <li>PURCARI: ongoing strong traction in Romania, growing circa 30% per IFRS versus 2018, ample headroom remaining (growth per managerial accounts +33%<sup>1</sup>. Continue to see adverse effects of distributor shift in Moldova - even though growth is double digit, expect larger benefits in mid-to-long-term.</li> </ul>
	32%	+30%	<ul style="list-style-type: none"> <li>BOSTAVAN: good performance across all key markets, strong traction in Poland as expanding to new large retail chains. Successfully optimizing pricing policy, average price per liter up 5% YoY.</li> </ul>
	15%	+2%	<ul style="list-style-type: none"> <li>CRAMA CEPTURA: growth per managerial reporting is +18%. The IFRS reporting impacted by the change in discount application practices by key retail partners in Romania in 2Q18, which increased the comparative base. Starting Q3 the comparison shall be apples-to-apples again.</li> </ul>
	14%	+46%	<ul style="list-style-type: none"> <li>BARDAR: Ongoing switch from bulk to bottle. Successful commercial strategy in Moldova resulting in stable double-digit growth, despite challenges with distributor transition. High growth in Belarus, albeit affected by quarterly procurement shifts for key clients, may normalize by year-end.</li> </ul>

Note: (1) The IFRS reporting impacted by the change in discount application practices by key retail partners in Romania in 2Q18, which increased the comparative base. Starting Q3 the comparison shall be apples-to-apples again.

## 2 Profitability growing ahead of sales, on strong GM and good GA control **PURCARI**

RON m	1H18	1H19	Δ '19/'18
Revenue	70.0	87.8	25%
Cost of Sales	(33.9)	(44.6)	31%
Gross Profit	36.0	43.2	20%
<i>Gross Profit margin</i>	51%	49%	(2 pp)
SG&A	(17.4)	(17.7)	2%
Marketing and selling	(5.5)	(6.8)	25%
General and Administrative	(12.4)	(11.4)	(8%)
Other income/expenses	0.4	0.5	36%
EBITDA	22.1	30.1	35%
Adj. EBITDA	23.1	30.1	30%
<i>Adj. EBITDA margin</i>	33%	34%	+1 pp
Normalized Net Profit <sup>1</sup>	15.6	21.1	35%
<i>Normalized Net Profit Margin</i>	22%	24%	+2 pp
Net Profit	16.0	17.1	7%
<i>Net Profit margin</i>	23%	19%	(3 pp)
Net Profit after minorities	14.4	15.2	6%
<i>Net Profit margin, after min.</i>	21%	17%	(3 pp)

### Comments

- Revenue up 25%, well-above guidance range of 18-22%, on strong performance of Bostavan, Bardar brands.
- Higher 1Q dynamics partly impacted by historical accounting practices distorting 2018 allocations (first time reporting post-IPO) between quarters, with half-year data as more representative.
- Gross margin down insignificantly, pushed down by higher cost of raw materials, helped by improved pricing and lower personnel costs (variable production part, showing in COGS) on MD tax reform effects.
- Good control at GA level, down 8% YoY, executing on cost discipline, helped by halt in MDL appreciation and lower professional fees year-on-year (2018 IPO costs).
- Maintain stable level of marketing investments, slightly below 8% of revenue, despite the accelerating revenue growth.
- Adjusted EBITDA margin at 34% level. Normalized EBITDA growth of 30% shown, excludes the IPO related expenses in 1H18, with non-adjusted EBITDA up 35% YoY.
- Normalized Net Profit, excluding non-operating FX stood at RON 21.1 million, up 35%<sup>2</sup>, 24% margin. A good net margin given the typical seasonal profitability skew towards Q3-Q4.
- Weakening MDL in 1H2019, while a clear positive for the company given predominantly export sales, led to a non-operating non-cash FX loss on revaluation of FX debt of Moldovan entities. Given the nature of these costs, we calculate normalized net profit, excluding negative 2019 FX effect of RON 4.0m and positive 2018 FX effect of RON 1.3m

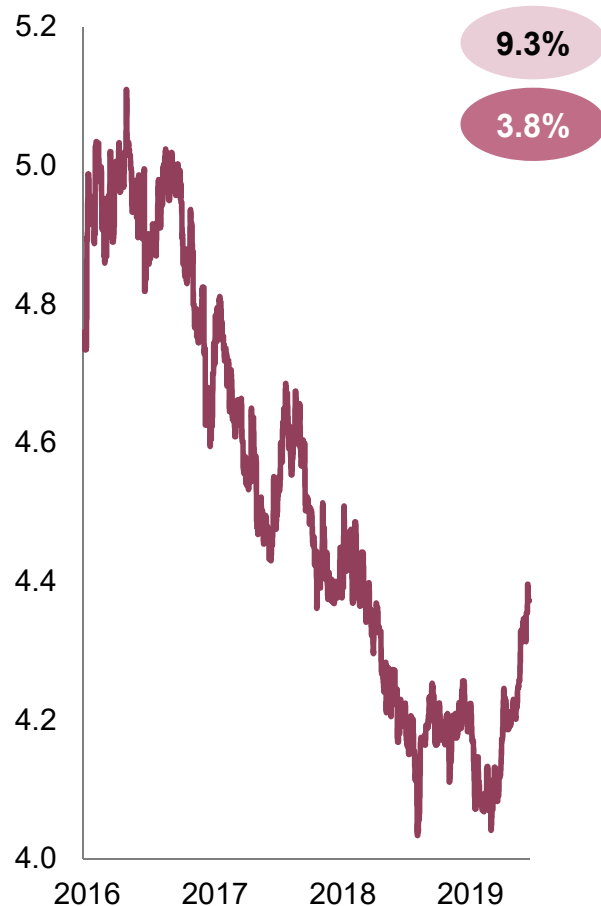
1: 2019 Normalized Net Profit excludes RON 4.0m in non-operating FX loss;

2018 Normalized Net Profit excludes RON 1.3m in non-operating FX gain, RON 0.9m in IPO costs

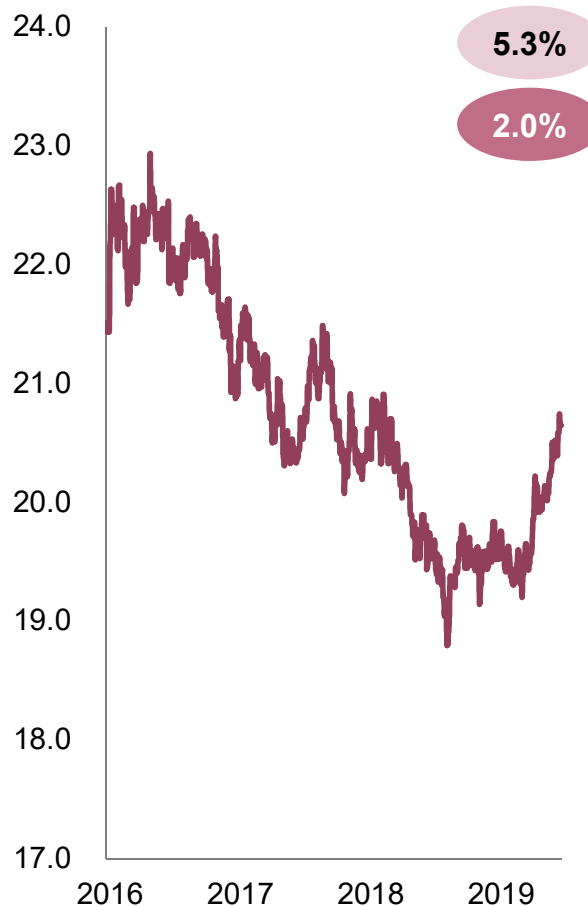
2: For a like-for-like comparison, 1H2018 Normalized Net Profit excludes IPO-related expenses, resulting in higher 1H2018 figure and slower 2019 relative growth

## 2 High profitability despite adverse Fx, with strong local currency

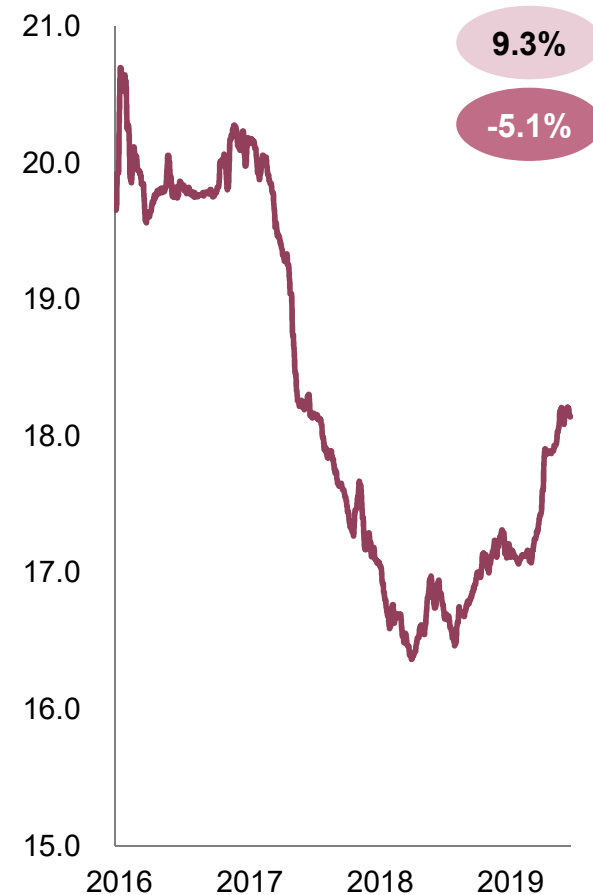
MDL vs RON: 2016 – 1H 2019 FX evolution



MDL vs EUR: 2016 – 1H 2019 FX evolution



MDL vs USD: 2016 – 1H 2019 FX evolution



MDL appreciation vs. 1H17 avg

MDL appreciation vs. 1H18 avg





## 2 Excellent feedback from digital natives, dominate premium segment **PURCARI**

#1 presence in the RON <30 and RON 30-60 segment;  
Hold 8 out of TOP-10 positions in the crucial RON 30-60 segment, 10 in TOP-25



Rank	Wine Name	Rating	Price (RON)
1	Gitana, Alb de Gitana Sec 2016	4.2	25.0 RON
2	Chiari 1860, Rose di Bacco Lambrusco...	4.1	25.0 RON
3	Sigillum, Busuioaca de Bohotin...	4.0	12.0 RON
4	Averesti, Busuioaca de Bohotin...	4.0	24.0 RON
5	Crama Ceptura, Cervus Cepturum Rose...	4.0	15.6 RON
6	Vinuri Cotnari, Castel Viadolanu...	4.0	14.0 RON
7	Domeniile Panciu, Panciu Riserva Sarba...	3.7	26.0 RON
8	Chateau Vartely - D'or Malbec - Syrah...	3.8	17.0 RON
9	Domeniul Coroanei Segarcea, Roze Sec...	3.8	29.0 RON
10	Herdade de Sao Miguel, Colheite...	3.8	24.5 RON
11	Gazela, Mare Vinho Verde Branco	3.8	21.1 RON
12	Cave des Saint-Saturin, Les Limberts...	3.8	24.3 RON
13	Cimarosa, Sauvignon Blanc 2018	3.8	27.6 RON
14	Faurar Rosu de Ceptura 2017	3.8	24.5 RON
15	Domeniile Samburesti, Roze 2018	3.7	29.0 RON
16	Crama Ceptura, Cervus Magnus Monte...	3.7	29.6 RON
17	Castel Huniade, Feteasca Regala...	3.7	19.4 RON
18	Vitis Metamorfosis, Vile Metamorfosis...	3.7	27.5 RON
19	Sarica, Cail de la Letea Feteasca Neagra...	3.7	13.1 RON
20	Crama Ceptura, Astrum Cervi Feteasca...	3.7	23.7 RON
21	Gitana, Rose	3.6	25.4 RON
22	Vitis Metamorfosis, Vile Metamorfosis...	3.3	29.0 RON
23	Chevalier de Fauvert, Viognier...	3.6	16.2 RON
24	Vincon Romanio, Rose Verite Demisee...	3.6	21.4 RON
25	Avincis, Negru de Dragasani 2017	3.9	26.0 RON

#1

Rank	Wine Name	Rating	Price (RON)
1	Crama Ceptura, Negru Rosu Sec 2017	4.1	53.6 RON
2	Chateau Purcari, Traminer de Purcari 2018	4.3	45.0 RON
3	Crama Ratesti, Traminer 2017	4.3	33.9 RON
4	Chateau Purcari, Freedom Blend 2017	4.2	35.9 RON
5	Chateau Purcari, Pinot Grigio de Purcari...	4.2	31.0 RON
6	Zarts, Tamaioasa Romaneasca 2018	4.2	42.0 RON
7	Chateau Purcari, Rose de Purcari 2018	4.1	34.8 RON
8	Chateau Purcari, Chardonnay de Purcari...	4.1	31.0 RON
9	Chateau Purcari, Cabernet Sauvignon...	4.1	31.0 RON
10	Chateau Purcari, Rara Neagra de Purcari...	4.0	34.8 RON
11	Sarica, Cail de la Letea Editie Limitata...	4.0	34.8 RON
12	Chateau Purcari, Sauvignon Blanc...	4.0	30.9 RON
13	Vitis Metamorfosis, Via Cutilui Pietrei...	4.0	47.0 RON
14	Tenute Sant'Antonio, Scala Bianco...	4.0	55.0 RON
15	Tsantali, Syrah 2018	4.0	48.6 RON
16	Casa di Terra, Vermentino Bolgheri 2018	4.0	49.0 RON
17	Crama Rasova, Pinot Gris 2018	3.9	45.0 RON
18	Bacanta, Sauvignon Blanc - Flume 2017	4.0	56.1 RON
19	Bertani, Due Uve Bianco 2018	4.0	54.7 RON
20	Bacanta, Feteasca Neagra 2015	4.0	59.0 RON
21	Tohani, Siel Red Alb Sec 2016	3.9	32.0 RON
22	Gitana, Surori Saperavi Rara Neagra 2017	3.9	45.0 RON
23	Sole de Recas, Chardonnay Barrique 2018	3.9	54.5 RON
24	Chateau Purcari, Vinohora Rara Neagra...	3.9	44.0 RON
25	Terase Mircea Merlot Rezerva 2016	3.9	46.0 RON

#1

- We remain **obsessed about the quality of our wines**, which pays off in excellent consumer feedback
- In our core premium segment, 30-60 RON per bottle, shelf price, we dominate the category with **8 best rated wines in Vivino's top-10, 10 in top-25**
- Our **push in upper-mainstream** segment shows good results, #1 in in top-25 <30 RON
- We remain convinced, it is the **product that will make the difference** mid and long term with consumers, so focus on making exciting wines, that capture people's imagination



## 2 Platinum & 97 points for our ~£13 Chardonnay @ Decanter; beats £50+ wines **PURCARI**

### Selected top awarded white wines at Decanter London 2019

<i>Wine</i>	<i>Origin</i>	<i>Award</i>	<i>Points</i>	<i>Price (in UK)</i>
Chardonnay de Purcari ( <i>Chateau Purcari</i> )		Platinum	97	£12.95
Ried Steinertal Smaragd Grüner Veltliner ( <i>Alzinger</i> )		Gold	96	£41.39
Les Tillets ( <i>Domaine Berthelemot</i> )		Gold	96	£45.99
Le Clos Monopole ( <i>Château-Fuissé</i> )		Platinum	97	£50.00
Gravières ( <i>Maison Evenstad</i> )		Gold	95	£60.00
Iphöfer Julius-Echter-Berg Riesling ( <i>Hans Wirsching</i> )		Gold	95	£62.10
Cuvée des Hussards Extra Brut Premier Cru ( <i>Frerejean Frères</i> )		Platinum	97	£70.00
Perrières ( <i>Château de Meursault</i> )		Platinum	97	£71.68
Durell Vineyard Chardonnay ( <i>Three Sticks</i> )		Gold	95	£74.99
Old Premium Rare Liqueur Topaque ( <i>Morris</i> )		Gold	96	£99.99
Eszencia ( <i>Grand Tokaj</i> )		Gold	96	£300.00

Note: prices taken from the Decanter platform, referenced for UK retailers to ensure “apples to apples” comparison; in case of a price range, the lowest price taken.  
Information as of August 8, 2019

## 2 New government in Moldova, declaring pro-reform, pro-EU agenda

### Key ministers, bios



**Maia Sandu**

*Prime Minister*

- World Bank
- UNDP
- Ministry of Economy
- Harvard Kennedy School



**Vadim Brinzan**

*Minister of Economy & Infrastructure*

- Logos Advisors, Private Equity
- Merrill Lynch
- PWC
- Harvard Business School



**Natalia Gavrilita**

*Minister of Finance*

- Global Innovation Fund
- Oxford Policy Management
- Ministry of Economy
- Harvard Kennedy School



**Nicu Popescu**

*Minister of Foreign Affairs*

- European Council for Foreign Affairs
- EU Institute for Security Studies
- Sciences Po
- MGIMO, Central European University

### Developments

- New government in place as of June 14. Coalition between ACUM and Socialist parties
- Predominantly technocratic backgrounds. Half the ministers with meaningful US, EU work experience; 9 out of 12 speak at least 2 foreign languages fluently, including English; 7 out of 12 are women
- Unusual geopolitical congruence among EU, US, Russia in supporting the new government
- EU, IMF unlocked financing programs, welcomed the new government
- Governing program stipulates commitment to macro-economic stability and economic reforms; promises legal and fiscal predictability; aspires to change economic model from one focused on taxing consumption fueled by remittances to one stimulating productivity growth, exports
- Despite certain ideological divergences with regard to foreign policy, the governing coalition has been remarkably consensual to date
- World Bank projects GDP growth of 3.4% in 2019 and 3.6% in 2020

- 1 Our Group, Vision and Strategy
- 2 Operational performance 1H2019
- 3 Outlook for 2019**
- 4 View on Purcari's stock
- 5 Bigger Vision ... after becoming the undisputed CEE champion



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

**Victoria Mason, Wine Buyer  
Waitrose**

*“Romanian wine is a real success story and word is definitely getting around about how delicious it is...super wines that are exceptionally good value”*

**Caroline Gilby,  
Wine Consultant, Master of Wine**

*“In Eastern Europe, the quality is as good as anywhere in the world from the top wine producers. It’s the last unexplored part of the wine world”*

**Paul Attwood-Philippe,  
regional director  
VINEX Marketplace**

*“[major retail buyers are receptive to]...finding new supply partners, and supply from emerging markets, particularly in Eastern Europe...Hungary and Romania have the experience and track record to benefit most”*

*“The market for new opportunities is moving increasingly towards Moldova and Ukraine thanks to both an increase in quality of the wine, a stronger export strategy and price per litre”*

**Richard Siddle, wine journalist  
Harpers Wine & Spirit**

*“International buyers have had to look further afield for new suppliers, which has finally opened the door for producers...in Romania, Moldova, Bulgaria, Georgia, Slovenia, Macedonia...”*

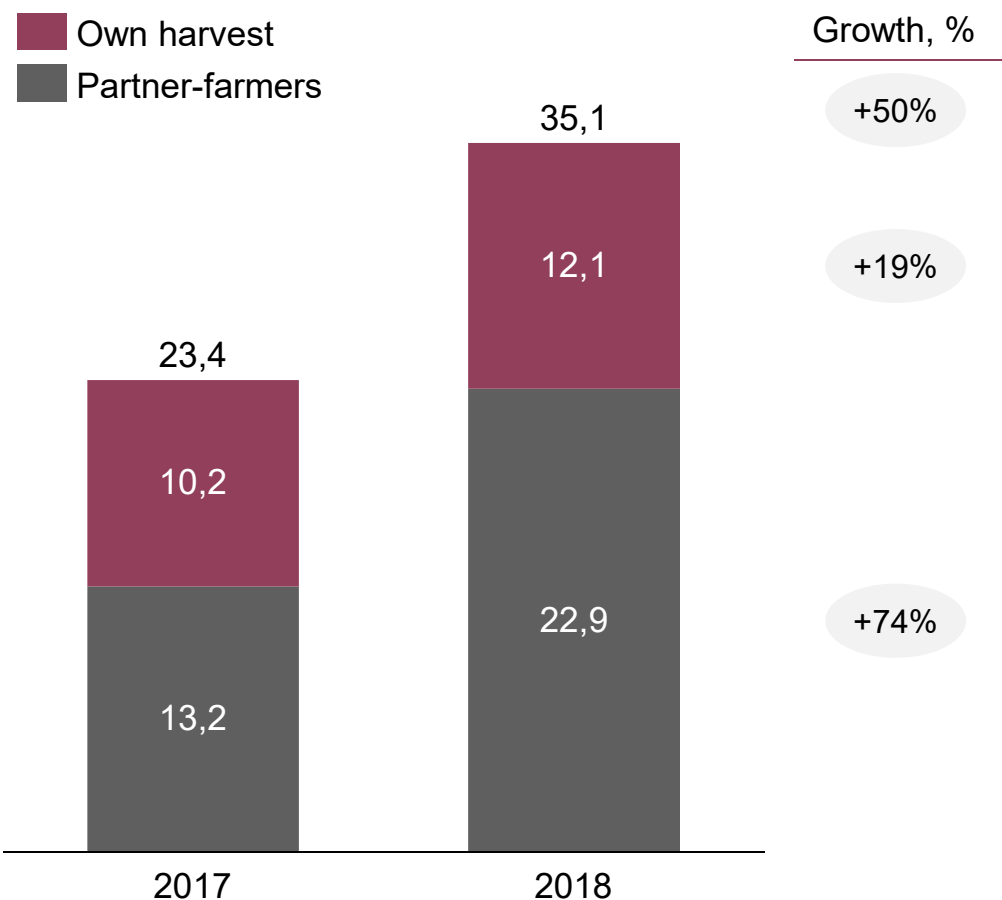
**ALIA AKKAM,  
Vogue**

*“[...] Moldova Is a Wine Destination Worth Knowing Now. [...] Finally, other countries are beginning to take note of distinctly Moldovan wine. ”*

### 3 Strong 2018 harvest, positioned well for ambitious 2019

#### Strong 2018 harvest was complemented by aggressive sourcing of third party grapes from partner-farmers

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






#### Comments

- There are three generic option for securing wine inventories: (1) growing own grapes, (2) processing 3<sup>rd</sup> party grapes, (3) purchasing 3<sup>rd</sup> party bulk;
- Options (1) and (2) are more capital intensive, but ensure best margins and quality
- Harvest on own vineyards was very strong in 2018, both quality, especially for reds, given hot summer, and quantity - +19% vs. 2017 harvest
- Additionally, we ramped up purchases of 3<sup>rd</sup> party grapes, taking advantage of favorable pricing environment
- Increase in inventories will help (1) abstain from any 3<sup>rd</sup> party bulk purchases in 2019, (2) set larger amounts of red wines for maturation to satisfy the increasing demand for premium wines, rising much faster in our portfolio vs. mainstream wines, (3) create distillate stocks for Bardar, our brandy line, which grows fastest in our portfolio

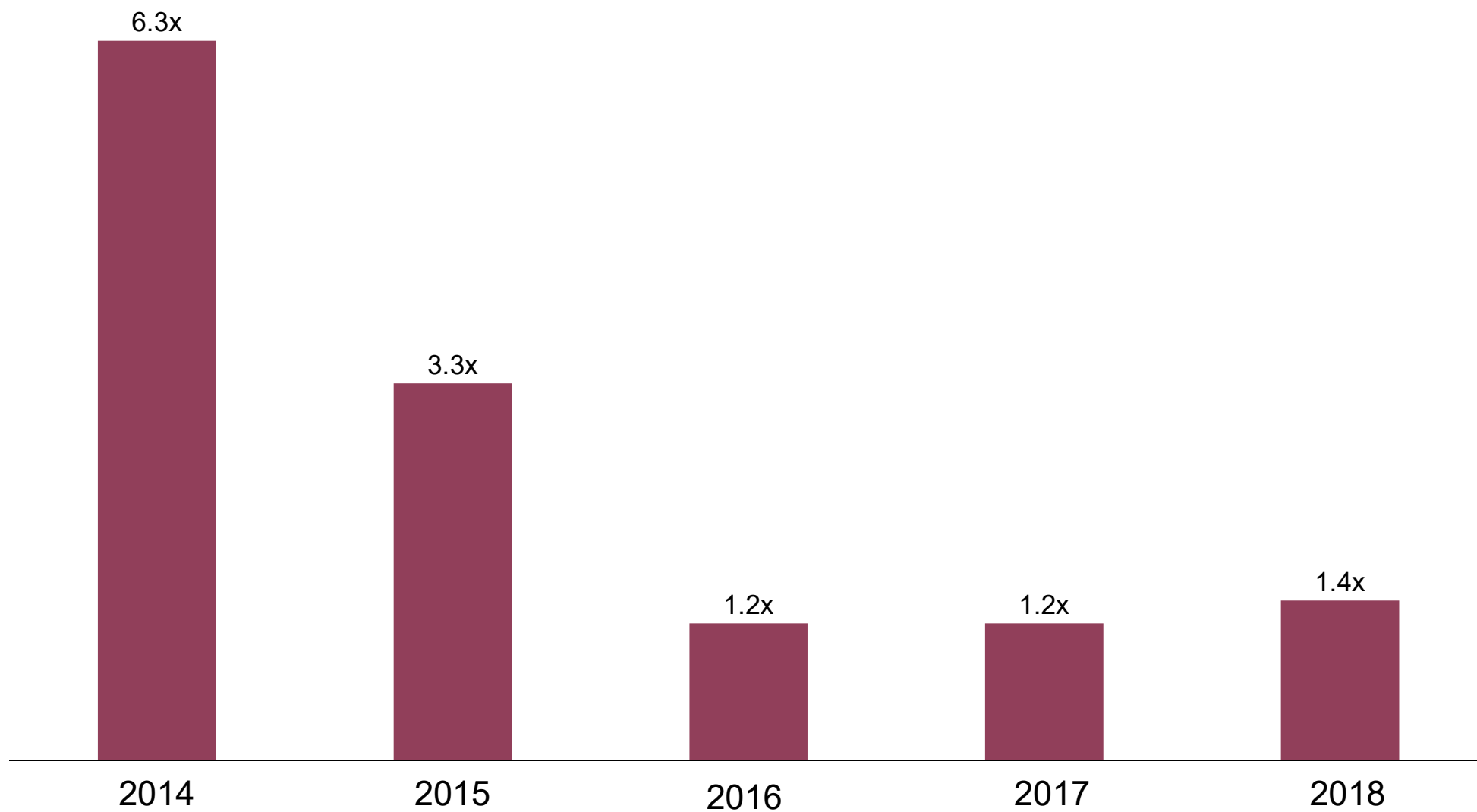




### 3 Guidance 2019 – on track to deliver and, potentially, exceed guidance **PURCARI**

Target	2019 guidance	1H 2019 fact	Status	Comments
Organic revenue growth	<b>+18-22%</b>	<b>+25%</b>		<ul style="list-style-type: none"><li>• Maintaining growth significantly above guidance, yet we prefer to err on the prudent side and not raise guidance, given high effect of late-year sales on the Company's performance</li></ul>
EBITDA margin	<b>32-34%</b>	<b>34%</b>		<ul style="list-style-type: none"><li>• Top of guidance; larger chunk of sales made in Q3-Q4, seasonally heavier quarters, leaving room for additional upside.</li></ul>
Net Income margin	<b>22-24%</b>	<b>19/24%</b>		<ul style="list-style-type: none"><li>• 19% IFRS margin. 24% normalized Net Income margin gross of non-operating Fx expenses. Same comment as per EBITDA. Nevertheless, we keep, for now, our guidance unchanged for the full year – we would rather under-promise.</li></ul>

### 3 Keep leverage moderate, aim Net Debt/EBITDA below 1.5x



- 1 Our Group, Vision and Strategy
- 2 Operational Performance 1H2019
- 3 Outlook for 2019
- 4 View on Purcari's stock**
- 5 Bigger Vision ... after becoming the undisputed CEE champion



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

## 4 Low valuation relative to wine peers

### Purcari vs Selected wine public companies

P/E LTM Multiples

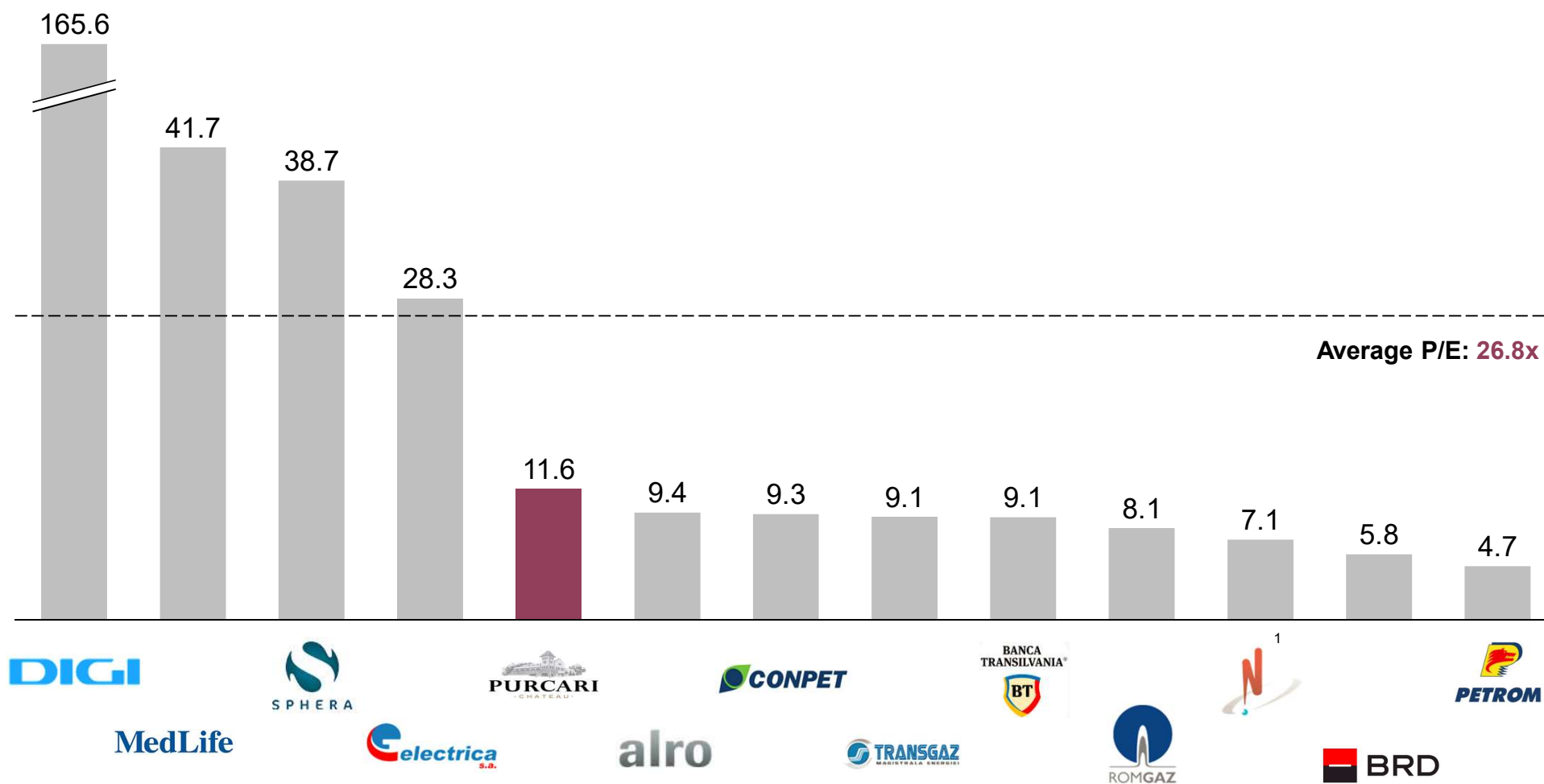


Source: Net Income and Market Cap as per Capital IQ as of Sep 1st 2019, in USD terms  
 Note: Net Profit after minorities is used for P/E multiple (1) Italian Wine Brands;

## 4 Low valuation relative to Romanian listed peers

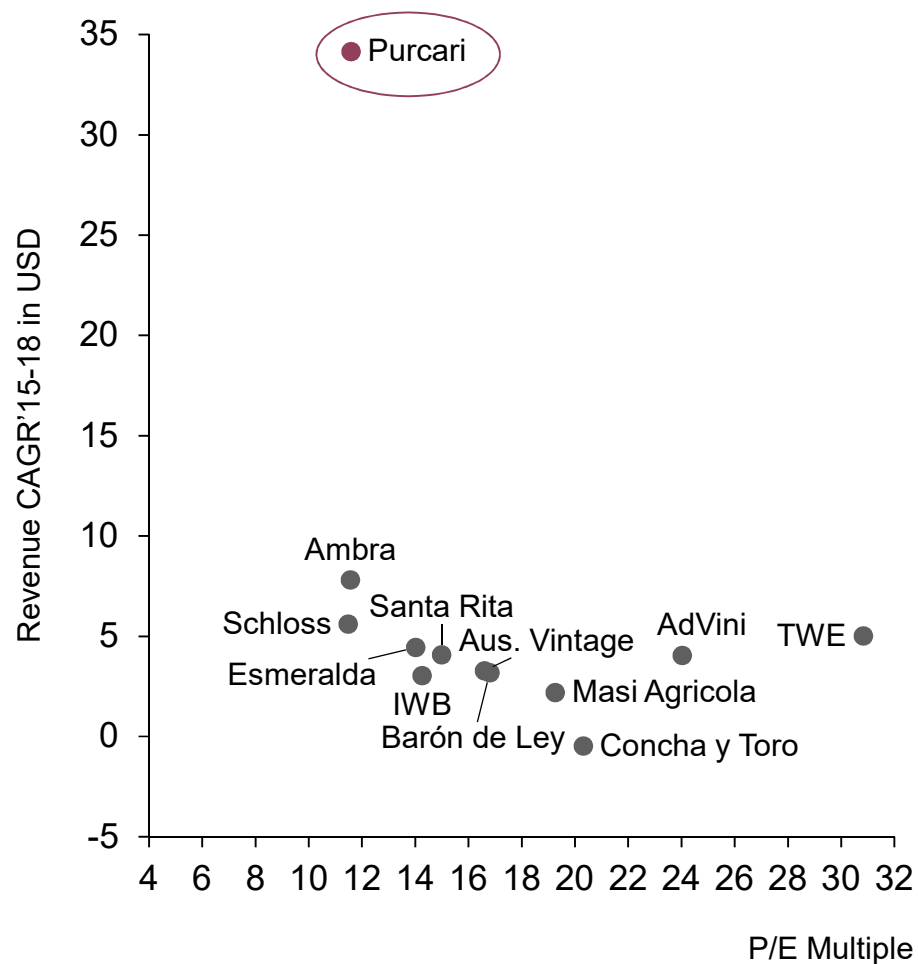
### Purcari vs Selected Romanian public companies

P/E LTM Multiples

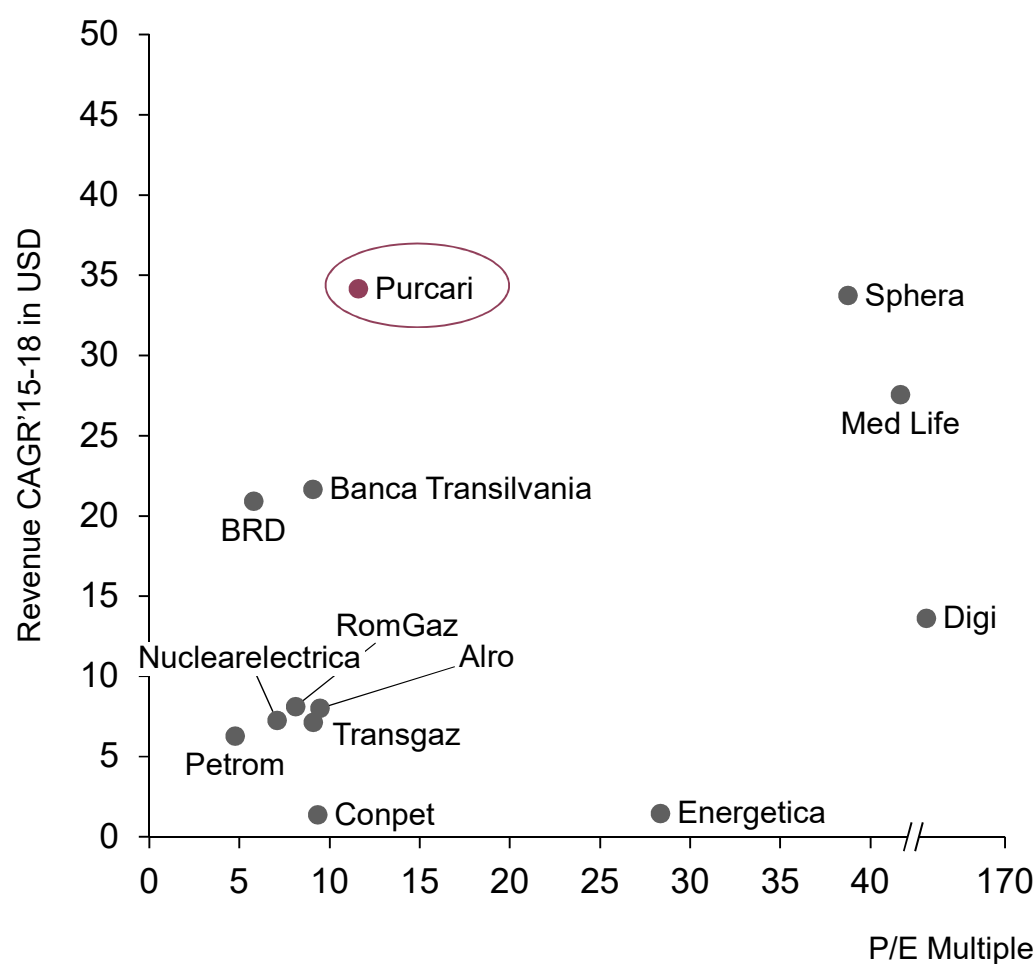


## 4 High growth not incorporated in valuations yet

Purcari vs Selected wine public companies



Purcari vs Selected Romanian public companies



## 4 Our 7-point plan for boosting the stock

1. Get <b>inclusion</b> into main stock exchange index, BET	Done
2. Broaden research <b>analyst coverage</b>	On track
3. Do the <b>share buyback</b>	On track
4. Pay <b>meaningful dividends</b>	On track
5. Active IR to <b>broaden investors base</b>	On track
6. Bring Romanian <b>pension funds</b> into shareholding	Not on track
7. Most importantly, <b>KEEP DELIVERING ON STRATEGY &amp; NUMBERS</b>	On track



# AGENDA

- 1 Our Group, Vision and Strategy
- 2 Operational Performance 1H2019
- 3 Outlook for 2019
- 4 View on Purcari's stock
- 5 **Bigger Vision ... after becoming the undisputed CEE champion**



Purcari Ice Wine, Decanter  
Platinum, 95 points, Best CEE sweet



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

### Stage 1: “Wine as a novelty”

- Wine is a novel, culturally foreign drink
- Traditional bottled wine treated as premium product
- Consumption centered around premium imports
- Possible preference for local hard/medium liquor, or home wine
- **Examples: India, China today; US in 1950s**

### Stage 2: “Beyond early adopters”

- Customer taste evolves, diversity increases
- Wine treaded as classy, modern
- Multiple local brands emerge for geographically suitable countries, imports highly diversify for non-wine countries
- **Examples: Most of CEE, in particular Poland, Ukraine, Russia; US in the 1970s-90s**

### Stage 3: “Mass appeal”

- Customer taste highly developed, abundance of offers
- Wine treaded as as day-to-day item
- Local brands highly developed, high export activity, domination on local markets
- **Examples: Italy, France, Spain, Portugal; Romania, Czechia; US after 2000s**

**10+ liters per capita and above**

**2-10 liters per capita**

**<2 liters per capita**

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

### Old World *Before 1980s*



### New World *1980s-2010s*



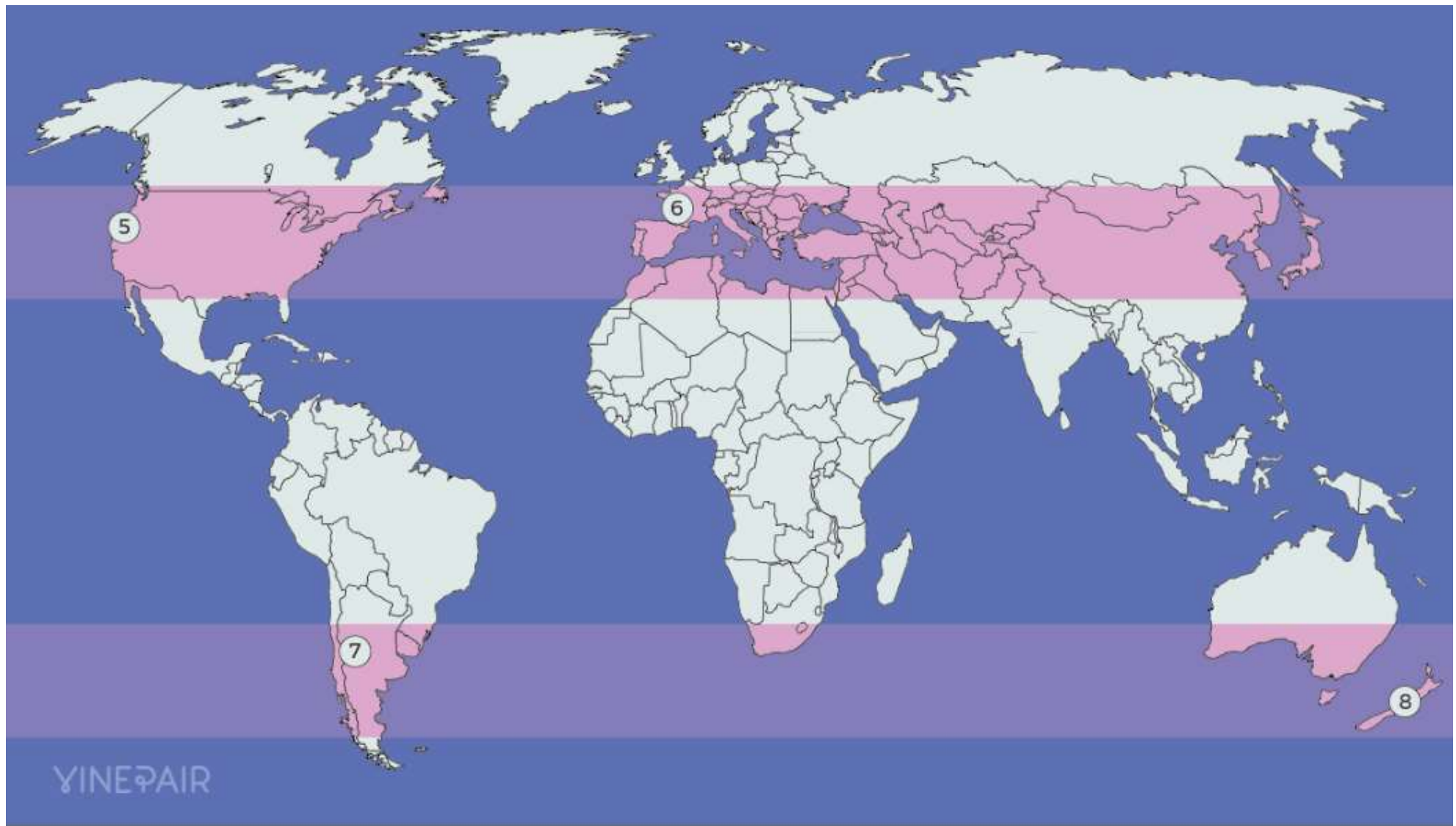
### The New Frontiers *2010s - onwards*



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

## 5 Global wine belt does leave ample space for pushing New Frontier ahead

PURCARI



## 5 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

+ Add to myFT



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



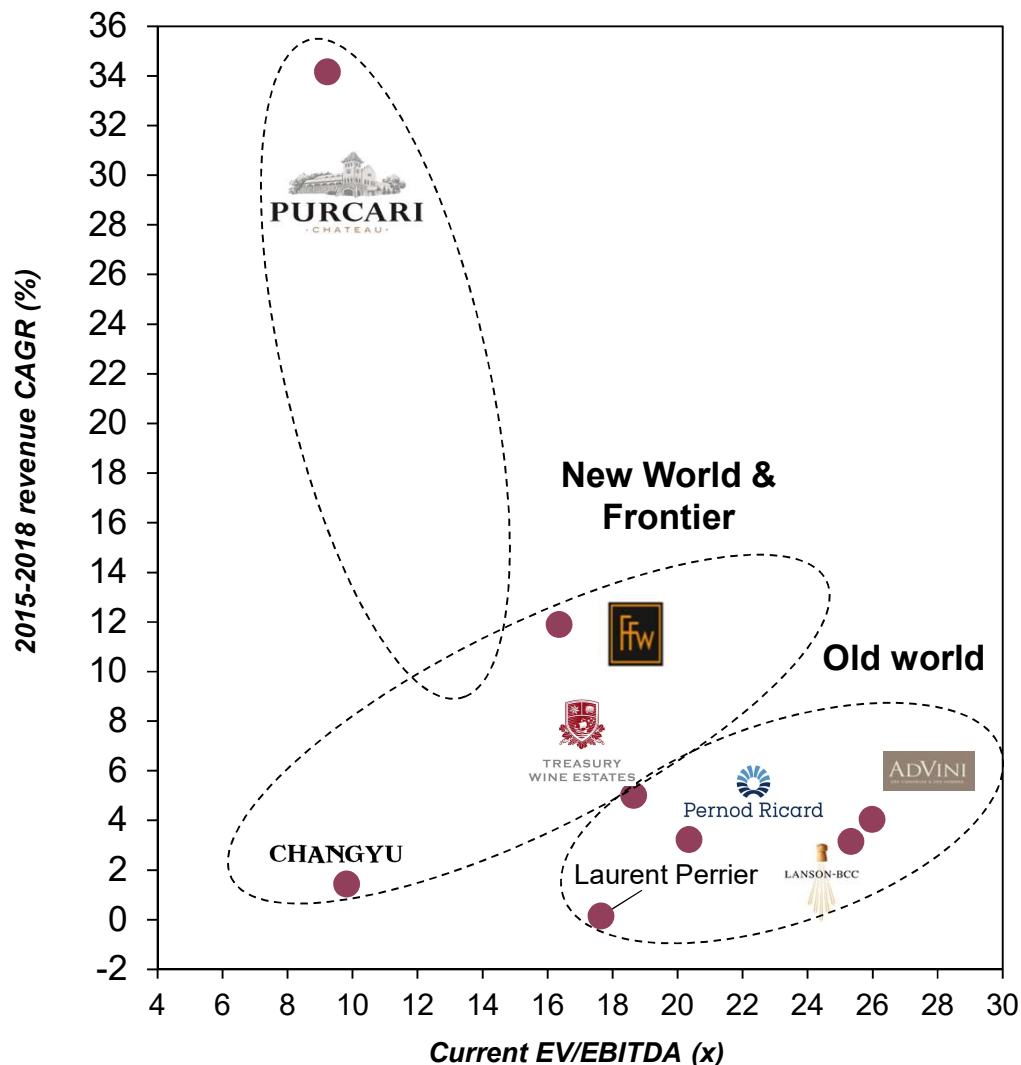
Moldovan winemaker Purcari's Freedom Blend was created in 2011 to commemorate [Moldova](#), Georgia and Ukraine's 20 years of independence from the Soviet Union. But it took on another meaning when Russian tanks rolled into Crimea last year.





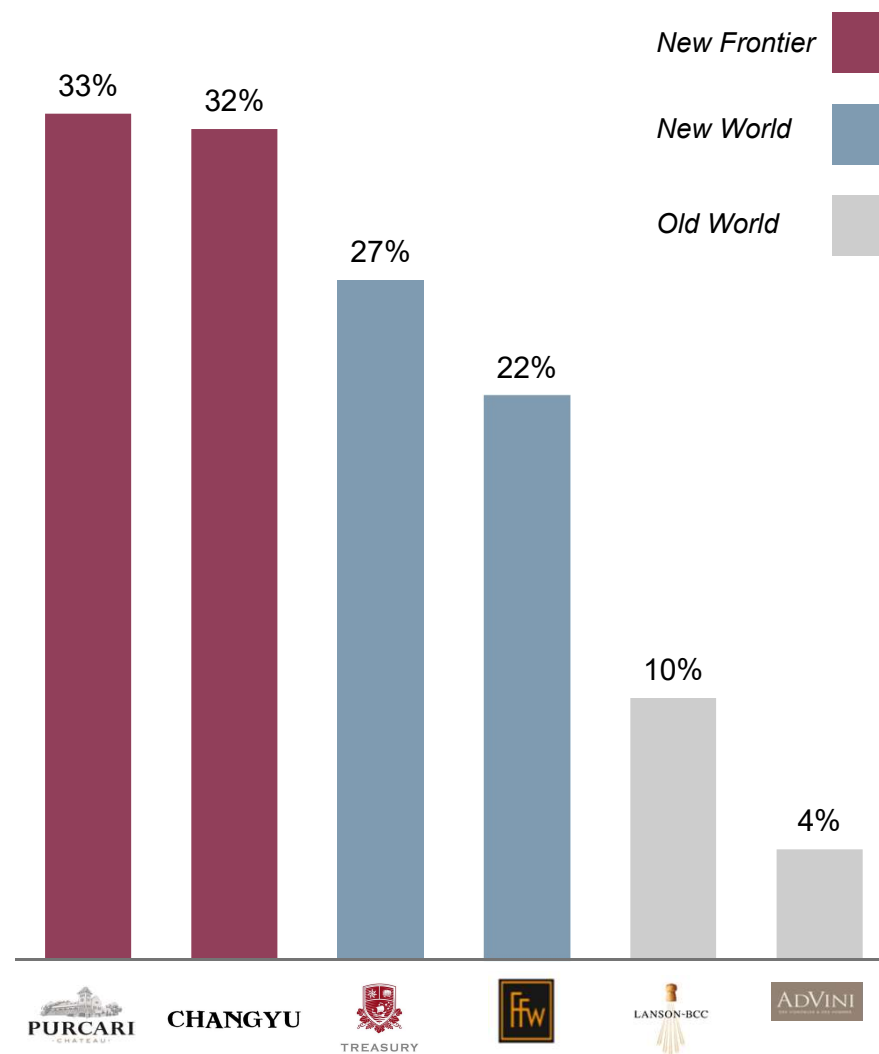
## 5 New World, Frontier beat Old World on economics, but still trade lower **PURCARI**

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, 2018



Source: Capital IQ, Net Income and Market Cap as of Sept 1st 2019, USD terms. Growth figures as per Capital IQ, minor discrepancies with Purcari reported performance possible due to exchange rate treatment  
Note: Adjusted EBITDA used for Purcari; Financial Year Ending June 30, 2019, used for 2018 data of Treasury Wine Estates and Foley Family Wines



Thank you.