

Purcari Wineries Plc

1H results presentation

August 13, 2018



#VARA ÎN
Răsé



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Victor Bostan
CEO, Founder



- Founded the Group in 2002
- Over 35 years of experience in wine industry
- Built and exited one of the largest wine companies in RU
- Technical University, oenology
- Speaks FR, RO, RU

Victor Arapan
CFO



- 20 years of experience in banking, audit, corporate finance
- 10+ years experience in wine-making companies
- Ex-PWC, Acorex Wineries
- International Management Institute, finance
- Speaks EN, RO, RU

John Maxemchuk
COO



- 20 years of management experience, including over 10 years in Moldova
- Ex-MetroMedia, Sun/Orange, AT&T
- Wharton, MBA Harvard Business School
- Speaks EN, RO

Diana Durnescu
IR Manager



- Over 5 years of experience in business development and FDI attraction
- Ex-Prime Minister's office for FDI
- Academy of Economic Studies
- Speaks EN, RO, RU

Vasile Tofan
Chairman



- Over 10 years experience in FMCG
- Partner at Horizon Capital, \$750m+ AUM
- Ex- Monitor Group, Philips
- MBA Harvard Business School
- Speaks EN, RO, RU, FR, NL

1 Our Group

2 1H2018 Operational Results

3 Update on 2018 Outlook

4 Q&A



Rose de Purcari,
90 points by
Wine Enthusiast,
#1 premium Rosé in
Romania

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

#2 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

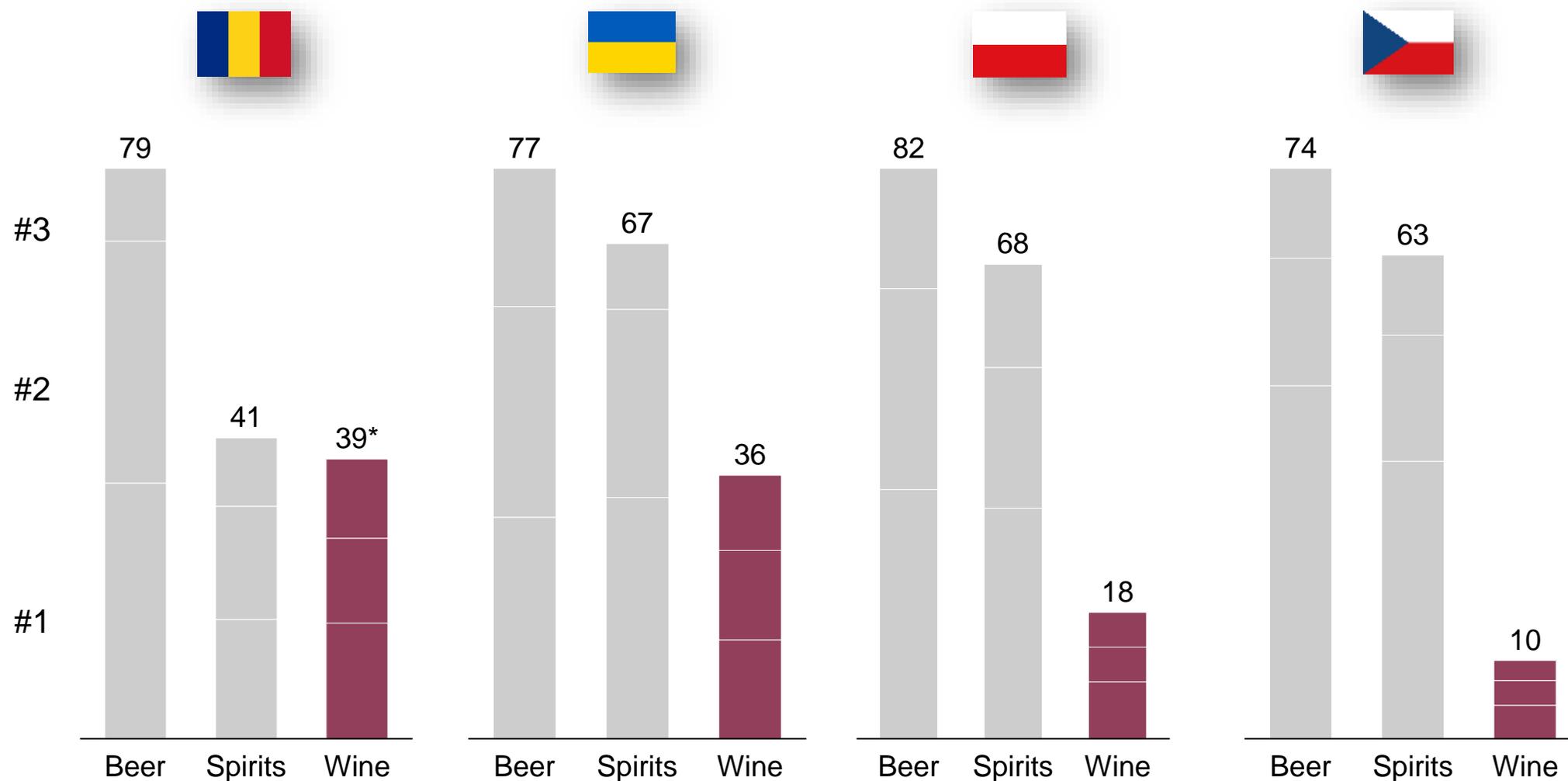
We proud ourselves on taking a fresh look on things

Better

We keep improving – both our wines and our people

1 VISION: BE THE CONSOLIDATOR OF A FRAGMENTED MARKET

Volume share top-3 players by country, %

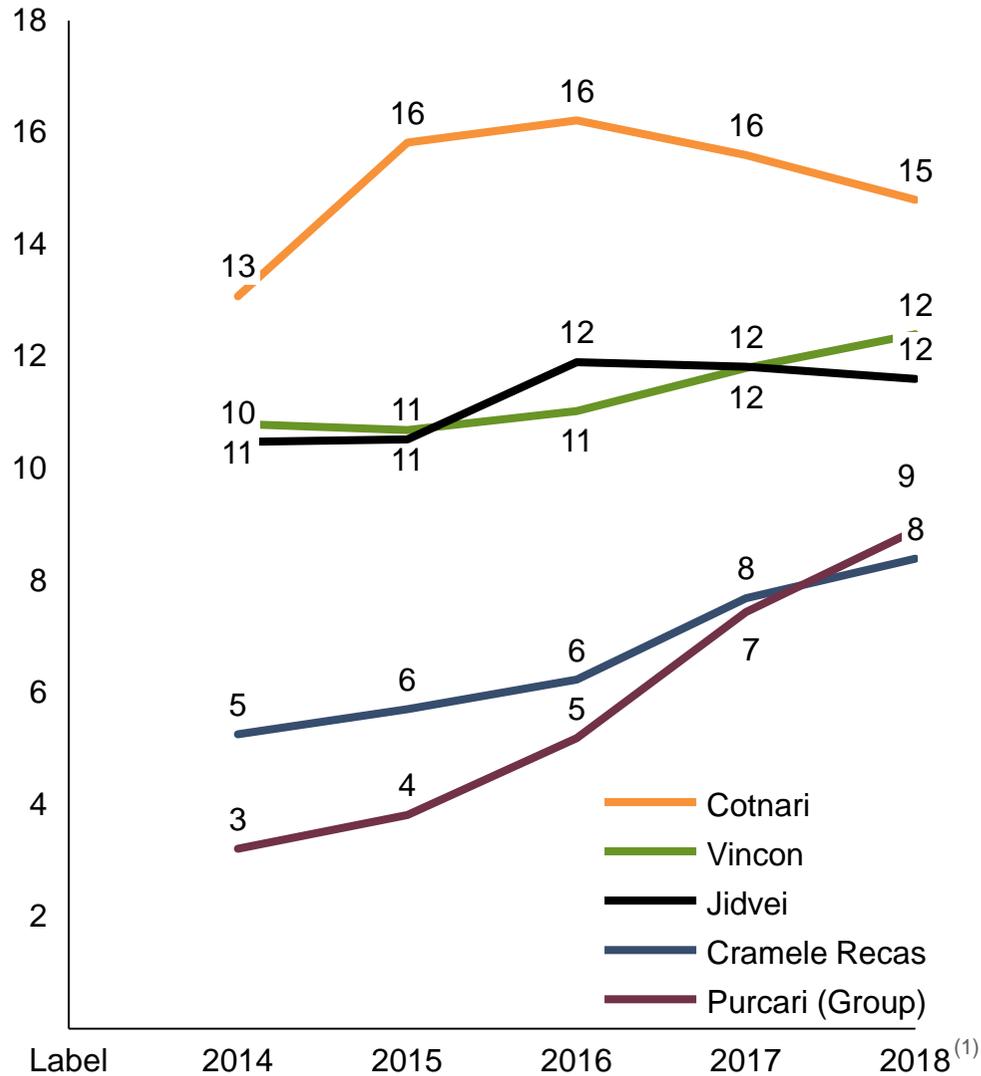


As wine market moves from terroir- to brand-centric and leaders build scale / sophistication, the market is ripe for consolidation

1 CLEAR #1 IN PREMIUM IN ROMANIA, KEEP GAINING SHARE

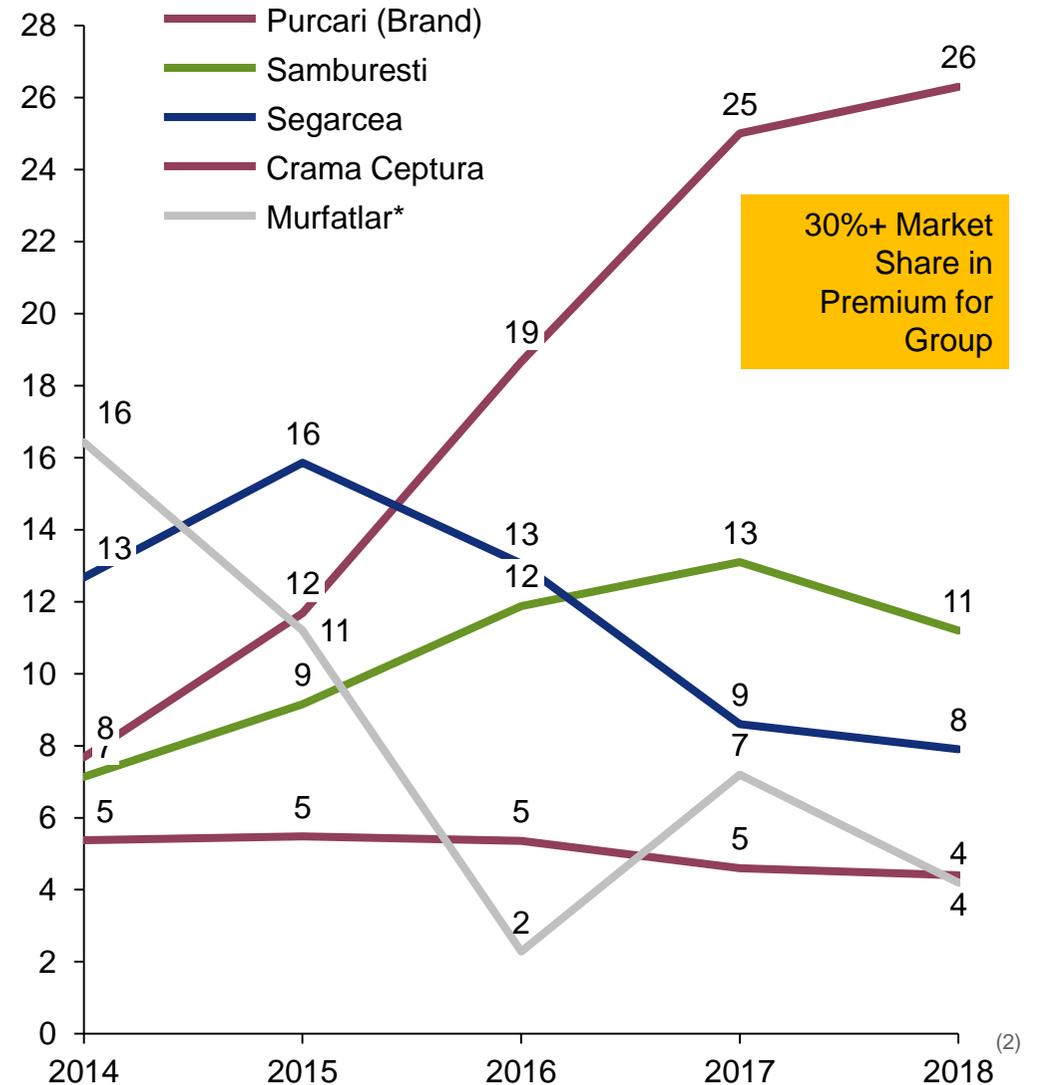
Overall, Purcari has tripled MS in 4 years....

Value share of TOTAL retail market, Romania, %



...while becoming a clear #1 in Premium

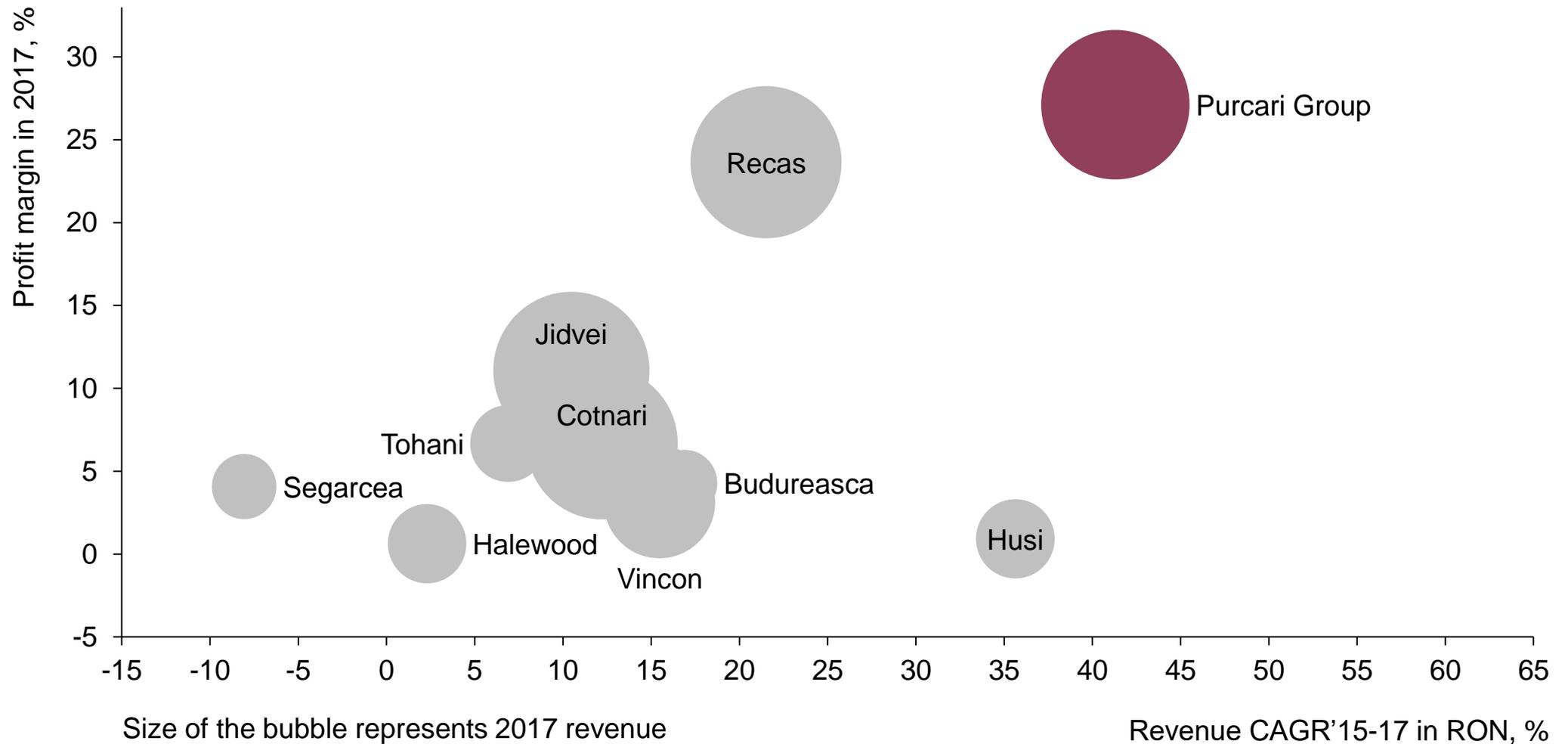
Value share of Premium (RON 30+/liter) retail market, %



1 TRACK RECORD OF FAST, PROFITABLE GROWTH

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

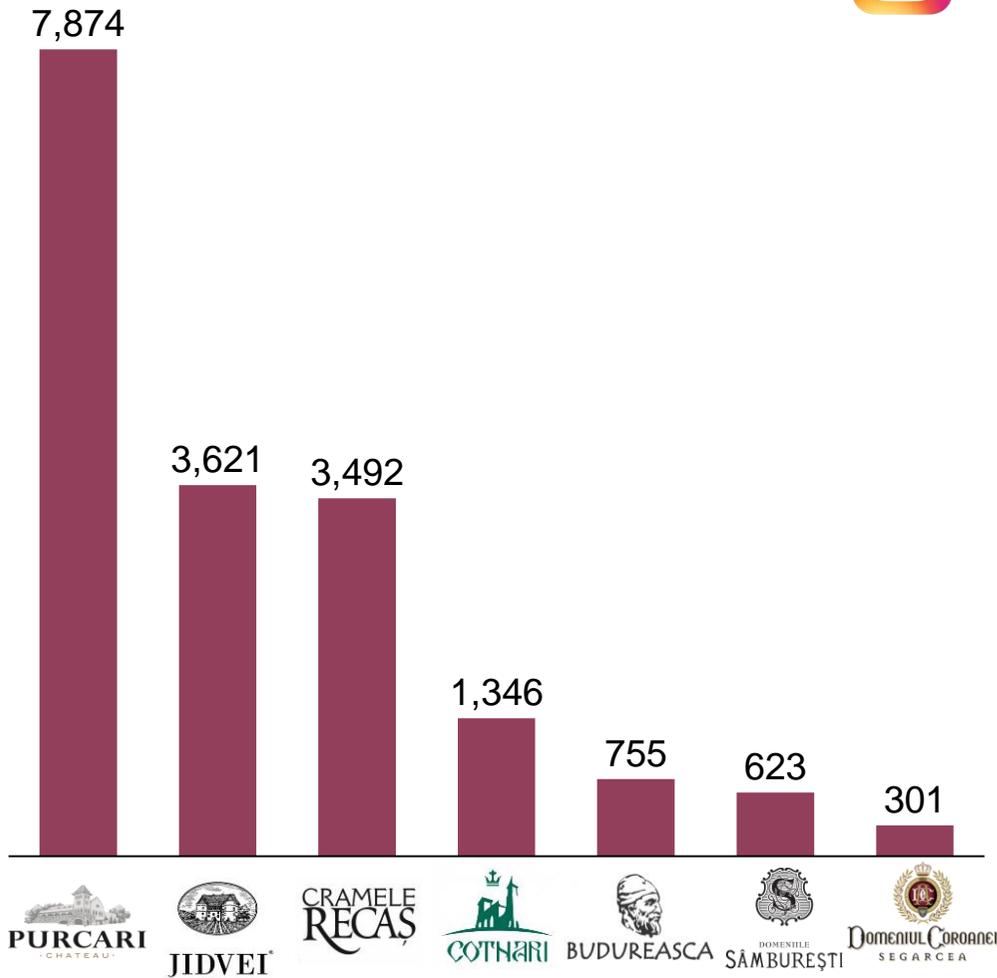


Note: Revenue for Purcari Group as per consolidated financial statements, revenue for other wineries as reported by the Ministry of Finance statutory accounts; The Ministry of Finance data is not on a consolidated basis. For Recas, Vincon, Halewood, Tohani, Budureasca only the main company of the group 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 TOPPING ROMANIAN WINERIES AT ENGAGEMENT, QUALITY

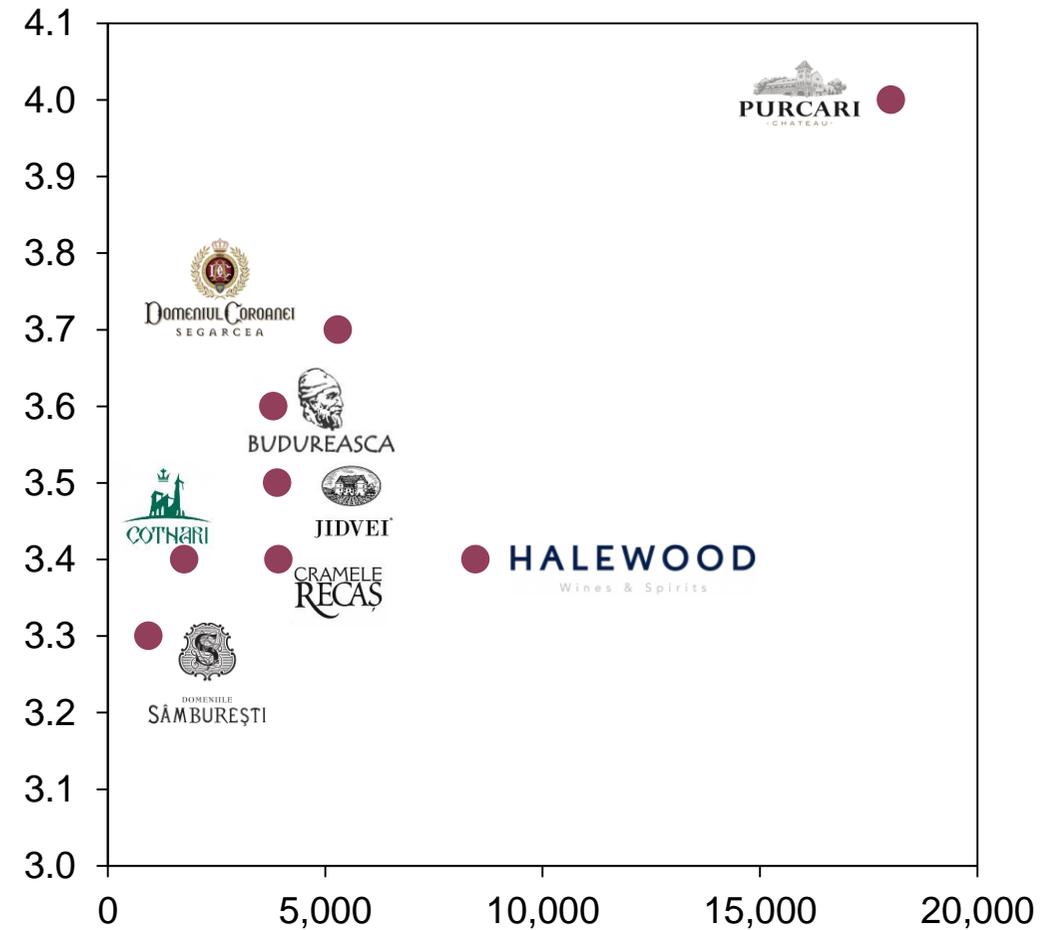
Aspirational brand which consumers like sharing about

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



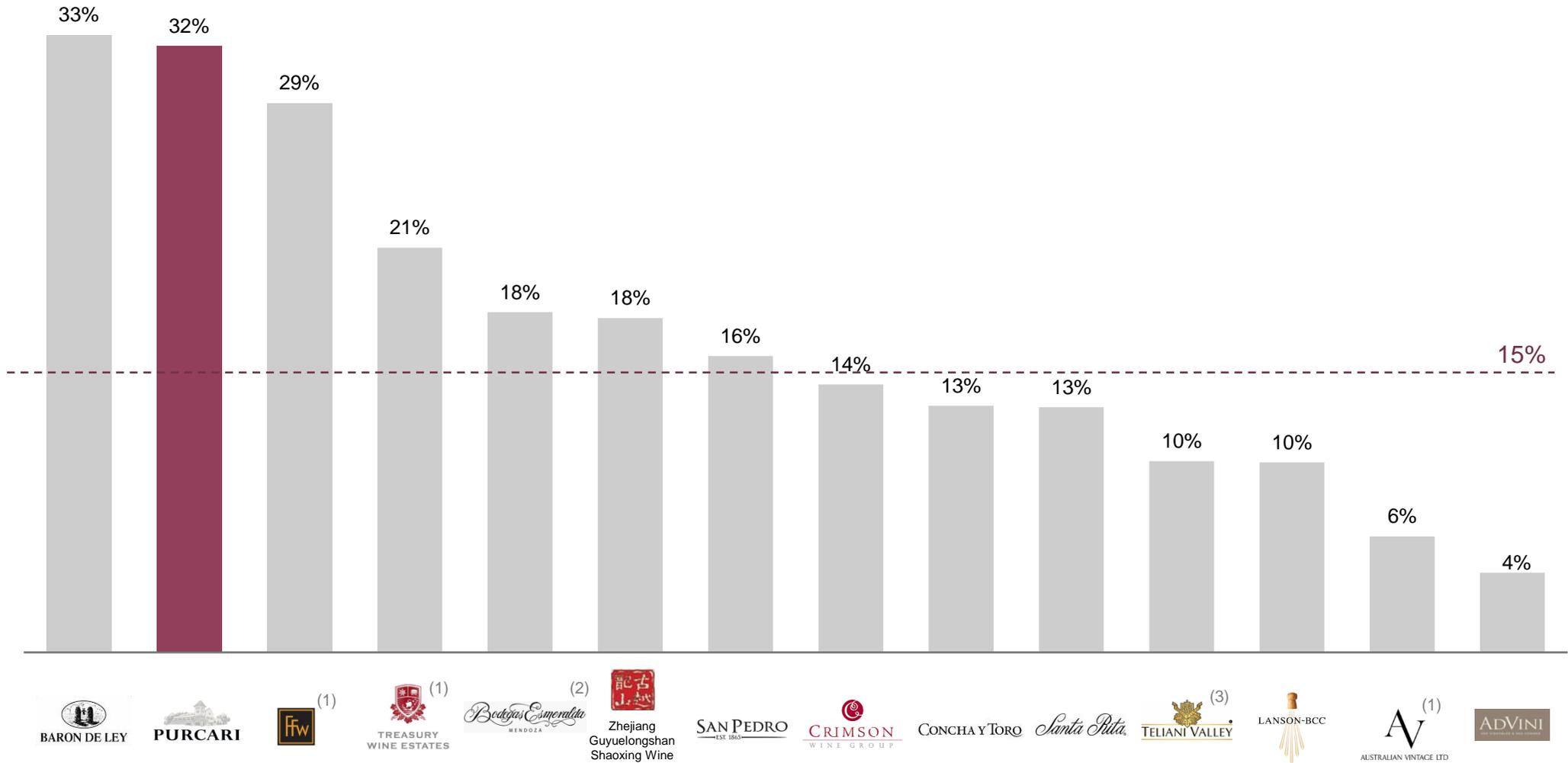
Note: Purcari - #purcari, Cramele Recas - #recas, Jidvei - #jidvei, Cotnari - #cotnari, Budureasca - #budureasca, Samburesti - #samburesti, Segarcea - #segarcea
Sources: Instagram, Vivino as of Aug 8, 2018

1 TOP OF PEER GROUP MARGIN WISE; STILL ROOM TO GROW

EBITDA margin – global peer group

EBITDA margin 2017, %

--- Median



Source: IFRS Consolidated Financial Statements of the Group, Capital IQ data as of 11 May 2018 ; all figures are based on data in the functional currency of each company

(1) Financial year ends as of 06/30; e.g. for 2016, financial statements as of 06/30/2017 were taken into account

(2) Financial year ends as of 03/31; e.g. for 2016, financial statements as of 03/31/2017 were taken into account

(3) Financial statements as of 12/31/2016 were taken into account, as FY2017 financial statements are not yet available

1 Our Group

2 **1H2018 Operational Results**

3 Update on 2018 Outlook

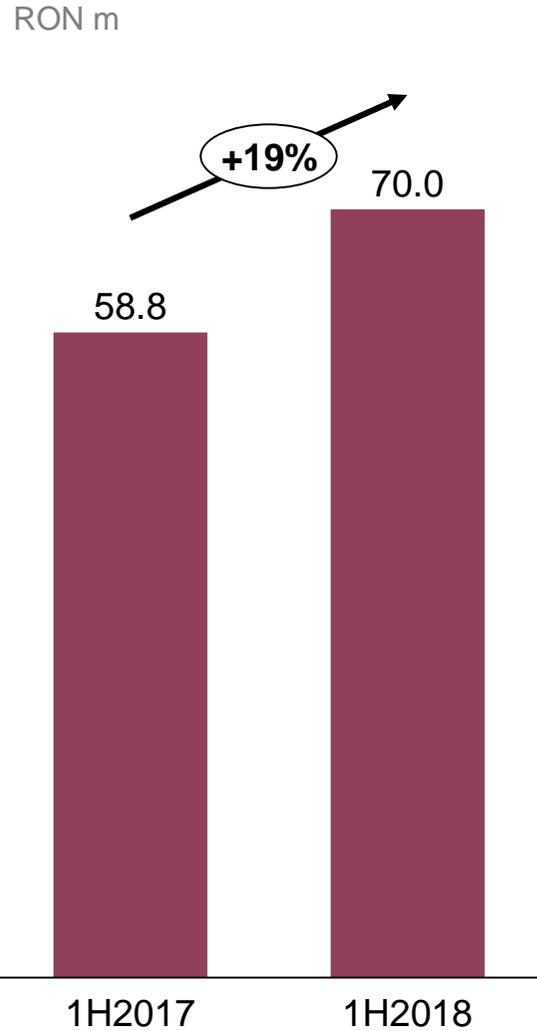
4 Q&A



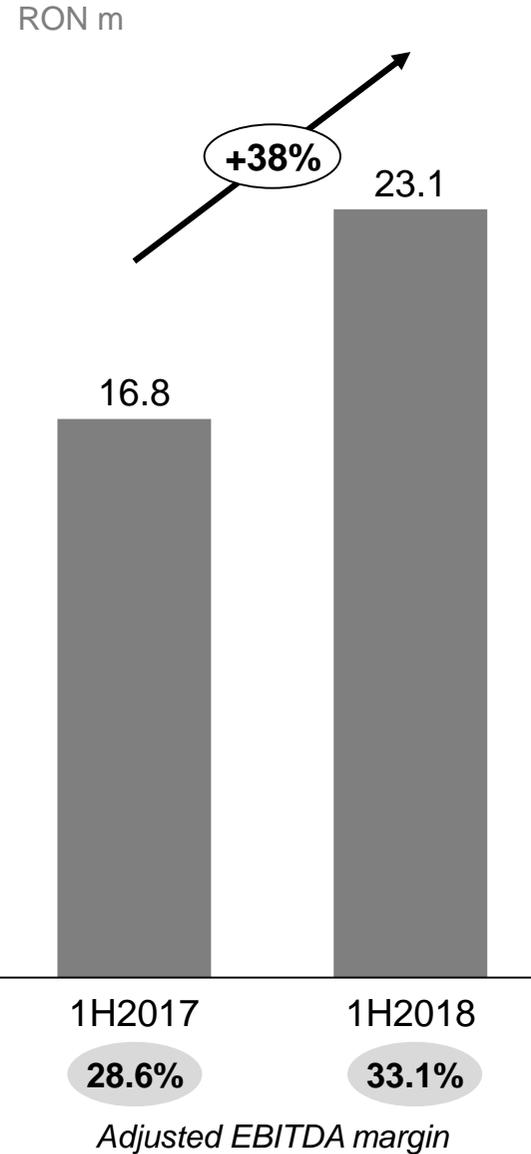
Crama Ceptura – *Astrum*, the latest introduction in the Ceptura line-up, targeting the 15-20 RON/bottle segment, which accounts for circa 20% of market sales, which the Group started pursuing only in 2017

2 ROBUST REVENUE GROWTH WITH EXPANDING MARGINS

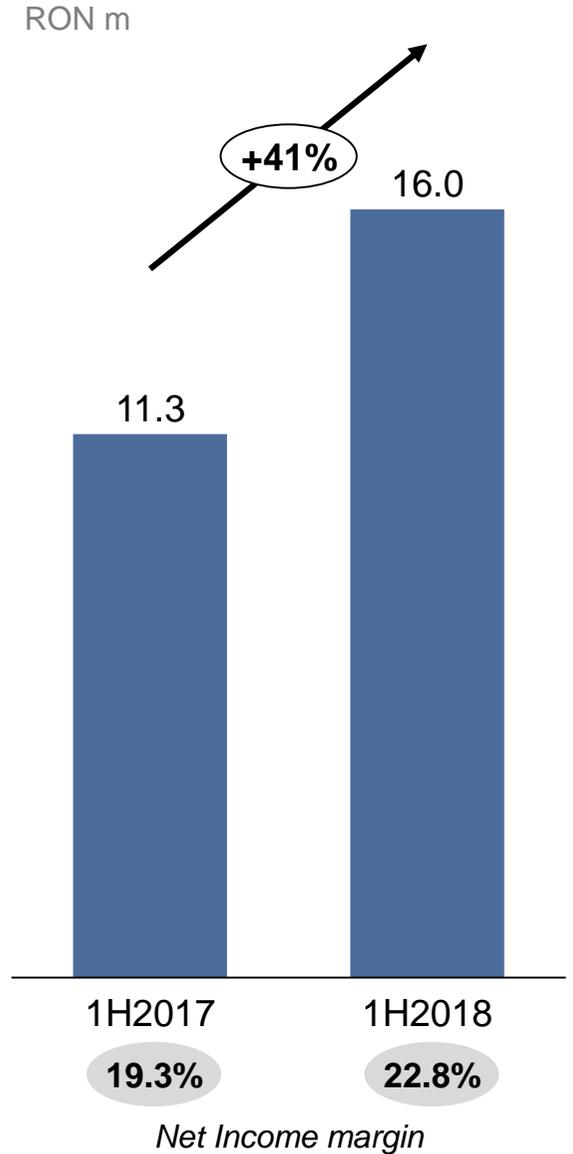
Revenues



Adjusted EBITDA¹



Net Income



2 KEY OPERATIONAL HIGHLIGHTS FOR 1H18

Solid revenue growth

- Sales up 19% yoy in 1H, to RON 70m, on high base in comparative period last year
- Romania remains largest growth driver, growth accelerating to +57% yoy in Q2 and +44% in 1H
- Maintained premiumization trend, with Purcari, Bardar, Ceptura growing much faster than Bostavan

Bostavan growth laggard, focus on rejuvenating brand

- Bostavan grew only 3%, pulling down markets heavy on Bostavan in the mix, Poland, Czechia, Slovakia
- Management prioritizing margin vs. volumes, pushing through select price increases
- Brand line-up being reconfigured, with new launches expected in Q4, ahead of 2019 sales plans

Margins improve, despite adverse Fx

- Gross margin virtually flat yoy, despite much stronger MDL, compensated by better mix, pricing
- Good control of SG&A pushed EBITDA margins up 4.5 pp, above what is typical for 1H
- We count on further improvements in 2H from tax reforms announced by MD government

Quality feedback stronger than ever

- 2017 vintages won huge acclaims, with 50 medals won year to date at top competitions
- Average Vivino score climbed to 4.0 (was 3.9) based on over 18,000 reviews
- Strong summer sales, given over-indexing of Rose, Whites in our portfolio

We up slightly our margin outlook for 2018

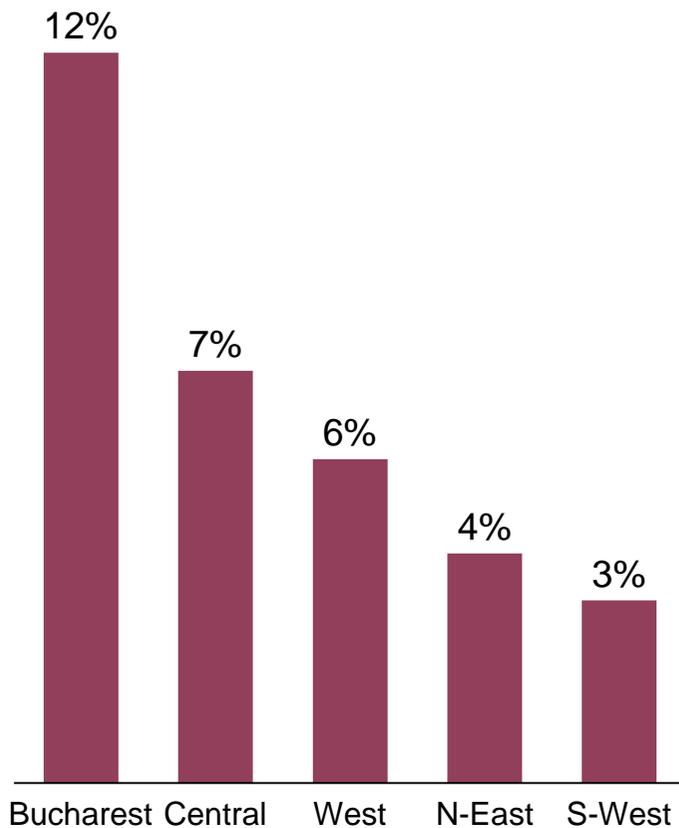
- We maintain our revenue outlook for 2018 at +24-28% growth yoy, given acceleration expected in 2H
- July actual growth (40%+ yoy) and August orders (25%+ yoy), supporting acceleration trend
- We raise our margins outlook by 1.0pp to 34-37% for EBITDA and 24-27% for Net Income

Market	Share of sales, 1H18, %	Growth, 1H18 yoy, %	Comments
RO 	43%	+44%	<ul style="list-style-type: none"> RO: growth in Q2 accelerated to +57%, Purcari brand up 66%. Still, long term, we see most upside for the Crama Ceptura brand, playing in both mainstream and premium segments, up 40% in 1H and 43% in Q2. Overall market share in Romania still only 9% (up from 3% in 2014), with plenty of room to grow.
MD 	22%	+20%	<ul style="list-style-type: none"> MD: growth slowed down in Q2 following very strong shipments in Q1 (up 48%). Focus on growing the newly entered sparkling segment, which is as large as the wine segment, but in which we have a limited presence.
PL 	10%	-6%	<ul style="list-style-type: none"> PL: declining volumes on higher prices, margin focus. Bostavan brand underperforming. A brand rejuvenation campaign planned for autumn, including product innovation. Won important Lidl account. Shipments started in July.
ASI 	6%	-10%	<ul style="list-style-type: none"> ASIA: Q2 sales up 44%, following drop in Q1 as result of delayed shipments in 4Q17, which created an inventory hangover. Expect continuation of strong growth in Q3.
CZ SK 	5%	-4%	<ul style="list-style-type: none"> CZ, SK: good traction in Czechia offset by financially stretched distributor in Slovakia. Finalized switch to new distributor (top 3 in SK). Expect reversal to normal growth. As in Poland, focus on rejuvenating Bostavan brand.
UA 	3%	-11%	<ul style="list-style-type: none"> UA: ongoing strong secondary sales, especially for Purcari (primary sales to distributor expected to catch up, on lower inventory)
RoW 	11%	+15%	

Brand	Share of sales, 1H18, %	Growth, 1H18 yoy, %	Comments
	40%	+24%	<ul style="list-style-type: none"> PURCARI: strong growth across the board – especially Romania, Moldova, Poland in Q2. Brand reached 26% market share in premium segment in Romania, but still largely driven by Bucharest. See plenty of room to continue growth.
	30%	+3%	<ul style="list-style-type: none"> BOSTAVAN: underwhelming performance, due to both structural reasons (brand ready for a makeover) and temporary setbacks (SK distributor). Management confident of ability to turn things around.
	18%	+40%	<ul style="list-style-type: none"> CRAMA CEPTURA: Astrum line, our key growth driver and product with biggest upside, up more than 2x. Crama Ceptura aims to be a national brand in Romania, but still only at 4.3% market share (vs. 15% for market leader Cotnari) – a lot of room to grow.
	12%	+28%	<ul style="list-style-type: none"> BARDAR: growth slowed down in Q2, mainly on reduced bulk shipments to Belarus. We continue focusing on moving bulk to bottled sales.

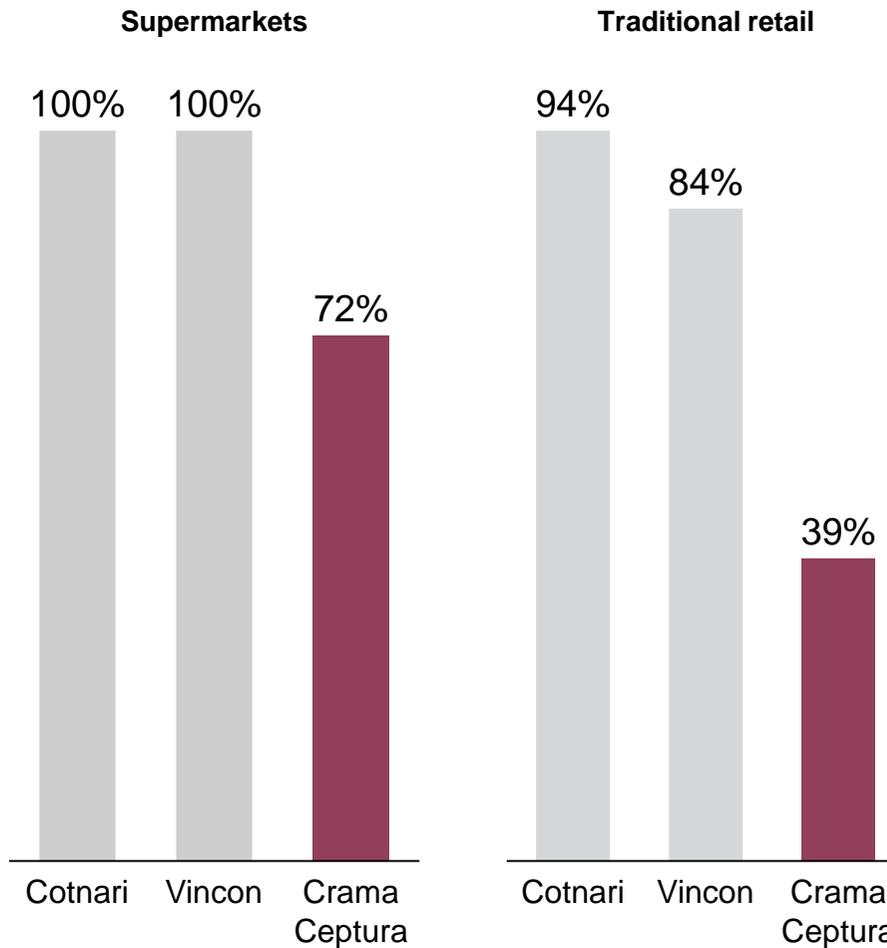
Focus on growth beyond Bucharest

Purcari Group market share by region



Big headroom for increasing distribution

Crama Ceptura brand – weighted distribution vs. peers



Global peer group

Market share, %



TELIANI VALLEY
35% MS in Georgia¹



E&J Gallo Winery
21% MS in US²



18% MS in Chile³

Note 1 – Source: Bank of Georgia, 9M 2017 Report; Note 2 – Source: Statista, Market share of domestic wine producers in the United States in 2015; Note 3 – Concha y Toro annual report 2016 for sales in Chile and market size figures from Wine of Chile.

2 MARGINS: SOLID DESPITE ADVERSE FX EFFECTS

RON m	1H17	1H18	Δ '18/'17
Revenue	58.8	70.0	+19%
Cost of Sales	(28.3)	(33.9)	+20%
Gross Profit	30.5	36.0	+18%
<i>Gross Profit margin</i>	52%	51%	-
SG&A	(16.6)	(17.4)	+5%
Marketing and selling	(4.1)	(5.5)	+34%
General and Administrative	(12.4)	(12.4)	-1%
Other income/(expense)	(0.1)	0.4	n.a.
EBITDA	16.8	22.2	+32%
Adj. EBITDA ¹	16.8	23.1	+38%
<i>Adj. EBITDA margin</i>	29%	33%	-
Net Profit	11.3	16.0	+41%
<i>Net Profit Margin</i>	19%	23%	-
Net profit after minorities	10.0	14.4	+45%
<i>Net profit margin, after min</i>	17%	21%	

Comments

- Gross margin down slightly on ongoing adverse effects of an ever strengthening MDL, trend continuing in Q2. Still, improved mix and select price increases have offset the negative Fx impact.
- SG&A remained under control, again, despite the adverse effect of a stronger MDL on salaries (see details on the next page) as well as team expansion related to being a public company (compliance, legal, IR etc)
- Marketing and selling growing ahead of sales, on new retail listings, which represent an upfront cost for getting new products on the shelf or expand shelf space
- Adj. EBITDA margin up 4.5pp to 33%, within guidance range and expected to strengthen in 2H given larger seasonal sales

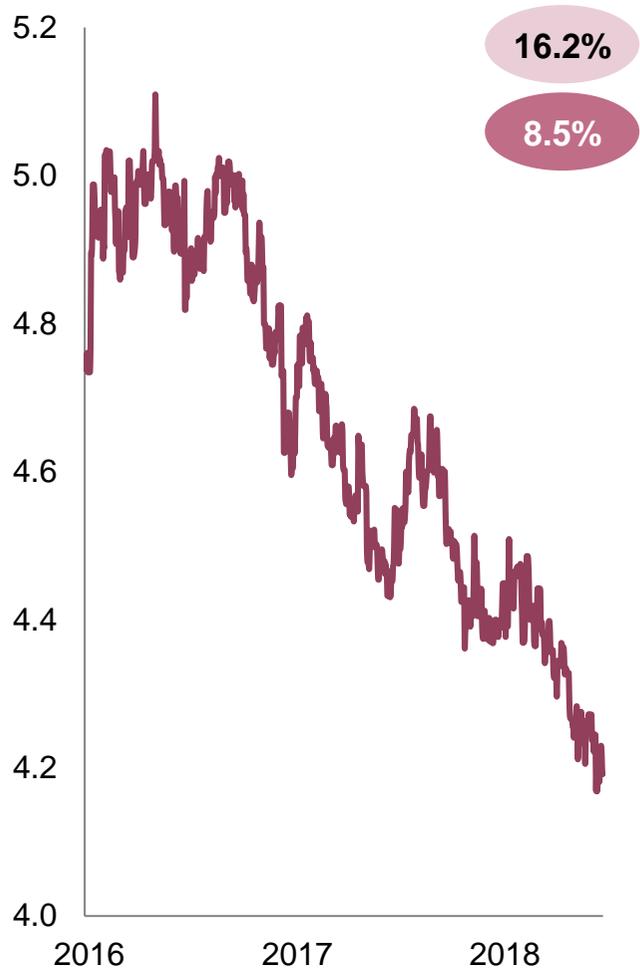
2 DISCIPLINED APPROACH TO G&A EXPENSES

RON m		1H17	1H18	Δ '18/'17	% of sales '17	% of sales '18
Employee costs	(1)	5.60	6.69	+19%	9.5%	9.6%
Depreciation	(2)	0.47	0.86	+83%	0.8%	1.2%
Amortization		0.07	0.08	+19%	0.1%	0.1%
Professional fees	(3)	0.40	1.98	+400%	0.7%	2.8%
Taxes		0.48	0.56	+17%	0.8%	0.8%
Travel		0.22	0.24	+9%	0.4%	0.4%
Rent		0.23	0.19	-16%	0.4%	0.3%
Bank charges		0.04	0.05	+22%	0.1%	0.1%
Repairs		0.13	0.14	+10%	0.2%	0.2%
Other	(4)	4.80	1.56	-67%	8.2%	2.2%
Total		12.43	12.35	-1%	21.1%	17.7%

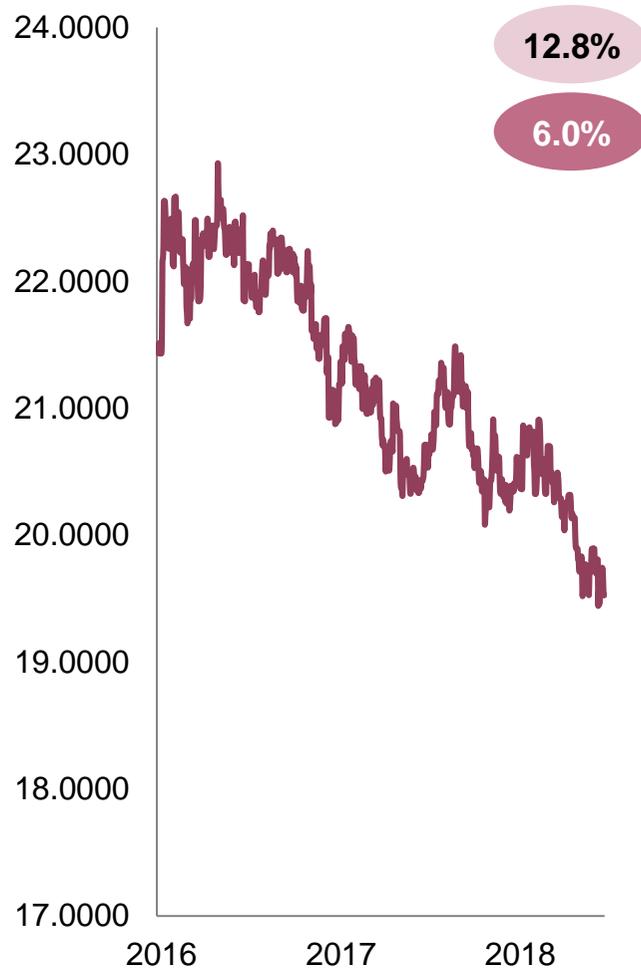
Comments

- G&A costs stable, most articles continue declining in their share of revenue
- (1) Employee costs increased slightly on ongoing MDL appreciation (+8.5% vs. RON YoY in 2Q 2018)
- (2) Slight increase in G&A depreciation due to equipment and vehicle investments
- (3) Circa RON 0.92m IPO costs, increased compliance costs, expected to remain stable going forward
- (4) Significant effect of change in provisions, one-off item

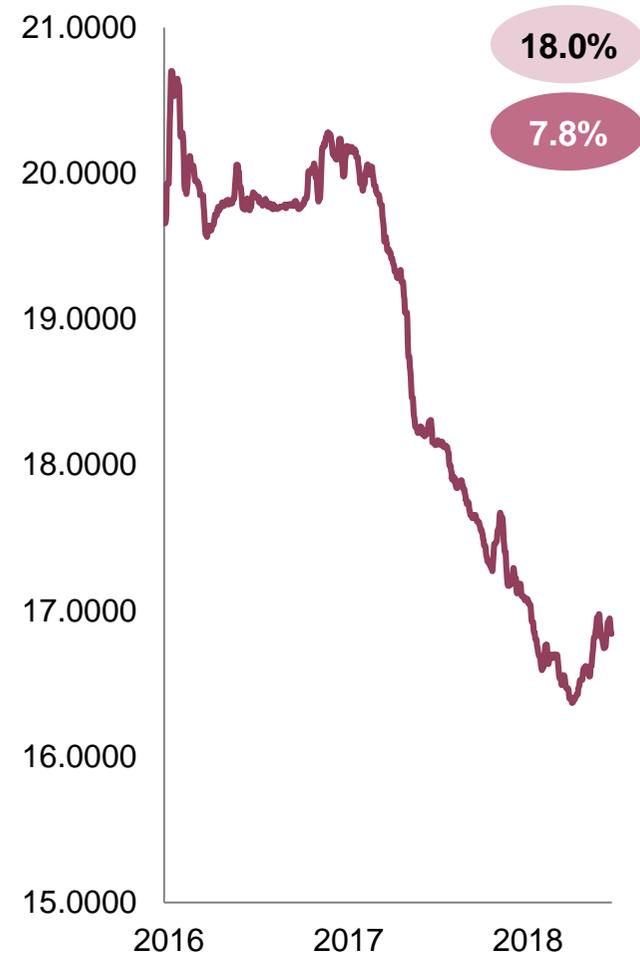
MDL vs RON: 2016 – 2018 FX evolution



MDL vs EUR: 2016 – 2018 FX evolution



MDL vs USD: 2016 – 2018 FX evolution



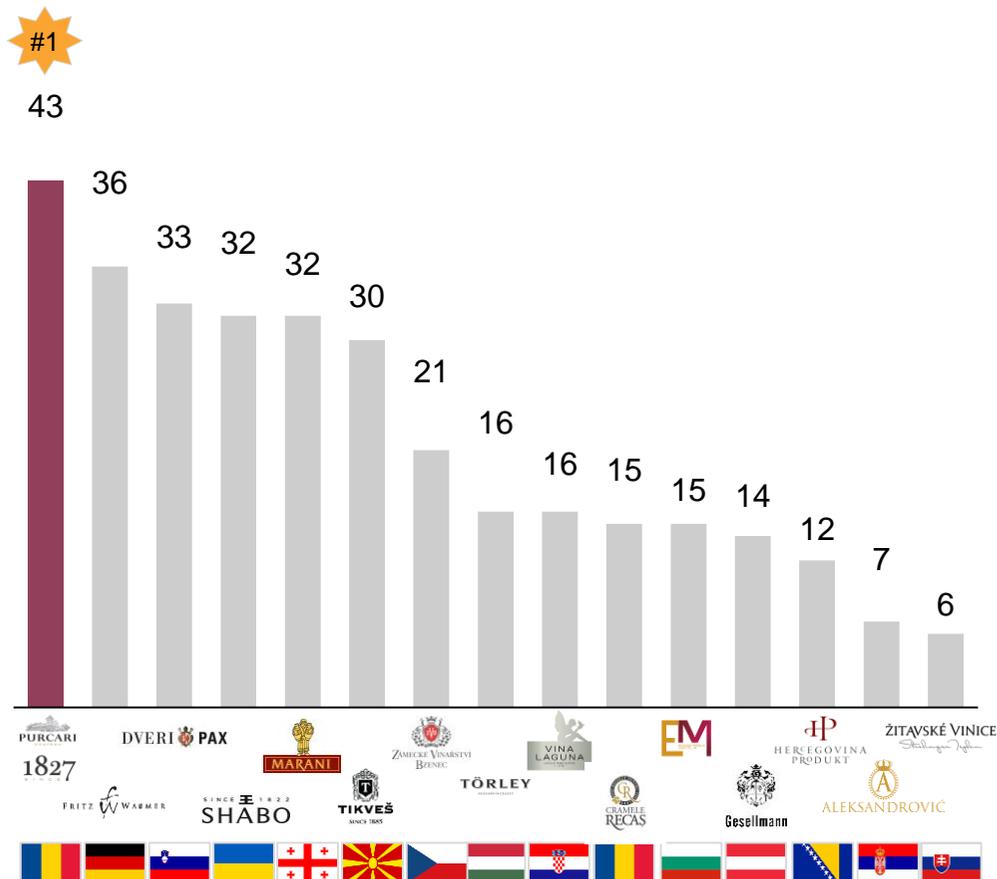
MDL appreciation vs. 2Q16
 MDL appreciation vs. 2Q17



2 WE REMAIN THE MOST AWARDED WINERY IN CEE, KEEP IMPROVING PURCARI

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

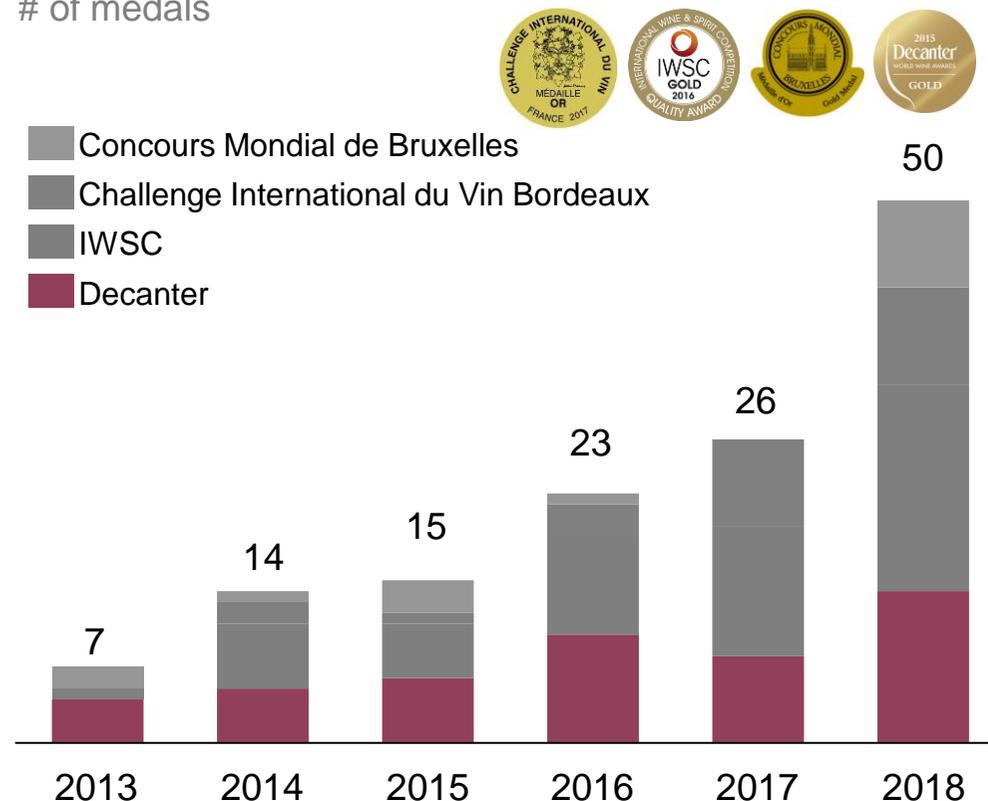
of Decanter medals in 2015 - 18⁽¹⁾



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

Increasing number of medals won from year to year

of medals



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



2 in top-5 and 6 in top-25 wines in Romania; we beat many pricier ones¹



4 in top-25 wines in Ukraine; undisputable #1 on this metric²



Rank	Wine Name	Rating	Price (RON)
1	Purcari Pinot Grigio	4,3	31 RON
2	Carpe Diem Bad Boys	4,3	56,94 RON
3	Purcari Rara Neagra	4,2	35 RON
4	Tenuta Sant Antonio Scaia Veneto	4,2	54,5 RON
5	Liliac Sauvignon Blanc	4,3	58 RON
6	Villa Maria Private Bin Sauvignon Blanc	4,2	52 RON
7	Sole de Recas Chardonnay Barrique	4,1	50,5 RON
8	Purcari Freedom Blend	4,1	35,35 RON
9	Purcari Vinohora Rara Neagra Malbec	4,1	48 RON
10	Alpha Estate Malagouzia Turtles	4,1	49,45 RON
11	Sarica Caili de la Letea Aligote	4,2	47 RON
12	Carl Reh La Cetate Feteasca Neagra	4	38,87 RON
13	Serafim Feteasca Neagra	4	38 RON
14	M1 Crama Atelier Charme de la Mer	4	38 RON
15	Tohani Siel Red Alb	3,9	33,5 RON
16	Purcari Rose	3,9	35 RON
17	Purcari Cabernet Sauvignon	3,9	33 RON
18	Chateau Pigoudet Premier Rose	3,9	33,51 RON
19	Liliac Rose Pinot Noir	3,9	43 RON
20	Petro Vaselo Alb	3,9	36 RON
21	Cricova Cabernet Sauvignon	3,9	55 RON
22	Vitis Metamorfosis Via Coltul Pietrei	4,3	44 RON
23	Aurelia Visinescu Promessa Rose	3,9	36 RON
24	Gitana Surori Saperavi Rara Neagra	3,5	55,5 RON
25	Carl Reh La Cetate Shiraz	3,9	50 RON

#1



Rank	Wine Name	Rating	Price (UAH)
1	Drouet Freres Roseraies Rose d'Anjou	4,4	175 UAH
2	Marlborough Sun Sauvignon Blanc	4,2	249 UAH
3	Barista Pinotage	4,2	295 UAH
4	Purcari Freedom Blend	4,2	194 UAH
5	Ferney Sauvignon Blanc	4,1	220 UAH
6	Purcari Pinot Grigio	4,1	217 UAH
7	Foggy River Sauvignon Blanc	4,1	219 UAH
8	Giesen Sauvignon Blanc	4	240 UAH
9	Salmon Run Sauvignon Blanc	3,9	247 UAH
10	Mud house Sauvignon Blanc	4	240 UAH
11	Kartuli Vazi Limited Edition	4	157 UAH
12	Terra Initia Kisi	4,1	250 UAH
13	Colossal Reserva	3,9	225 UAH
14	Spy Valley Satellite Sauvignon Blanc	3,9	270 UAH
15	Purcari Chardonnay	3,9	223 UAH
16	Purcari Merlot	3,9	174 UAH
17	Dr Loosen Riesling	3,9	230 UAH
18	Juan Gil Moscatel Seco	3,9	259 UAH
19	Francois Dulac Gers	3,9	188 UAH
20	Western Cellars California Rose Zinfandel	3,9	250 UAH
21	Callia Alta Pinot Grigio	3,8	160 UAH
22	Torres Vina Esmeralda	3,8	152 UAH
23	Gourmet Peres Entrecote	3,8	233 UAH
24	Villa Wolf Gewuerztraminer	3,8	200 UAH
25	770 Miles Zinfandel	3,9	188 UAH

- 1 Our Group
- 2 1H2018 Operational Results
- 3 **Update on 2018 Outlook**
- 4 Q&A



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

Target	Previous guidance	New guidance	1H18 fact	Status	Comments
Organic revenue growth	+24-28%	24-28%	19%	=	<ul style="list-style-type: none"> July actual sales 40%+, August orders 25%+ yoy, with growth accelerating in 2H Historically, 55-62% of annual sales made in 2H, given seasonality, compelling us to maintain existing guidance despite slower growth in 1H
EBITDA margin ¹	33-36%	34-37%	33%	▲	<ul style="list-style-type: none"> EBITDA margin higher in quarters with larger sales (disproportionate EBITDA earned in Q3-Q4) Expect windfall from new tax reform in Moldova, with introduction of flat PIT at 12% and lowering of employer contribution by 5pp.
Net Income margin	23-26%	24-27%	23%	▲	<ul style="list-style-type: none"> Net Income margin typically higher in quarters with larger sales (disproportionate Net Income is made in Q3-Q4) Positive impact on reversal of AR impairments, balance-sheet Fx gains

- 1 Our Group
- 2 1H2018 Operational Results
- 3 Update on 2018 outlook
- 4 **Q&A**



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

September 6-7	Romania Investor Days in Bucharest
September 13	Romania Investor Day in Warsaw
September 20	Romania Investor Day in Zagreb
October 9	CEE Investor Day by Erste in Stegersbach
October 17-18	Romania Investor Day in Tallinn & Stockholm
November 15	3Q earnings release
November 16	3Q earnings conference call

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Thank
you.