

PURCARI WINERIES <WINE>
Wineries & Distilleries

Rating: **Outperform**
TP: **RON 12.26**

3Q '22 Earnings Review

The Company published its 3Q '22 results on Tue, 15 Nov. A live presentation of the Company's results was available on the next day via conference call.

In the third quarter, the Company beat our expectations on both top and bottom lines, exceeded its y/y growth and margin guidance for this year, but the net profit was still below the last year's print. The decrease in profitability came as a result of several factors including - besides macro pressure and regional conflict - the more expensive wine stock caused by the 2020 drought, with a negative impact on the gross margin.

Sales growth accelerated in 3Q

During 3Q '22, the Company's sales of finished products rose by 21% y/y and by 12% q/q to RON 69.4m, 9% above our estimates and higher than the 10-15% guidance. Revenues in Romania (main market) went up by 17.2% y/y and 13% q/q to RON 35.7m (+7% vs. our estimates), as Bostavan and Purcari brands rose by double-digit figures, while Bardar (a relatively new brand) showed the best performance in terms of growth y/y (from a relatively small base). Sales in Moldova (second biggest market) arrived at RON 16.3m, up 12.2% y/y and 2% below estimates due to continuing growth across all channels.

As regards smaller markets, where the Company is trying to build brand awareness, the most notable performance was in Asia (+2.5x y/y to RON 2.9m), while Poland, Czech Republic and Slovakia sales posted 12-13% y/y growth rates. The evolution of the sales in Ukraine was surprising (+4% y/y to RON 1.5m, 10x higher vs. our estimate of RON 147k), growing despite the regional conflict. Taking into account both sales from finished goods and the revenue from recently acquired waste management business, the top line rose by 27% y/y to RON 75.9m (10% short of our forecast).

Higher Opex amid COGS rise

Moving to the Opex side, COGS rose 56% y/y to RON 44m (15% above our estimates) due to more expensive grapes from the 2020 vintage, leading to a gross margin of 42%, down from 52.8% in 3Q '21 and below our estimates of 45%. Regarding SG&A expenses, the Company managed to reduce costs for both marketing and G&A on a q/q basis by 5.5% and 14.3%, respectively. However, on y/y basis, marketing costs rose 11.1% to RON 7.3m (6% above estimates), while G&A expenses surged 56.7% y/y to RON 7m (16% below forecasts). Consequently, the result from operating activities amounted to RON 18m (-5% y/y, 21% above our estimates), while EBITDA moved slightly lower to RON 22.1m (-4% y/y and 13% above our forecast).

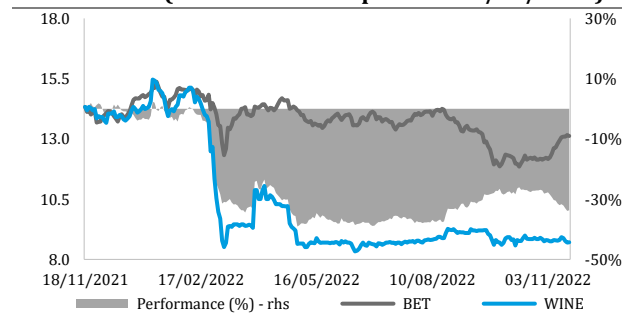
Considering that the Company's net financial result turned into a loss of RON 756k (vs. net gain last year of RON 3.3m) caused by a 50% y/y increase in interest-bearing debt, net income slid 25.3% y/y to RON 14.5m, and remained above our projection of RON 11m. Net profit a.m. reached RON 12.9m (-25% y/y but 21% higher compared to our estimates), while the net profit margin arrived at 19%, beating the Company's guidance of 15% for 2022.

For the 9M '22, revenues rose by 20% y/y to RON 200m (at the higher end of the 15-20% guidance), while net profit decreased by 11% y/y to RON 35.4m and the net profit margin reached 18% (higher than the 10-15% guidance for 2022).

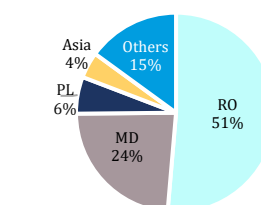
Stock details

Rating	Outperform
Target price	RON 12.26
Upside	+40.9%
Bloomberg / Reuters	WINE RO /ROWINE.BX
Last close <small>22 Nov 2022</small>	RON 8.70
Market cap	EUR 71m
Free Float	21.4%
3m avg daily volumes	EUR 51k
Δ abs 3m	-6.1%
Δ abs 12m	-39.1%
Δ% rel 3m (vs. BET)	0.2%
Δ% rel 12m (vs. BET)	-31.7%

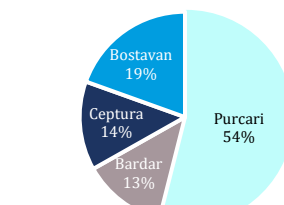
WINE vs. BET (rebased at WINE price on 22/11/2021)



Revenue by country 3Q '22



Revenue by brands 3Q '22



Key ratios / multiples*

	FY '21	3M '22	6M '22	9M '22
EPS (RON) QTLY	0.28	0.28	0.19	0.32
EPS (RON) LTM	1.18	1.21	1.17	1.06
P/E (x)	11.97	7.79	7.82	8.18
P/S (x)	2.28	1.44	1.38	1.27
EV/EBITDA (x)	8.38	7.68	5.69	5.83

*Historical prices used for FY '21-6M '22

Dumitru Procopovici

Junior Equity Analyst
dumitru.procopovici@btcapitalpartners.ro
+40 374 778 843

Selected financials (IFRS, Consolidated)

RONm	3Q '22	3Q '22f	act. vs. est.	3Q '21	y/y	2Q '22	q/q	9M '22	9M '21	y/y
Revenue	75.9	69.3	9.6%	59.9	26.7%	67.7	12.1%	199.8	166.4	20.0%
Romania	35.7	33.5	6.5%	30.4	17.2%	31.6	13.0%	95.0	86.0	10.5%
Republic of Moldova	16.3	16.7	-2.4%	14.5	12.2%	13.8	18.6%	39.2	30.4	28.9%
Poland	4.1	5.1	-18.4%	3.6	14.2%	6.1	-32.4%	14.9	13.4	11.2%
Asia	2.9	1.9	56.5%	1.2	2.5x	3.4	-14.0%	8.5	5.4	55.6%
Others	10.4	6.5	59.7%	10.1	2.7%	6.9	50.3%	24.5	26.6	-8.0%
Other revenue*	6.4	5.6	15.0%	-	-	5.9	8.7%	17.7	-	-
Cost of sales	(44.0)	(38.1)	15.5%	(28.3)	55.6%	(38.3)	14.8%	(109.2)	(81.5)	34.0%
Gross profit	31.9	31.2	2.3%	31.6	0.9%	29.4	8.6%	90.6	84.9	6.6%
Opex (except COGS)	(13.9)	(16.3)	-14.5%	(12.4)	12.9%	(16.0)	-12.6%	(42.8)	(37.2)	15.2%
EBITDA	22.1	19.5	13.2%	23.1	-4.2%	18.1	21.7%	60.7	58.2	4.4%
EBIT	17.9	14.8	20.9%	18.9	-4.8%	13.4	33.8%	47.7	47.4	0.7%
Net profit	14.5	11.0	32.3%	19.4	-25.3%	8.9	62.9%	35.4	39.8	-11.1%
Net profit a.m.	12.9	10.7	20.8%	17.2	-25.2%	7.7	67.0%	31.6	36.1	-12.5%

Source: BTCP Research estimates, Company data

*Mostly revenue from waste management business in Romania.

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RATINGS HISTORY

Type	Date	Price (RON)	TP (RON)	Rating
Coverage Initiation	19 Apr 2021	12.75	17.27	Outperform
Earnings Review	03 Mar 2022	10.55	U/R	U/R
Company Update	01 Jul 2022	9.03	12.26	Outperform

Source: BTCP Research

Note: Prices adjusted for the current number of shares outstanding

RATINGS DISTRIBUTION

Ratings Distribution as of 23 Nov 2022	Outperform	Neutral	Underperform	Under Review	Restricted	Not rated	In transition
Romanian Equity Research Coverage (26)	15%	15%	8%	8%	23%	31%	0%

Source: BTCP Research

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Contact

Dumitru Procopovici / Junior Equity Analyst
dumitru.procopovici@btcapitalpartners.ro
T: +40 374 778 843

BT Capital Partners - Headquarters

74-76, Constantin Brancusi Street, Ground Floor
Cluj-Napoca, Romania

BT Capital Partners - Bucharest Regional Centre

43 Bucuresti-Ploiesti Blvd, 4th floor
Bucharest, Romania

Banca Transilvania Financial Group



BTCP Trading

Constantin Stirbu / Equity Sales Trader
constantin.stirbu@btcapitalpartners.ro
T: +40 374 778 050
M: +40 757 038 350

Paul Ardelean / Equity Sales Trader
paul.ardelean@btcapitalpartners.ro
T: +40 374 778 031

BTCP Equity Research

Irina Railean, CFA / Head of Research
irina.railean@btcapitalpartners.ro
T: +40 374 778 842

Vlad Podea / Equity Analyst
vlad.podea@btcapitalpartners.ro
T: +40 374 778 025

Dumitru Procopovici / Junior Equity Analyst
dumitru.procopovici@btcapitalpartners.ro
T: +40 374 778 843

Alexandru Stroila / Junior Equity Analyst
alexandru.stroila@btcapitalpartners.ro
T: +40 374 778 841

BT Macro Research

Andrei Radulescu, PhD / Head of Macroeconomics
andrei.radulescu@btrl.ro
T: +40 371 525 064
M: +40 757 035 080