

# Purcari Wineries

## 2Q '23 Earnings Preview

The Company will publish its 2Q '23 results on Thursday, 24 Aug. The results will be presented through a live web conference to be held the next day starting 13:00 (local time); registration is required.

### Revenues expected to surge on a yearly basis in 2Q '23

In the second quarter of 2023, we envisage revenues to surge by 25% y/y to RON 84.4m, implying a 15% q/q rise, with sales in Apr-Jun generally above the Jan-Mar period, given a higher wine consumption.

We project sales of finished goods in 2Q '23 to rise as high as RON 76.5m (+16% q/q), up 24% y/y, mainly driven by positive dynamics of wine sales in the core markets (Romania and Moldova).

As regards the evolution of other revenues, we project them to climb 33% y/y to RON 7.9m (+6% q/q), mainly due to the positive evolution of the EcoSmart Union business, as the subsidiary increased the prices for its waste recycling services which include plastic, wood, and metal starting 01 May '23.

We project sales in Romania to grow in both volume and value, posting a 31% y/y increase, reaching RON 41.5m (+13% q/q), with Purcari and Bostavan being the main contributors, aided by a more intense HoReCa activity. We anticipate revenues in Moldova to post a 14% y/y increase to RON 15.7m, mainly on the back of a strong performance by Purcari and Bardar, which also incorporates the effect of higher prices. In Poland, sales should increase by 14% y/y to RON 7m (+19% q/q), while the remaining markets should see a slight decrease by -1.3% y/y to RON 12.4m.

### COGS to expand at a slightly faster pace than revenues in 2Q '23

As regards costs, we envisage the COGS to amount to 57.4% (-4.7pp y/y, +2% q/q) of finished goods sales, coming in at RON 48.4m, growing at a slightly faster pace than revenues, reflecting inflationary pressures on costs.

Meanwhile, operating expenses other than COGS are expected to go up by 25% y/y to RON 20m (+9.6% q/q), mostly driven by the surge in marketing and selling expenses by 31% y/y, as well as a 12% y/y increase in G&A expenses.

### Projecting net profit a.m. to increase by 57% y/y

Our estimates point to an EBITDA of RON 20.5m in 2Q (+13% y/y, -3% q/q), representing a 24.3% margin (-5pp y/y, -3p q/q). We expect Purcari to post a net finance loss of RON 1.3m for the quarter (+38% y/y and -19% q/q). All things considered, we anticipate the Company's net profit a.m. to surge 57% y/y to RON 12.1m, slightly below 1Q '23 (-3% q/q). This would imply a 1H '23 net income a.m. of RON 24.6m, 31 % higher y/y.

18 Aug '23

#### Summary data

Share price (RON)	11.40
Shares in issue (m)	40.1
Market cap (RON'm)	457
Market cap (USD'm)	101
Free float	61.5%
3 month average daily traded volume (EUR'k)	59
Absolute change 3 month	+19.8%
Absolute change 12 month	+34.5%
Change% 3m (vs BET)	+15.1%
Change% 12m (vs BET)	+33.3%

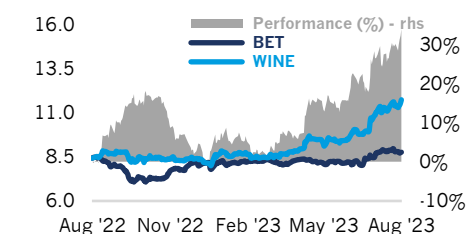
**Target price (RON)** **12.26**

**Rating** **Outperform**  
**Upside** **+7.5%**

Benchmark	BET
BET weighting (%)	0.6%
BET one-year return (%)	+1.2%
Bloomberg	WINE RO
Refinitiv RIC	ROWINE.BX

Source: BT Capital Partners, EquityRT

#### WINE vs. BET (rebased @ 17 Aug '22)



Source: EquityRT

#### Key ratios / multiples

	9M '22	FY '22	3M '23	6M '23f
EPS (RON) LTM	1.06	1.63	1.67	1.78
EPS (RON) QTLY	0.32	0.84	0.31	0.30
P/E (x) LTM	7.98	5.12	5.15	6.51
P/S (x) LTM	1.21	1.11	1.45	1.38
EV/EBITDA (x) LTM	5.62	4.01	4.10	4.31

Source: BT Capital Partners

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	2Q '23f	2Q '22	y/y	1Q '23	q/q	6M '23f	6M '23	y/y
Revenue	84.4	67.7	+24.7%	73.3	+15.1%	157.8	123.9	+27.4%
Romania	41.5	31.6	+31.4%	36.6	+13.3%	78.1	59.3	+31.5%
Republic of Moldova	15.7	13.8	+13.9%	10.9	+44.0%	26.6	22.9	+16.1%
Poland	7.0	6.1	+13.6%	5.8	+19.5%	12.8	10.8	+18.7%
Asia	2.6	3.4	-23.3%	1.7	+49.3%	4.4	5.5	-21.4%
Rest of World	5.2	5.1	+3.0%	6.1	-14.3%	20.7	14.1	+46.8%
Other revenue	7.9	5.9	+33.3%	7.4	+6.0%	15.3	11.3	+36.2%
Cost of sales	(48.4)	(38.3)	+26.4%	(40.6)	+19.3%	(48.4)	(65.2)	-25.7%
Gross profit	36.0	29.4	+22.5%	32.7	+9.9%	68.7	58.7	+17.1%
Opex (except COGS)	(20.0)	(16.0)	+24.9%	(18.2)	+9.6%	(38.2)	(28.9)	+32.1%
EBITDA	20.5	18.1	+12.9%	21.1	-3.1%	41.6	38.6	+7.8%
EBIT	16.0	13.4	+19.6%	14.5	+10.3%	30.6	29.8	+2.6%
Net Profit	12.4	8.9	+39.1%	12.8	-3.1%	25.2	20.9	+20.5%
Net Profit a.m.	12.1	7.7	+57.4%	12.5	-2.8%	24.6	18.8	+31.2%

Source: BT Capital Partners

## Analyst coverage universe

Analyst	Ticker	Company	Recommendation	Current price (RON)	Target price (RON)
Andrei Ciobotaru	SNP	OMV Petrom	OUTPERFORM	0.5150	0.6520
Andrei Ciobotaru	SNG	Romgaz	OUTPERFORM	38.75	50.4
Andrei Ciobotaru	TGN	Transgaz	NEUTRAL	17.0	15.43
Vlad Podea	BRD	BRD Societe Generale	UNDER REVIEW	13.90	UNDER REVIEW
Vlad Podea	DIGI	Digi Communications	UNDER REVIEW	34.0	UNDER REVIEW
Andrei Ciobotaru	EL	Electrica	UNDERPERFORM	8.25	7.38
Andrei Ciobotaru	SNN	Nuclearelectrica	UNDERPERFORM	44.70	35.23
Vlad Podea	SIFs	Lion Capital; Evergent Investments; Transilvania Investments Alliance; SIF Muntenia; SIF Oltenia	RESTRICTED	-	RESTRICTED
Adrian Hornea	WINE	Purcari Wineries	OUTPERFORM	11.40	12.26
Adrian Hornea	SFG	Sphera Franchise Group	OUTPERFORM	19.95	18.44
Adrian Hornea	M	MedLife	UNDER REVIEW	19.10	UNDER REVIEW
Vlad Podea	ONE	One United Properties	NEUTRAL	0.930	0.998
Adrian Hornea	AQ	Aquila Part Prod Com	UNDER REVIEW	0.890	UNDER REVIEW

Source: EquityRT, BT Capital Partners

## Rating history | Purcari Wineries

Type	Date	Price	TP	Rating	Type	Date	Price	TP	Rating
Coverage Initiation	19 Apr '21	12.75	17.27	Outperform					
Earnings Review	03 Mar '22	10.55	U/R	U/R					
Company Update	01 Jul '22	9.03	12.26	Outperform					

Source: BT Capital Partners

Note: Prices adjusted for the current number of shares.

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Rating	General Equities
<b>OUTPERFORM</b>	The stock is expected to yield absolute returns in excess of 15% over a 12-month investment horizon in terms of price and we recommend increased exposure relative to its blue-chip benchmark peers (BET index).
<b>NEUTRAL</b>	The stock is expected to yield absolute returns ranging from -15% to 15% over a 12-month investment horizon in terms of price and we recommend maintaining current exposure relative to its blue-chip benchmark peers (BET index).
<b>UNDERPERFORM</b>	The stock is expected to yield negative absolute returns of more than -15% over a 12-month investment horizon in terms of price and we recommend reduced exposure relative to its blue-chip benchmark peers (BET index).
<b>UNDER REVIEW</b>	The rating of the stock is currently under review for update by BTCP Equity Research.
<b>RESTRICTED</b>	The rating of the stock is restricted from disclosure owing to compliance or other regulatory/legal reasons.
<b>NOT RATED</b>	The stock is not currently rated by BTCP Equity Research.
<b>COVERAGE IN TRANSITION</b>	The rating of the stock is temporarily suspended due to changes in the research team.

## Rating distribution for Romanian listed equities rating

As at 18 Aug '23 Recommendation	Total BT Capital Partners	
	Count	% of Total
Outperform	4	16%
Neutral	2	8%
Underperform	2	8%
Under Review	4	16%
Restricted	6	24%
Not rated	7	28%
Coverage in transition	0	0%
<b>Total</b>	<b>25</b>	<b>100%</b>

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