

# Purcari Wineries

## 3Q '24 Earnings Preview

The Company will publish its 3Q '24 results on Fri, 15 Nov. The results will be presented through a live web conference on 18 Nov, starting 13:00 (local time); [registration is required](#).

### Expecting sales to increase by 4% y/y in 3Q

In the third quarter of 2024, we estimate the wine producer's revenues to increase by 4% y/y, reaching RON 94.6m (+6% q/q). A slowdown of the revenue growth can be explained partially by the deconsolidation of waste recycling subsidiary EcoSmart in 3Q '24, which had accounted for c. 8% of total revenues over the previous years.

We envisage sales of finished goods to rise 19% y/y to RON 93.1m (+7% q/q), mainly driven by positive dynamics in Romania, the Company's core market, displaying a 22% yearly growth to RON 58.3m (+8% q/q), as we expect growth in both prices and volumes, with Purcari brand anticipated to remain the main contributor.

Wine sales in Moldova are estimated to increase by 6% y/y to RON 15.8m (+10% q/q), driven by a higher average price per bottle due to price increases in the Duty-free channel under a new taxation model. Revenues of Bulgarian subsidiary Angel's Estate are expected to rise 14% y/y to RON 2.9m (-11% q/q), while we forecast sales in Poland to climb 28% y/y, with Bostavan wine sales seen to display positive dynamics in that market.

### Gross margin estimated to come 2.8pp higher y/y on lower COGS

We project the cost of goods sold (COGS) to decline 13% y/y to RON 47.3m (+14% q/q), driven by a more favourable cost structure of the bulk wine and packaging components, aided by the discontinuation of the recycling segment. As a result, the gross margin should improve by 2.8pp y/y to 50% (-3.5pp q/q).

Opex other than COGS are forecast to come in 34% higher y/y at RON 20.6m (+5% q/q), with marketing and selling expenses expected to rise by 20% y/y, while G&A expenses may see a 12% y/y growth.

### Net income a.m. should rise 6.2% y/y

Our estimates lead to an EBITDA of RON 33.7m, 22% higher y/y and up 4.5% q/q, implying a 35.6% margin (+5.2pp y/y). The net finance expense is projected to reach RON 1.5m (vs. a net finance income of RON 241k in 3Q '23 and half the net expense of 2Q '24).

Considering the above, we project the net profit a.m. to increase 6.2% y/y to RON 18.2m (+11.3% q/q). This would lead to a 9M '24 attributable net income of RON 45.3m, up 10.4%.

12 Nov '24

### Summary data

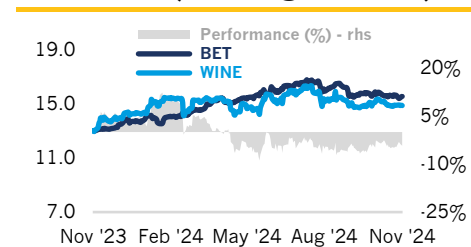
Share price (RON)	14.90
Shares in issue (m)	40.4
Market cap (RONm)	601
Market cap (USDm)	129
Free float	66.5%
3m average daily traded volume (EURk)	64
Absolute change 3 month	-2.9%
Absolute change 12 month	+19.1%
Change 3m (vs BET)	-0.2%
Change 12m (vs BET)	-1.5%

<b>Target price (RON)</b>	<b>U/R</b>
<b>Rating</b>	<b>U/R</b>
<b>Upside</b>	<b>n.m.</b>

Benchmark	BET
BET weighting	0.8%
BET one-year return	+20.6%
Bloomberg	WINE RO
Refinitiv RIC	ROWINE.BX

Source: BT Capital Partners, EquityRT

### WINE vs. BET (rebased @ 10 Nov '23)



Source: EquityRT

### Key ratios / multiples

	FY '23	3M '24	6M '24	9M '24f
EPS (RON) LTM	1.40	1.35	1.48	1.50
EPS (RON) QTLY	0.37	0.27	0.41	0.45
P/E (x) LTM	9.13	10.68	9.80	9.92
P/S (x) LTM	1.38	1.53	1.53	1.57
EV/EBITDA (x) LTM	6.44	7.12	6.64	6.57

Source: BT Capital Partners

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Financial data (RONm)	3Q '24f	3Q '23	y/y	2Q '24	q/q	9M '24f	9M '23	y/y
Revenue	94.5	91.1	+3.8%	88.1	+7.3%	260.4	252.5	+3.1%
Romania	58.3	47.7	+22.1%	46.3	+25.9%	153.4	130.6	+17.4%
Republic of Moldova	15.8	14.9	+6.2%	14.6	+8.1%	41.8	40.4	+3.6%
Poland	4.1	3.2	+28.2%	4.9	-16.1%	14.8	14.0	+5.8%
Asia	2.0	1.6	+23.2%	0.6	3.4x	5.8	4.0	+44.6%
Rest of World	12.6	9.0	+40.0%	3.6	3.5x	29.1	23.4	+24.1%
Other revenue	1.4	11.1	-86.9%	9.1	-84.1%	8.0	26.9	-70.4%
Cost of sales	(47.3)	(54.2)	-12.8%	(53.9)	-12.2%	(134.5)	(148.7)	-9.5%
Gross profit	47.3	36.9	+28.2%	34.2	+38.1%	125.9	103.8	+21.2%
Opex (except COGS)	(20.6)	(15.4)	+33.9%	(17.6)	+16.7%	0.0	(51.2)	-100.0%
EBITDA	33.7	27.7	+21.6%	23.4	+44.1%	88.9	72.2	+23.2%
EBIT	26.4	21.5	+22.7%	16.6	+59.1%	65.5	52.6	+24.5%
Net Profit	19.4	18.2	+6.4%	12.8	+52.0%	48.7	43.8	+11.2%
Net Profit a.m.	18.2	17.2	+6.2%	11.4	+60.0%	45.3	41.0	+10.4%

Source: BT Capital Partners

## Analyst coverage universe

Company	Ticker	Rating	Target price (RON)	Current price (RON)	Analyst
Aquila Part Prod Com	AQ	UNDER REVIEW	UNDER REVIEW	1.390	Adrian Hornea
BRD Societe Generale	BRD	UNDER REVIEW	UNDER REVIEW	18.90	Vlad Podea
Digi Communications	DIGI	UNDER REVIEW	UNDER REVIEW	64.6	Vlad Podea
Electrica	EL	UNDER REVIEW	UNDER REVIEW	13.26	Octavian Duma
Hidroelectrica	H2O	NEUTRAL	125	123.0	Vlad Podea
MedLife	M	UNDER REVIEW	UNDER REVIEW	6.09	Adrian Hornea
One United Properties	ONE	UNDER REVIEW	UNDER REVIEW	0.473	Vlad Podea
Premier Energy	PE	OUTPERFORM	26.4	19.81	Octavian Duma
Sphera Franchise Group	SFG	UNDER REVIEW	UNDER REVIEW	40.10	Adrian Hornea
Romgaz	SNG	UNDER REVIEW	UNDER REVIEW	5.40	Octavian Duma
Nuclearelectrica	SNN	UNDER REVIEW	UNDER REVIEW	44.00	Adrian Hornea
OMV Petrom	SNP	UNDER REVIEW	UNDER REVIEW	0.7435	Vlad Podea
Transgaz	TGN	UNDER REVIEW	UNDER REVIEW	24.1	Octavian Duma
Purcari Wineries	WINE	UNDER REVIEW	UNDER REVIEW	14.90	Adrian Hornea
Lion Capital; Evergent Investments; Transilvania Investments Alliance; Longshield Investment Group; Infinity Capital Investments	SIFs	RESTRICTED	RESTRICTED		- Adrian Hornea

Source: EquityRT, BT Capital Partners

## Rating history | Purcari Wineries

Type	Date	Price	Target price	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
Earnings Call Wrap-Up	01 Sep '23	11.54	U/R	U/R

Source: BT Capital Partners

Note: Prices adjusted for the current number of shares.

Type	Date	Price	Target price	Rating

Updated: 12 Nov '24

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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 12 Nov '24 Recommendation	Total BT Capital Partners	
	Count	% of Total
Outperform	1	4%
Neutral	1	4%
Underperform	0	0%
Under Review	12	48%
Restricted	6	24%
Not rated	5	20%
Coverage in transition	0	0%
<b>Total</b>	<b>25</b>	<b>100%</b>

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