

# Purcari Wineries

## 3Q '24 Earnings Review

19 Nov '24

The Company published its 3Q '24 results on 15 Nov. The results were presented through a live web conference on 18 Nov at 13:00 (local time).

### 3Q '24 top line up 6% y/y, slightly above our projection

In the third quarter of 2024, the wine producer posted revenues of RON 96.1m, up 6% y/y (and 8% q/q) driven by double digit growth in sales of finished goods.

Sales of finished goods came in line with our estimate at RON 92.9m (+7% q/q), 20% higher y/y, given positive dynamics in the Romanian market (which accounted for 59% of the Company's sales of finished goods), with revenue in the country climbing 18% y/y to RON 56.3m (+4% q/q, -3.3% vs. est.). These positive dynamics can be explained by a 17% y/y increase in Purcari wine sales (accounting for c. 73% of wine sales in Romania), mainly on the back of higher volumes.

Sales in Moldova rose 14% y/y to RON 16.9m (+18% q/q, +7% vs. est.), mainly driven by growth in IKAs, offsetting 'higher price environment challenges' in duty-free channels. Wine sales in Poland exceeded our estimate by 21%, reaching RON 5m, up 55% y/y, driven by growth in both prices and volumes.

It's also worth noting that sales in Bulgaria increased 35% y/y to RON 3.5m (+5% q/q, 18% above our projection), on the back of higher volumes.

### COGS declined 5% y/y, leading to a 46% gross profit margin

The cost of goods sold (COGS) decreased 5% y/y to RON 51.6m (+25% q/q, +9% vs. est.), as a result of a more favourable cost structure of the bulk wine and packaging costs. Therefore, the gross profit margin rose 6pp y/y to 46%, below our 50% estimate.

Marketing and selling expenses rose 28% y/y to RON 12.8m (+7% vs. est.), driven by an increase in personnel and by costs related to implementing the warranty return system in Romania, while G&A expenses inched 1% higher y/y to RON 9.4m.

### Net profit down 20% y/y, on higher income tax and net finance expense

EBITDA came in 8.8% below our estimate at RON 30.6m (+11% y/y, -5% q/q), with a 32% margin (+1.5pp y/y). Purcari posted a net finance expense of RON 4.7m, compared to a net finance income of RON 241k in 3Q '23, driven by a RON 2m foreign exchange loss.

As such, the net income a.m. declined 20% y/y to RON 13.8m (-16% q/q), missing our estimate by 24%. The 9M '24 net income a.m. amounted to RON 40.8m, down 0.5% y/y.

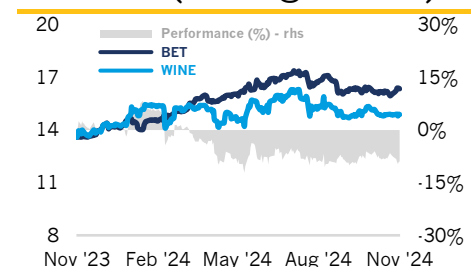
### Summary data

Share price (RON)	14.90
Shares in issue (m)	40.4
Market cap (RONm)	601
Market cap (USDm)	127
Free float	66.5%
3-month average daily traded volume (EURk)	63
Absolute change 3 month	-2.7%
Absolute change 12 month	+11.3%
Change% 3m (vs BET)	+1.5%
Change% 12m (vs BET)	-7.3%

<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	+18.6%
Bloomberg	WINE RO
Refinitiv RIC	ROWINE.BX

Source: BT Capital Partners, EquityRT

### WINE vs. BET (rebased @ 17 Nov '23)



Source: EquityRT

### Key ratios / multiples

	FY '23	3M '24	6M '24	9M '24
EPS (RON) LTM	1.40	1.35	1.48	1.39
EPS (RON) QTLY	0.37	0.27	0.41	0.34
P/E (x) LTM	9.13	10.68	9.80	10.70
P/S (x) LTM	1.38	1.53	1.53	1.56
EV/EBITDA (x) LTM	6.44	7.12	6.64	7.26

Source: BT Capital Partners

### Adrian Hornea

Junior Equity Analyst

E-mail: [adrian.hornea@btcapitalpartners.ro](mailto:adrian.hornea@btcapitalpartners.ro)

Tel: +40 374 778 843

### Trading:

#### Paul Ardelean

Equity Sales Trader

E-mail: [paul.ardelean@btcapitalpartners.ro](mailto:paul.ardelean@btcapitalpartners.ro)

Tel: +40 374 778 031

Financial data (RONm)	3Q '24	3Q '24f	act. vs. est.	3Q '23	y/y	2Q '24	q/q	9M '24	9M '23	y/y
Revenue	96.1	94.5	+1.7%	91.1	+5.5%	88.8	+8.2%	262.0	252.5	+3.8%
Romania	56.3	58.3	-3.3%	47.7	+18.0%	53.9	+4.5%	151.4	130.6	+15.9%
Republic of Moldova	16.9	15.8	+7.0%	14.9	+13.6%	14.3	+17.8%	42.9	40.4	+6.4%
Poland	5.0	4.1	+21.1%	3.2	+55.2%	5.2	-3.3%	15.6	14.0	+12.0%
Asia	0.5	2.0	-77.3%	1.6	-72.0%	1.5	-69.1%	4.2	4.0	+5.4%
Bulgaria	3.5	2.9	+18.1%	2.6	+34.9%	3.3	+4.6%	9.7	7.0	+38.2%
Other revenue	3.3	1.4	2.3x	11.1	-70.5%	1.2	2.8x	9.8	26.9	-63.6%
Cost of sales	(51.6)	(47.3)	+9.1%	(54.2)	-4.9%	(41.3)	+24.7%	(138.8)	(148.7)	-6.6%
Gross profit	44.6	47.3	-5.7%	36.9	+20.8%	47.5	-6.2%	123.2	103.8	+18.6%
Opex (except COGS)	(22.1)	(20.6)	+7.4%	(15.4)	+43.7%	(19.5)	+13.2%	(61.6)	(51.2)	+20.3%
EBITDA	30.6	33.6	-8.8%	27.7	+10.7%	32.2	-4.9%	85.9	72.2	+19.1%
EBIT	22.5	26.4	-14.8%	21.5	+4.5%	24.2	-7.1%	61.6	52.6	+17.0%
Net Profit	14.1	19.4	-27.3%	18.2	-22.7%	18.4	-23.5%	43.4	43.8	-0.9%
Net Profit a.m.	13.8	18.2	-24.4%	17.2	-19.8%	16.4	-15.9%	40.8	41.0	-0.5%

Source: Company data, 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	1.380	Adrian Hornea
BRD Societe Generale	BRD	UNDER REVIEW	UNDER REVIEW	19.14	Vlad Podea
Digi Communications	DIGI	UNDER REVIEW	UNDER REVIEW	66.2	Vlad Podea
Electrica	EL	UNDER REVIEW	UNDER REVIEW	12.78	Octavian Duma
Hidroelectrica	H2O	NEUTRAL	125	120.9	Vlad Podea
MedLife	M	UNDER REVIEW	UNDER REVIEW	6.10	Adrian Hornea
One United Properties	ONE	UNDER REVIEW	UNDER REVIEW	0.497	Vlad Podea
Premier Energy	PE	OUTPERFORM	26.4	19.70	Octavian Duma
Sphera Franchise Group	SFG	UNDER REVIEW	UNDER REVIEW	40.50	Adrian Hornea
Romgaz	SNG	UNDER REVIEW	UNDER REVIEW	5.46	Octavian Duma
Nuclearelectrica	SNN	UNDER REVIEW	UNDER REVIEW	42.60	Adrian Hornea
OMV Petrom	SNP	UNDER REVIEW	UNDER REVIEW	0.7300	Vlad Podea
Transgaz	TGN	UNDER REVIEW	UNDER REVIEW	23.8	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		- Vlad Podea

Source: EquityRT, BT Capital Partners

## Rating history | Purcari Wineries

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
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	TP	Rating

Updated: 19 Nov '24

**BT Capital Partners Team**

Title	Full name	Number	Email
Deputy CEO, Head of Sales & Trading	Vlad Pintilie	T: (+4) 0 374 778 057	vlad.pintilie@btcapitalpartners.ro

**Research Team**

Head of Research	Irina Railean	CFA T: (+4) 0 374 778 842	irina.railean@btcapitalpartners.ro
Senior Equity Analyst	Vlad Podea	CFA T: (+4) 0 374 778 025	vlad.podea@btcapitalpartners.ro
Junior Equity Analyst	Adrian Hornea	T: (+4) 0 374 778 843	adrian.hornea@btcapitalpartners.ro
Junior Equity Analyst	Octavian Duma	T: (+4) 0 374 778 015	octavian.duma@btcapitalpartners.ro
Head of Macroeconomics	Ioan Nistor	PhD	ioan.nistor@btrl.ro

**Sales and Trading**

Equity Sales Trader	Paul Ardelean	T: (+4) 0 374 778 031	paul.ardelean@btcapitalpartners.ro
Equity Sales Trader	Constantin Stirbu	T: (+4) 0 374 778 051	constantin.stirbu@btcapitalpartners.ro
Equity Sales Trader	Dragos Barbulescu		dragos.barbulescu@btcapitalpartners.ro

**Support**

Head of Operations	Ciprian George Pop	(+4) 0 374 778 024	ciprian.pop@btcapitalpartners.ro
Head of Custody Services	Ileana – Virginia Abrudan	(+4) 0 374 778 014	ileana.abrudan@btcapitalpartners.ro
Custody Officer	Marina Cojoaca	(+4) 0 723 274 780	marina.cojoaca@btcapitalpartners.ro

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Rating	General Equities
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<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.
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<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 19 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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