

Purcari Wineries (WINE)

HOLD

Interim Update – Q1 2025

Price target: 21.8 RON (+8.6%)

Key Points

- **Purcari Wineries scored an impressive comeback this year, with the stock price increasing by 35% year to date, outperforming the 10.9% for the BET index, thus reaching (and surpassing) our previous price target of 19.3 RON/share.** At the time, we saw a +29.8% upside in the stock and stood by our recommendation, grounded in both a reasonable assessment of underlying fundamentals as well as a reality-based evaluation of the potential geopolitical risks facing the company.
- **In our previous report, we stated that the company was significantly undervalued and that the reasons behind the discount (the so-called "war premium") were unwarranted.** We also projected that the company's revenues would double by 2029, even as it underwent a normalization phase in Romania. Despite adopting more conservative growth forecasts compared to management's targets, we still viewed the company as undervalued. You can find our previous report [here](#).
- **The main catalyst for the repricing was the recent announcement of a voluntary public takeover by Maspex, aiming to secure a controlling stake in Purcari.** The takeover offer will be set at RON 21 per share, implying roughly 50% upside from the pre-announcement price. The offer was backed by firm commitments from key shareholders, significantly reducing uncertainty. The market quickly priced in the likelihood of the deal closing, fueling demand and pushing the stock price closer to the offer level.
- **Q1 results were mostly in line with our estimates, revenues coming in at 91 mln. RON vs our 95 mln. forecast.** Most of the growth was driven by sales in Romania (+26%), Moldova (+13%), and Bulgaria (+25%). We forecast full-year revenues of 458 mln. RON, representing a 19.9% increase compared to last year.
- **We have updated our price target for the stock and now estimate the fair value to be close to 21.8 RON/share, implying an 8.6% upside and a change in recommendation to Hold,** according to our methodology. We've made minimal changes to our forecasts and note that most of the fair value difference comes from an increase in peer multiples.

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Sector: Wine producer

Shares information

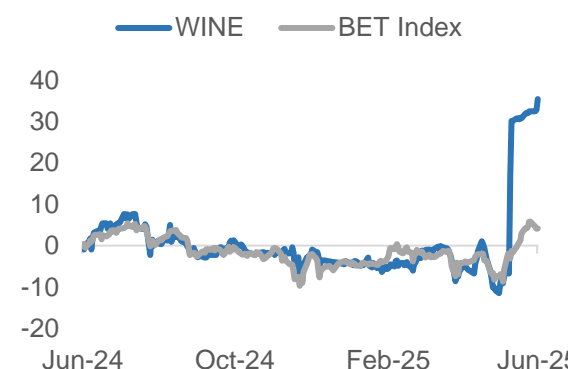
| | |
|-------------------------------|-------------|
| Min/max price, 52 weeks. | 13.2 – 20.1 |
| Dividend/share | 0.65 |
| Total Shares (mln.) | 40.43 |
| Capitalization (mln. RON) | 812.6 |
| 52 weeks liquidity (mln. RON) | 119.9 |

Major Shareholders

| | % |
|-------------------------|-------|
| Amboselt Universal Inc. | 20.03 |
| Institutional | 60.48 |
| Retail | 19.49 |

1-year performance vs BET

| | % |
|---------------|------|
| WINE | 35.4 |
| vs. BET Index | 4.2 |



source: Bloomberg

Q1 2025 Results Overview

Q1 results were mostly in line with estimates, with the company posting an 11.6% year-over-year increase, from 81.3 mln. RON to 91 mln. RON. However, last year's first quarter data also included revenues from the discontinued Ecosmart business line, and core revenue growth stood at +17.7%.

Most of the growth was driven by strong sales in Romania, which increased from 41 mln. RON to 52 mln. (+26%) in the first quarter this year. Moldova sales increased by 13% to 13 mln. while sales in Bulgaria increased 25% to 4 mln. RON. Other markets in the CEE region saw slower growth, with sales in this area reaching 12 mln. (+8% increase). RoW sales declined by 3%.

The company's main brand, Purcari, was again the main growth driver, with sales reaching 49.8 mln. compared to 40.4 in the same period last year (+23%). Bostavan (16.6 mln. RON) and Angel's Estate (3.3 mln. RON) were the other two brands that recorded double-digit growth (+20% each), while the Ceptura brand saw a slower 8% growth rate, reaching 11.5 mln. RON. Bardar sales were flat at 7.5 mln. while the Cuza brand sales declined by 12%, though sales were small (700 ths RON).

Net profit for Q1 stood at 9 mln. RON, a decline of 17% compared to last year's 10.9 mln. mostly due to higher sales and marketing expenses (+20.6%) as well as admin. expenditures (+34.6% of which, 28% represented higher salary costs).

| (RON ths, consolidated) | Q1 2024 | Q1 2025 | % |
|--|---------------|---------------|---------------|
| Revenue | 81.591 | 91.051 | 11,6% |
| Cost of sales | -45.930 | -50.392 | 9,7% |
| Operating result | 35.661 | 40.659 | 14,0% |
| Other operating income | 253 | 426 | 68,2% |
| Marketing and sales expenses | -10.831 | -13.064 | 20,6% |
| General and administrative expenses | -8.571 | -11.537 | 34,6% |
| Impairment loss on trade and loan receivables, net | -539 | -599 | 11,1% |
| Other operating expense | -295 | 62 | |
| Profit from operating activities | 15.678 | 15.947 | 1,7% |
| Finance income | 721 | 10 | -98,7% |
| Finance costs | -2.042 | -4.420 | 116,5% |
| Net finance income / (costs) | -1.320 | -4.411 | 234,0% |
| Profit before tax | 14.358 | 11.536 | -19,7% |
| Income tax expense | -3.512 | -2.536 | -27,8% |
| Profit for the year | 10.846 | 9.000 | -17,0% |

source: wine, own estimates

DCF Valuation

We value the company at 18.9 RON/share, implying a 5.9% downside from the current market price. We use a weighted average cost of capital of 13.9%, where we estimate the cost of equity of 18.5% and the cost of debt of 6.0%. We attribute an extra country risk premium of 2.5% for the cost of equity, estimated using implied risk premiums for B-rated countries, implied CDS given the probability of default, and a ratio of CHIBOR to ROBOR of 2.5x. For the cost of debt we used the current level of lending rates in Moldova, given the lower historical interest cost of Purcari and the lack of bond or cds data for the Moldova market. Other assumptions in our model include:

- Levered Beta of 1.1, estimated through linear regression against the BET index;
- Market Risk Premium of 7.6%, representing the historical total return of the BET index over the 10-year government bond yield of 7.4%;
- Terminal Value estimated using the Gordon Growth model, with a terminal growth rate of 5%.

| (RON '000, consolidated) | Reported 2023 | Reported 2024 | Estimated 2025e | Estimated 2026e | Estimated 2027e | Estimated 2028e | Estimated 2029e |
|---------------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Revenues | 369.645 | 382.325 | 458.300 | 522.228 | 579.111 | 640.949 | 708.708 |
| % var | 22,2% | 3,4% | 19,9% | 13,9% | 10,9% | 10,7% | 10,6% |
| EBITDA | 98.738 | 110.647 | 146.792 | 169.875 | 194.748 | 206.850 | 234.879 |
| EBITDA M | 26,7% | 28,9% | 32,0% | 32,5% | 33,6% | 32,3% | 33,1% |
| EBIT | 74.214 | 77.868 | 116.888 | 137.264 | 156.033 | 164.204 | 185.301 |
| EBIT M | 20,1% | 20,4% | 25,5% | 26,3% | 26,9% | 25,6% | 26,1% |
| Effective Tax Rate | 9,9% | 17,0% | 16,0% | 16,0% | 16,0% | 16,0% | 16,0% |
| EBIT*(1- Tax Rate) | 66.878 | 64.623 | 98.186 | 115.302 | 131.068 | 137.932 | 155.653 |
| D&A | 26.420 | 28.803 | 29.921 | 32.630 | 38.737 | 42.670 | 49.604 |
| WCC | -28.713 | -33.623 | -27.498 | -28.723 | -31.851 | -35.252 | -38.979 |
| CAPEX | -41.833 | -56.984 | -57.300 | -76.714 | -79.635 | -40.195 | -44.043 |
| FCFF | 22.752 | 2.819 | 43.309 | 42.496 | 58.318 | 105.154 | 122.235 |
| discount factor | | | 0,88 | 0,77 | 0,68 | 0,59 | 0,52 |
| NPV FCFF | | | 38.022 | 32.754 | 39.461 | 62.466 | 63.748 |
| PV FCFF | 236.449 | | | | | | |
| PV Terminal Value | 751.588 | | | | | | |
| Terminal growth | 5,0% | | | | | | |
| Firm Value | 988.038 | | | | | | |
| Net Debt | 188.896 | | | | | | |
| Minorities | 37.860 | | | | | | |
| Equity Value | 761.282 | | | | | | |
| No. shares | 40.353 | | | | | | |
| Target Price | 18,9 | | | | | | |
| Market Price | 20,050 | | | | | | |
| Upside/Downside | -5,91% | | | | | | |

source: wine, own estimates

Multiples valuation

We evaluate the company using the average of the EV/EBITDA, P/E, and P/B multiples of a group of 11 comparable companies with similar business models to Purcari.

Relative valuation indicates an average price per share of RON 24.7, 23% above the current market level.

| Multiples | 2025e | +/- |
|--------------------------|--------------|-------|
| Target Price @ EV/EBITDA | 25,75 | 28,4% |
| Target Price @ P/E | 25,35 | 26,5% |
| Target Price @ P/B | 23,01 | 14,7% |
| Target Price AVG | 24,70 | |
| Market Price WINE | 20,50 | |
| Upside/Downside | 23,2% | |

source: Bloomberg, own estimates

| 2025e | Wine | Peers |
|-------------|-------|-------|
| PE | 9,11 | 11,52 |
| EV/EBITDA | 9,03 | 8,36 |
| PB | 1,87 | 0,93 |
| PB ROE adj. | 1,87 | 2,15 |
| ROE | 17,7% | 7,6% |

source: Bloomberg, WINE, own estimates

Financial Statements

| (RON 000, consolidated) | Reported 2022 | Reported 2023 | Reported 2024 | Estimated 2025e | Estimated 2026e | Estimated 2027e | Estimated 2028e | Estimated 2029e |
|-------------------------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Revenue | 302.487 | 369.645 | 382.325 | 458.300 | 522.228 | 579.111 | 640.949 | 708.708 |
| Cost of Goods Sold | -156.305 | -194.596 | -173.816 | -211.565 | -240.032 | -265.018 | -307.656 | -340.180 |
| Gross Profit | 146.182 | 175.049 | 208.509 | 251.902 | 282.197 | 314.092 | 333.294 | 368.528 |
| Marketing and sales expenses | -39.300 | -44.538 | -57.884 | -68.049 | -72.295 | -76.115 | -79.757 | -83.227 |
| General expenses & admin | -28.293 | -31.774 | -39.978 | -37.061 | -40.026 | -43.228 | -46.687 | -50.422 |
| EBITDA | 78.588 | 98.738 | 110.647 | 146.792 | 169.875 | 194.748 | 206.850 | 234.879 |
| Amortization and depreciation | -19.131 | -26.420 | -28.803 | -29.921 | -32.630 | -38.737 | -42.670 | -49.604 |
| Other income / (expenditure) | 645 | 1.897 | -3.975 | 17 | 19 | 21 | 24 | 26 |
| EBIT | 60.102 | 74.214 | 77.868 | 116.888 | 137.264 | 156.033 | 164.204 | 185.301 |
| Financial income | 442 | 4.422 | 3.439 | 4.679 | 5.222 | 5.791 | 6.409 | 7.087 |
| Financial expenses | -7.958 | -7.645 | -10.539 | -9.826 | -10.967 | -12.161 | -13.460 | -14.883 |
| Other financial income / (expenses) | 28.259 | 0 | 0 | 1.872 | 2.089 | 2.316 | 2.564 | 2.835 |
| Pre-tax Profit | 80.845 | 70.991 | 70.769 | 111.741 | 131.520 | 149.663 | 157.154 | 177.506 |
| Income Tax | -12.099 | -7.018 | -12.038 | -17.879 | -21.043 | -23.946 | -25.145 | -28.401 |
| Net Income | 68.746 | 63.973 | 58.731 | 93.862 | 110.477 | 125.717 | 132.009 | 149.105 |
| Other adjustments | (4.420) | 16.045 | -2.317 | -4.583 | -5.222 | -5.791 | -6.409 | -7.087 |
| Net result before minorities | 64.326 | 80.018 | 56.413 | 93.862 | 105.254 | 119.925 | 125.600 | 142.018 |
| Minorities | 3.659 | 5.136 | 4.101 | 5.069 | 5.684 | 6.476 | 6.782 | 7.669 |
| Net Income | 60.667 | 74.882 | 52.313 | 88.794 | 99.571 | 113.449 | 118.817 | 134.349 |

source: WINE, own estimates

| (RON 000, consolidated) | Reported 2022 | Reported 2023 | Reported 2024 | Estimated 2025e | Estimated 2026e | Estimated 2027e | Estimated 2028e | Estimated 2029e |
|---|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Tangible Assets | 222.664 | 247.728 | 295.228 | 329.976 | 383.886 | 455.727 | 533.371 | 620.051 |
| Intangible Assets | 17.464 | 15.542 | 4.660 | 15.876 | 18.470 | 21.927 | 25.662 | 29.833 |
| Other Fixed Assets | 6.851 | 5.574 | 8.184 | 17.328 | 20.159 | 23.932 | 28.009 | 32.561 |
| Total Fixed Assets | 246.980 | 268.844 | 308.072 | 363.181 | 422.515 | 501.586 | 587.043 | 682.445 |
| Inventory | 212.772 | 265.893 | 300.067 | 337.903 | 393.107 | 394.879 | 462.155 | 537.262 |
| Receivables | 78.207 | 85.342 | 101.104 | 119.978 | 139.579 | 165.700 | 193.931 | 225.448 |
| Other Current Assets | 8.126 | 6.412 | 9.368 | 11.753 | 13.673 | 16.232 | 18.998 | 22.085 |
| Cash and Cash Equivalents | 23.455 | 18.618 | 20.703 | 33.603 | 39.092 | 118.204 | 138.343 | 160.826 |
| Total Current Assets | 322.560 | 376.265 | 431.242 | 503.236 | 585.452 | 695.016 | 813.427 | 945.621 |
| Total Assets | 569.539 | 645.109 | 739.315 | 899.334 | 1.007.967 | 1.196.602 | 1.400.470 | 1.628.066 |
| Retained Earnings | 186.779 | 225.091 | 254.270 | 317.772 | 379.872 | 450.628 | 524.732 | 608.522 |
| Other Equity | 87.759 | 104.905 | 106.130 | 114.076 | 133.873 | 159.261 | 189.065 | 221.277 |
| Shareholder Equity | 274.538 | 329.997 | 360.399 | 431.848 | 513.745 | 609.889 | 713.797 | 829.799 |
| Minority Interests | 33.030 | 35.923 | 37.860 | 38.866 | 46.237 | 54.890 | 64.242 | 74.682 |
| Total Shareholder Equity | 307.568 | 365.919 | 398.259 | 470.714 | 559.982 | 664.779 | 778.039 | 904.481 |
| Long-term Financial Liabilities | 44.245 | 105.842 | 128.226 | 142.477 | 165.755 | 196.774 | 230.299 | 267.726 |
| Other Long-term Liabilities | 36.150 | 34.419 | 33.933 | 47.148 | 49.278 | 58.501 | 68.467 | 79.594 |
| Trade and Other Payables | 79.572 | 86.942 | 84.616 | 107.155 | 111.996 | 132.956 | 155.608 | 180.896 |
| Short-term Financial Liabilities | 88.432 | 40.802 | 81.545 | 120.014 | 125.436 | 148.910 | 174.281 | 202.604 |
| Other Short-term Liabilities | 13.572 | 11.184 | 12.736 | 11.826 | 11.944 | 12.063 | 12.184 | 12.306 |
| Total Liabilities | 261.971 | 279.190 | 341.056 | 428.620 | 447.985 | 531.823 | 622.431 | 723.585 |

source: WINE, own estimates

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| | |
|--------------------|---|
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