



Confectionery Manufacturing Industry Survey

Prepared based on 2018 data





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Reason of research

This study serves to reveal the current trends in the confectionery production industry, based on the 2018 financial statements of companies of the third size category.

The report presents the average financial indicators of the industry, which forms a "benchmark" of the industry and provides information on its financial situation.



Methodology

The data used in the study were taken from the website of the reporting portal, where annual financial statements are published in accordance with the legislation of Georgia.

These companies belong to the third category of companies, none of which reports have been audited.

The mentioned information is based on the data of 2018, attention is focused on the leading companies in the market, the number of which is 17.

The study focuses on the overview of the confectionery products market, specifically on the production and export-import of products, the data is taken from the website of the International Trade Center.





Research Results

The study reviews confectionery companies with a total turnover exceeding 121 million GEL, total assets of 61 million GEL, and total profit before taxation reaching 13 million GEL.

The study identified industry-leading companies in terms of revenues, assets and profits.

As a result of the data analysis, it was determined that Georgian companies in the confectionery industry have the following financial indicators: the average return on assets (ROA) was 25%, and the return on capital (ROE) was 40%.

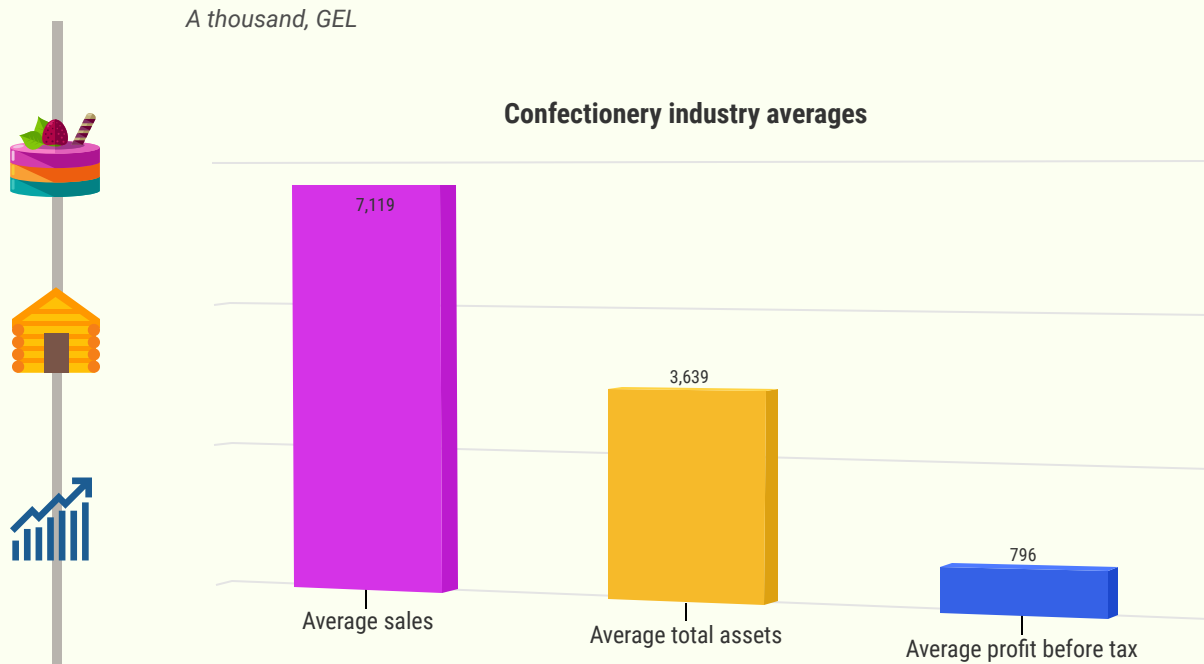
In addition, financial ratios of industry average liquidity, efficiency and solvency were determined.



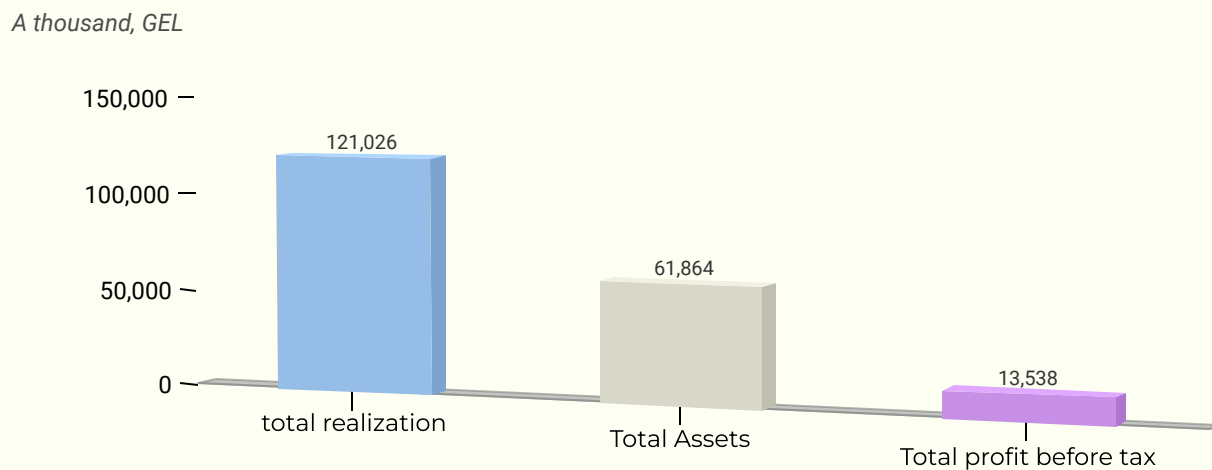


Research Results

As a result of the research, the average data of the companies in 2018 was also revealed. All of these 17 companies belong to the third category. The industry as a whole is quite large and has good average and aggregate financial data.



Below are the total financial data of the industry, based on which we can say that the industry has quite a lot of potential.





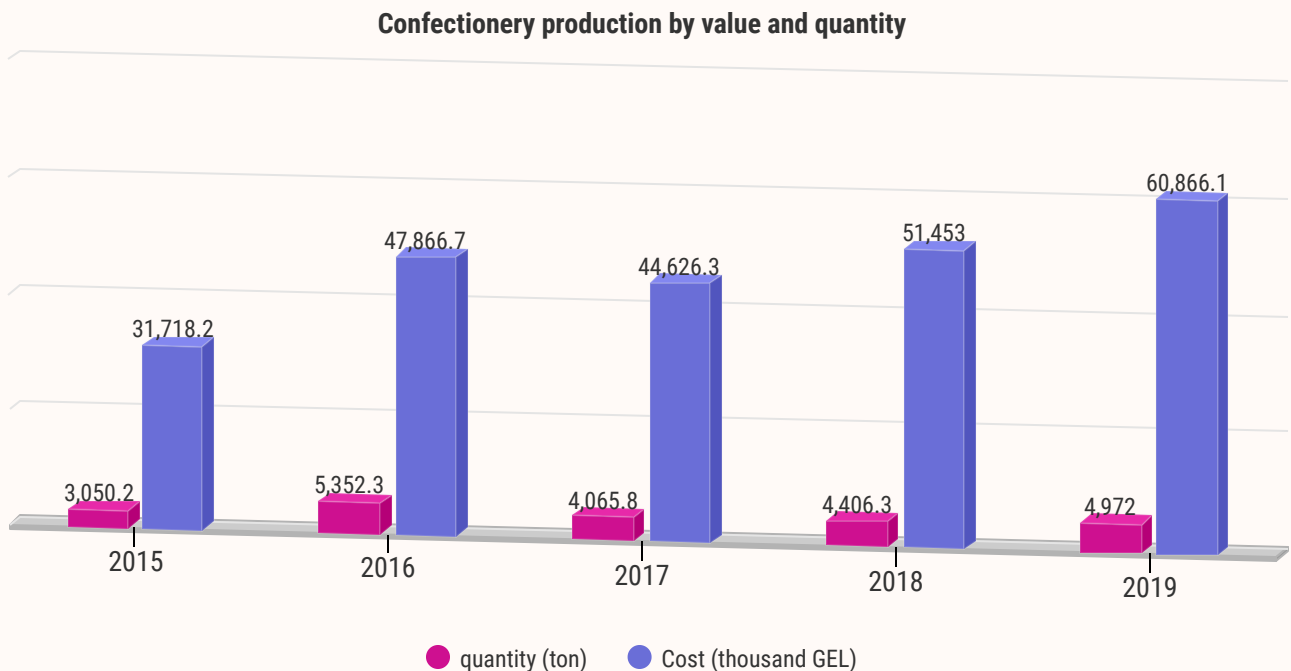
General overview of the confectionery market

The confectionery market in Georgia has been stable for the last five years, although the country has the potential to produce much more and high-quality products that meet the needs of the country. Therefore, the number of companies producing confectionery products will increase and, accordingly, the volume of production.

According to the data of the website of the reporting portal, in 2018, the number of companies producing and selling confectionery products was 17.

Below is the production of confectionery products for the last five years, according to the official data of Geostat.

Tons / thousand GEL



Source:geostat.ge

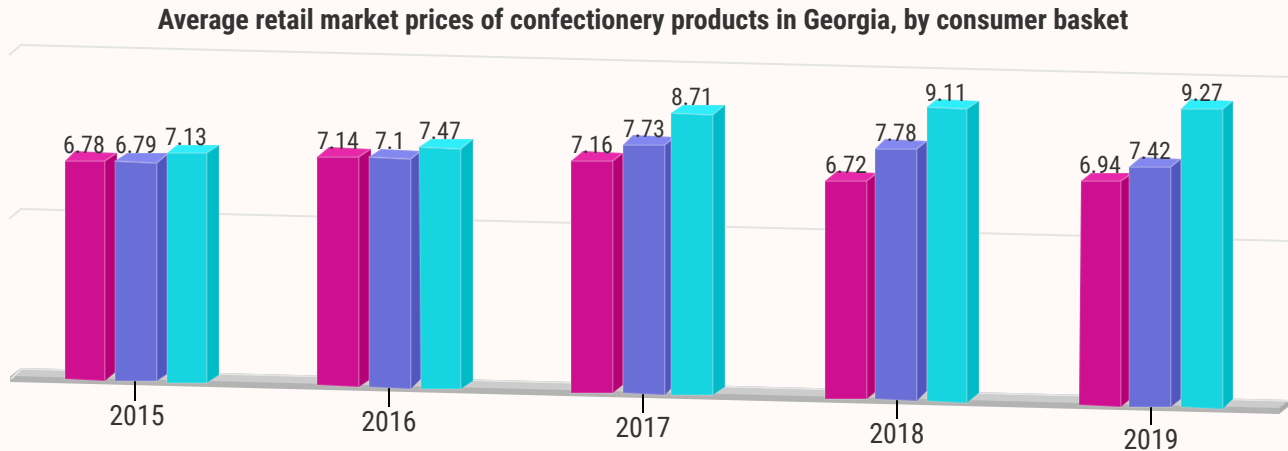
As can be seen from the graph, the maximum number of confectionery products in the last five years was recorded in 2016 and amounted to 5,352.3 tons. And the maximum value in 2019 is 60,866.1 thousand GEL, which indicates that the price of confectionery products has increased in recent years.



General overview of the confectionery market

The average retail market price of confectionery products in Georgia, according to the consumer basket, is as follows:

GEL, kg



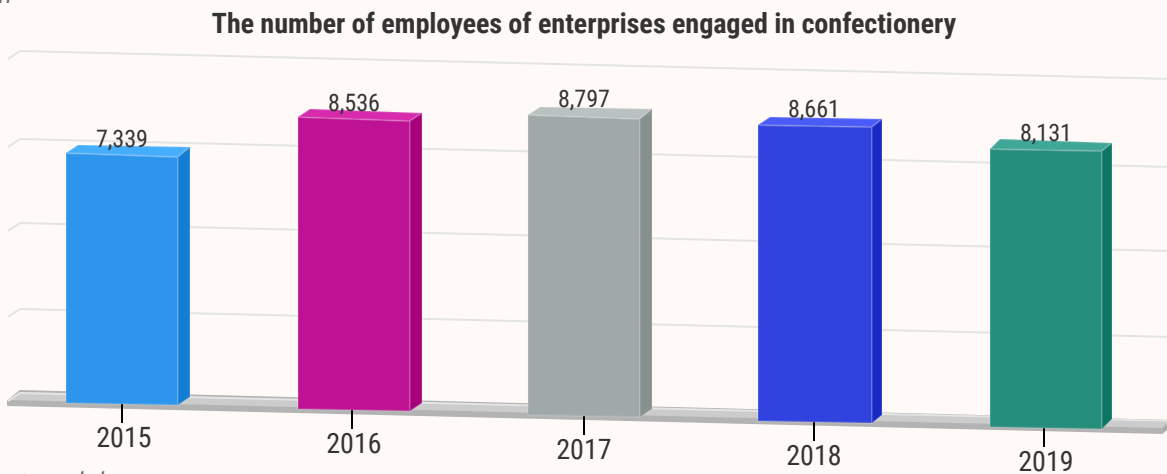
Source:geostat.ge

● biscuit ● Waffle with cream ● Cake

As can be seen from the graph, the price of cake has been relatively high in the last five years.

As for the number of employees of enterprises engaged in confectionery products, the following are:

Person



Source:geostat.ge

As can be seen from the graph, in 2017 there was the maximum number of employees in confectionery activities, according to the data of the last five years.

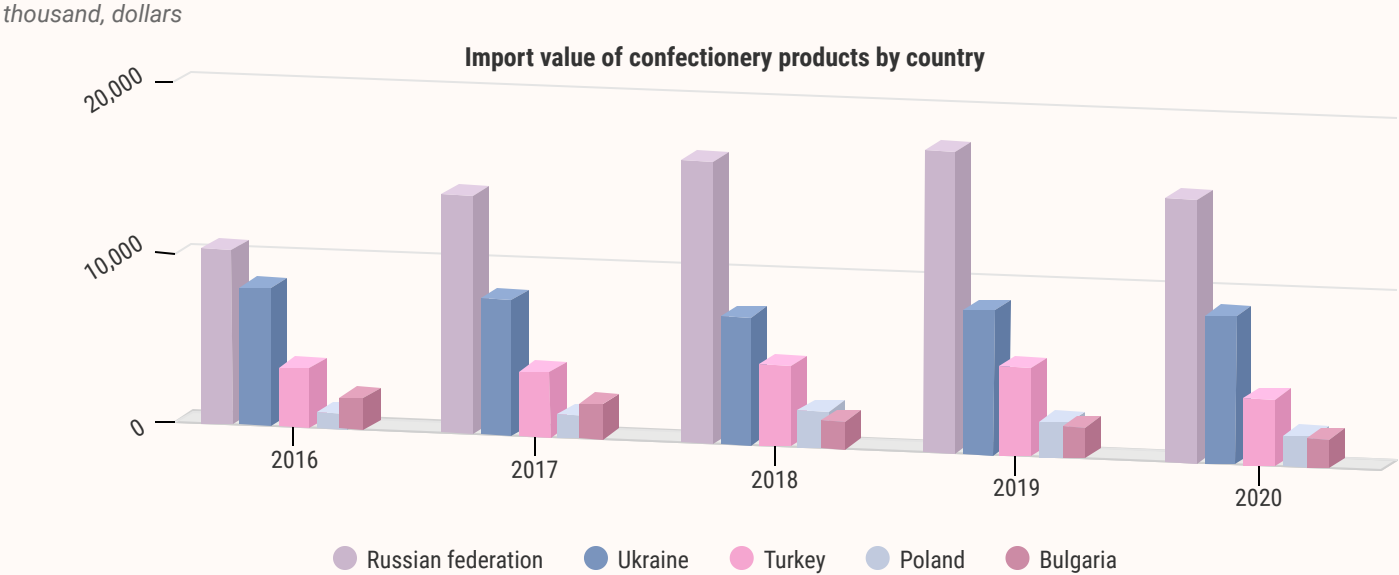


General overview of the confectionery market

According to the International Trade Center, the total value of imported confectionery products in 2019 increased compared to previous years, indicating an increase in demand or an increase in the price of products. In 2018, the total value of imported confectionery products amounted to 37,161 thousand US dollars, and in 2019 it increased to 40,714 thousand US dollars.

The top five countries from which the main confectionery products are imported, as of 2019, are as follows: Russian Federation, Ukraine, Turkey, Poland and Bulgaria.

Below, in the form of a diagram, the value of imports by country, the statistics of the last five years are presented:



Source: International Trade Center

As can be seen from the graph, the top importing country in the last five years is the Russian Federation, from which the main part of confectionery products is imported. The highest figure was recorded in 2019, the value of imports amounted to 17,750 thousand USD, and in 2018 it exceeded 16,500 USD. After the Russian Federation comes Ukraine, in 2018 USD 7,519 thousand and USD 8,528 thousand in 2019.

Among the top countries, the smallest amount is imported from Bulgaria, in the last 5 years in 2017, the maximum value of confectionery production was recorded and amounted to 2,066 thousand USD.

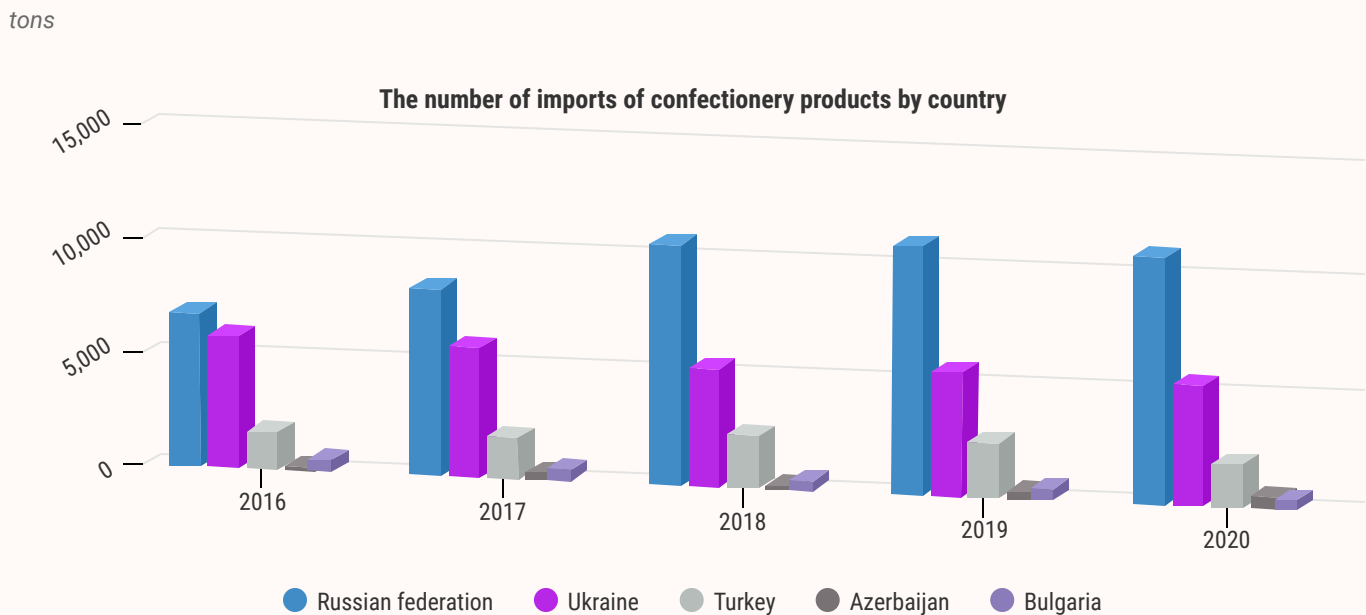


General overview of the confectionery market

According to the International Trade Center, the total number of confectionery products imported in 2019 increased slightly compared to the previous year. In 2018, the total amount of imported confectionery products amounted to 21,246 tons, and in 2019, it increased to 22,122 tons.

The top five countries from which the main confectionery products are imported by volume, as of 2019, are as follows: Russian Federation, Ukraine, Turkey, Azerbaijan and Bulgaria.

Below, in the form of a diagram, the number of imports by country, and the statistics for the last five years are presented:



Source: International Trade Center

As can be seen from the graph, in the last five years, the main importing country in terms of quantity is the Russian Federation, from which the main part of confectionery products is imported. The highest figure in the last five years was recorded in 2019, the amount of imports amounted to 10,988 tons, and in 2018, 10,670 tons were recorded. Next comes Ukraine, in 2016 the highest amount of imports was recorded in the last five years and amounted to 5,884 tons.

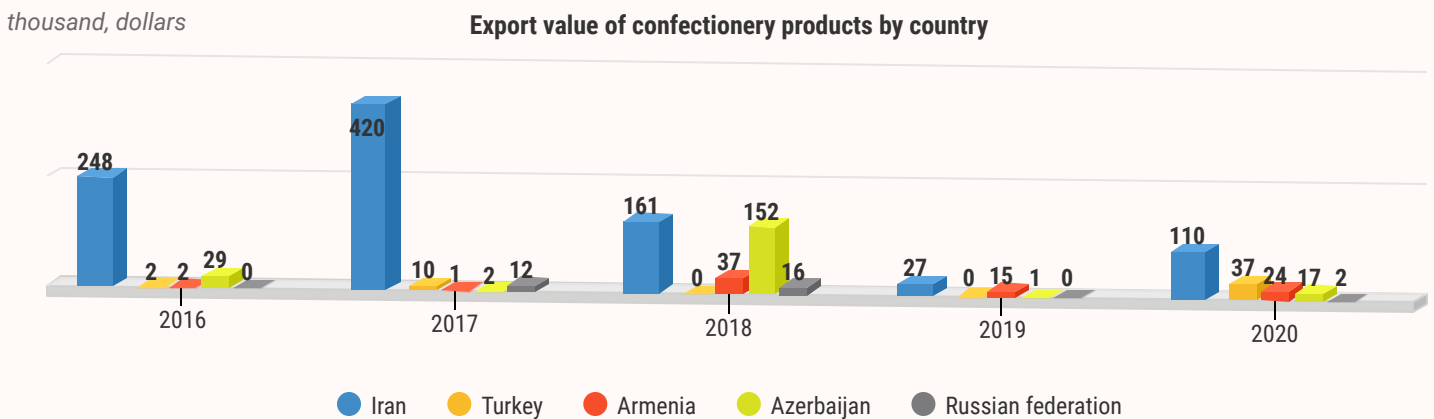


General overview of the confectionery market

As for export, confectionery products are taken out of the country in rather small quantities, although it is interesting where they go and how much. According to the International Trade Center, the total value of exported confectionery products in 2019 amounted to 139 thousand US dollars, and in 2020 it increased slightly and was recorded at 192 thousand US dollars.

The top exporting countries by value are Iran, Turkey, Armenia, Azerbaijan, and the Russian Federation.

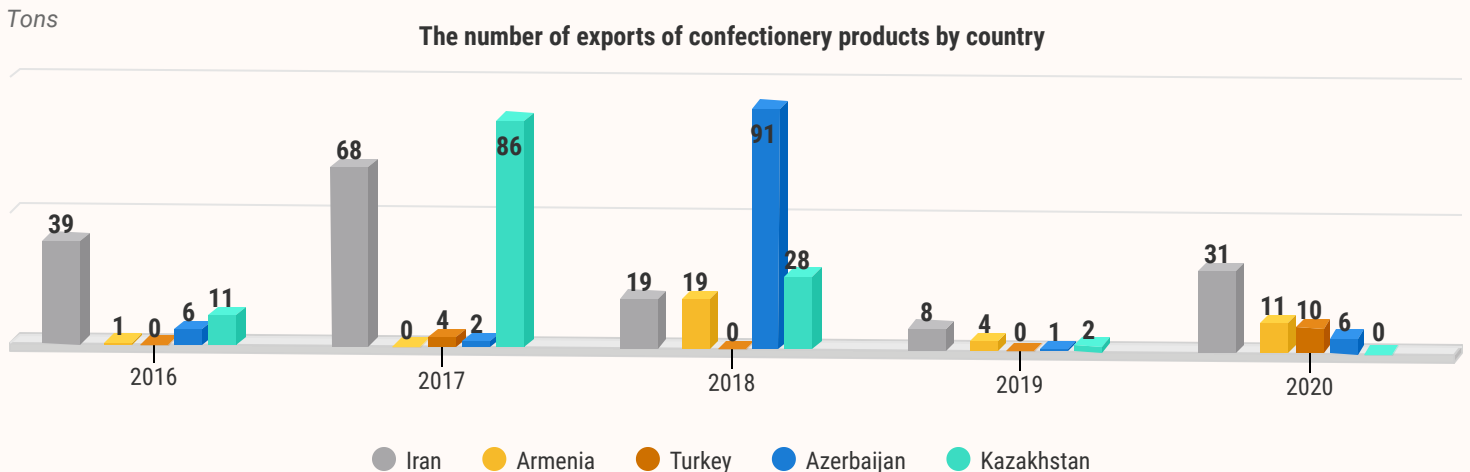
Below is a chart showing the value of exports by top five countries, statistics for the last five years:



Source: International Trade Center

As can be seen from the graph, in the last five years, the largest value was exported in 2017, worth 845 thousand US dollars, the main part of which went to Iran.

Regarding the export of confectionery products by quantity, it is as follows:



As can be seen from the graph, in the last five years, in 2017, the largest amount of exports was recorded in Iran, 68 tons, and in 2019 in Israel, 37 tons.

Source: International Trade Center



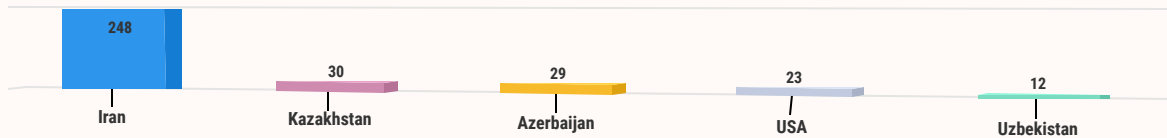
General overview of the confectionery market

Although the exports of confectionery products are not very large, it is interesting how the top countries have changed in the last four years.

Below is a chart of the top five exporting countries by year:

A thousand, dollars

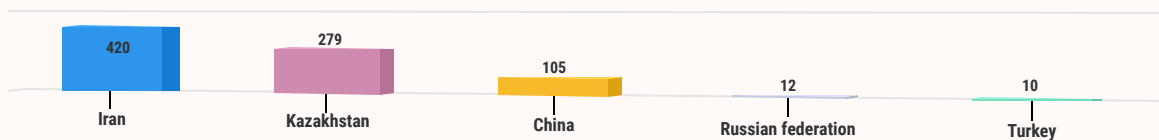
Exporting countries in 2016



Source: International Trade Center

A thousand, dollars

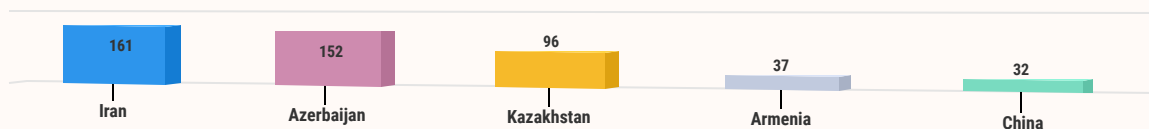
Importing countries in 2017



Source: International Trade Center

A thousand, dollars

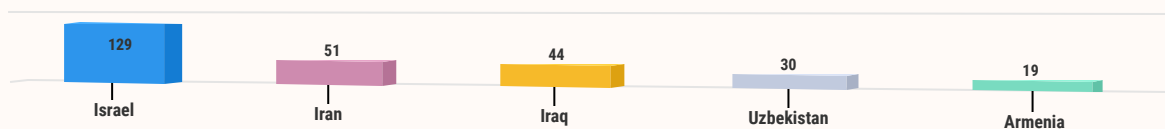
Importing countries in 2018



Source: International Trade Center

A thousand, dollars

Importing countries in 2019



Source: International Trade Center

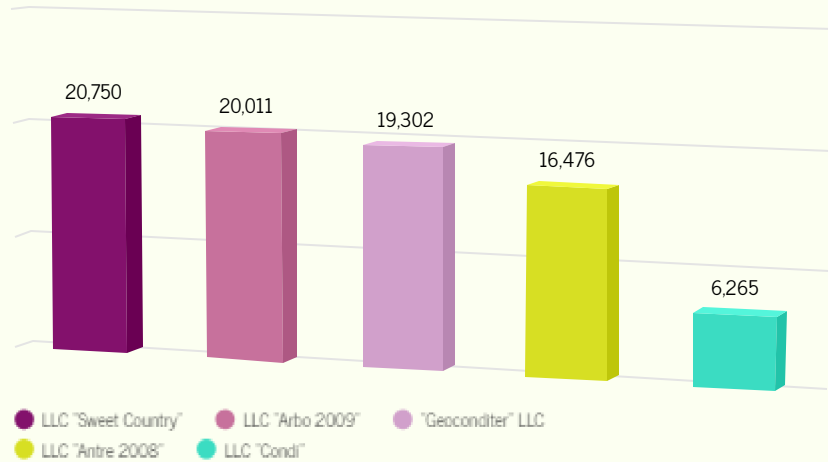
As can be seen from the graph, the top exporting countries and the value of the goods they import are quite variable.



Top 5 confectionery manufacturing companies by revenue (2018)

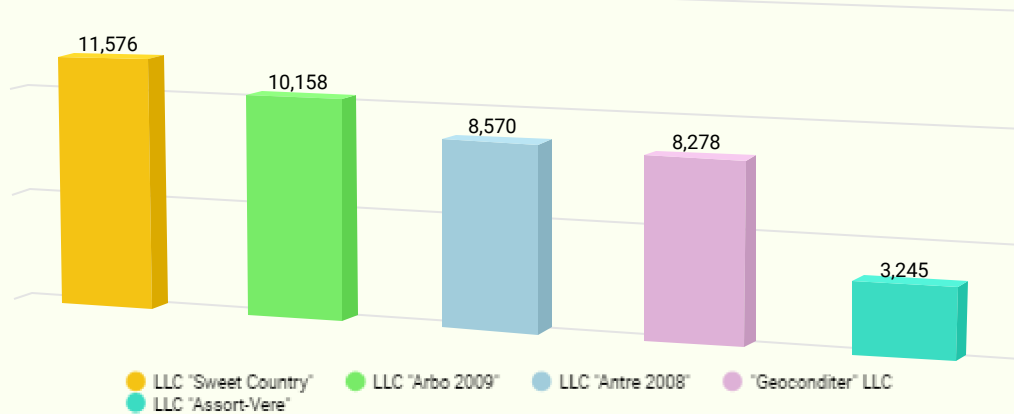
The total income of the mentioned companies represents 68% of the total income of the rest of the companies producing confectionery products.

thousand, GEL



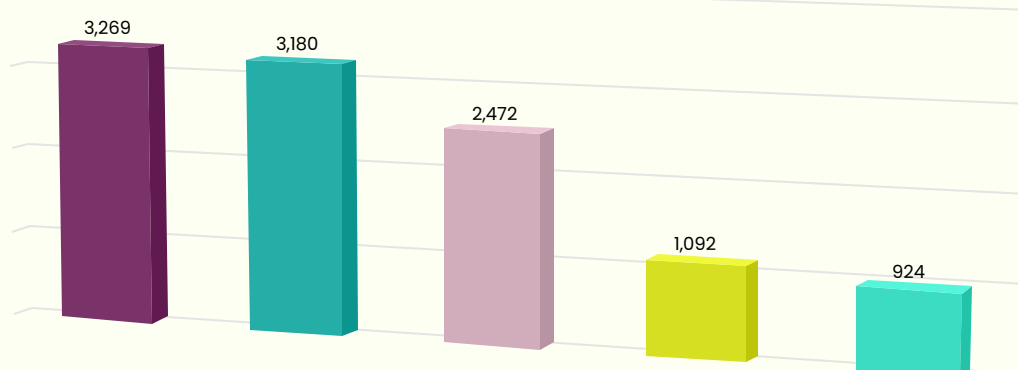
Top 5 companies in the confectionery industry by total assets (2018)

thousand, GEL



Profit before tax, top 5 companies in the confectionery industry (2018)

thousand, GEL

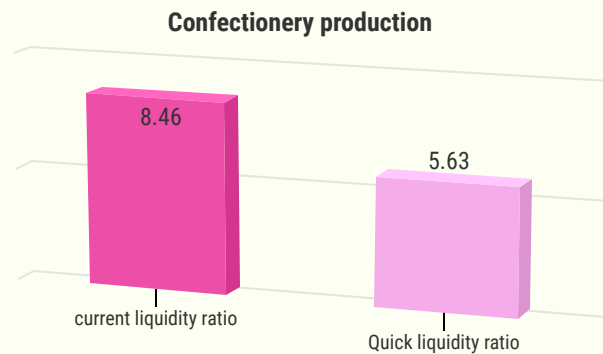




Industry Average Financial Ratios (2018)

Liquidity ratios

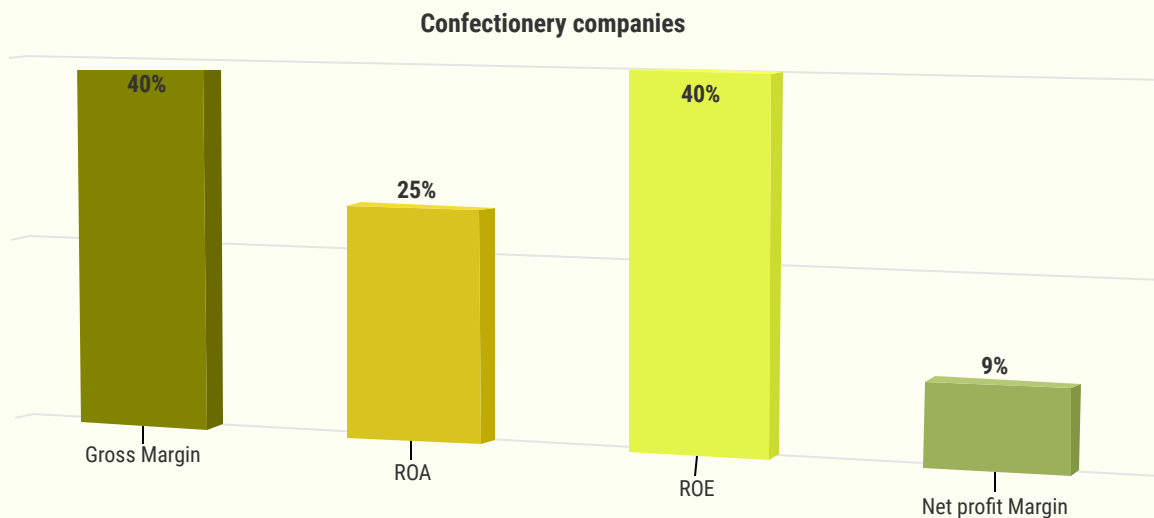
As a result of the research, the liquidity ratios of confectionery production companies were determined. Current and quick liquidity ratios were 8.46 and 5.63, when the liquidity ratio is greater than 1, the indicator is considered satisfactory.



Profitability ratios

The profitability ratios of the confectionery manufacturing companies are as follows: the gross profit margin ratio is 40%, the annual return on assets (ROA) is 25%, and the return on equity ROE is 40%.

Gross profit margin ratios greater than 40% should be noted, this indicator is an indicator of how much more than the cost of the company sells its product. To a large extent, this indicator determines the profitability of the industry. However, it is worth noting the rather high costs in the industry, due to which the net profit margin is only 9%.

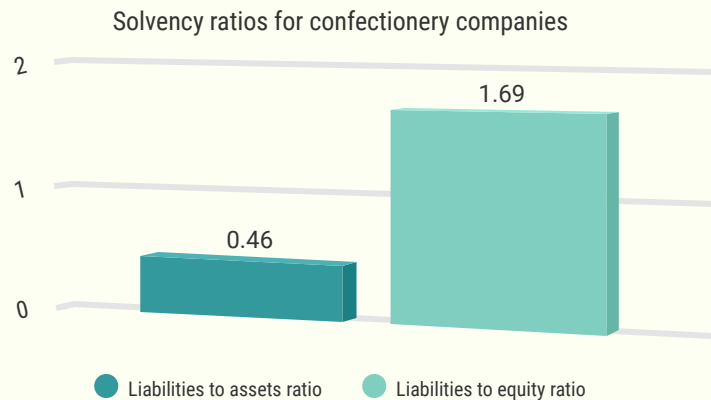




Industry average financial ratios (2018)

Solvency ratios

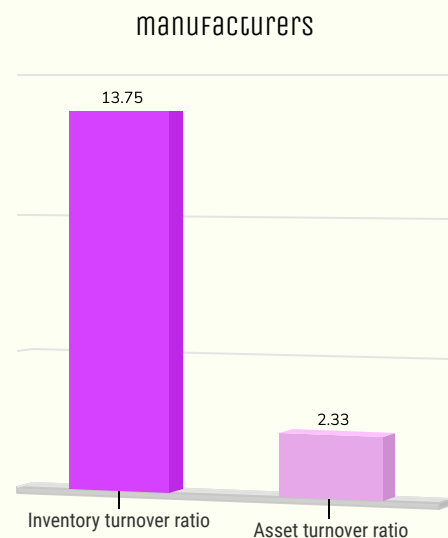
The liabilities to assets ratio shows the ratio of total assets to liabilities. For the confectionery industry, the ratio is equal to 0.46, and the ratio of liabilities to capital is also noteworthy, which is 1.69, which indicates how much liabilities exceed capital expenditures.



Efficiency coefficients

The inventory turnover ratio is 13.75 for Confectionery companies, which is a high ratio and indicates that companies are not having trouble selling their inventory. In general, the higher this ratio, the greater the number of sales and the less time the manufactured product spends in the warehouse.

The asset turnover ratio in the confectionery industry is 2.33 for manufacturers. The higher this ratio, the more efficiently the company is able to use its assets in relation to the volume of sales.







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