



Furniture Industry Benchmark Survey

Prepared based on 2018 data





Content

Page 3 - Methodology

Page 4 - Research Results

Page 6 - Overview of the furniture market

Page 9 - Basic Players

Page 10 - Financial ratios

Reason of research

The present study serves to identify trends in the furniture industry based on the first, second and third size category companies' financial statements for 2018.

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



Methodology

The data used in the study are taken from the website of the Reporting Portal, where the annual financial statements are published by the legislation of Georgia.



These companies belong to the second and third categories, of which only two companies are audited. 41% of the surveyed companies are manufacturing companies and 59% are furniture companies.

This information is based on 2018 data, the focus is on market leaders, the number of which is 22.



Research Results

The study focuses on the main companies in the furniture industry, with a total turnover of more than 110 million GEL, a total assets of 95 million GEL, and a total profit of up to 3 million GEL before taxation.

The study identified industry-leading companies in terms of revenue, assets and profits. The analysis of the data revealed that Georgian companies have the following financial indicators in the furniture industry: in particular, for furniture manufacturing companies, the profit on capital averaged 9% (ROE), the profit on assets (ROA) 14%. For stores, ROE accounted for 8%, while ROA accounted for 45%, resulting in a decrease in the number of assets of the latter.

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

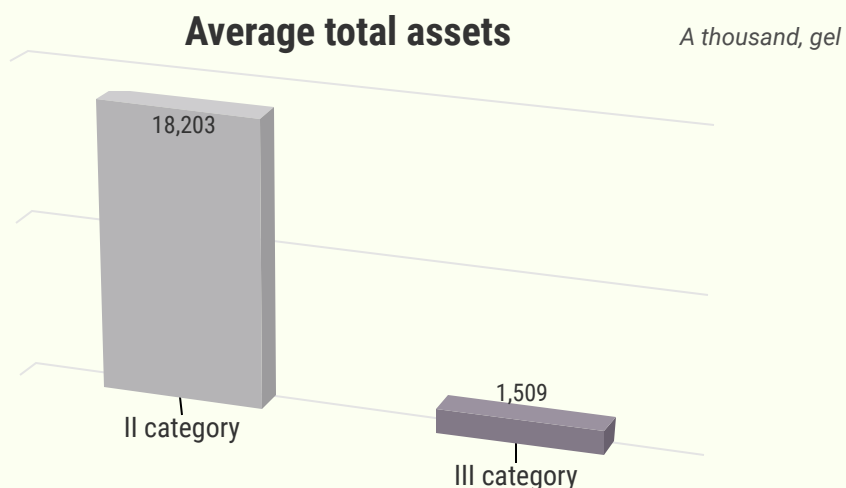
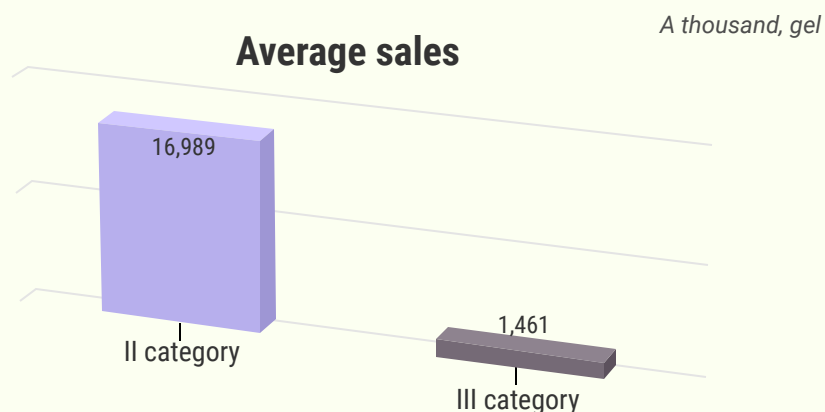
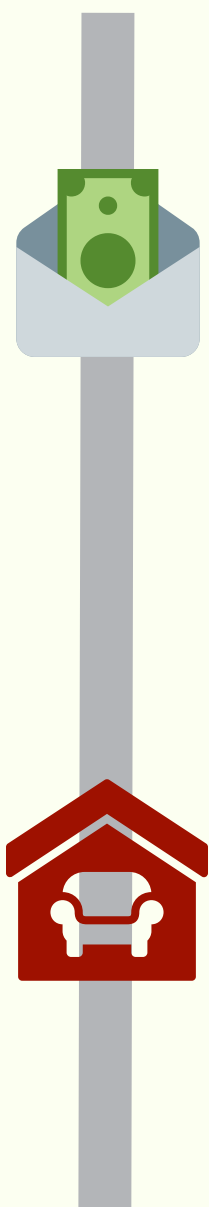
Also noteworthy is the number of companies (4) that ended the year with losses, indicating competition in the industry.





Research Results

The study also revealed the average data for 2018 companies by category. Of the 22 companies listed, only one belongs to the second category, while the remaining 21 companies merge into the third category.



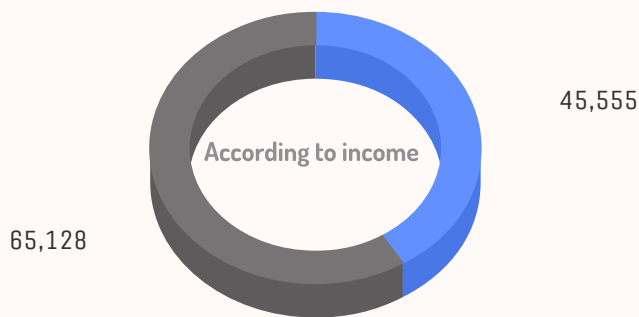


General overview of the furniture market

The furniture market in Georgia is gradually growing and developing, as the country has the potential to create and produce high quality furniture that meets the standards and requirements established in the country, thus increasing the number of furniture companies and thus increasing production.

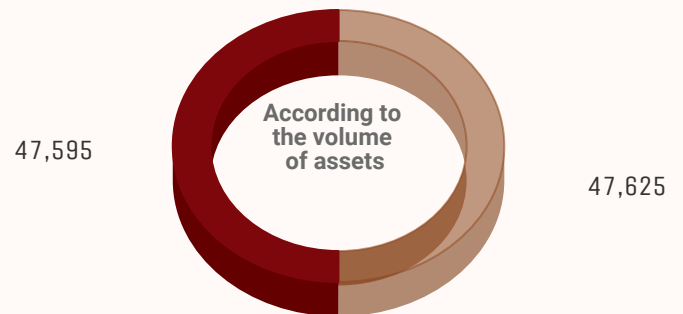
According to the website of the reporting portal, in 2018 the number of furniture manufacturing companies was 9, while the remaining 13 companies are furniture sellers. The graphs below show what part each occupies, according to the total revenue and assets of the industry.

A thousand, gel



■ Furniture manufacturing companies
■ Furniture trading companies

A thousand, gel



■ Furniture manufacturing companies
■ Furniture trading companies

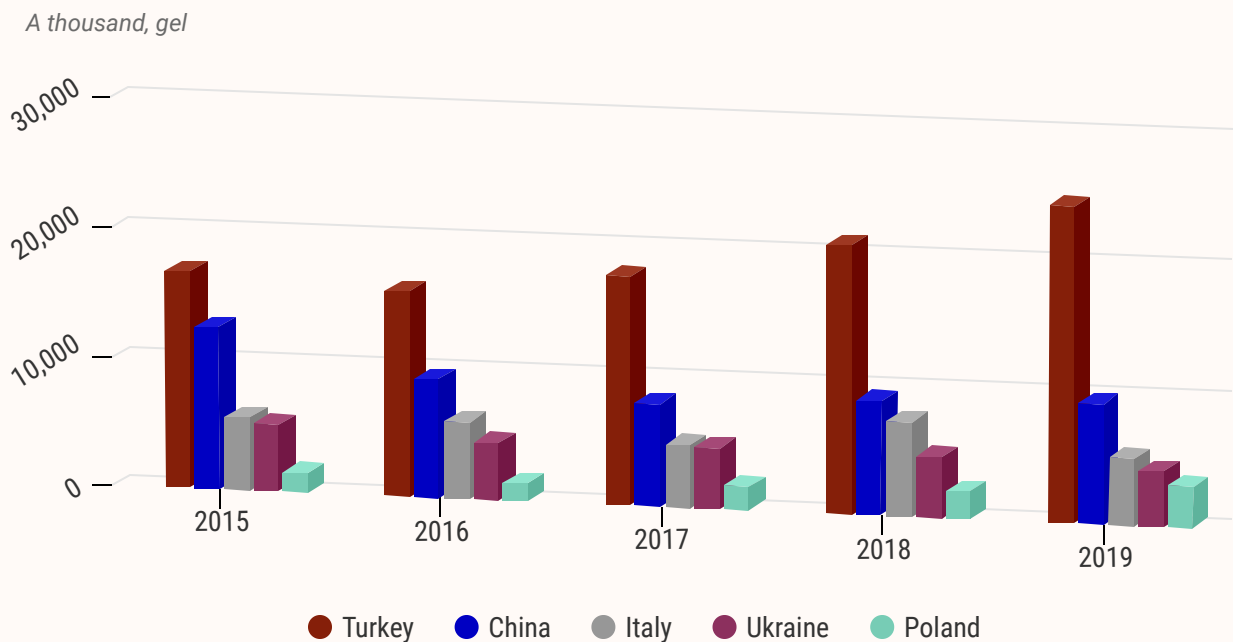
As can be seen from the graph, the main part of the revenue of this industry is occupied by furniture companies, 59% of the total revenue (65,128,787), which is quite high and clearly indicates the lack of local production.

The situation is similar with the volume of assets in the furniture industry, where imported furniture companies account for 50% of the total assets (47,595,366).



General overview of the furniture market

Quite a large part of the furniture industry is occupied by imported goods, therefore the import of furniture is increasing from year to year. According to international trade statistics, the total value of goods imported in 2018 amounted to 59,962 thousand US dollars, while in 2019 it exceeded 68 thousand US dollars. The top five countries from which basic furniture is imported are: Turkey, China, Italy, Ukraine and Poland. Below is a diagram of imports by country, with statistics for the last five years:



Source: International Trade Center

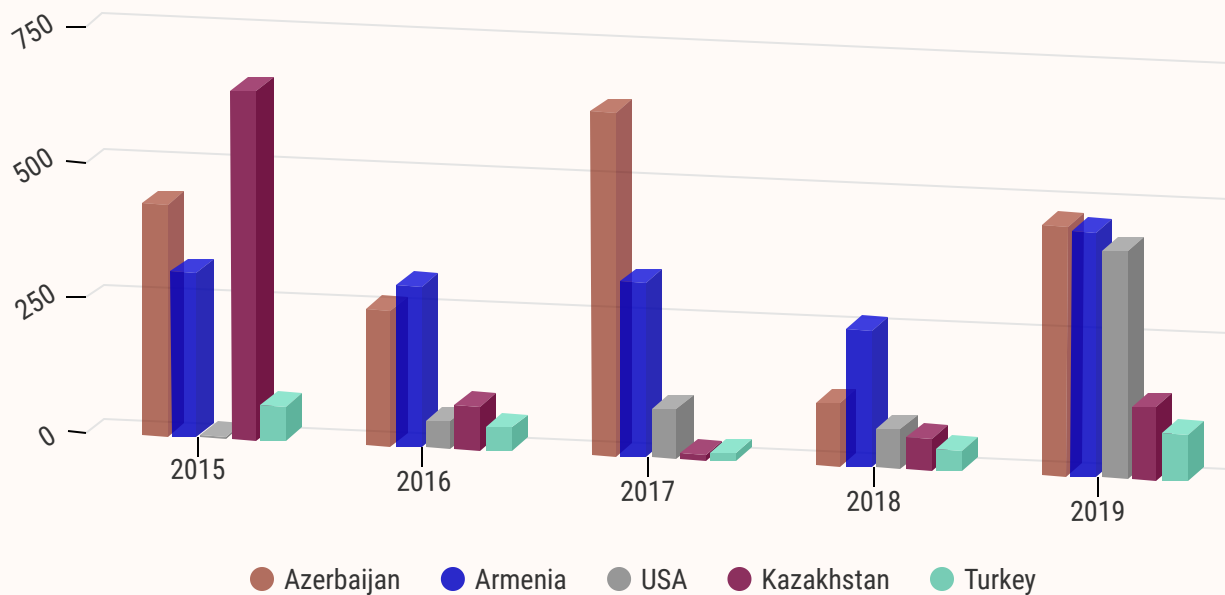
In 2018, most of the products were imported from Turkey, the value of imported goods amounted to 20,841 thousand US dollars, 8,891 thousand US dollars from China and 7,348 thousand US dollars from Italy. In 2019, the cost of imports increased compared to 2018, mainly at the expense of Turkey.



General overview of the furniture market

Although more than half of the furniture presented in Georgia is imported, the export data is quite effective, according to international trade statistics, the total value of goods exported in 2018 amounted to 874 thousand US dollars, while in 2019 it increased significantly to 1,764 thousand US dollars. The top five countries where most of our products are exported are: Azerbaijan, Armenia, USA, Kazakhstan, Turkey. Below, in the form of a diagram, are the exports by countries, statistics for the last five years:

A thousand, gel



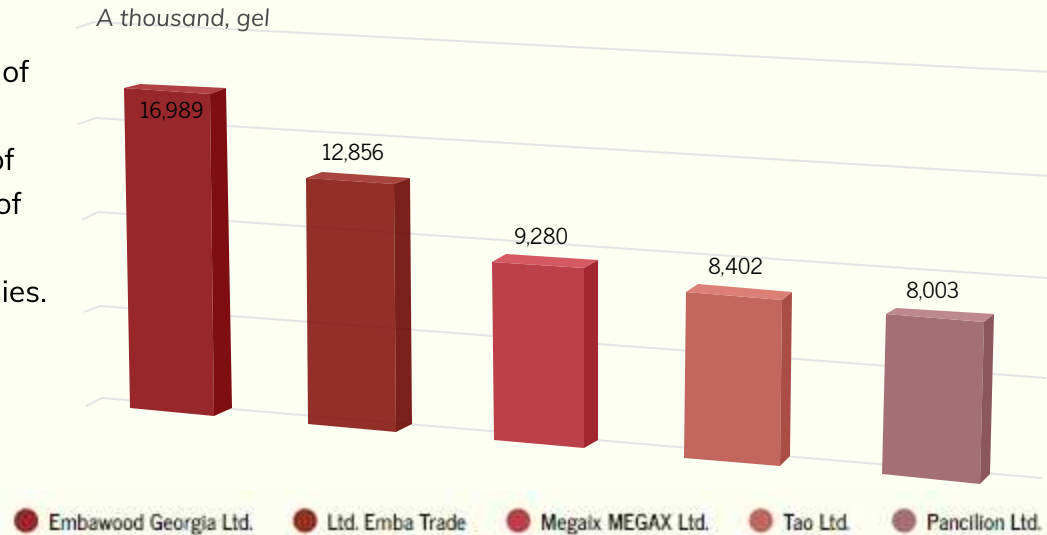
Source: International Trade Center

In 2018, the largest amount of products was exported to Armenia for 255 thousand US dollars, and in 2019 the cost of imports increased significantly compared to 2018, mainly at the expense of Azerbaijan, Armenia and the United States.

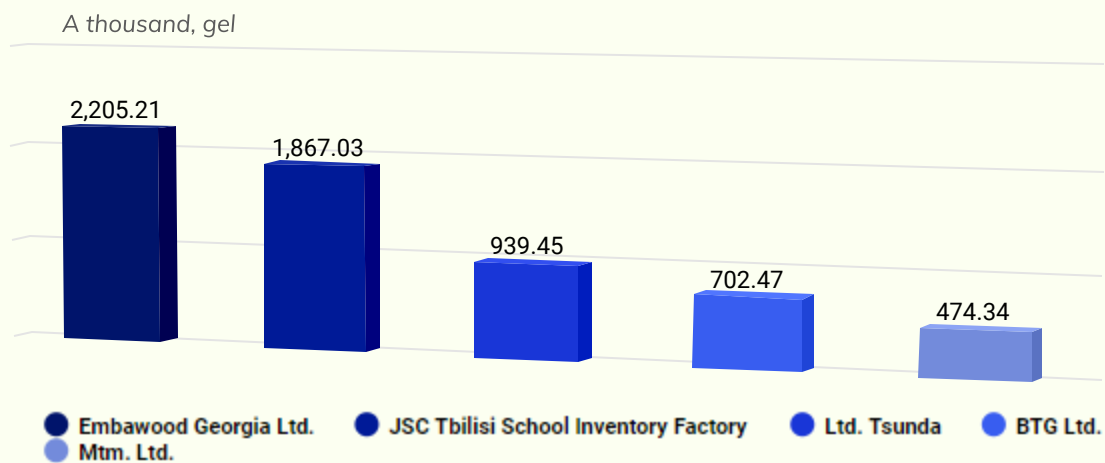


In terms of revenue, the top 5 companies in the furniture industry (2018)

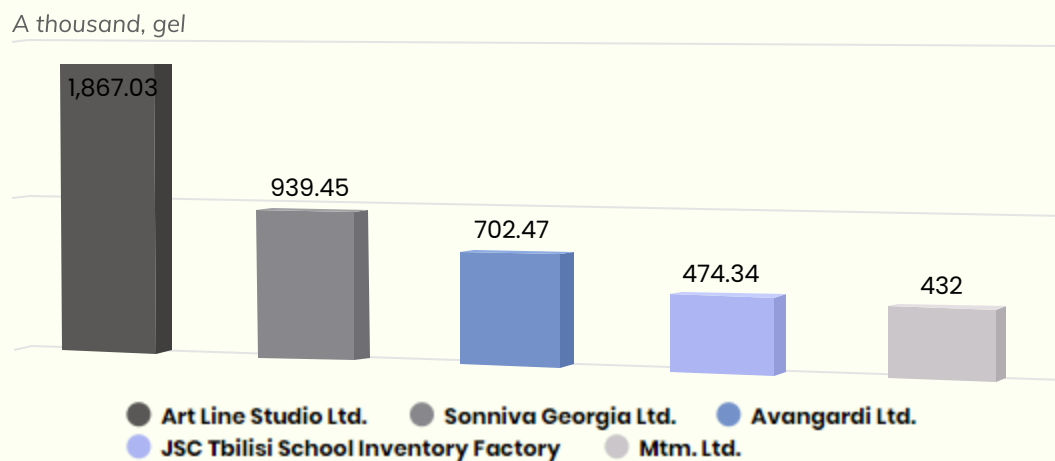
The total income of these companies represents 50% of the total income of the rest of the furniture companies.



According to total assets, the top 5 companies in the furniture industry (2018)



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

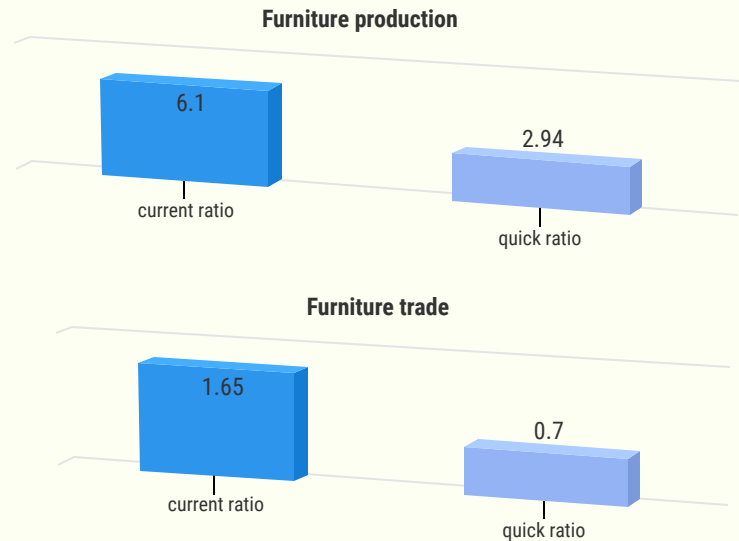




Average financial ratios of the industry (2018)

Liquidity ratios

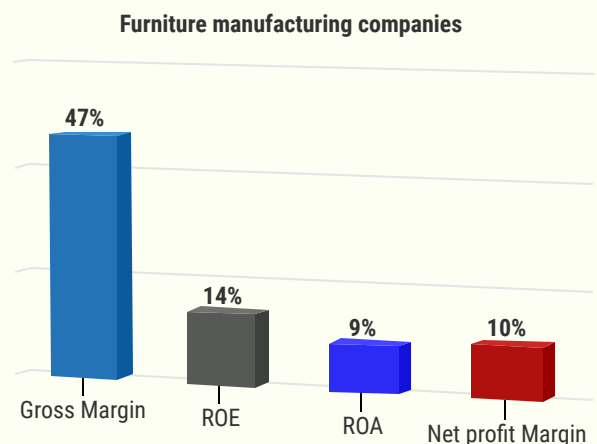
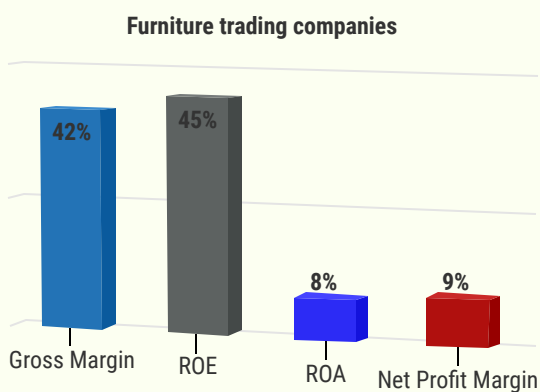
The study found the liquidity ratios of the furniture industry and manufacturing companies. The current and fast liquidity ratios of furniture manufacturers were 6.1 and 2.94, while the ratios of furniture companies were 1.65 and 0.7, respectively. When the liquidity ratio is greater than 1, the indicator is considered satisfactory.



Profit ratios

The profit ratios of furniture companies were as follows: the gross profit margin was 42%, which is slightly lower than the similar data of furniture manufacturing companies - 47%. Return on equity (ROE) is 8%, while the return on assets is 45%, similar data for furniture companies is 9% and 14%.

It should be noted that the high income margin ratios, which exceed 40%, this indicator is an indicator of how much the company sells its product compared to the cost. To a large extent, this indicator determines the profitability of the industry. However, quite high costs in the industry are also noteworthy, which is why the profit margin is 9% -10%.



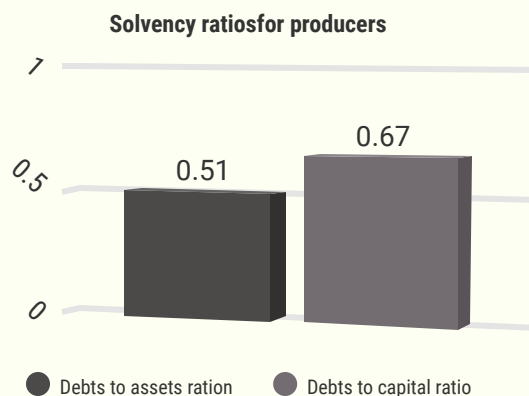
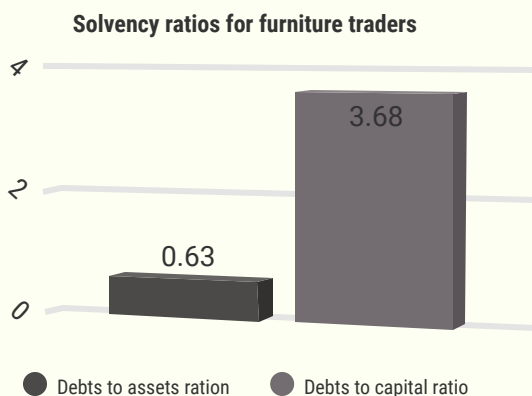


Average financial ratios of the industry (2018)

Debt ratios

Debts to assets ratio shows the ratio of total assets to liabilities. The industry average is equal to 0.63 for stores and 0.51 for manufacturers, indicating a decrease in liabilities to assets.

It is also worth noting debts to capital ratio, which amounted to 3.68 for furniture companies and 0.67 for manufacturers, indicating relatively small capital investments of furniture companies.

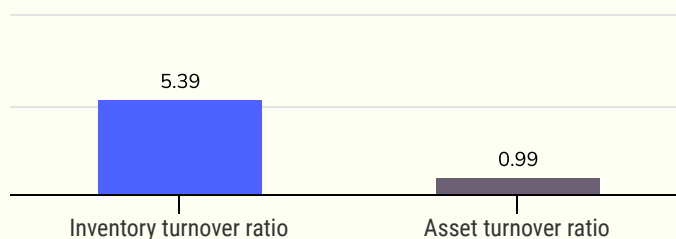


Efficiency ratios

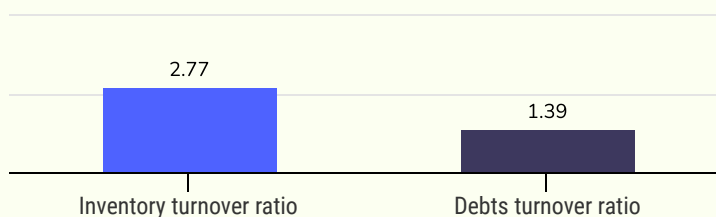
Inventory turnover ratio is 5.39, for manufacturers and 2.77 for furniture retailers, which is a high rate and indicates that companies are not having a hard time realizing their stock. In general, the higher this ratio, the higher the number of sales and the less time it takes to produce the product in stock.

Asset turnover ratio in the furniture industry is 0.99, the higher this ratio, the more efficiently the company is able to use its assets in relation to sales volume. The same ratio for furniture companies is 1.39, which is due to the relatively low assets of the latter.

Furniture manufacturing companies



Furniture trading companies





The report was prepared by AGIC, a consulting firm that has been operating since 2007 and provides the highest quality services in the areas of auditing, accounting, business consulting and marketing.

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