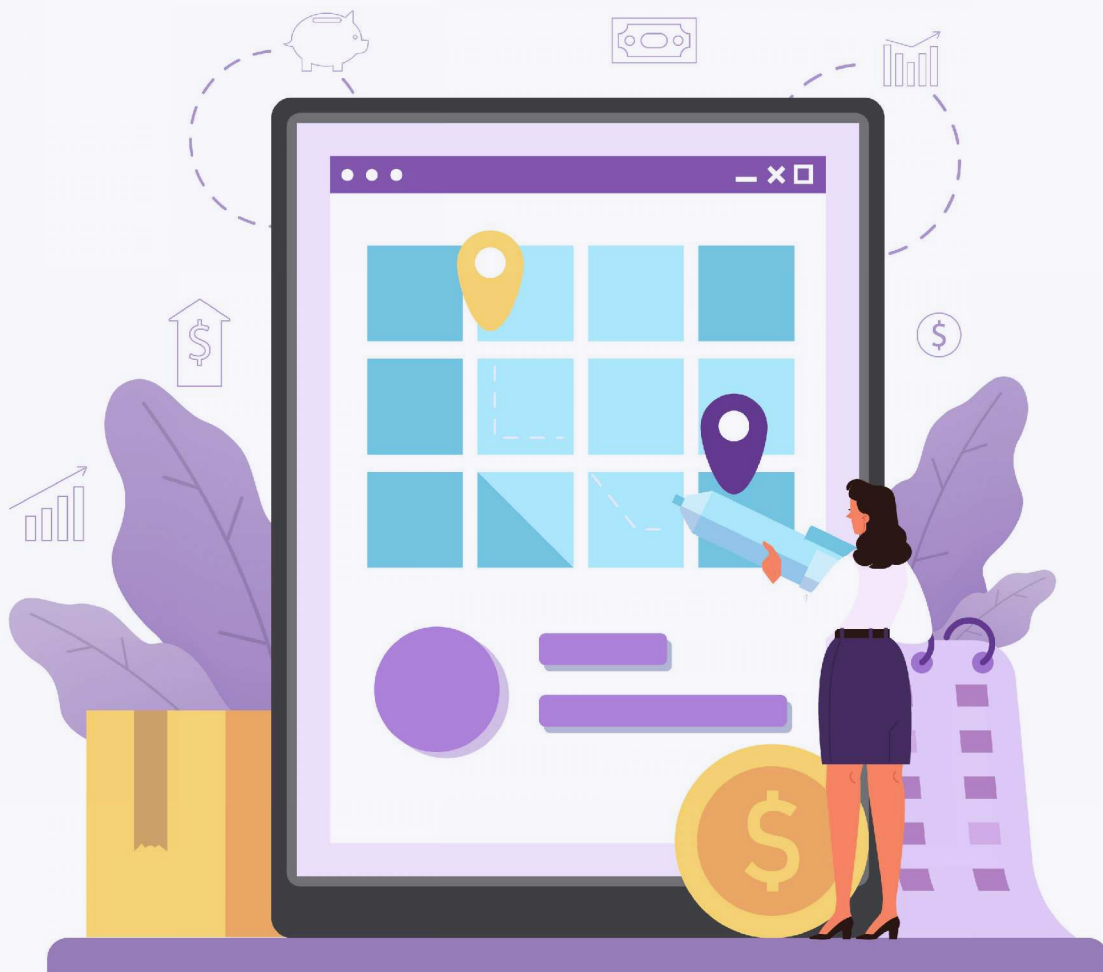




Survey of distribution companies industry in Georgia

Prepared based on 2020 data





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კვლევის მიზანი

მოცემული კვლევა ემსახურება სადისტრიბუციო და საბითუმო ვაჭრობის ინდუსტრიის მიმოხილვას, არსებული ტენდენციების გამოვლენას, პირველი, მეორე და მესამე ზომითი კატეგორიის კომპანიების 2020 წლის ფინანსური ანგარიშგებების საფუძველზე. რეპორტში წარმოდგენილია დარგის საშუალო ფინანსური მაჩვენებლები, რომელიც აყალიბებს დარგის "ბენჩმარკს" და იძლევა ინფორმაციას მის ფინანსურ მდგომარეობაზე.



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 distribution companies belong to the first, second and third categories. The mentioned information is based on the data of 2020, the research will consider the companies operating in the distribution industry, the total number of which is 20. The study focuses on the overview of the industry, specifically on the number of companies and financial indicators, the data is taken from the National Statistics Service of Georgia and the reporting portal.





Research Results

The study reviews the companies in the distribution sector, whose total turnover in 2020 exceeds 844 million GEL, and the total assets amount to 338 million GEL.

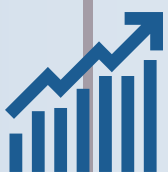
As a result of the data analysis, it was established that the distribution companies in Georgia have the following financial indicators: the average return on assets (ROA) was 19%, and the return on capital (ROE) was 30%. In addition, financial ratios of industry average liquidity and solvency were determined.





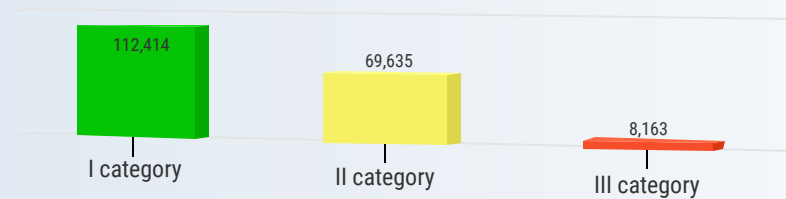
Research Results

კვლევის შედეგად ასევე გამოვლინდა სადისტრიბუციო კომპანიების 2020 წლის საშუალო მონაცემები. მოცემული 20 კომპანიდან 3 მიეკუთვნება პირველ კატეგორიას, 6 მეორე კატეგორიას, 11 მიეკუთვნება მესამე კატეგორიას.



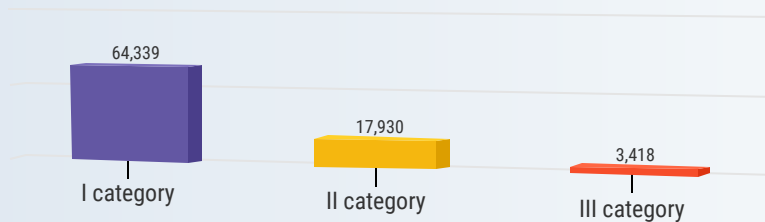
thousand, GEL

average realization



thousand, GEL

Average total assets



thousand, GEL

Average profit/loss before tax



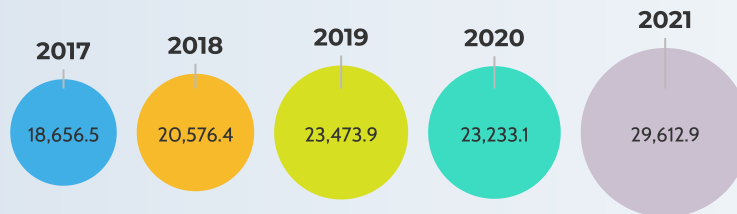


Industry overview of distribution companies

In 2020, the volume of turnover of companies engaged in wholesale trade in Georgia was 23,233.1 million GEL, and in 2021 it was 29,612.9 million GEL. It was equal to GEL. Despite the current pandemic situation, it can be said that the growth rate of the mentioned industry has hardly slowed down. It is expected and realistic that after overcoming the crisis situation in Georgia, the mentioned industry will continue to grow prospectively, in parallel with the return of the economy to the old indicators. The turnover volume of wholesale trade increased from year to year, and in 2020 it decreased relatively. It is important that the distribution companies gradually implement the necessary changes and introduce the relevant standards, which are in line with the existing ones in Georgia as well as in the world, so that the field becomes even more attractive. According to the National Statistics Service of Georgia, the total turnover of wholesale trade companies over the last five years looks like this:

million GEL

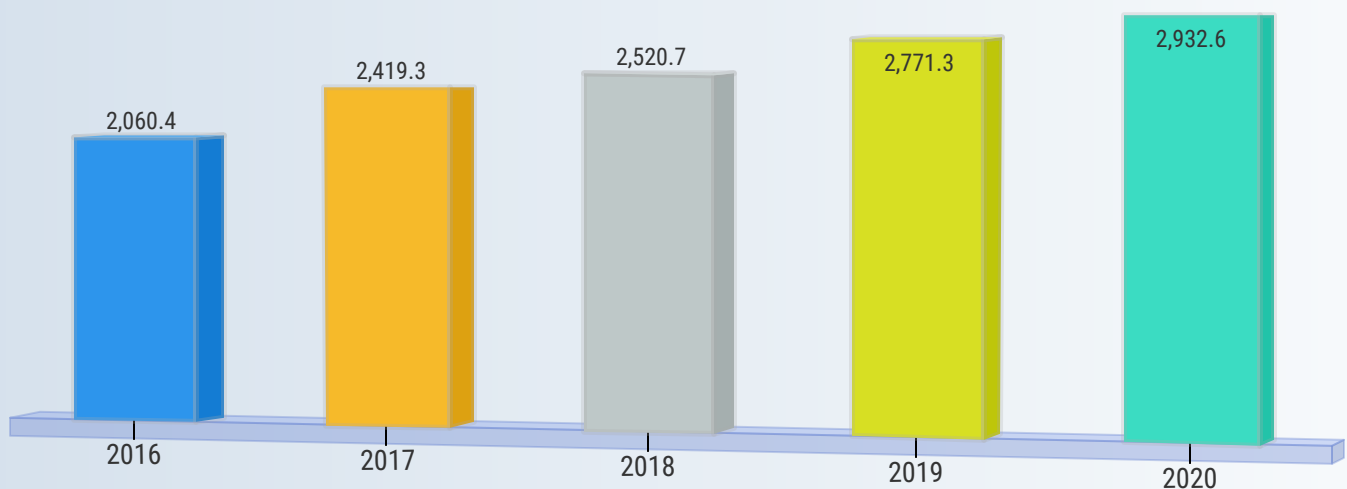
Volume of wholesale trade turnover



Source: geostat.ge Note: Wholesale trade, except trade in motor vehicles and motorcycles

million GEL

Amount of added value in wholesale trade



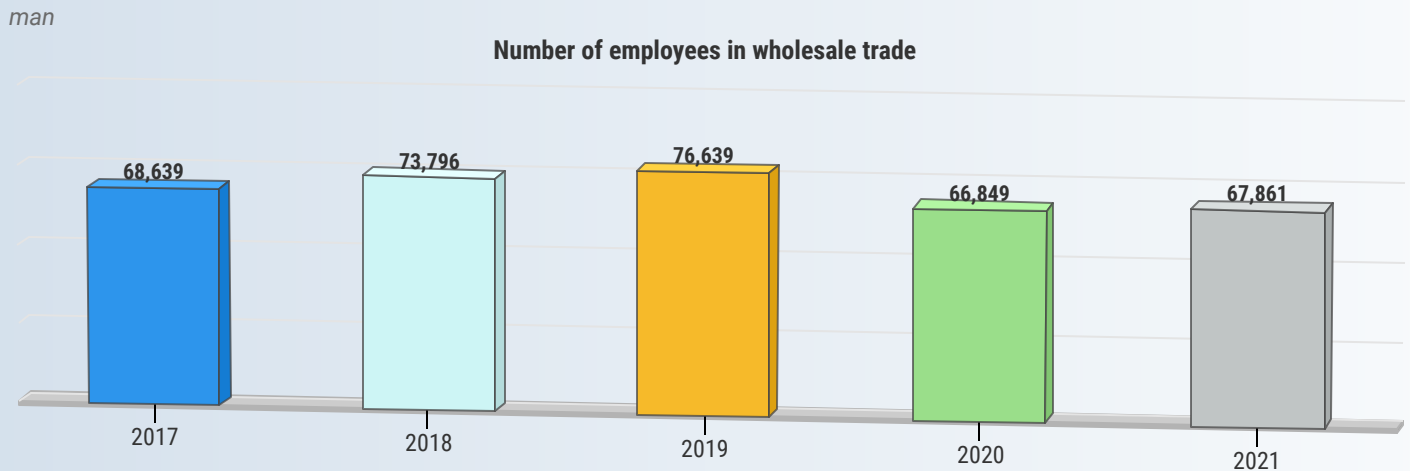
Source: geostat.ge

As can be seen from the diagram, the amount of added value in wholesale trade is increasing, according to the indicators of recent years.

Industry overview of distribution companies

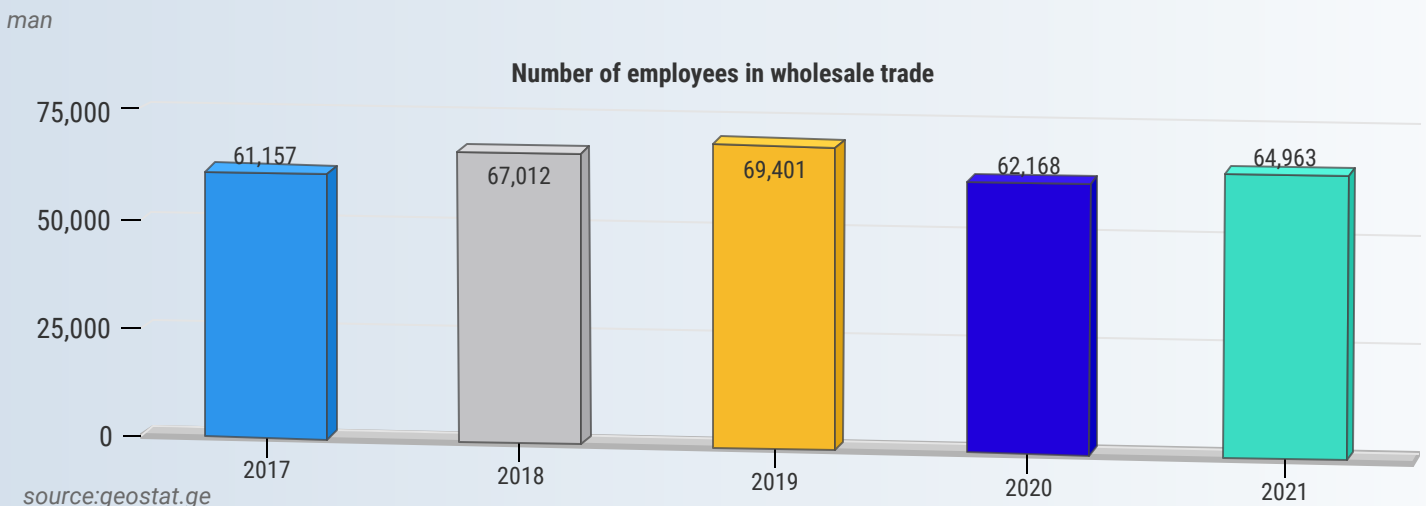


In the first quarter of 2022, the number of employees in companies engaged in wholesale trade in Georgia amounted to 64,509 people. Data from previous years looks like this:



Source:geostat.ge

As can be seen from the diagram, the number of employees in wholesale companies was increasing until 2019, and decreased by 9,790 people in 2020. As for the number of employees in the mentioned companies, in the last five years it is as follows:

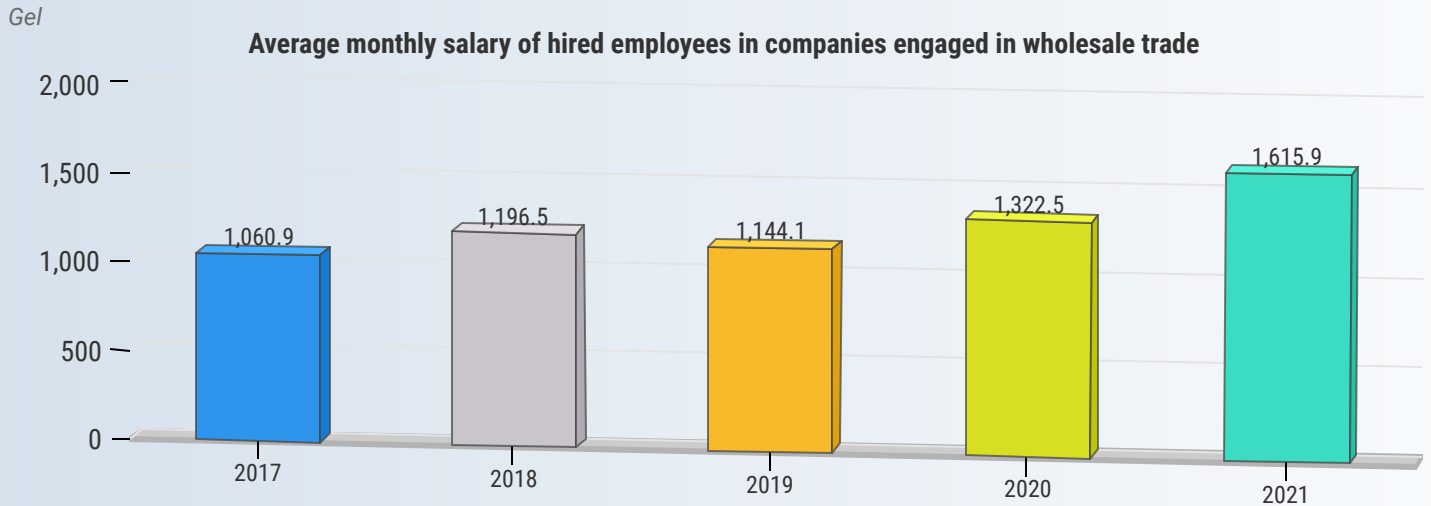


As can be seen from the diagram, the maximum number of employees in the above-mentioned companies in the last five years was recorded in 2019, and the minimum in 2017.



Industry overview of distribution companies

According to the National Statistics Service of Georgia, the average monthly salary of hired employees in companies engaged in wholesale trade, over the last five years, is as follows:



Source:geostat.ge

As can be seen from the diagram, over the last five years, the average monthly salary of the hired employees has been increasing, and the labor costs in the mentioned industry are as follows:



Source:geostat.ge

As can be seen from the chart, labor costs in wholesale companies have been increasing over the past five years.

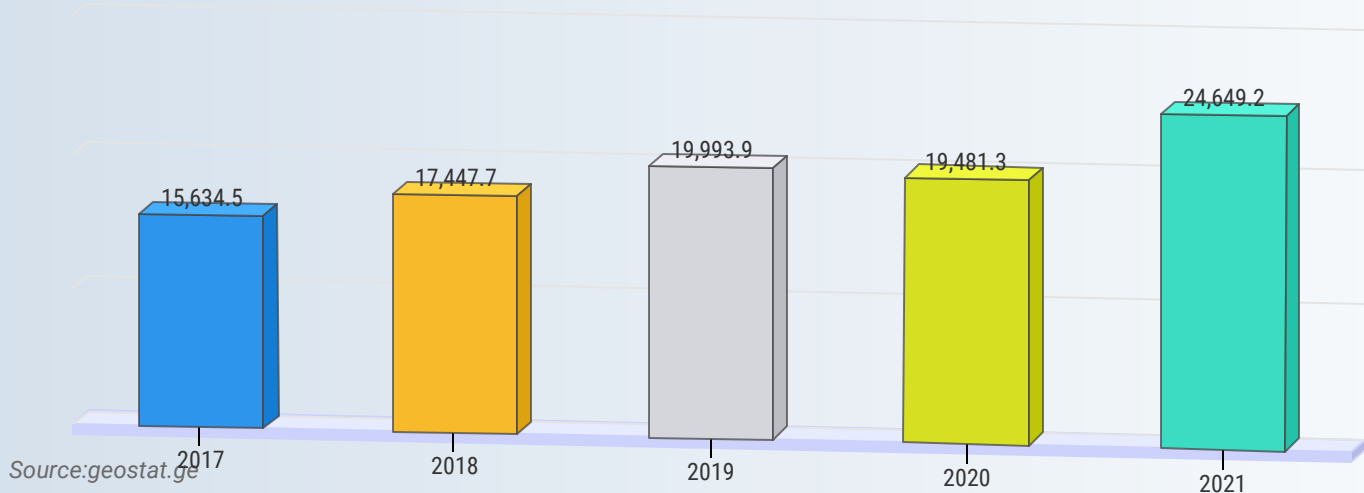


Transportation and Warehousing - Industry Overview

According to the National Statistics Service of Georgia, the purchases of goods and services intended for resale in enterprises engaged in wholesale trade in the last five years look like this:

million GEL

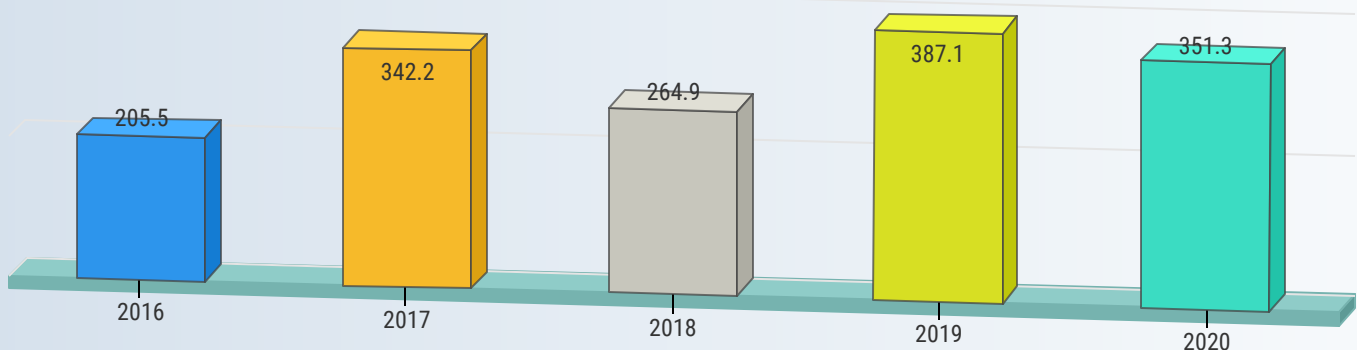
Purchases of goods and services intended for resale in enterprises engaged in wholesale trade



Regarding investments in fixed assets, in the last five years, it is as follows:

million GEL

Investments of enterprises engaged in wholesale trade in fixed assets



Source: geostat.ge

As can be seen from the diagram, the maximum number of investments in fixed assets in the mentioned industry was recorded in 2019 - 387.1 million GEL, and the minimum in 2016 - 205.5 million GEL.

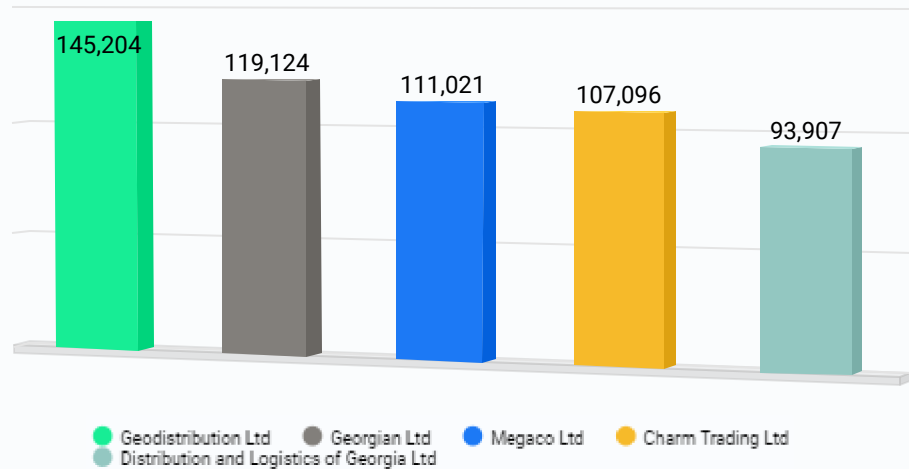


Major Market Players (2020)

thousand, GEL

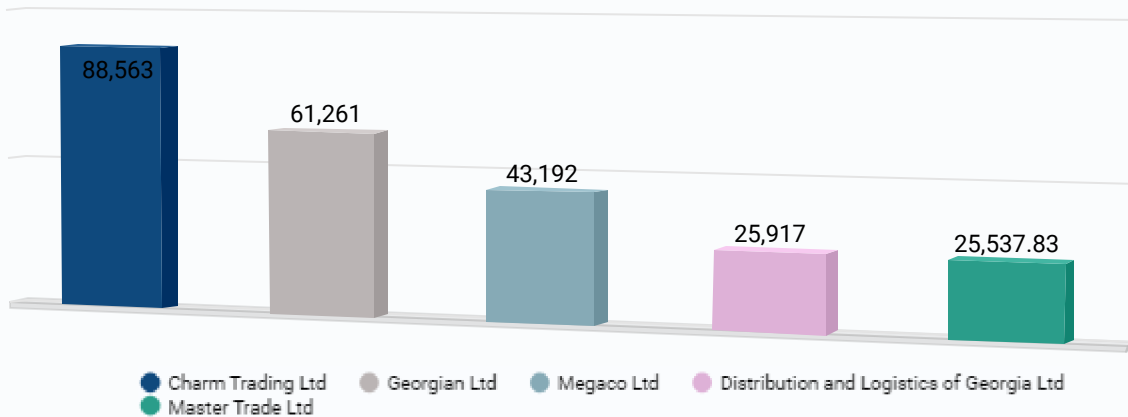
The total revenue of the mentioned companies represents 68% of the total revenue of the transport companies presented in the study.

Top 5 Companies by Revenue (2020)



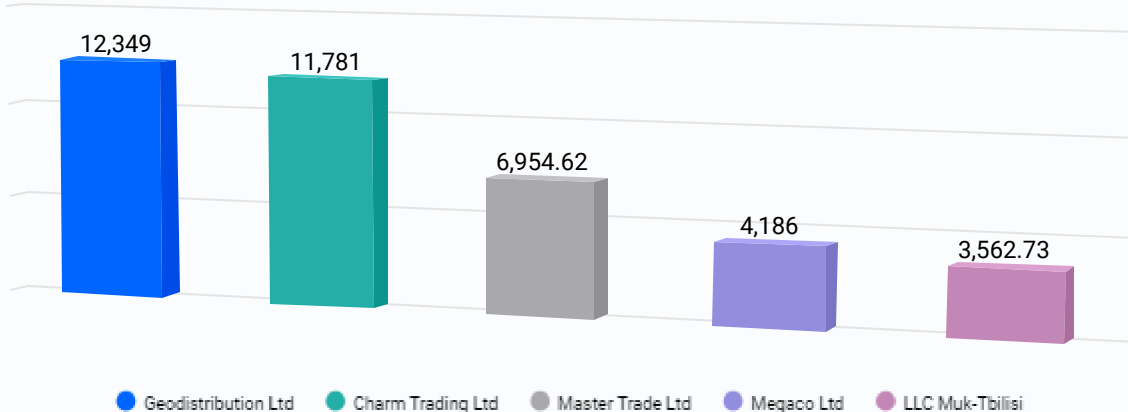
Top 5 companies by assets (2020)

thousand, GEL



Profit before tax, top 5 companies (2020)

thousand, GEL

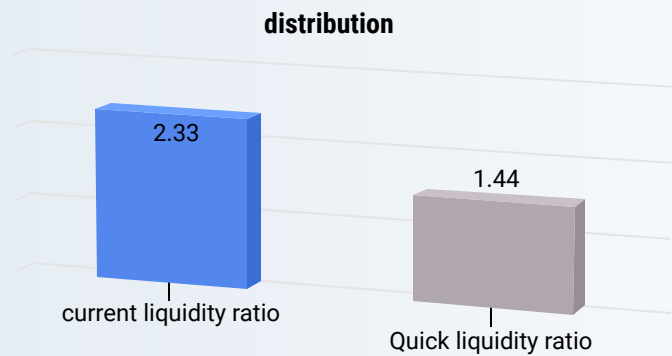




Industry Average Financial Ratios (2020)

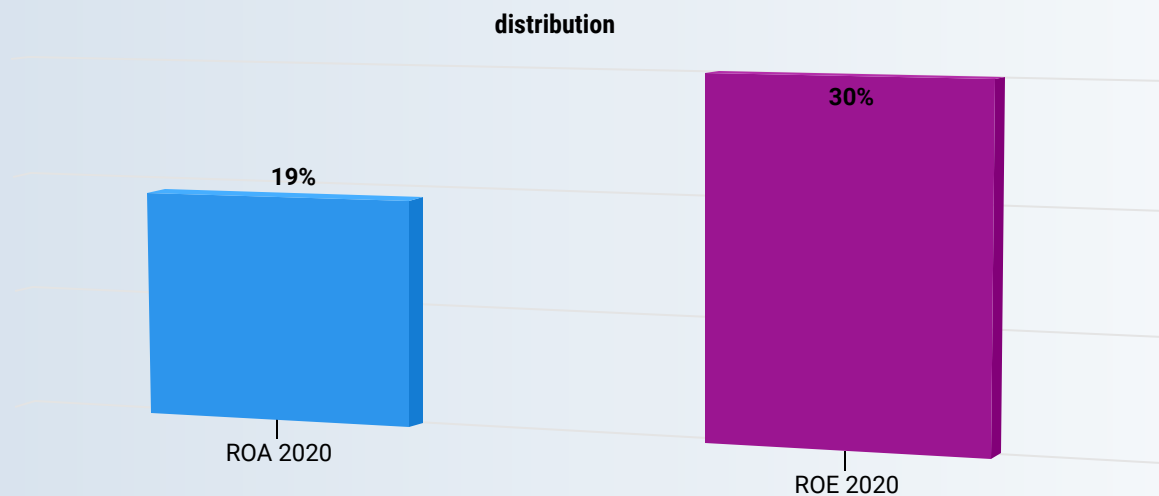
Liquidity ratios

As a result of the research, the liquidity ratios of the distribution companies were revealed. Current and quick liquidity ratios were 1.44 and 2.33, when the liquidity ratio is greater than 1, the indicator is considered satisfactory.



Profitability ratios

The profitability ratios of distribution companies operating in Georgia were as follows: annual return on assets (ROA) for distributors is 19%, and return on capital ROE is 30%,

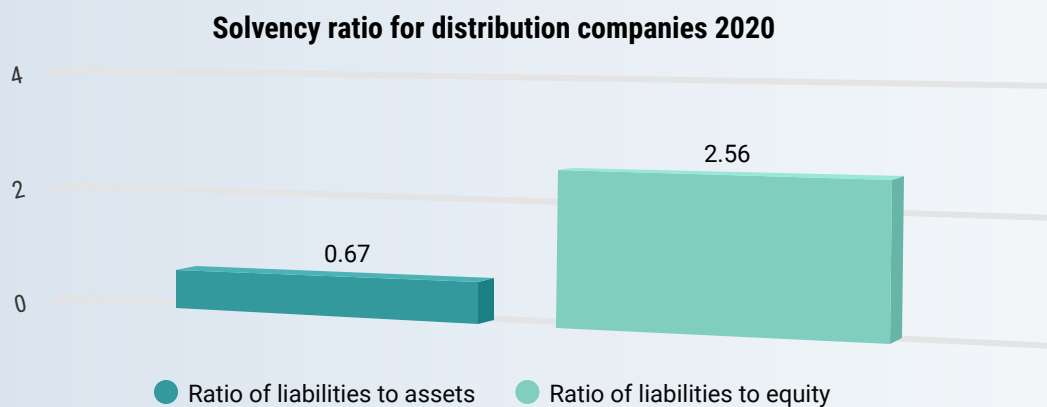




Industry Average Financial Ratios (2020)

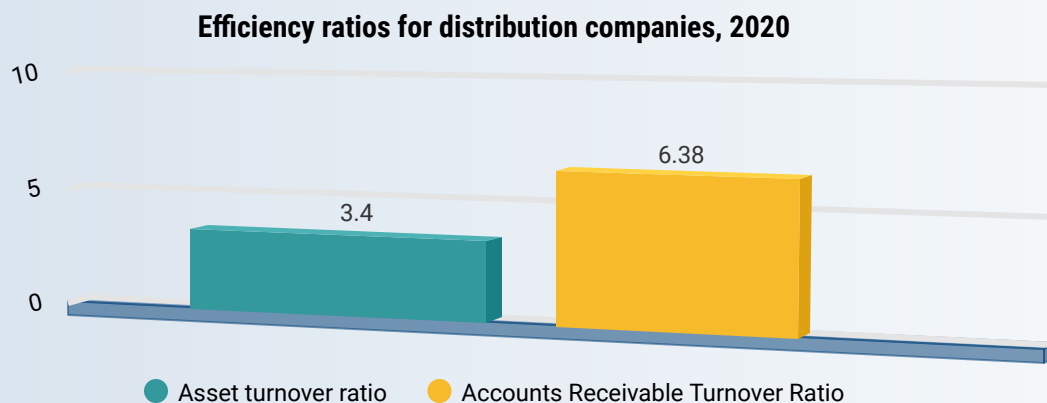
Solvency ratios

The liabilities to assets ratio shows the ratio of total assets to liabilities. For distribution companies, it is equal to 0.67, and the ratio of liabilities to capital, which is 2.56, is worth noting. This ratio indicates how much liabilities exceed capital expenditures.



Efficiency coefficients

The asset turnover ratio in the case of distribution companies is only 3.4, the higher this ratio, the more efficiently the company is able to use its assets in relation to the sales volume, and the receivable debt ratio was 6.38.





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