



Nikora Trade LLC Investor Presentation

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Terms of Bonds

Issuer	Nikora Trade LLC
Guarantor	JSC Nikora
Bonds	Unsecured and unsubordinated obligation
Issue size	US\$ 5,000,000
Duration	2 years
Expected placement date	February 2016
Coupon	From 10.5% to 11%
Coupon payment	Semi Annual

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Fast growing retailing group supported with strong management

Nikora Trade is an outstanding investment opportunity due to its leading position on Georgian retail grocery market, its unique vertically integrated business model and significant growth potential



Overview of Nikora Trade LLC

Nikora Trade LLC

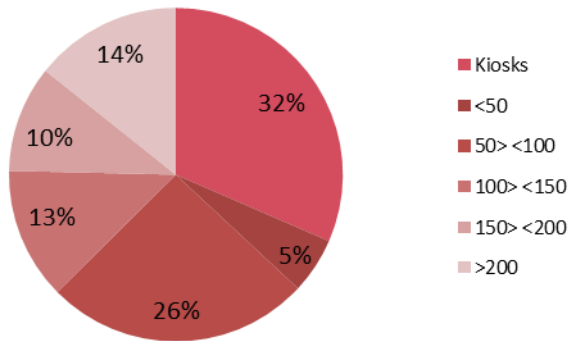
- Nikora Trade LLC, established in 2010, is a wholly owned subsidiary of Nikora Holding. Nikora Trade differentiates itself with:
 - ✓ Well distributed and easily accessible retail stores
 - ✓ Consumer oriented service and well trained personnel
 - ✓ High quality of product preservation and quality control standards
 - ✓ Product offering tailored for wide range of customers tastes and preferences
 - ✓ Freshly made products on site
 - ✓ Renewed product portfolio
- Nikora Trade currently operates 203 stores

Retail Market Overview

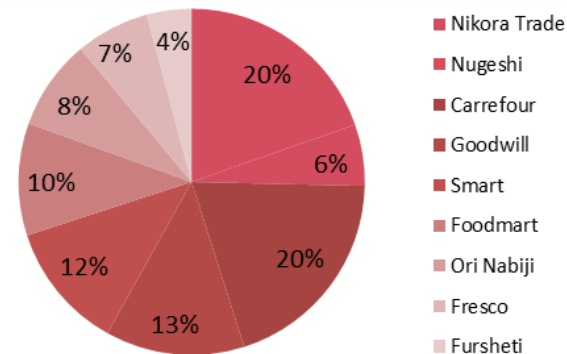
- According to Geostat, retail market (food and nonfood) is constantly growing. Over the period of 5 years it has grown by more than 150%.
- Together with expansion of market, share of organized retail chains increases versus traditional bazars and non-branded stores.
- Currently there are 9 organized retail chains operating in Georgia (including Nugeshi). Most of them are concentrated in Tbilisi.

Store Formats

Store formats are very diverse, varying from small size retail kiosks to large hypermarkets with the floor area over 400 sqm.



Organized Retail Market Distribution, 2015



Source: Nikora research data

Overview of Nikora Trade LLC, Cont'd

Nikora Trade's expansion 2010-2015

Number of stores	2010	2011	2012	2013	2014	2015- 3Q
Beginning of the year	51	52	54	57	62	80
Transfers from insider companies					7	21
New store openings	1	5	7	7	7	17
Acquisition of store chains					7	93
Stores closed		3	4	2	3	8
End of the year	52	54	57	62	80	203

Recent expansion summary

- **Transfer from insider companies:** In Q2 2014 Nikora Kakheti LLC stores in Kakheti region were transferred to Nikora Trade LLC .
- **Acquisition of Sunday:** In Q4 2014 Nikora Trade LLC acquired Sunday supermarket chain with 7 stores in Zugdidi.
- **Acquisition of Velesi:** In Q1 2015 Company acquired Velesi 5 supermarkets in Tbilisi.
- **Transfer of Nikora Holding supermarkets in west Georgia:** In Q2 2015 Nikora -7 LLC stores in west Georgia were transferred to Nikora Trade LLC, through which Company became most widely represented supermarket chain in west Georgia (32 stores).
- **Acquisition of Nugeshi:** In Q3 2015 acquisition of 100% of the shares of Nugeshi LLC, becoming the largest supermarket chain in Georgia by number of the stores as well as volume of the sales.

Overview of Nikora Trade LLC, Cont'd

Acquisition of Nugeshi LLC

Nikora Trade acquired Nugeshi LLC in Q3 2015. Nugeshi LLC has main presence in Tbilisi where it is represented by two brands:

- “Nugeshi” – operates 23 markets with total space of 3,017 m² and 62 small size (space 6 m²) kiosks, which sell mainly primary food products
- “Libre” - one large discounter supermarket with total space of 1,200 m²

Figures in GEL'000	2014 A	2015 3Q -A
Sales	48,265	41,602
Gross Profit	7,877	7,574
Gross Profit margin	16.3%	18.2%
EBITDA	399	836
EBITDA margin	0.8%	2.0%
Number of markets	12	24
Number kiosks	67	62
Total retail space	2,568	3,390

As a result of this acquisition and internal growth ,Nikora Trade has become the largest retailer in the organized retail market with total number of 203 selling points (including kiosks) and around 18,300 m² selling area. Company keeps “Nugeshi” and “Libre” brand names along with “Nikora”. This strategy allows the company to target different segments:

- ✓ **Nugeshi**, which will focus on relatively low budget consumers
- ✓ **Nikora Supermarket** will concentrate on mid segment.
- ✓ **Libre** will retain its format of large supermarket.

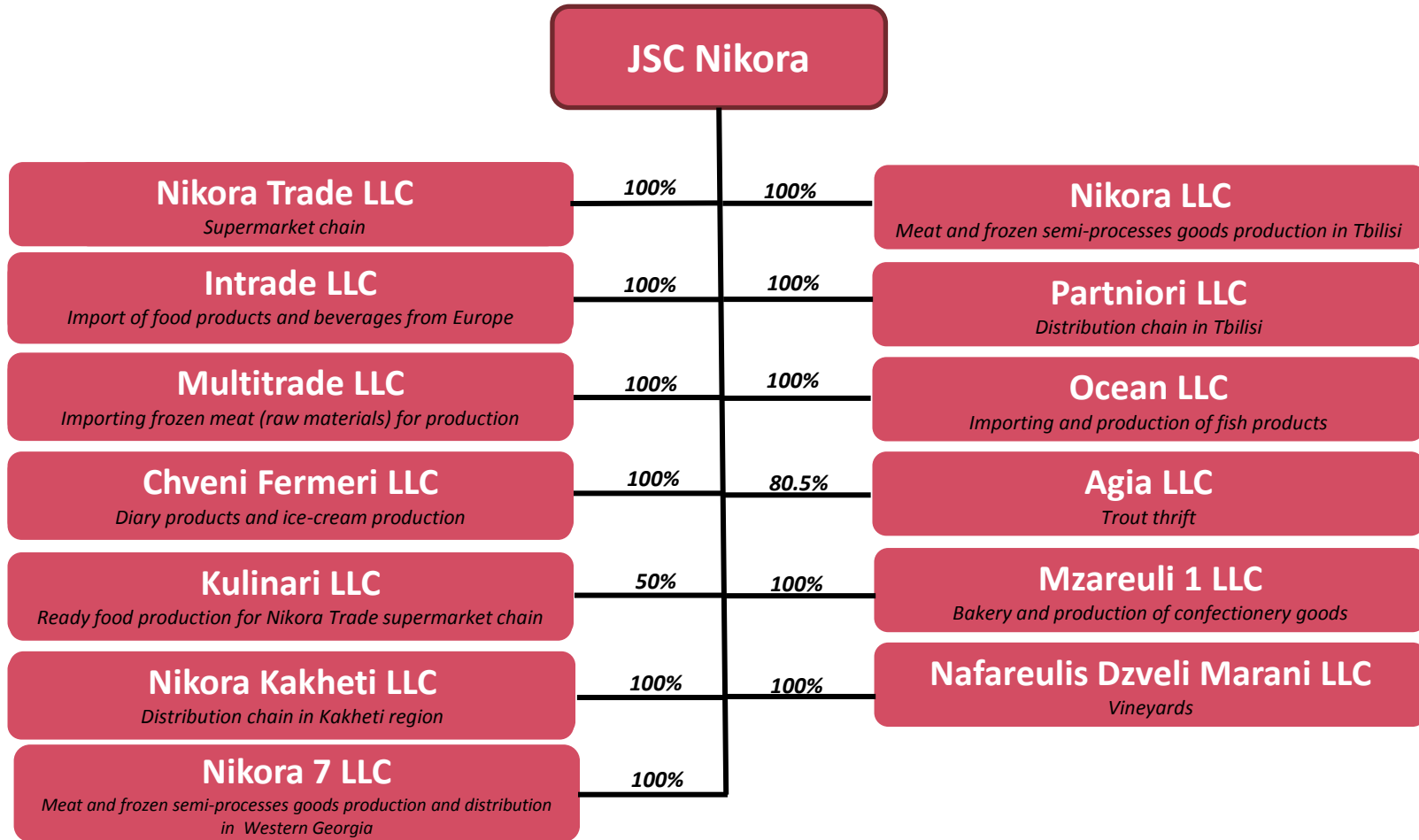
Expected Synergies

1. Large scale enables the company to negotiate high discounts with suppliers
2. The company plans to generate synergies through reduction of certain administrative expenses of Nugeshi LLC
3. Sales of Nikora Group company products increases significantly due to additional sales generated in Nugeshi supermarkets
4. Based on abovementioned assumptions Nikora Trade is expecting sales of approximately GEL 247million for FY 2016.

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Nikora Group Overview



Nikora Group Overview, Cont'd

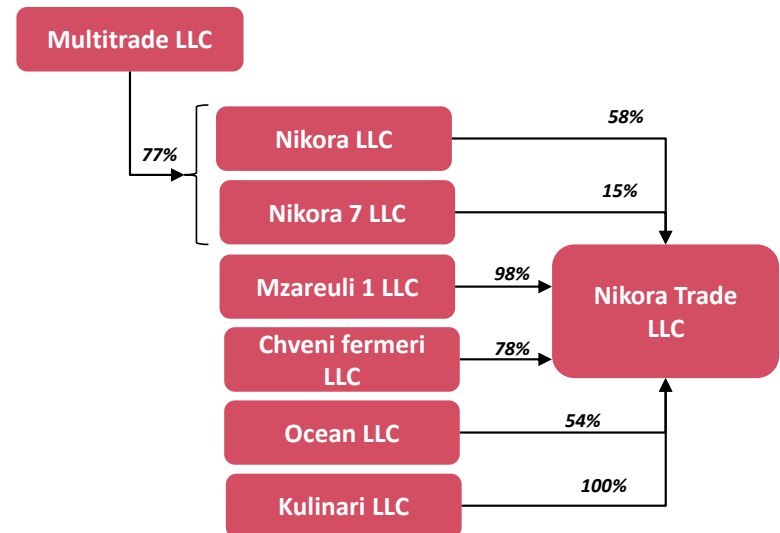
Nikora Group

- Nikora JSC, a food production company was founded in 1998. The company's primary business was production of meat products
- Nowadays Nikora Group has several business activities:
 - ✓ Production and distribution of meat and semi-processed products
 - ✓ Supermarket Chain (Nikora Trade LLC)
 - ✓ Import of high quality food products and beverages from European countries
 - ✓ Production of several types of dairy products
 - ✓ Production of trout caviar from its own trout farm
- Currently the number of employees exceeds 3,700
- The company has a significant social responsibility policy:
 - ✓ Support professional development of many students
 - ✓ Assistance to disadvantaged people
 - ✓ Implementation of a number of cultural and educational projects
- "Nikora" JSC has regularly been named as the best food producer in Georgia and has received many other awards
- Quality management system ISO 9001:2008
- Food Safety Management System ISO 22000:2005- HACCP

Efficient Business Model

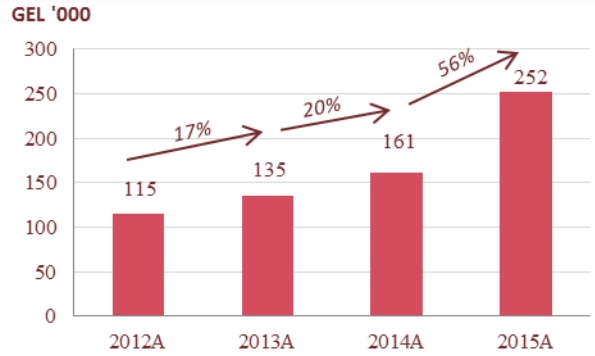
- Nikora Group has adopted an efficient model of vertical integration that helps the group reduce costs and improve efficiency by decreasing expenses and reducing turnaround time. Well organized distribution chain provides local and imported goods to Nikora's shops as well as to other food stores all over the country. Distribution fleet consists of 120 state-of-the-art vehicles.
- The chart below summarizes inter group company sales as a percentage of each company sales:

Intragroup Sales

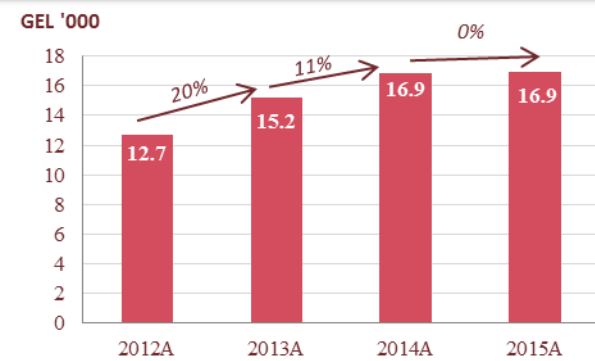


Nikora Group Overview, Cont'd

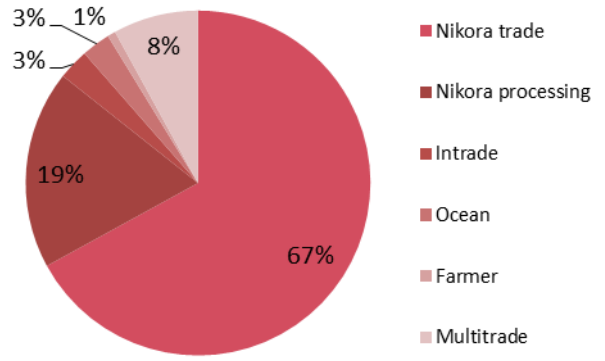
Revenues 2012-2015



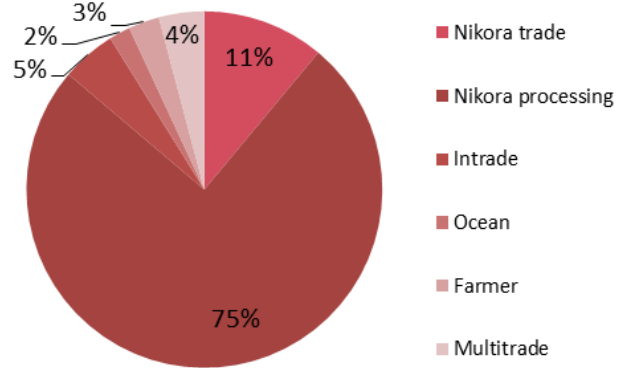
EBITDA 2012-2015



Shares in Sales of Group Companies



Shares in EBITDA of Group Companies



* Shares in Sales and EBITDA of Group companies are calculated from 2015 figures. Sum of the EBITDAs of the Other group companies is negative, therefore is not included in the pie chart.

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Business Model and Key Financial Information

Business plan assumptions

1	Revenue Growth	2016	2017	2018
	Nikora Trade	19%	5%	3%
	Nikora Processing	17%	5%	3%
	Intrade	21%	5%	3%
	Ocean	13%	5%	3%
	Farmer	13%	5%	3%
	Multitrade	1%	5%	3%
	Other Companies	18%	5%	3%
2	EBITDA Margin	2016	2017	2018
	Nikora Trade	4.1%	4.1%	4.1%
	Nikora Processing	22%	22%	22%
	Intrade	10%	10%	10%
	Ocean	8%	8%	8%
	Farmer	19%	19%	19%
	Multitrade	3%	3%	3%
3	Other Assumptions	2016	2017	2018
	USD/GEL FX	2.5	2.5	2.5
	Expansion Cap ex.	GEL 1,500,000	GEL 1,500,000	GEL 1,500,000
	Dividends (Preferred and common)	GEL 6,022,500	GEL 6,022,500	GEL 6,022,500

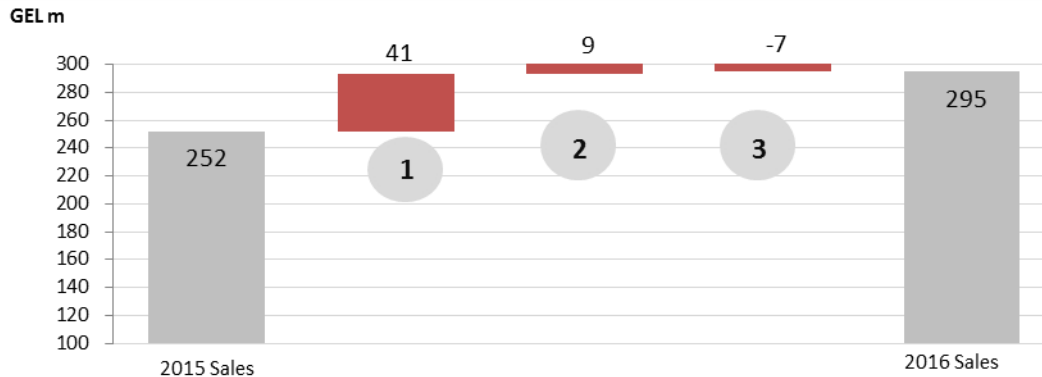
- Assumption was made that the Company issues USD 5 m bonds with 11% coupon rate, paid semiannually.
- Assumption was made that considering Group's long term relationship with Bank of Georgia, the Group would be able to raise additional debt financing from Bank of Georgia in case of cash deficit.

Business Model and Key Financial Information, Cont'd

	2014A	2015A	2016F	2017F	2018F
Total revenues, GEL m	162	252	295	310	319
Nikora trade	99	162	247	260	268
Nugeshi	-	45	-	-	-
Nikora processing	56	58	66	70	72
Intrade	6	9	11	11	12
Ocean	7	8	9	10	10
Farmer	3	2	3	3	3
Multitrade	32	25	25	26	27
Other companies (less inside trade)	(42)	(56)	(66)	(70)	(72)
Gross Profit	48	72	89	93	96
Nikora trade	22	36	56	58	60
Nugeshi	-	8	-	-	-
Nikora processing	15	16	19	20	20
Intrade	2	2	3	3	3
Ocean	1	1	2	2	2
Farmer	1	0	1	1	1
Multitrade	2	1	1	1	1
Other companies (less inside trade)	5	7	8	8	9
Gross Profit Margin Total	30%	29%	30%	30%	30%
EBITDA	17	17	28	29	30
Nikora trade	4	1	10	11	11
Nugeshi	-	1	(0)	(0)	(0)
Nikora processing	12	13	15	16	16
Intrade	0	1	1	1	1
Ocean	1	0	1	1	1
Farmer	1	0	1	1	1
Multitrade	1	1	1	1	1
Other companies (less inside trade)	(2)	(0)	0	0	0
EBITDA Margin Total	10%	7%	10%	10%	10%

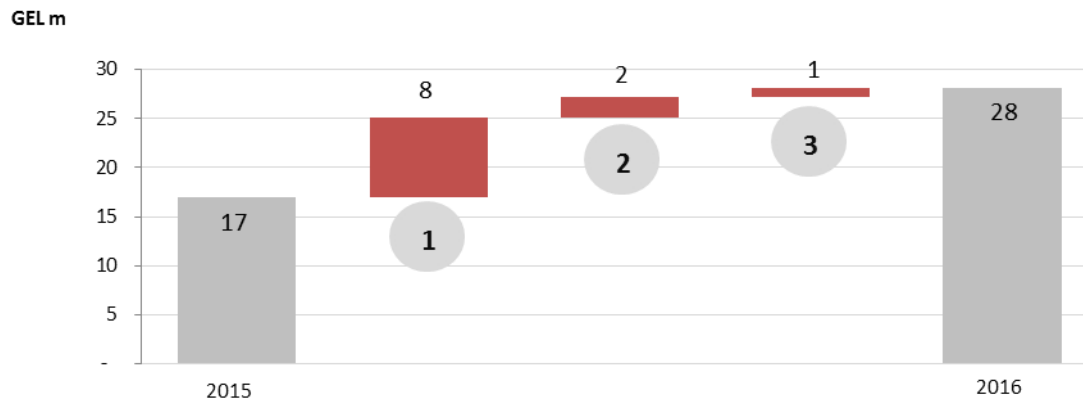
Business Model and Key Financial Information, Cont'd

Main drivers of Nikora Group revenue growth in 2016



1. **Nikora Trade LLC** is one of the main drivers of Nikora Group revenue growth in 2016. Total revenues of Nugeshi and Nikora stores are expected to grow from GEL 207 m in 2015 to GEL 247 m in 2016 (19% growth).
2. **Meat processing companies** have been highly stimulated by broadening its distribution chain after Nugeshi acquisition. 17% growth of Nikora LLC and Nikora 7 LLC sales is expected in 2016.
3. Slight decrease or no growth is expected for the other companies of the group that have total of **GEL 7 million negative** effect on projected group sales in 2016.

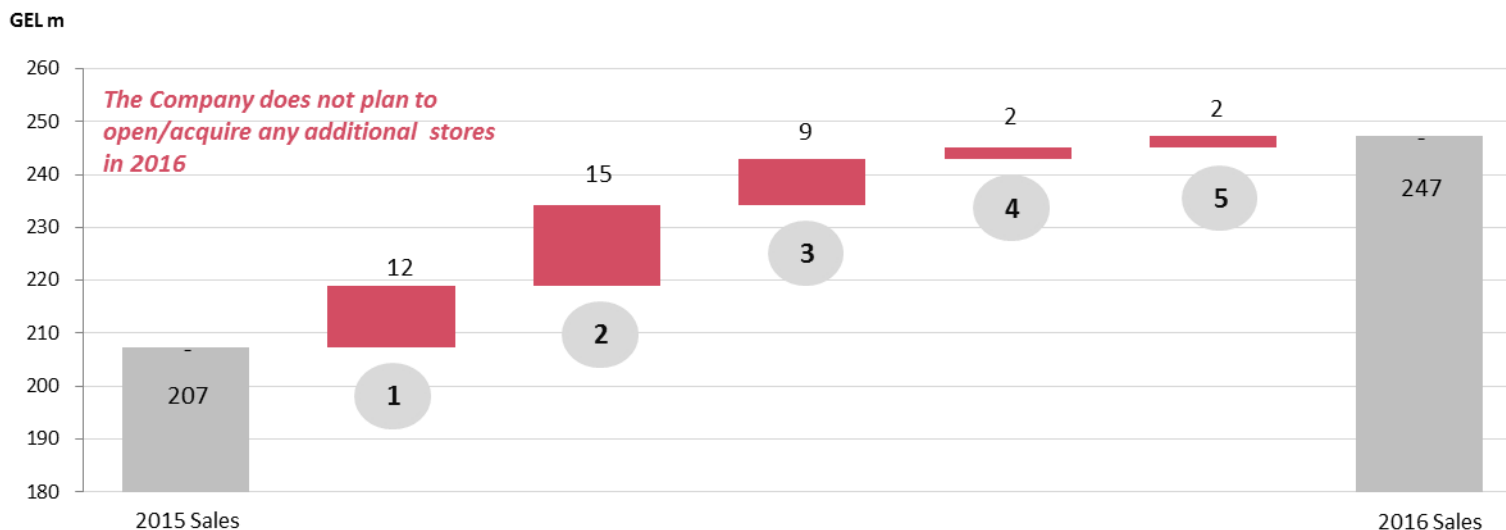
Main drivers of Nikora Group EBITDA growth in 2016



1. **Nikora Trade LLC** EBITDA is expected to grow as a result of Gross profit margin improvement and optimisation of operating expenses. Total EBITDA of Nugeshi and Nikora stores are expected to grow from GEL 2 m in 2015 to GEL 10 m in 2016.
2. **Meat processing companies'** EBITDAs are expected to grow as a result of the revenue growth.
3. Minimal or no growth is expected for the other companies of the group that have total of **GEL 1 million positive** effect on projected group EBITDA in 2016.

Business Model and Key Financial Information, Cont'd

Main drivers of Nikora Trade revenue growth in 2016



1. **GEL 12m growth** is projected for the stores that have been operating before year 2015.
2. **GEL 15m growth** accounts for the markets that opened in 2015.
3. **GEL 9m growth** is projected for Nugeshi supermarkets.
4. **GEL 2m growth** is projected for Nugeshi Kiosks in total.
5. **GEL 2m growth** accounts for retro bounces that are calculated as a percentage of total sales and therefore increase as revenues grow.

Business Model and Key Financial Information, Cont'd

Cash Flow Projection

Budgeted Cash flow, GEL '000	2016	2017	2018
Cash Flows from operating activities			
Operating cash inflows	294.0	308.7	318.0
Operating cash outflows	(276.8)	(288.9)	(295.5)
Net cash flows from operating activities	17.2	19.8	22.4
Cash Flows from investing activities			
Cash inflows from investing activities	-	-	-
Cash outflows from investing activities	(1.5)	(1.5)	(1.5)
Net cash Flows from investing activities	(1.5)	(1.5)	(1.5)
Cash Flows from Financing activities			
Proceeds from bonds	12.5	-	-
Proceeds from bank loan	-	3.2	-
Bank loan repayment	(18.8)	(6.9)	(7.2)
Bond repayment	-	(12.5)	-
Dividends on preferred stocks	(3.0)	(3.0)	(3.0)
Dividends on common stocks	(3.0)	(3.0)	(3.0)
Net cash Flows from financing activities	(12.3)	(22.2)	(13.2)
Net cash flow	3.5	(3.9)	7.7
Cash at the beginning of the period	1.0	4.5	0.5
Cash at the end of the period	4.5	0.5	8.3

Note: USD/GEL exchange rate of 2.5

Debt service coverage ratio calculation

GEL m	2016	2017	2018
Beginning Cash	1.0	4.5	0.5
Net Cash Inflows	30.2	23.1	20.4
Cash available for debt service	31.2	27.6	20.9
Loan repayment	26.8	27.0	12.7
Debt service coverage ratio	1.2	1.0	1.7

Leverage calculation

GEL m	2015	2016	2017	2018
Total debt	76.8	57.6	41.5	35.2
Cash	1.0	4.5	0.5	8.3
Net debt	75.8	53.1	41.0	26.9
Projected EBITDA	16.9	28.2	29.6	30.5
Debt/EBITDA	4.48	1.89	1.39	0.88

JSC Nikora has total of USD 13,000,000 preferred stocks outstanding, paying 10% annual interest monthly. Including preferred stocks in leverage ratio calculations results to following:

	2015	2016	2017	2018
Debt/EBITDA	6.40	3.04	2.49	1.95

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Historical financial information of Nikora Trade- P&L

- Financial statements of Nikora Trade LLC for 2013 and 2014 have been prepared in accordance with IFRS and Interpretations issued by the IASB. Financial statements have been audited by independent auditor PKF Georgia.
- Audit opinion - qualified opinion.** Basis of qualified opinion: due to long period past after the first reported date (December 31, 2012) Auditors consider that the roll-back procedures or other available evidence is not sufficient to confirm all material balances presented in the statement of financial position as at December 31, 2012.
- Figures presented below include Nugeshi 's figures in 2015

All figures in GEL'000	FY2013 Audited	FY2014 Audited	Variance	Variance %	2015- unaudited	Variance	Variance %
Sales Revenue	77,688	95,911	18,223	19%	154,978	59,067	62%
Other revenue	3,044	3,296	252	8%	6,568	3,273	99%
Total Revenue	80,733	99,207	18,474	19%	161,547	62,340	63%
Cost of goods sold	-62,369	-77,233	-14,864	19%	-125,513	-48,280	63%
Gross profit	18,364	21,974	3,610	16%	36,033	14,060	64%
Gross profit margin	22.70%	22.10%			22%		
Operating profit	4,285	3,793	-491	-13%	941	-2,852	-75%
Operating profit margin	6%	4%			0.6%		
Net income	23,637	11,704	-11,933	-102%	-6,268	-74,385	-636%

Revenue/profit margins: Nikora Trade operated 62 stores in 2013, 80 stores in 2014 and 117 as of Oct. 2015 (excluding Nugeshi LLC stores). Expansion of the company is reflected in revenue growth (63% growth - yoy). However operating profit margin has decreased. Revenue of newly opened markets experience gradual rise over 3-5 months period while all the fixed operating costs are incurred instantly, which explains the sharp decrease of EBITDA while company experienced considerable growth in total revenues. Management of the company estimates that profit margins would improve significantly once all synergies and cost efficiencies are reached.

Operating profit: sharp fall in operating profit was mainly due to decreased gross profit and increased rent & salary costs. Increase of SG&A resulted from opening of new stores, and GEL devaluation against USD, as great majority of lease contracts are fixed in USD. Once newly opened stores reach their full capacity sales operating profit is expected to improve

Net income: Substantial decrease of net income is attributable to significant increase of Interest expenses, FX revaluation and depreciation charges.

Historical financial information of Nikora Trade- Balance Sheet

All figures in GEL'000	31-Dec-12 Audited	31-Dec-13 Audited	31-Dec-14 Audited	31-Dec-15 Unaudited
Total Assets	10,615	12,998	18,265	78,655
PPE	5,642	7,072	8,402	18,826
<i>% of total assets</i>	53%	54%	46%	24%
Inventory	3,519	3,975	5,598	14,360
<i>% of total assets</i>	33%	31%	31%	18%
Other Assets	1,455	1,951	4,266	45,469
<i>% of total assets</i>	14%	15%	31%	58%
Total liabilities	8,116	9,673	15,866	63,940
Borrowings	2,731	3,103	5,361	40,024
<i>% of total liabilities</i>	34%	32%	34%	63%
Trade payable	4,545	5,444	8,228	25,337
<i>% of total liabilities</i>	56%	56%	52%	40%
Other Liabilities	839	1,126	2,278	(1,421)
<i>% of total liabilities</i>	10%	12%	31%	-2%
Total equity	2,500	3,325	2,399	14,714

Comments:

Nikora Trade was not highly leveraged over past two years, however as a result of the expansion strategy company increased its leverage significantly during H1 2015. Proceeds from borrowings was used for acquisition of supermarket chain Nugeshe LLC and for opening new stores.

Outstanding borrowings of Nikora Trade LLC as of 31-December-2015 was GEL 40 million.

As of Dec 31, 2015, Goodwill accounts for 49% of the total assets, which was accumulated on balance after Nugeshe LLC acquisition. .

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Historical financial information of Nikora Group

NIKORA JSC has held the leading position in the local food products market for more than 14 years. The business started with the production of food products and soon expanded in different areas. JSC Nikora is ready to act as a guarantor of the issuer (Nikora Trade LLC).

Financial statements of JSC Nikora have been prepared in accordance with IFRS by management, however financial statements have never been audited by an independent auditor. Information presented below is based on management accounts.

GEL '000	FY 2013	FY 2014	FY 2015
Revenue	134,876	161,654	252,259
Cogs	90,809	111,828	180,311
Gross profit	44,067	49,825	71,948
<i>Gross profit margin</i>	<i>33%</i>	<i>31%</i>	<i>29%</i>
EBITDA	16,763	18,226	16,922
<i>EBITDA margin</i>	<i>12%</i>	<i>11%</i>	<i>7%</i>

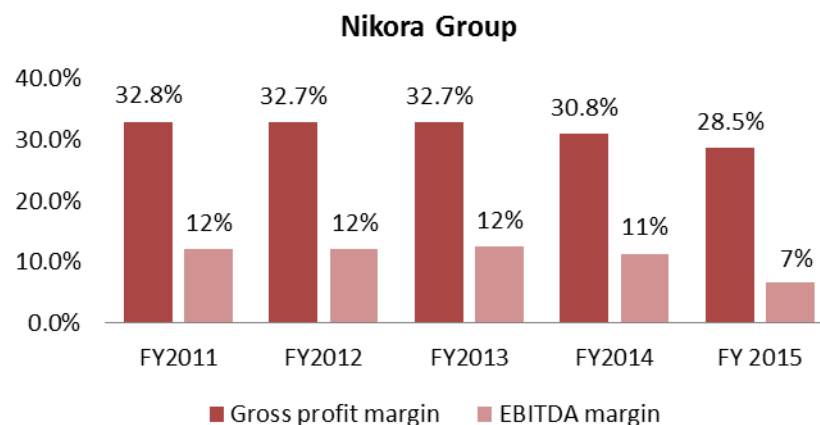
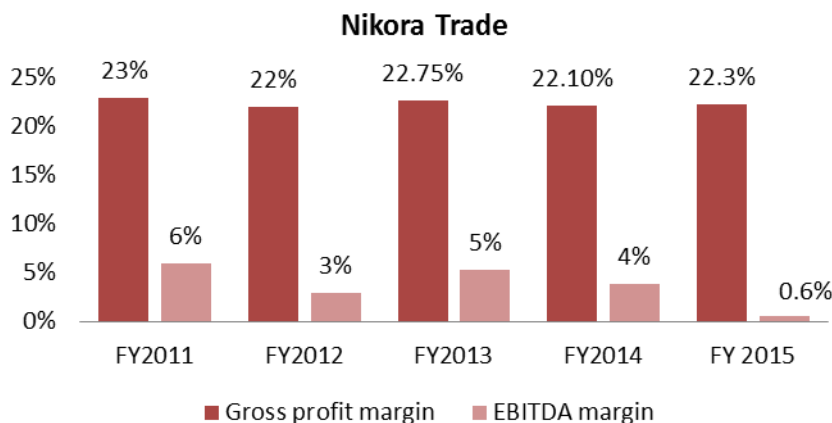
GEL '000	31-Dec-13	31-Dec-14	31-Dec-15
Total assets	73,293	81,082	145,271
Total liabilities	39,468	40,806	96,008
Borrowings	23,626	24,734	65,402

Outstanding borrowings (including guarantees and LLCs) of Nikora Group as of 31-Dec-2015 is GEL 68.7 million. Committed borrowing of GEL 6.9 million (credit lines, overdrafts and fixed credits) is expected to be utilized during 2016.

JSC Nikora has total of USD 13,000,000 preferred stocks outstanding, paying 10% annual interest monthly.

Historical financial information - Key Ratios

Gross profit & EBITDA margins



Debt/EBITDA

	2012	2013	2014	2015
Nikora Group Debt/EBITDA	1.79	1.41	1.36	3.86
Nikora Trade Debt/EBITDA	1.26	0.72	1.76	20.16

- Nikora Groups leverage amounts **GEL 68.7 million** as of November 2015. Group also has preference shares of **GEL 32.5 million**.
- Nikora Trades leverage amounts **GEL 40 million** as of December 2015.
- Management of Nikora Trade estimates EBITDA of **GEL 10.14 million** for FY 2016 which yields DEBT/EBITDA ratio of **3.9**
- Management of Nikora Group estimates EBITDA of **GEL 28 million**, taking into account the preference shares DEBT/EBITDA ratio of the group is estimated to be **3.04**.

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