SCOPE | Ratings

JSC Nikora

Georgia, Retail

Rating composition

Business risk profile		
Industry risk profile	BBB+	BB-
Competitive position	B+	
Financial risk profile		
Credit metrics	BB-	BB-
Liquidity	+/-0 notches	
Standalone credit assessment		**BB-**
Supplementary rating drivers		
Financial policy	+/-0 notches	+/-0 notches
Governance & structure	+/-0 notches	
Parent/government support	+/-0 notches	
Peer context	+/-0 notches	
Issuer rating		**BB-**

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	6.2x	4.9x	3.9x	4.3x
Scope-adjusted debt/EBITDA	1.9x	2.8x	3.5x	3.1x
Scope-adjusted funds from operations/debt	43%	28%	21%	24%
Scope-adjusted free operating cash flow/debt	-4%	-18%	-5%	-6%
Liquidity	97%	14%	9%	32%

Rating sensitivities

The upside scenario (currently deemed remote) for the ratings and Outlook:

- Significant growth of operations outside of Georgia with credit metrics remaining in line with Scope's expectations

The downside scenario for the ratings and Outlook:

- Debt/EBITDA above 3.5x on sustained basis

*All credit metrics refer to Scope-adjusted figures.

Issuer
BB-

Outlook
Stable

Senior unsecured debt
BB-

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Related methodology

General Corporate Rating Methodology, Feb 2025
Retail and Wholesale Rating Methodology, Jun 2025
Consumer Products Rating Methodology, Oct 2025

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Strong shares of organised market and good growth potential at expense of cannibalisation of unorganised market • Good profitability with expected EBITDA margin of around 7-8% • Adequate leverage despite high proportion of forex-linked leases • Integrated business model of consumer goods manufacturing and retail distribution through Nikora Trade	• Competitive pressures following integration of seven market players combining into the country's largest retailer • Weak geographical diversification with no expansion planned outside of Georgia • High upcoming capex creating pressure on free operating cash flow and leverage

2. Rating Outlook

The **Stable Outlook** reflects our view that the company's recent successful GEL 60m bond issuance has significantly reduced refinancing risks. We expect Nikora to implement its sizeable capital expenditure programme by focusing on high-impact projects, while maintaining a disciplined financial approach to safeguard credit quality. This includes keeping the debt/EBITDA ratio at or below 3.5x, supported by a recovery in operating profitability, despite intensifying competitive pressures.

3. Corporate profile

JSC Nikora is a Georgian company that was established in 1998 and is based in Tbilisi. The group operates solely in Georgia and is active in the retail, food production, import and distribution sectors. The group employed 10,595 people as of 31 December 2024.

Second-largest supermarket chain in Georgia

Nikora Trade is the most important part of the group. It manages retail operations under the Nikora Supermarket and Libre brands. The supermarket chain originated in 2000 and has grown significantly through organic expansion and acquisitions. As of 30 June 2025, Nikora Trade was the second-largest supermarket chain in Georgia, with 651 stores nationwide.

Outside of Nikora Trade, the rest of the group is involved in the production, import and distribution of meat products, semi-finished products, seafood, dairy products, ice cream, bakery products and salads, as well as food and beverages.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
10 Dec 2025	Outlook change	BB-/Stable
29 Aug 2025	Outlook change	BB-/Negative
29 Aug 2024	Affirmation	BB-/Stable

5. Financial overview (financial data in GEL '000s)

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	5.0x	6.2x	4.9x	3.9x	4.3x	4.0x
Debt/EBITDA	2.0x	1.9x	2.8x	3.5x	3.1x	3.1x
Funds from operations/debt	39%	43%	28%	21%	24%	24%
Free operating cash flow/debt	9%	-4%	-18%	-5%	-6%	-5%
Liquidity	55%	97%	14%	9%	32%	29%
EBITDA						
Reported EBITDA	117,438	143,658	133,932	121,054	146,421	156,670
Other items (incl. one-offs)	-	-	-	-		-
EBITDA	**117,438**	**143,658**	**133,932**	**121,054**	**146,421**	**156,670**
Funds from operations (FFO)						
EBITDA	117,438	143,658	133,932	121,054	146,421	156,670
less: interest	(23,642)	(23,121)	(27,122)	(31,346)	(33,866)	(38,732)
less: cash tax paid	(1,143)	(1,911)	(2,305)	(1,414)	(2,282)	(2,097)
Funds from operations	**92,653**	**118,626**	**104,505**	**88,294**	**110,273**	**115,841**
Free operating cash flow (FOCF)						
Funds from operations	92,653	118,626	104,505	88,294	110,273	115,841
Change in working capital	5,148	(7,880)	(44,728)	8,387	(4,792)	(3,113)
Non-operating cash flow	3,868	968	5,558	-	-	-
less: capital expenditures (net)	(55,913)	(97,374)	(100,447)	(85,000)	(95,000)	(100,000)
less: lease amortisation	(23,095)	(25,368)	(31,528)	(34,076)	(36,270)	(36,270)
Free operating cash flow	**22,661**	**(11,028)**	**(66,640)**	**(22,395)**	**(25,789)**	**(23,542)**
Interest						
Net cash interest per cash flow statement	23,642	23,121	27,122	31,346	33,866	38,732
add: other items	-	-	-	-		-
Interest	**23,642**	**23,121**	**27,122**	**31,346**	**33,866**	**38,732**
Debt						
Reported financial (senior) debt	240,105	274,937	370,272	420,727	454,955	482,811
less: cash and cash equivalents[1]	-	-	-	-		-
add: other debt-like items	-	44	44	-		-
Debt	**240,105**	**274,981**	**370,316**	**420,727**	**454,955**	**482,811**

[1] No netting of cash has been applied.

6. Environmental, social and governance (ESG) profile[2]

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk)
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity)
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests)

ESG factors: credit-positive credit-negative credit-neutral

ESG considerations are credit-neutral for Nikora.

The government of Georgia is expected to intensify regulatory oversight of unregulated retailers, particularly in terms of food safety and operational standards. While the implementation of stricter regulations may gradually increase pressure on the retail operating environment, such changes are unlikely to occur rapidly. Importantly, any regulatory tightening is anticipated to benefit organised players like Nikora as it could diminish the competitiveness of the informal retail sector and support market share gains for the company.

In line with its commitment to environmental sustainability, Nikora has adopted a range of energy-efficient and eco-friendly technologies across its retail facilities. These include modern refrigeration systems that use new-generation freon and consume less electricity, LED lighting and energy-saving stoves. These initiatives reflect the company's strategic focus on reducing its environmental footprint while enhancing operational efficiency.

Inventory shrinkage and obsolete stock continue to represent around 2% of sales, exerting downward pressure on gross margins. To address this, Nikora recently implemented enterprise resource planning system SAP to improve working capital management. More visibility into inventory levels is expected to streamline operations, reduce waste and improve overall efficiency across the supply chain.

[2] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business risk profile: BB-

Credit-supportive industry risk profile: BBB+

Nikora's industry risk profile (assessed at BBB+) is supported by a blended industry risk of non-cyclical retail (assessed at BBB) and non-discretionary consumer products (assessed at A), which both have low cyclicality, low-to-medium barriers to entry and low substitution risk.

Second-largest retailer and a strong FMCG player in Georgia, but small on a European scale

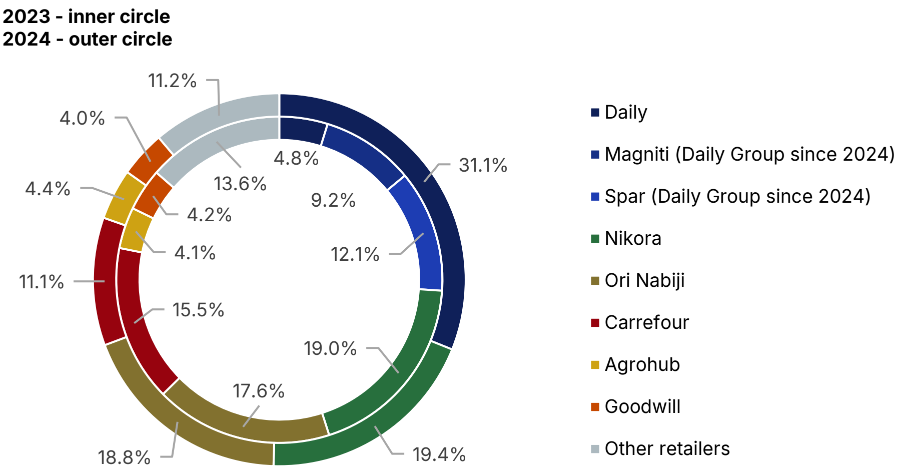
Despite holding a strong position in the Georgian fast-moving consumer goods (FMCG) market, Nikora's overall scale remains relatively limited when viewed in a broader European context. With revenues of GEL 1.5bn (around EUR 450m) in 2024, the company's size and operational footprint are modest compared to large European peers. This structural limitation continues to weigh negatively on its business risk profile.

Strong domestic market share in the retail sector

We categorise Georgia's country retail strength as 'medium-low'. A major shift occurred in 2024 with the merger of seven domestic retail chains into the Daily Group, forming the country's largest retail operator with over 1,700 stores and a 31% market share. Despite this consolidation, Nikora's retail arm continued to strengthen its position, increasing its market share to 19.4% in 2024, up from 19% in 2023 and 18.1% in 2022.

Nikora's growth has been driven by its strategic focus on mid-to-high-end consumers, particularly in the more affluent Tbilisi region. This targeted approach has enabled the company to achieve slightly higher sales per square metre compared to the national average, underscoring its ability to capture value in premium segments of the market.

Figure 1: Organised retail market shares in Georgia



Sources: SARAS, TBC Capital, Nikora, Scope

FMCG market stabilizing

Following several years of rapid expansion, Georgia's market for FMCG has recently entered a period of stabilisation. This shift has been largely driven by the absence of extraordinary events such as the Covid pandemic, inflation surges and migration waves. Household consumption remains the primary growth engine, supported by the emergence of a more affluent middle class. While spending by migrants has levelled off, tourism and restaurant activity continue to provide meaningful support to the sector.

Looking ahead, market growth is expected to remain steady at around 4%–5% annually. Inflation, which previously played a dominant role in shaping consumer behaviour, is no longer the key driver. Instead, rising disposable incomes and evolving consumer preferences are anticipated to influence market dynamics, with demand increasingly shifting toward higher-quality products and improved service standards.

Brand strengthening

Nikora's consumer segment continues to show a positive revenue trajectory, driven primarily by sales to its related party, Nikora Trade. While intra-group transactions remain the dominant source of income, the company is actively working to enhance the competitiveness of its brands in third-party markets. Strengthening brand recognition and market positioning outside the group is a key strategic priority aimed at diversifying revenue streams and expanding its customer base.

Weak diversification

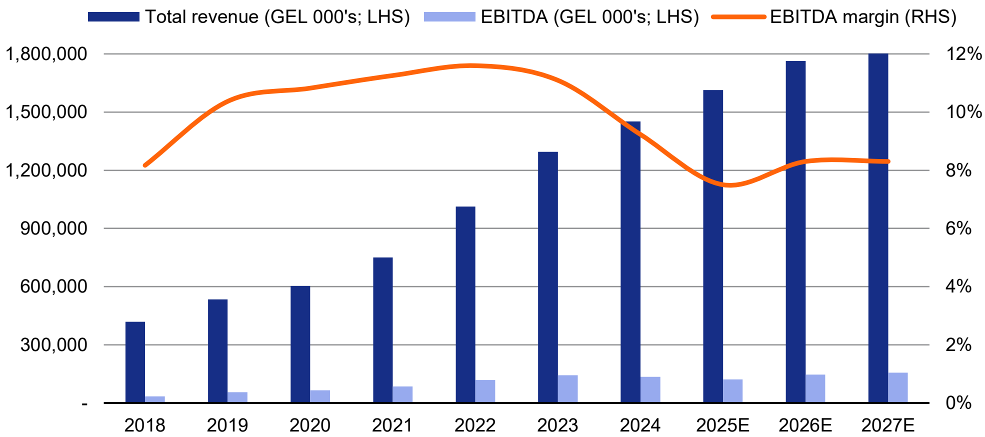
Nikora operates exclusively within Georgia and currently has no plans for international expansion. Its retail operations are heavily concentrated in Tbilisi (67% of total revenues), above the average for the organised retail sector. This geographic concentration increases the company's exposure to local macroeconomic conditions, which could negatively impact performance in the event of adverse developments.

Nikora's consumer segment demonstrates a well-balanced product portfolio, comprising more than 100 distinct items across multiple categories. This diversification within the food sector helps mitigate risks associated with fluctuations in demand or profitability in any single product line, supporting overall business resilience.

EBITDA to dip further due to competitive pressures

Nikora's EBITDA margin peaked at 11.6% in 2022 but declined to 9.2% by 2024, primarily due to rising salary expenses. Although inflationary pressures have recently moderated, competitive dynamics within the retail sector are expected to drive margins lower, with a projected dip to around 7.5% in 2025. A recovery is anticipated in 2026, with the EBITDA margin expected to rebound to above 8%, supported by adjustments in pricing strategies that should positively impact gross margins. This trajectory reflects the company's efforts to balance cost pressures with strategic pricing and operational efficiency improvements.

Figure 2: Revenues, EBITDA and EBITDA margin



Sources: Nikora, Scope estimates

8. Financial risk profile: BB-

Revenue growth to decelerate

We project that Nikora will achieve sales growth of around 11%-12% in 2025, broadly in line with its retail segment performance. This growth is expected to be driven by new store openings, overall expansion in the FMCG market, and increased consumer demand supported by recent brand initiatives targeting higher-income segments.

Capex to be focused on high-impact priorities

Capital expenditure will be managed prudently, with spending dependent on FOCF, financing availability and covenant compliance. Investments will prioritise the construction of logistics centres and further brand development aimed at penetrating third-party markets. Despite these strategic investments, we expect Nikora to maintain financial discipline and avoid excessive leverage.

Elevated leverage

Leverage is forecast to rise temporarily, with the debt/EBITDA ratio reaching around 3.5x in 2025 (2024: 2.8x). This is due to two new GEL 60m bond issuances and a slight decline in EBITDA. We foresee leverage improving to around 3.0x in 2026 and 2027, as margins recover following the realignment of pricing strategies in the retail segment.

Falling interest coverage

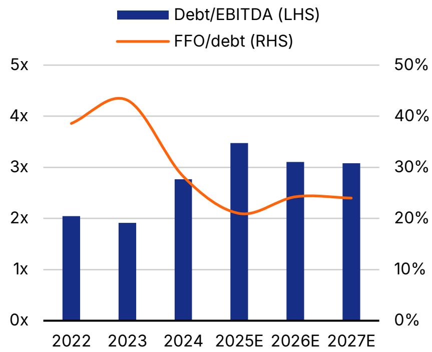
Funds from operations/debt is expected to fall from 28% in 2024 and remain within the 20%-25% range due to lower operating profitability, elevated debt and a higher interest burden. The latter will also take its toll on the EBITDA interest coverage, which we project will decline to around 4.0x

(2024: 4.9x) due to higher debt costs that will not be offset by anticipated growth in EBITDA in the short term.

FOCF to remain negative

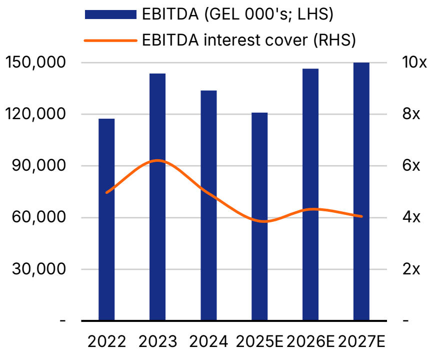
We expect that elevated capex will keep pressure on FOCF, which is expected to remain negative despite the anticipated improvement in working capital management, linked to a faster inventory turnover after the successful implementation of SAP at Nikora's retail arm.

Figure 3: Leverage



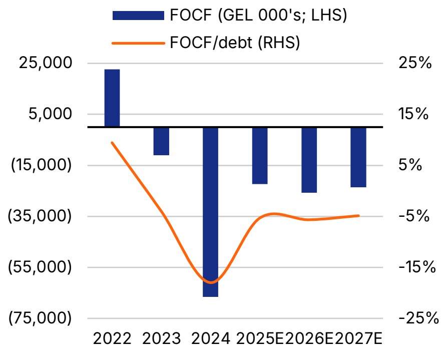
Sources: Nikora, Scope estimates

Figure 4: Interest cover



Sources: Nikora, Scope estimates

Figure 5: Cash flow cover (FOCF/debt)



Sources: Nikora, Scope estimates

Inadequate liquidity

Nikora's preference for rolling over short-term debt rather than securing committed revolving credit facilities reflects a cost-efficient approach commonly observed in emerging markets. However, this strategy heightens the company's refinancing risk. We expect that available cash, cash equivalents, and committed unused bank lines will cover roughly 32% of short-term debt and anticipated negative FOCF in 2026. Despite a recent deterioration in credit metrics, the company's strong local reputation, consistent bank support, and ability to manage liquidity through flexible capital expenditure justify the 'adequate' liquidity assessment. This view is further reinforced by the recent successful issuance of a GEL 60m bond, which has eased refinancing pressures, with no large maturities coming due before 2029.

Table 1: Liquidity sources and uses (in GEL 000's)

	2024	2025E	2026E
Unrestricted cash (t-1)	4,163	4,328	4,646
Open committed credit lines (t-1)	13,044	4,268	4,268
FOCF (t)	(66,640)	(22,395)	(25,789)
Short-term debt (t-1)	53,040	70,645	2,042
Liquidity	**14%**	**9%**	**32%**

Sources: Nikora, Scope estimates

9. Supplementary rating drivers: +/- 0 notches

Credit-neutral supplementary rating drivers

Supplementary rating drivers are credit-neutral. We deem the company's transparency as adequate and have not identified any drivers which would cause the rating to be notched in either direction.

10. Debt ratings

Senior unsecured debt rating: BB-

The rating on senior unsecured debt has been affirmed at BB-, consistent with the issuer rating. We project an 'excellent' recovery for senior unsecured debt, i.e. the senior unsecured corporate bonds, in a hypothetical default scenario in 2026, however, given the unsecured nature of the bonds and the risks associated with emerging markets, we have aligned the debt rating with the issuer rating.

Appendix 1. Peer comparison

	JSC Nikora	Tegeta Motors LLC	Axial KFT	Unix Auto KFT	Vorosko KFT
Issuer rating/Outlook	BB-/Stable	BB-/Negative	BB/Stable	BB/Stable	BB/Stable
Last reporting date[3]	31 December 2024	31 December 2024	31 December 2024	31 December 2024	31 December 2024
Business risk profile	**BB-**	**BB-**	**BB-**	**BB**	**BB-**
Financial risk profile	**BB-**	**BB-**	**BB+**	**A-**	**BB+**
EBITDA interest cover	4.9x	3.3x	8.2x	13.5x	27.1x
Debt/EBITDA	2.8x	3.1x	1.5x	1.5x	2.1x
Funds from operations/debt	28%	22%	48%	57%	46%
FOCF/debt	-18%	-8%	59%	33%	14%
Standalone credit assessment	**BB-**	**BB-**	**BB**	**BB+**	**BB**
Supplementary rating drivers	+/- 0 notches	+/- 0 notches	+/- 0 notches	- 1 notch	+/- 0 notches

[3] Ratios in the table as of the date indicated

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