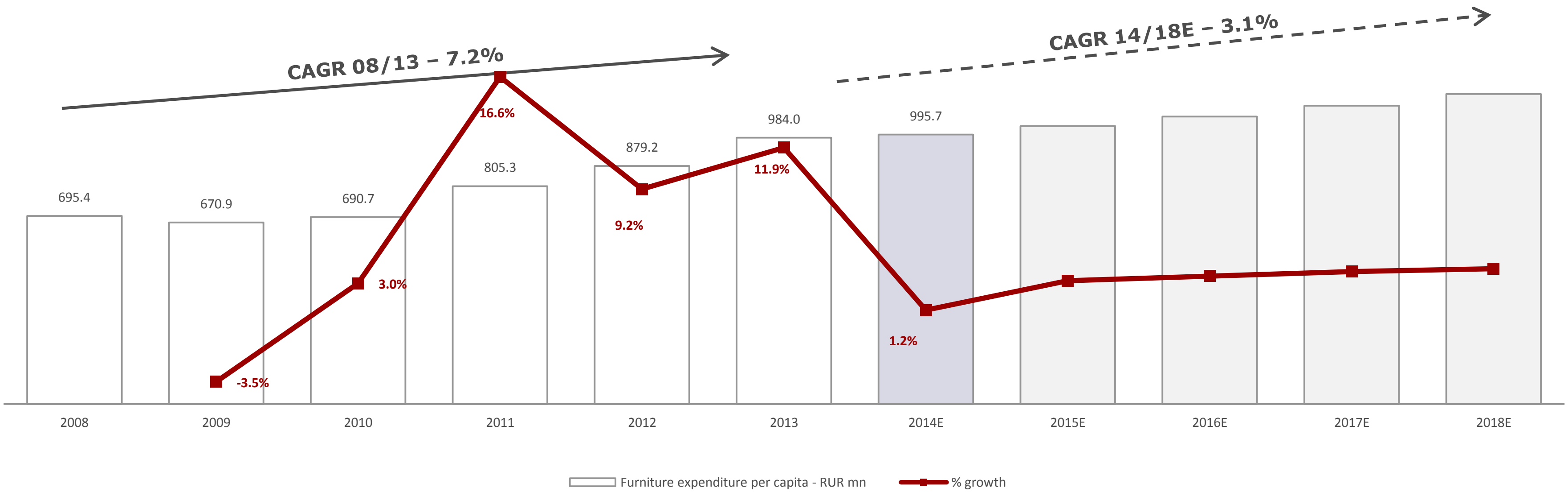
beragua

Russian furniture market overview

Market evolution and prospects – national currency

During the 2008-2013 period, Russian furniture market has grown at a 7.2% CAGR, reaching c.RUR984 bn in 2013. According to Euromonitor, the market will slow down between 2014 and 2018, growing by c.4pp below historical figures

Evolution of Russian furniture market – 2008–2018E – RUR bn



- In 2013, the **Russian furniture market amounted to c.RUR984 bn**, showing a **significant positive performance during the global economic downturn**, with a CAGR of 7.2% since 2008.
- Euromonitor forecasts show a slowdown of **the growth in the Russian Furniture market for the period 2014-2018 (CAGR 3.1%, c.4pp below the growth achieved in 2008-2013),** reflecting the political instability, the devaluation of the Ruble and the stagnation of the economic activity in the country.

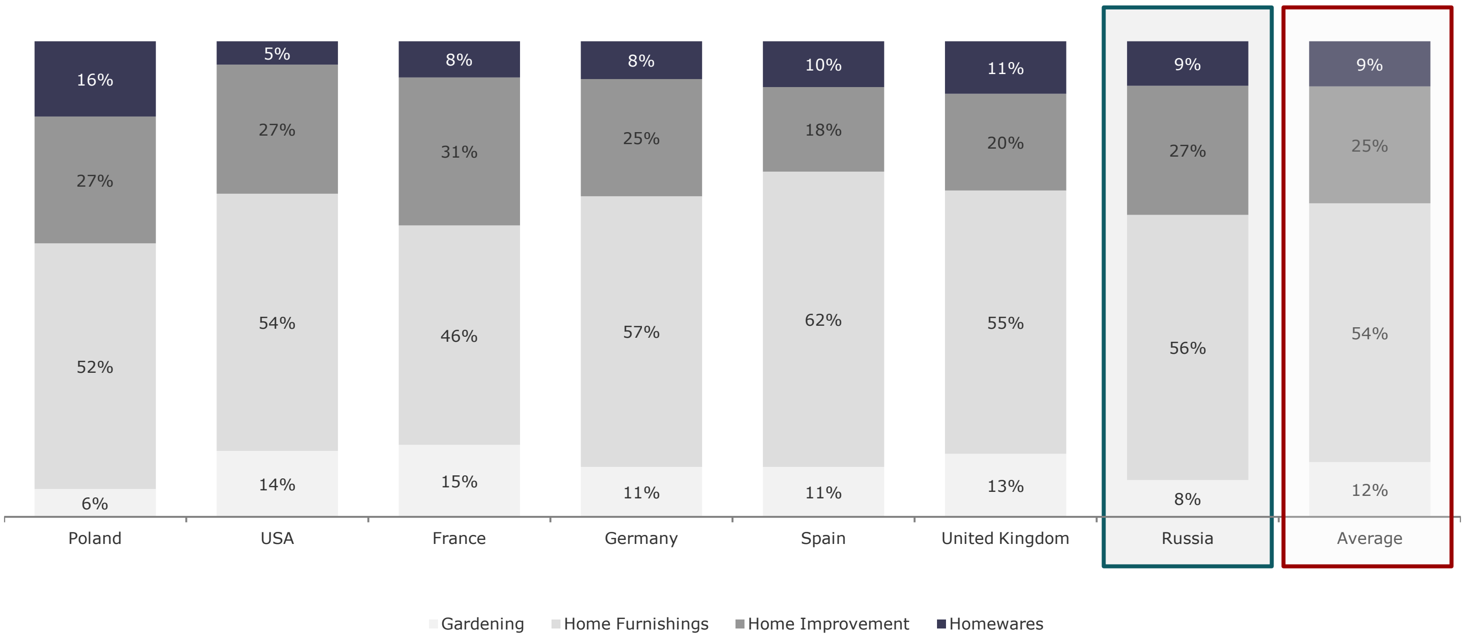
FURNITURE MARKET includes**: Furniture, Gardening, Home Improvement and Homewares.**

Source: Euromonitor and Rosstat

Furniture market – segments and international benchmark

Overall, there are no major differences between the composition of the Russian Furniture Market vs. Top European countries and the US, being Home Furnishing the most important segment accounting for c.56% of the market, followed by Home Improvement with c.27% of market share

Furniture market segments – 2013 benchmark – % of the Furniture Market

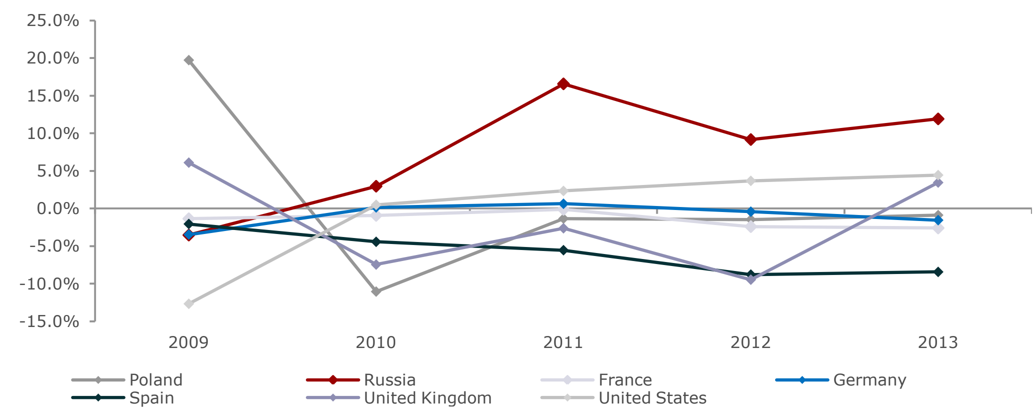


Source: Euromonitor and Beragua

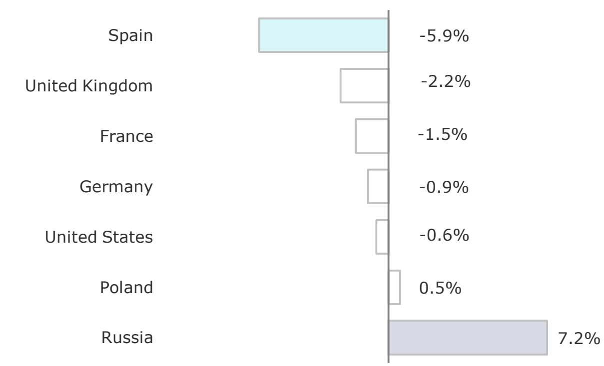
Market evolution benchmark

During the period 2008-2013 the Russian furniture market posted a solid growth, while most top markets in Europe and the US were declining. This substantial differential growth will significantly decrease in the period 2014-2018 due to the envisaged slow down of the Russian market, but will still be in positive territory

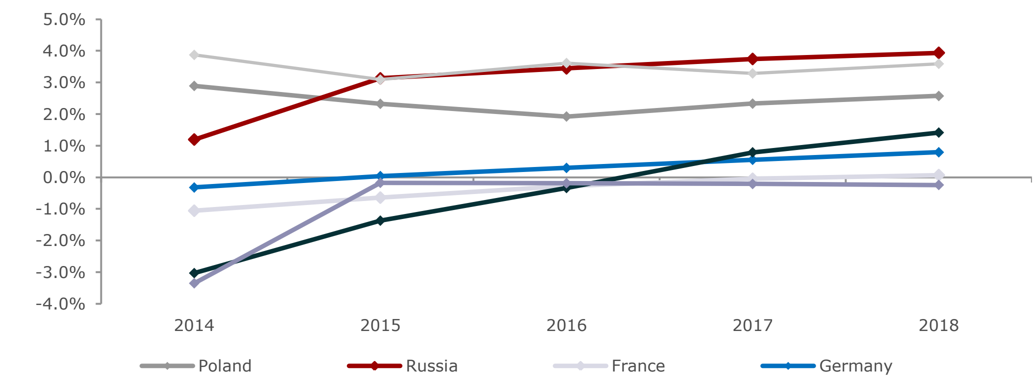
Russian furniture market evolution benchmark – 2008-2013 – % of growth



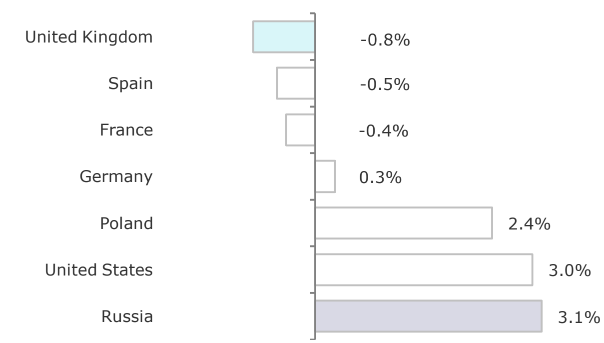
Total Russian furniture market evolution benchmark 2008-2013 CAGR (*)



Russian furniture market evolution benchmark – 2014-2018 - % of growth



Total Russian furniture market evolution benchmark 2014-2018 CAGR (*)



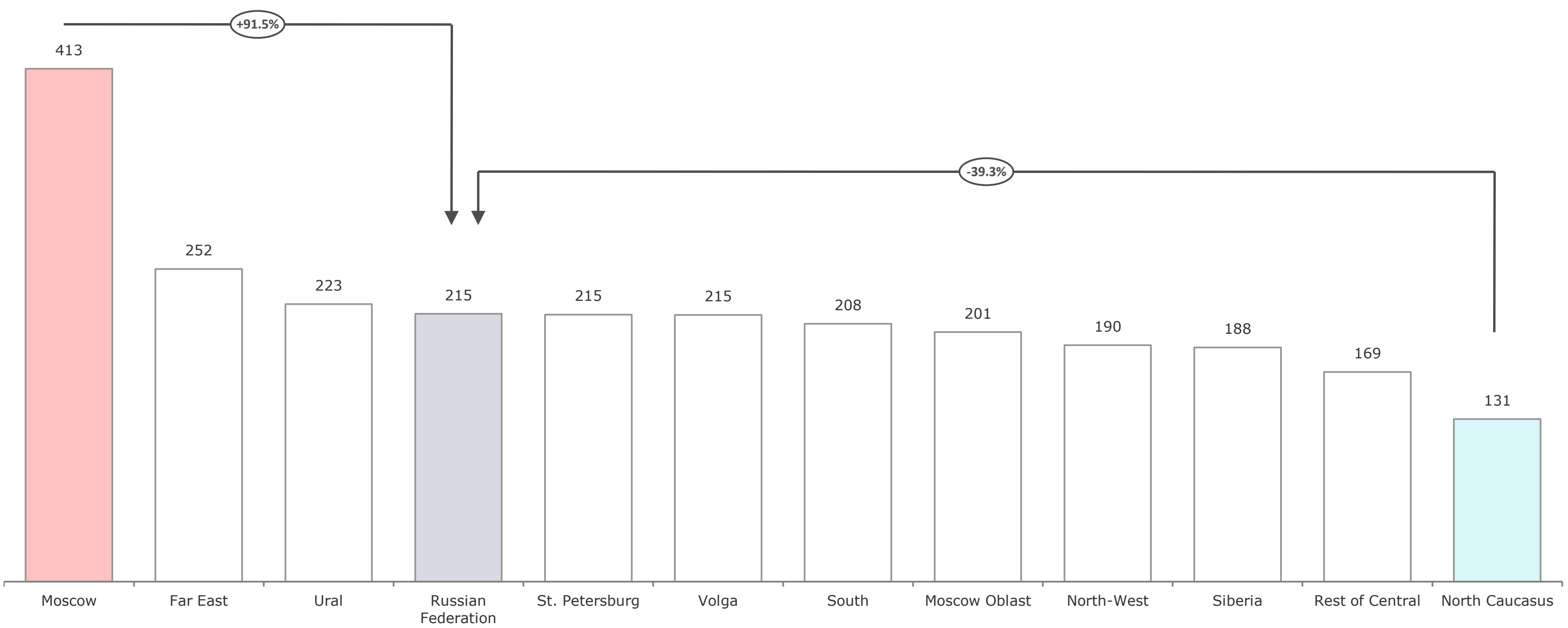
FURNITURE MARKET includes**: Furniture, Gardening, Home Improvement and Homewares.**
Note(*): Growth rates calculated according to market evolution in national currency.

Source: Euromonitor, Rosstat and IMF

Furniture expenditure per capita – regional breakdown

The average furniture expenditure per capita in Russia amounted to c.USD215 in 2013. While most regions have similar expenditure figures, Moscow City is substantially above the country average (+91%)

Furniture expenditure per capita by regions – 2013 – USD (*)



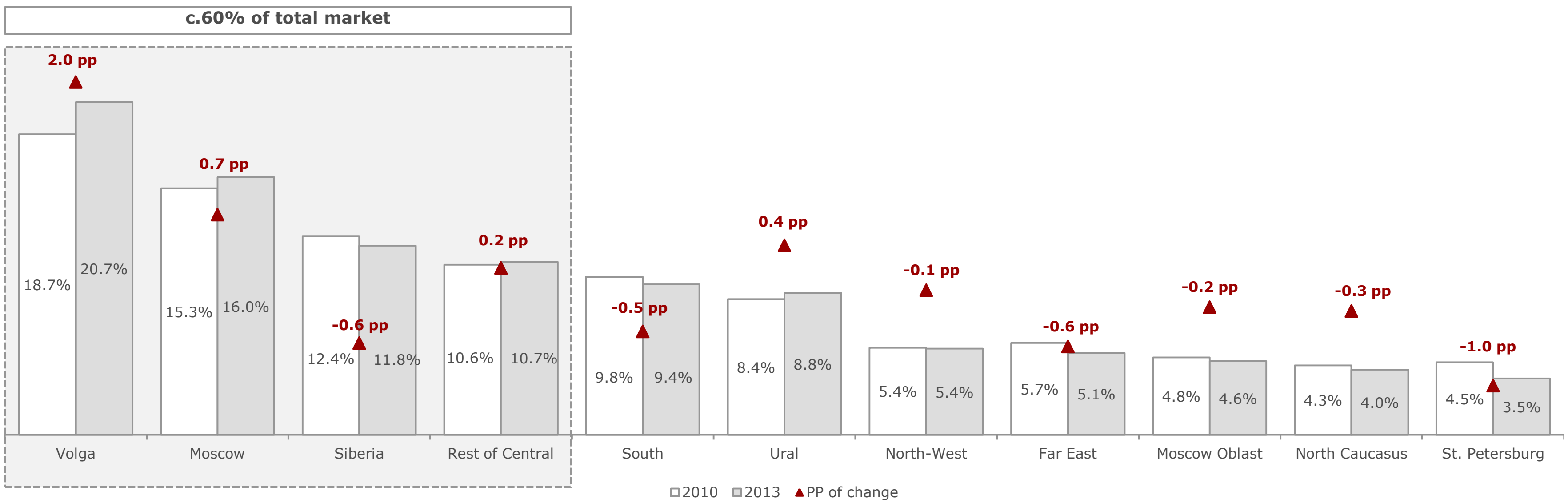
FURNITURE MARKET includes**: Furniture, Gardening, Home Improvement and Homewares.**
Note(*): Figures converted into USD using the average exchange rate for 2013: USD1= RUR31.8540.

Source: Rosstat and Beragua

Furniture market in Russia – breakdown by regions

There has not been major changes in the Regional distribution of the Russian furniture market in the period 2010-2013. The market is mainly concentrated in 4 regions (Volga, Moscow city, Siberia and Rest of Central), which account for a combined 60% of the total market

Furniture market breakdown by regions – 2010-2013 evolution



- The distribution of the Russian furniture market across its regions **has remained fairly unchanged during the 2010-2013 period** being both **Volga** and **St. Petersburg the only areas with a relevant variation** in their market share over this period (+2 pp and -1 pp compared to 2010, respectively).
- Russian market is mainly **concentrated in 4 regions which account for c.60% of the total market**: Volga (c.21% MS), Moscow city (c.16%), Siberia and Rest of Central (c.12% and c.11% respectively).

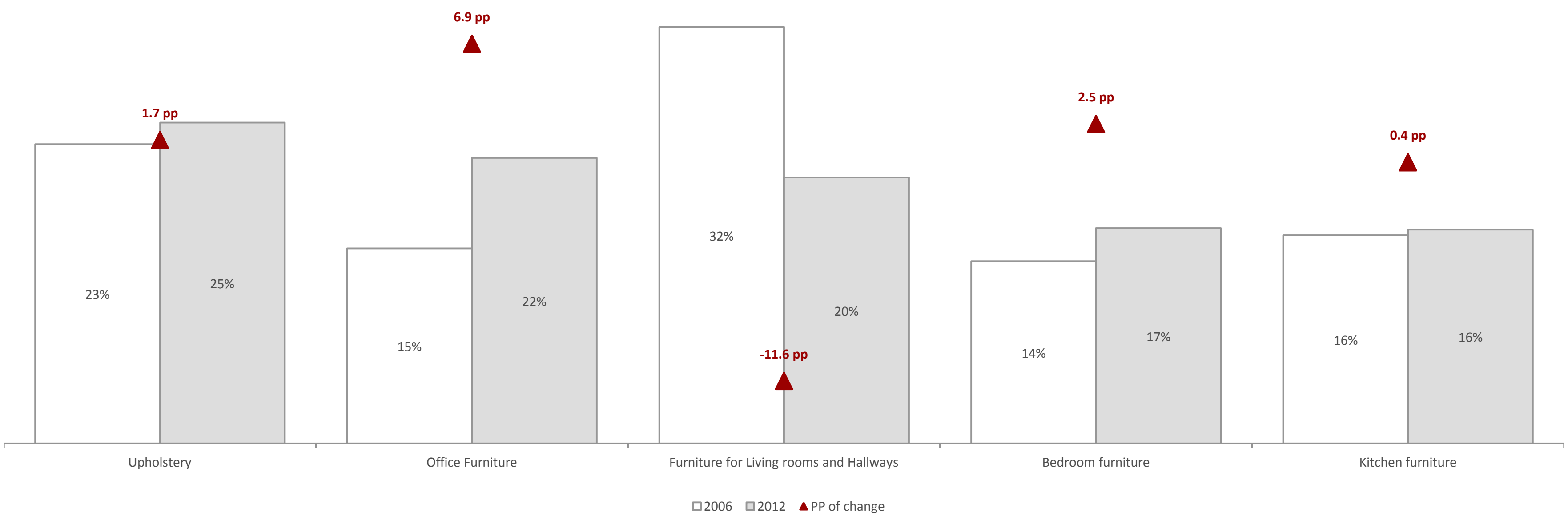
FURNITURE MARKET includes**: Furniture, Gardening, Home Improvement and Homewares.**

Source: Rosstat and Beragua

Home furnishing market segments

Upholstery together with Office, Living rooms and Hallways are the most important segments in the Russian Home Furnishing sector, accounting for a combined 67% of the market

Russian furniture market segments – 2006-2012 evolution – % of MS



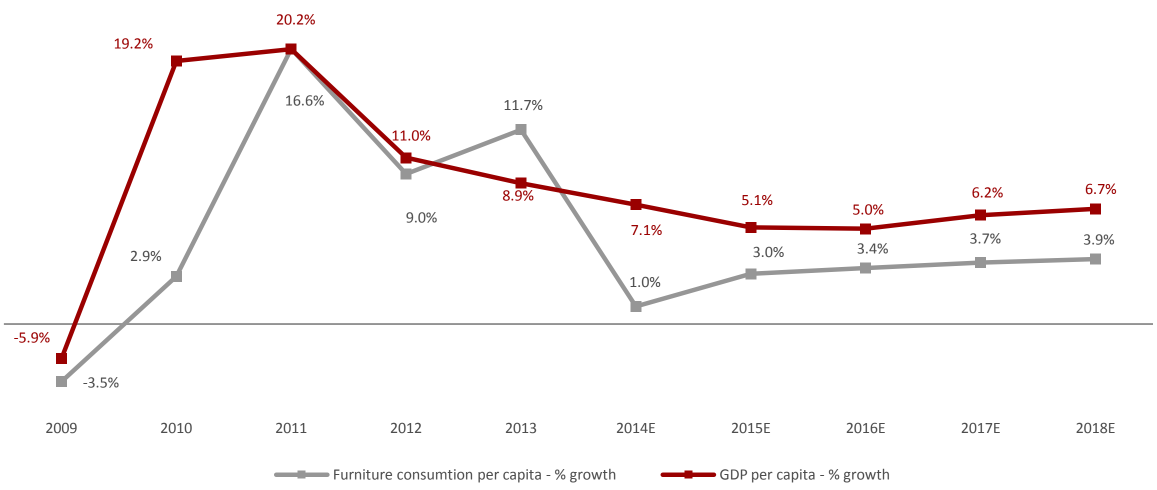
- **Upholstery, Office, Living rooms and Hallways**, are the most relevant segments within the Russian Home Furnishing market, accounting for **c.67% of total sales**.
- **Office Furniture has been the most dynamic segment**, increasing its **participation in the market by c.7pp** during the 2006-2012 period, **followed by Bedroom Furniture** (2.5pp of increase) **and Upholstery** (+c.2pp market share), while Kitchen Furniture has remained stable over the same period. Conversely, **Living rooms and Hallways suffered a significant decline of its market share** since 2006 (-c.12pp).

Source: Discovery research group, Market Center and Beragua

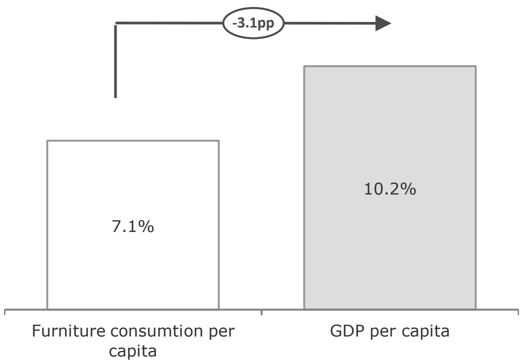
GDP per capita – a main driver for the furniture sector

Between 2008 and 2013, Russian furniture expenditure per capita has been progressing at a 7.1% CAGR, c.3pp below the GDP per capita growth during the same period. This gap should remain virtually unchanged during 2014-2018, when the furniture market is forecasted to grow by 3% compared to a GDP progression of 6% in nominal terms

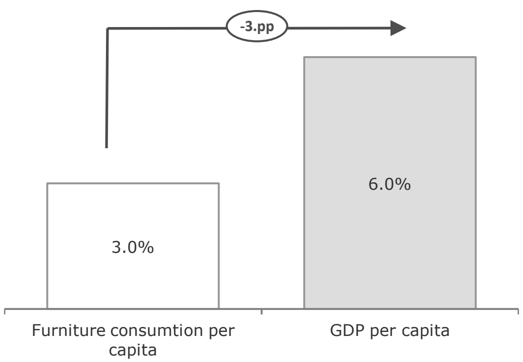
Russian Furniture consumption per capita vs. GDP per capita evolution – 2008-2018E (nominal RUR)



Furniture vs. GDP per capita – 2008-2013 CAGR



Furniture vs. GDP per capita – 2014-2018E CAGR



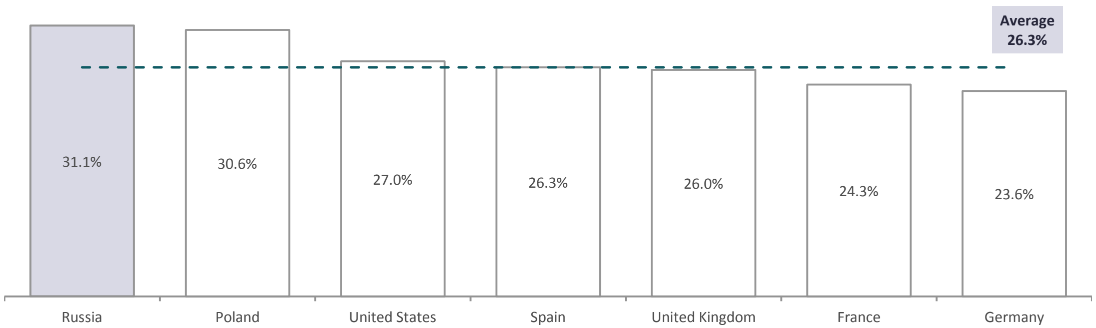
FURNITURE MARKET includes**: Furniture, Gardening, Home Improvement and Homewares.**

Source: Euromonitor, Rosstat and IMF

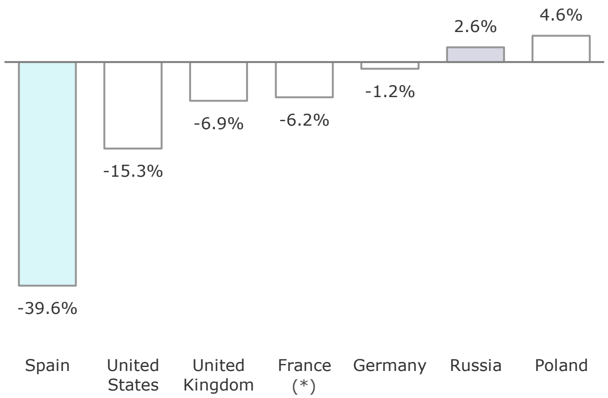
Real estate and population pyramid – international benchmark

Along with the economic growth, the evolution of the real estate market and the population pyramid are key drivers of the furniture market and both are favorable in Russia. Additionally, the average housing stock is old and with strong needs for renovation in the short and mid-term

Percentage of population in the range of 20-39 years – 2013 benchmark

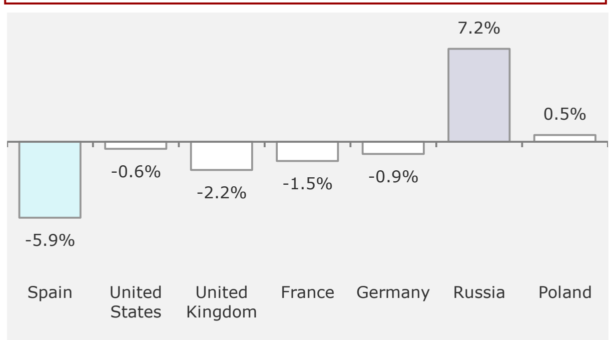


New houses per 1,000 inhabitants – CAGR 2006-2012 – Benchmark



- The **real estate market in Russia has performed strongly** in spite of the global economic downturn: **the number of newly-built houses per 1,000 inhabitants increased by 2.6% CAGR** in **2006-2012,** while most of European countries and the USA were facing strong declines.
- Russia has a significant **share of its population** within the range of **20 to 39 years:** this is the age when people normally **get married, have children or leave their parent's home,** implying a strong one-shot furniture expenditure.
- Additionally, according to EBRD at least **c.10% of the Russian houses need major capital repairs and renovation** (the average age of Russian apartments is c.45 years, most of them were constructed in the period 1946-1970). This is another important element to support the furniture market in the future.

Furniture market CAGR 2008-2013 – Benchmark



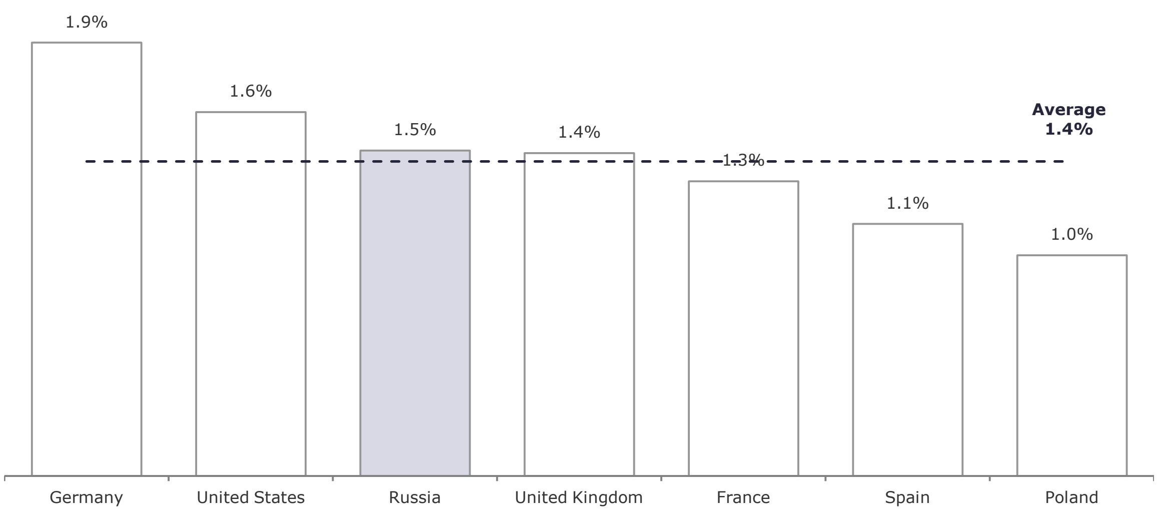
Note(*): Data for France is referred to the period 2006-2011.

Source: National Institutes of Statistics, IMF, EBRD and Beragua

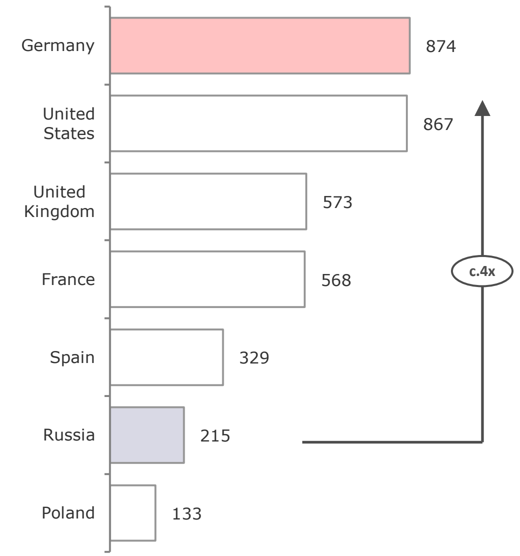
Furniture consumption as percentage of the GDP

Despite the Russian furniture expenditure per capita is still significantly lower than most Western European countries and the US, its participation in the GPD is in line with the average

Furniture expenditure as % of the GDP – 2013 benchmark



Furniture expenditure per capita – 2013 benchmark – USD



FURNITURE MARKET includes**: Furniture, Gardening, Home Improvement and Homewares.**

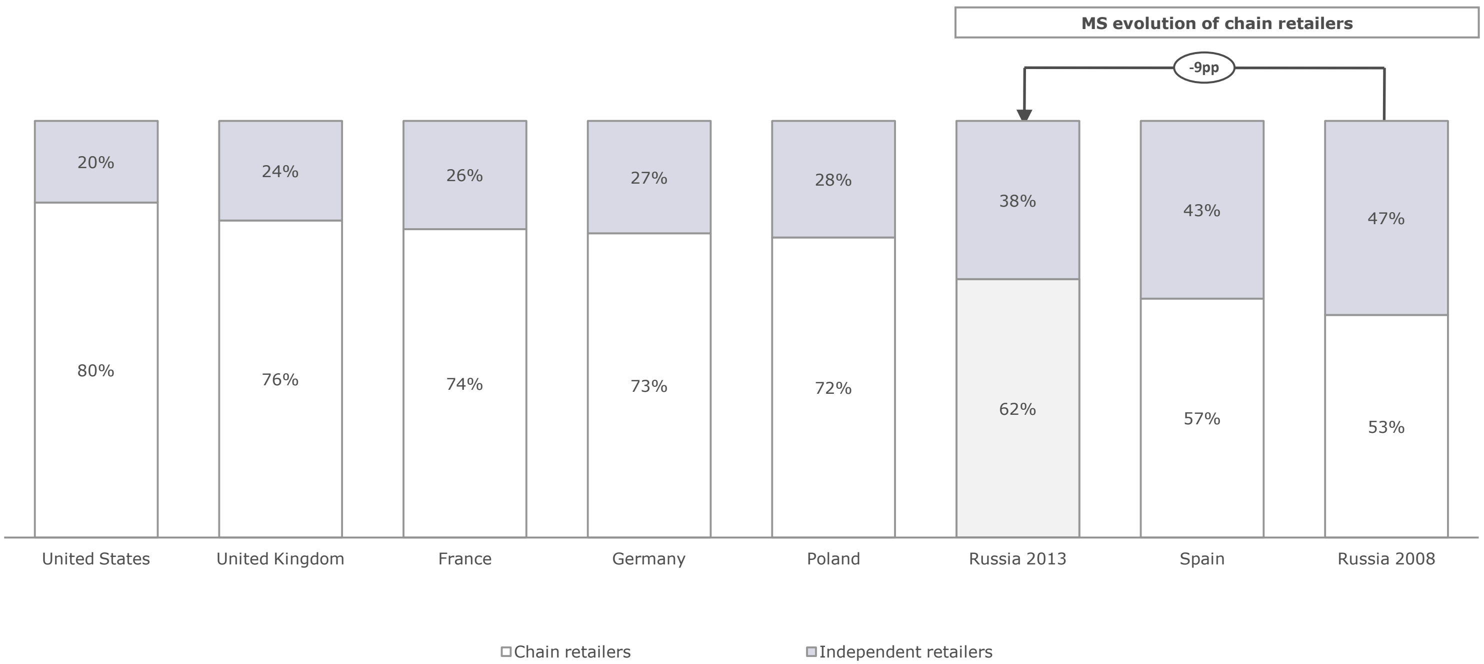
Note(*): Figures converted into USD using the average exchange rate for 2013: USD1= EUR0.75324.

Source: Euromonitor, Rosstat and IMF

Chains vs. independent retailers – international benchmark

Despite the market share controlled by chain retailers in Russia has progressed by 9pp in 2008-2013, independents still have a considerably higher presence in the market than in the US and in most of its European peers, implying room for further consolidation

Chains vs. independents retailers – 2013 benchmark – % of MS



Chain market figures are referred to Furniture stores only.

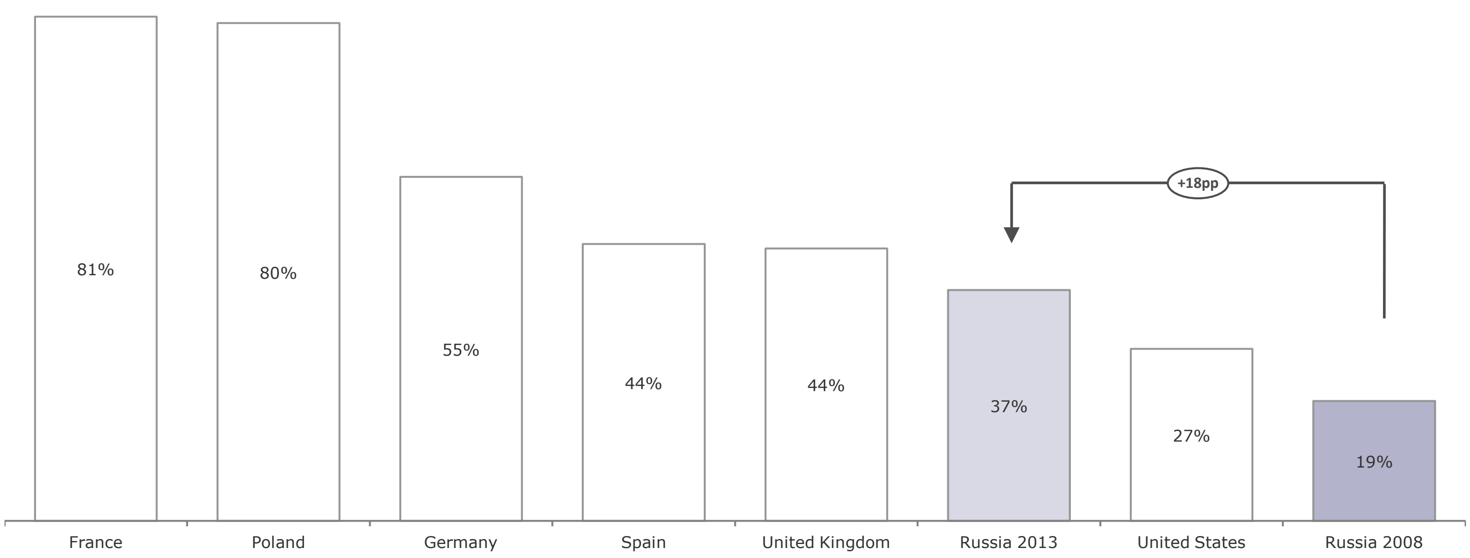
Source: Euromonitor, Rosstat and Beragua

Top 5 concentration – international benchmark

Furniture market in Russia is still significantly fragmented although the concentration has significantly increased since 2008

- Russian Furniture market is still considerably fragmented: **top 5 furniture players account for c.37% of the chain market sales,** a lower concentration level than most of its European peers.
- **Since 2008 the concentration in Russia has increased by +18pp**, underpinned by the **strong growth** of the market leader **IKEA** and domestic players such as **Yuterra and HOFF**.
- **Furniture** market is **intrinsically more fragmented** than other **retail markets** such as food, since only France (81%) and Poland (80%), show levels of concentration in line with **food retail, where Top 5 players usually control 70-80%** of the organized market.

Top 5 concentration – 2013 benchmark – % of MS



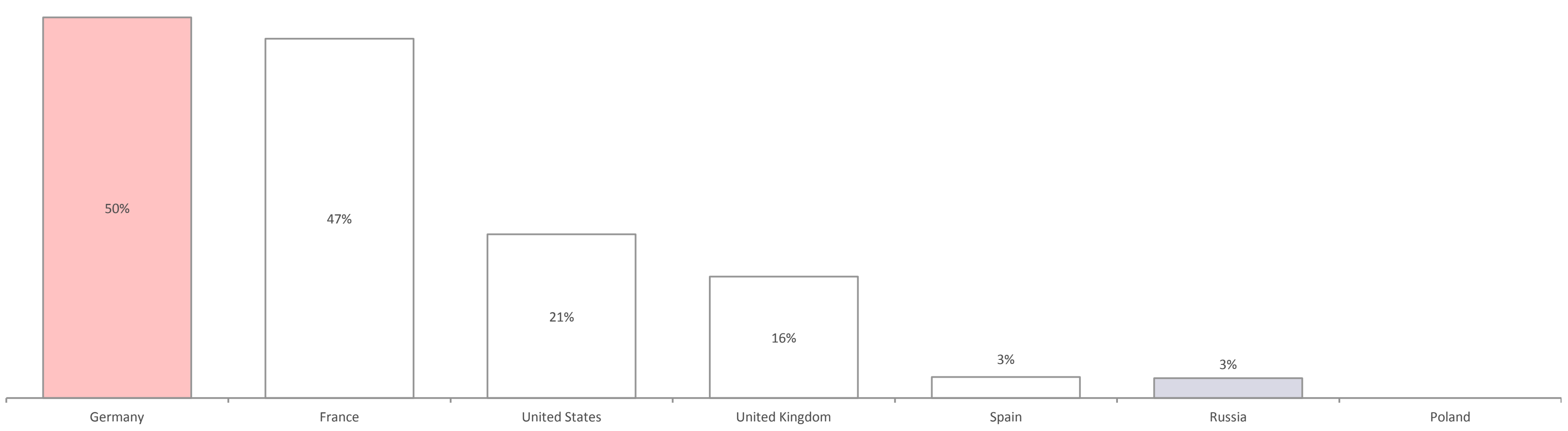
Concentration figures have been calculated over Chain Market.

Source: Euromonitor, Rosstat and Beragua

Market share of multibrand stores – international benchmark

The combined market share of the multibrand furniture retailers in Russia accounted for c.3% of the Chain market (not including DIY, Hypermarkets and internet), being at a similar level than Spain and above Poland, but substantially below the rest of the countries included in our benchmark

Share of multibrand stores – 2013 benchmark – % of MS of Furniture Chains



- **Russian organized furniture market is dominated by IKEA and the specialists: multibrand furniture retailers have still a very limited presence** as they represent **only 3%** of the sector, being at a similar level than Spain but accounting for a **substantially lower share than in most of its European peers and the United States**.
- **Germany and France** are the countries with the **highest presence** of **multibrand stores** amongst the countries analysed in our benchmark, with **c.50% and 47% respectively.**

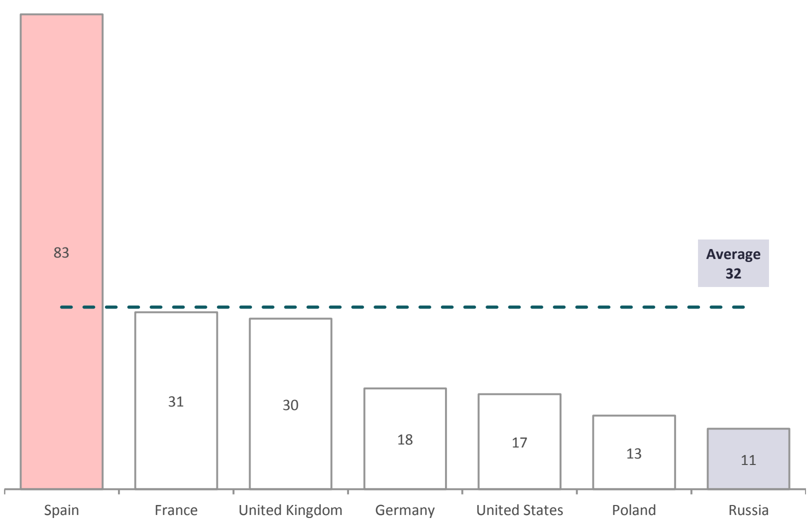
Share of Multibrand stores figures are referred to the Furniture Chain Market (not including DIY, Hypermarkets and internet)

Source: Euromonitor, Rosstat and Beragua

Furniture stores density – international benchmark

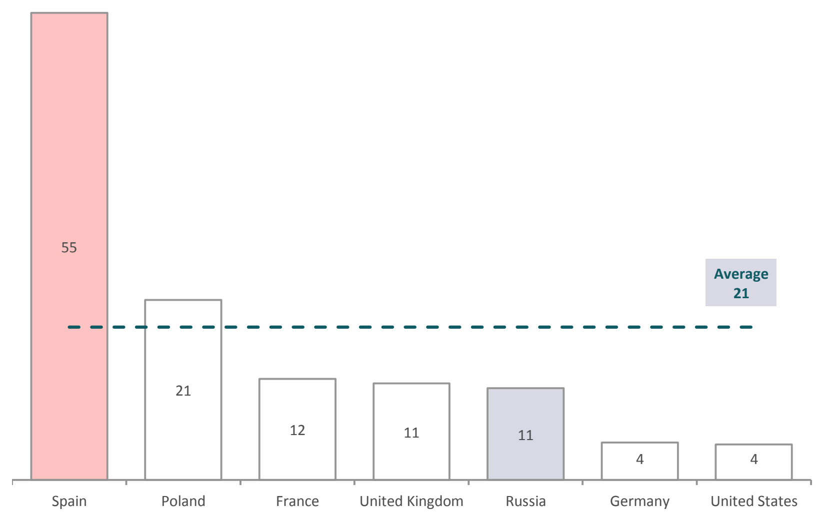
The density of furniture stores in Russia (11 shops per 100,000 inhabitants) is the lowest of our benchmark, being only close to Poland (13) but at significant distance from the rest of Top European countries analyzed and the US. When adjusting by the furniture expenditure per capita, the distance between Russia and its peers narrows considerably, but it still lags behind, France, Spain and Poland

Number of furniture stores per 100,000 inhabitants – 2013 benchmark



Furniture per capita adjusted

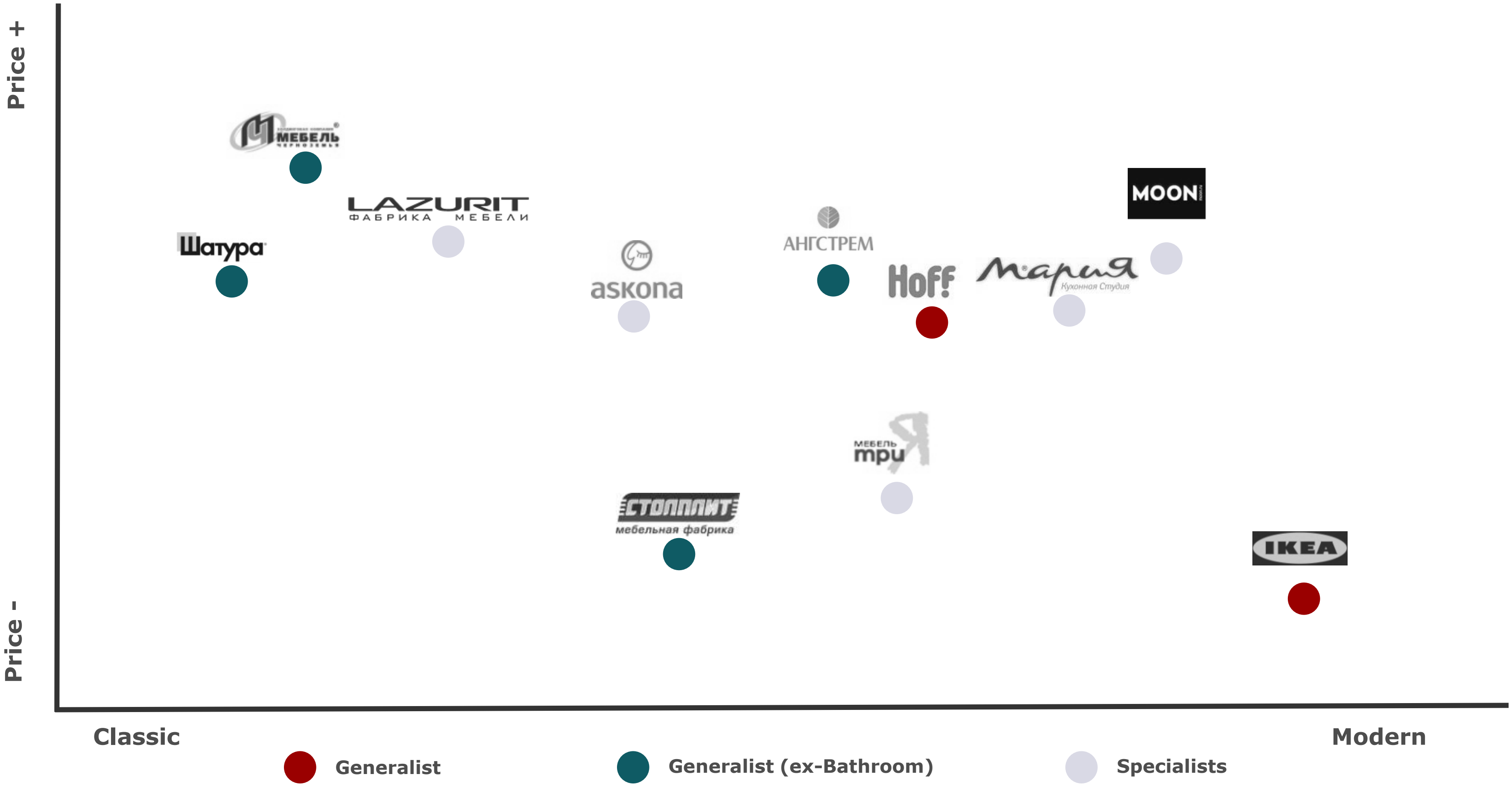
Number of furniture stores per 100,000 inhabitants – Furniture per capita adjusted – 2013 benchmark



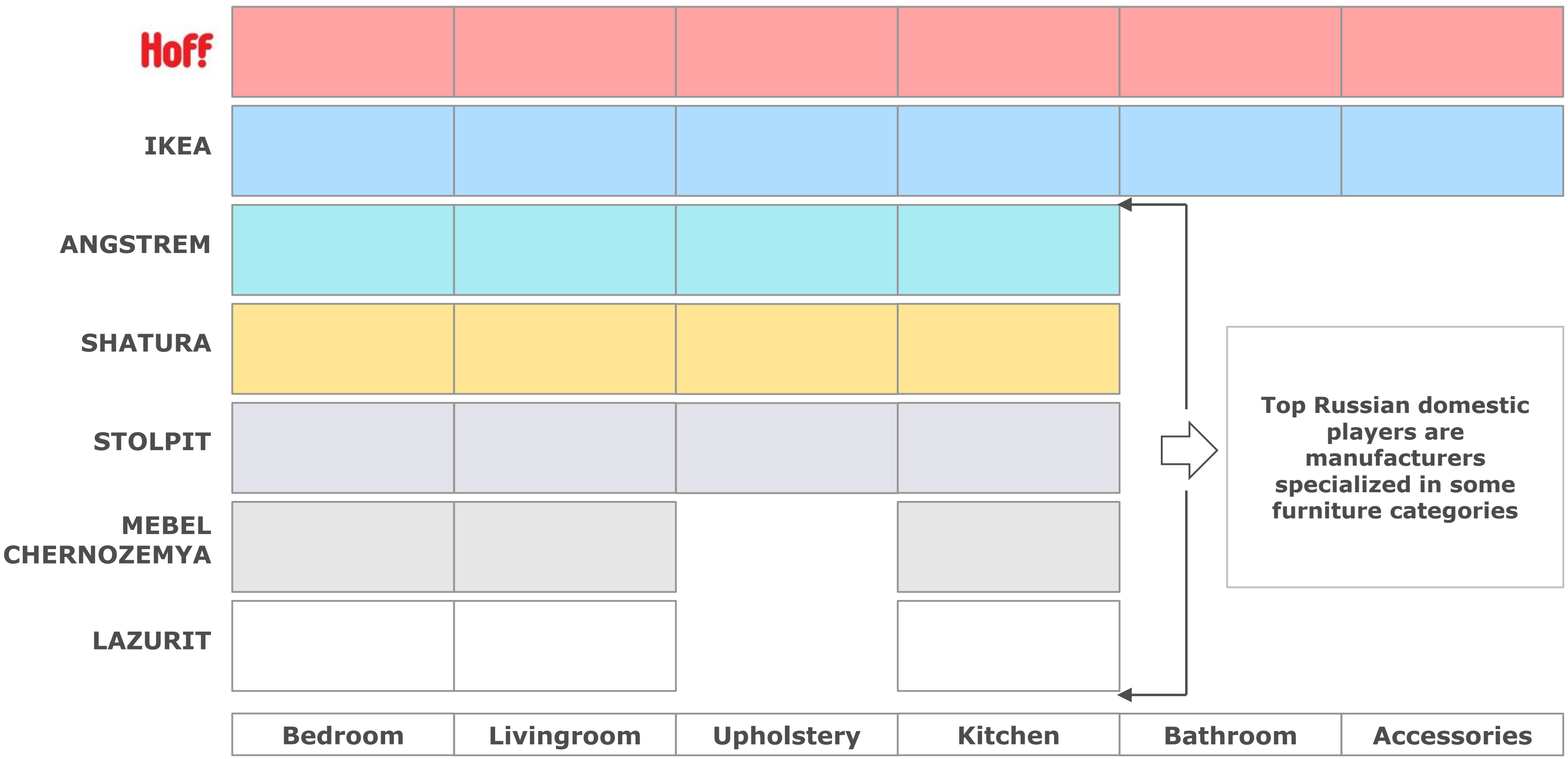
Source: Euromonitor, INE and Beragua

Positioning of furniture retailers in Russia

- There is a **significant presence of domestic players** in Russia, covering a **wide range of styles and price points,** from **classic and expensive products (Shatura, Mebel Chernozemya or Lazurit)** to more **modern and cheaper ones (Stolplit and Angstrem).**
- **Hoff is the only player (along with IKEA)** covering **all furniture categories and accessories,** being positioned in a **mid-price range** and including **different** furniture **styles** ranging from modern/functional to classic.



Assortment coverage of Top furniture retailers

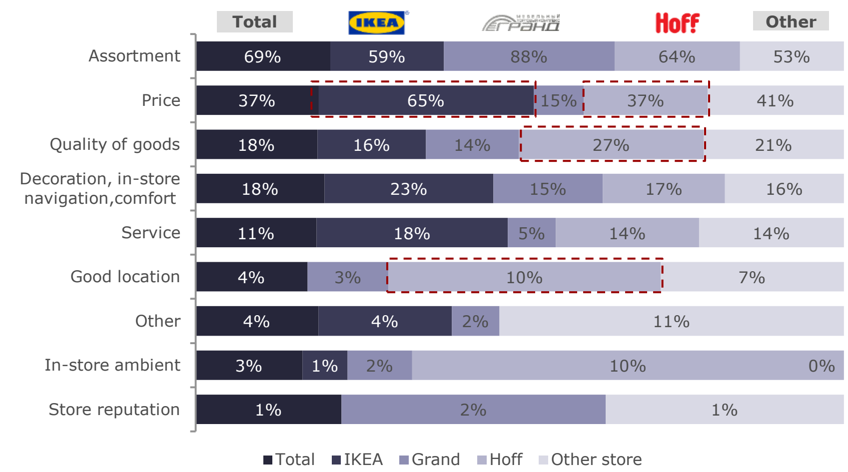


Commercial attributes – Top Russian players

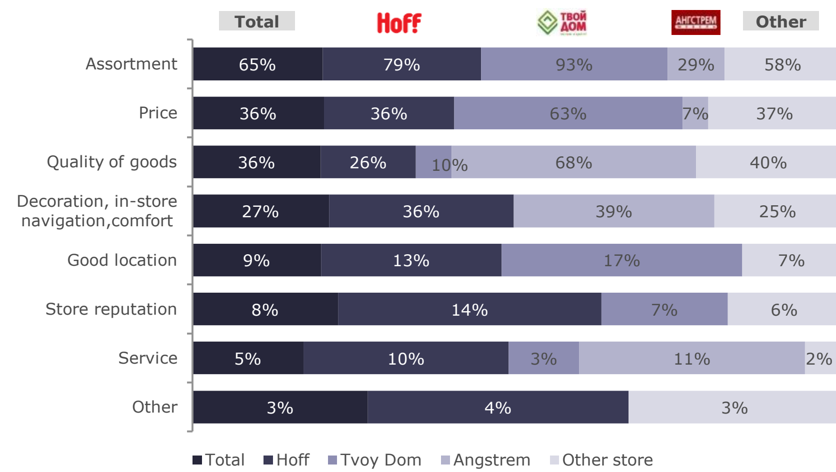
	Hoff	IKEA	FURNITURE SHOPPING MALLS	NON-ORGANIZED STORES	DIY	BRANDED STORES
ATTRACTIVENESS OF STORE						
WIDE ASSORTMENT						
VARIETY OF STYLES						
BRANDS						
CUSTOMIZATION						
ACCESSORIES						
ONLINE						
PRICING						
ONE-STOP SHOPPING						

Best furniture and kitchen store – Reasons

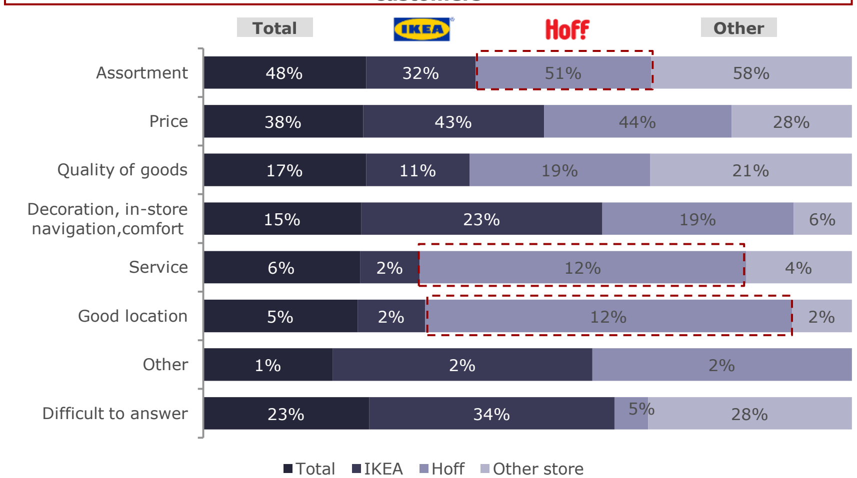
Main reason to choose the best furniture store – Moscow – % of customers



Main reason to choose the best furniture store – Voronezh – % of customers



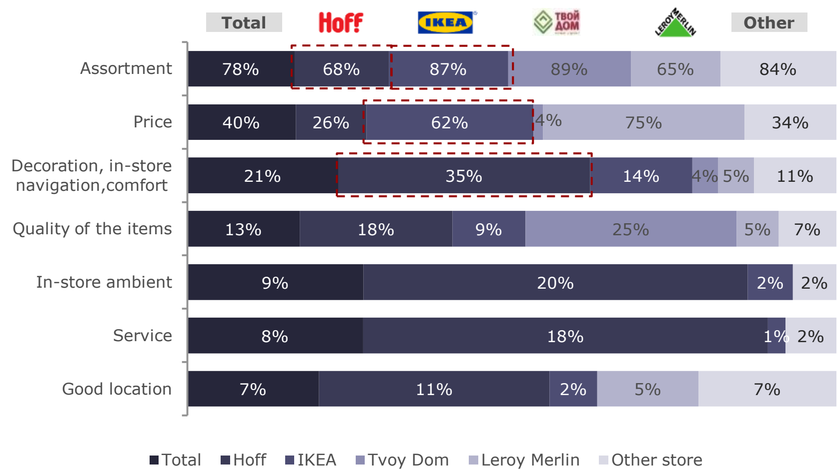
Main reason to choose the best furniture store – Krasnodar – % of customers



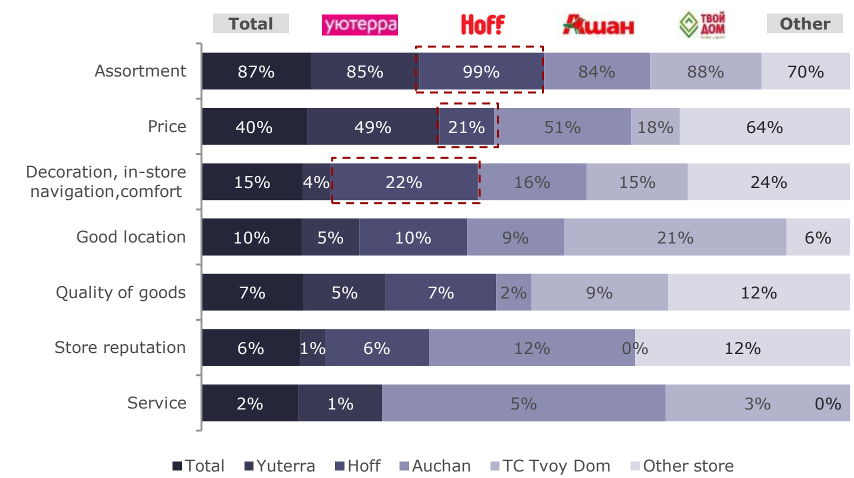
Source: Magram market research, May 2014

The best home accessories store – Reasons

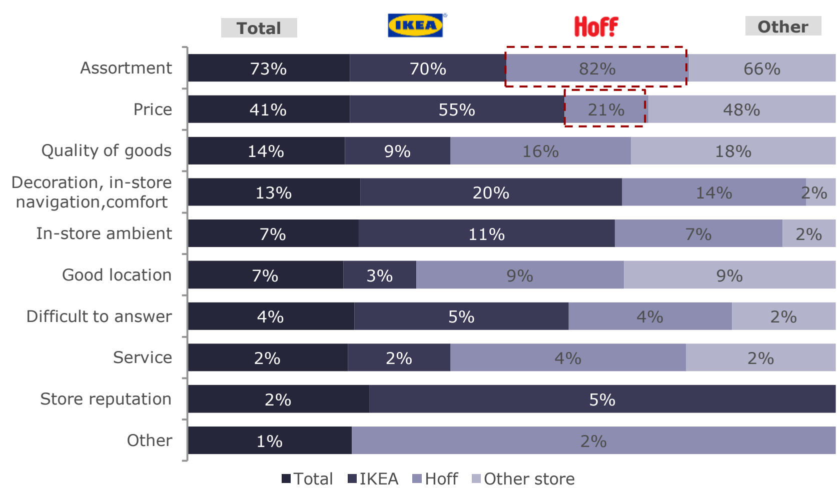
Main reason to choose the best home accessories store – Moscow – % of customers



Main reason to choose the best home accessories store – Voronezh – % of customers



Main reason to choose the best home accessories store – Krasnodar – % of customers



Source: Magram market research, May 2014 beragua

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