

Biscuits in Poland



Content

1	<i>Macro-economic environment</i>	4
2	<i>Consumer trends</i>	7
3	<i>The Biscuit market in Poland</i>	11
4	<i>Distribution channels</i>	21
5	<i>Competitive landscape</i>	24

Foreword – The purpose of the report

We are pleased to present you our new report discussing the biscuit market in Poland. Based on our experience in the Retail and FMCG sector, we would like to highlight a few important aspects of the particularly interesting sector of the FMCG landscape, the biscuit market in Poland.

The aim of this report is to present an entire picture of the market, which is not covered by any available sources of information. PwC designed an entire market model, covering sectors untraced by other research on the market, forecasting anticipated market development and addressing key identified trends.

We are grateful that the key players on the market have expressed a willingness to participate in our report and have

shared their views with us. We are happy we could confront our hypothesis with them and present the results of our meetings, namely the most relevant issues the market is currently dealing with.

We hope this report will meet the readers' expectations and encourage both interest and the consumption of baked confectionery on the Polish market.

Krzysztof Badowski
Partner, Head of Consumer Goods & Retail CEE / CIS

Macroeconomic environment

Biscuits market in Poland is expected to develop in connection with Polish economy, which is expected to grow significantly faster than between 2012 and 2014. **GDP and disposable income** are forecasted to grow at a **3.6% and 4.6% CAGR¹⁾** respectively between 2015 and 2020. Moreover, the **unemployment rate** is expected to **decrease by 4 p.p.** and **reach 6.5%** in 2020.

Consumer trends

There are **four main consumer trends** that drive the biscuits market. Firstly, **more customers becoming smart shoppers**, whose main purchasing criteria is not price, but the value they receive for their money, which is expected to drive, among others, sales of premium private label brands. Secondly, with more people conducting busy lifestyles, the need for **convenience** is on the rise, which positively influences sales of smaller packages of biscuits, as well as products substituting traditional breakfasts. Moreover, **increased health and origin awareness**, driving the consumption of healthier products. Last, but not least - people are looking for **moments of pleasure** that can be provided by cookies.

Surveys show that consumers choose biscuits **mainly based on their taste** (41% of respondents), **followed by quality** (22% of respondents) and that the main location of consumption is **own home** (60% of respondents).

Biscuits market in Poland

Our biscuit market model includes the following segments of the market: **branded biscuits, private label biscuits and bulk biscuits**. Sales in **2015** have reached **145.4 m kg**,

with majority attributed to **branded products (68.0 m kg)** and **private label (64.2 m kg)**. We forecast the market to develop at a **1.7% CAGR** between 2015 and 2020 **in terms of volume** and **3.1% CAGR in terms of value**. **Private Label** is expected to be the fastest growing segment – **4.5% CAGR by volume** and **6.3% CARG by value**.

More favorable economic conditions in Poland are expected to drive biscuit **consumption per capita**, while the **average price** of biscuits is expected to grow supported by CPI inflation.

Distribution channels

Discount stores are currently the largest channel of biscuit sales and are expected to develop faster than other channels at a **7% CAGR by value** between 2015 and 2020, closely followed by **supermarkets – 5% CAGR by value** between 2015 and 2020. Along with the general market trends, **Traditional Trade** channel share in biscuits market is expected to decrease **from 35.7% in 2015 to 29.2% in 2020**.

Competitive market

Polish biscuits market is rather fragmented and future consolidation is expected – in 2015 **three largest players controlled a little over 40% of the market**. Most of the top 10 companies recognize the importance of private label products – currently 7 of those companies are manufacturing private label biscuits.

1) Compounded annual growth rate

Chapter **1**

Macro - economic environment

A Favourable macro-economic environment in Poland

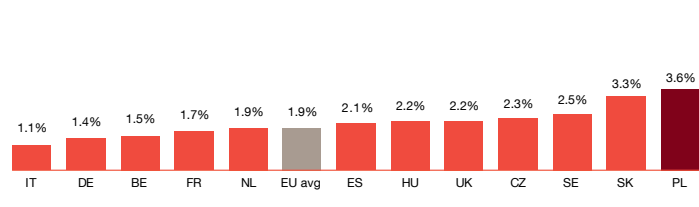


Poland is a dynamic economy with a substantial internal demand and still with a significant growth potential. In the next 5 year horizon, Poland is expected to catch up further with other European economies.

Poland was the only EU economy to withstand the economic crisis with positive GDP growth during the 2009-2014 period. In this period the economy grew, on average, by 3.0%. In the future, the Polish economy is forecasted to develop at an average annual pace of 3.6% - the fastest in the EU countries with almost twice the average EU growth rate driven by private consumption and growing exports due to a reviving EU economy. Moreover there will be a positive effect of the significant influx of EU-funds.

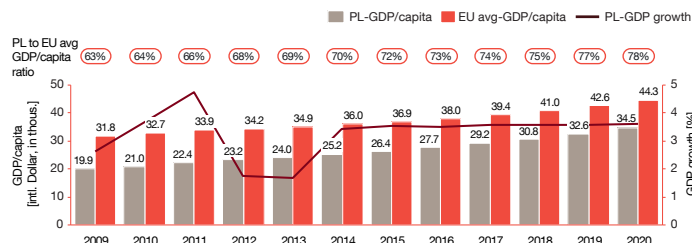
As a consequence of accelerated development, Poland is expected to systematically close the gap with EU countries in terms of GDP per capita. Currently, Poles attain 72% of average EU levels – ca 25.2 thousand international dollar* per capita, by 2020 the ratio should grow to 77%, reaching a level of over 34.5 thousand international dollars. This fact will translate into higher disposable incomes and propel consumption.

Average annual GDP growth rate forecast, 2015-2020 [%]



Source: IMF, PwC analysis

Poland - GDP growth vs. GDP per capita [PPP, intl. dollar]



Source: IMF, PwC analysis

* Note: *ID: International Dollar. An international dollar would buy, in the cited country, a comparable amount of goods and services a U.S. dollar would buy in the United States.

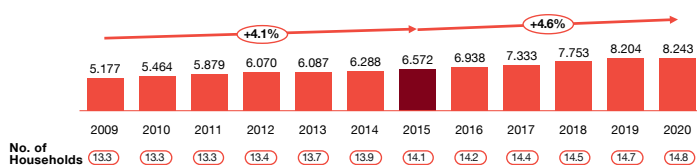
Unemployment and demographic forecasts



Unemployment forecasts are expected to resemble a favourable Polish economic condition. It is believed that within the next 5 years the percentage of unemployed will be significantly reduced, reaching ca. 6.5% by 2020. Further declines are plausible by 2030.

The disposable income of households is thus expected to further increase its growth from 4.1% during the 2009-2015 period to 4.6% in the following 5 years. In addition, the number of households is forecasted to grow by ca. 1% annually from ca. 14.1 m in 2015 and reach ca. 14.8 m in 2020. Therefore, total household spending is expected to develop at a 5.6% CAGR '15-'20.

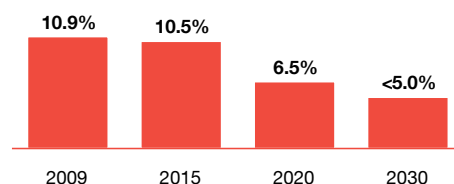
Household disposable income in Poland, 2009-2020
[PLN / month]



Unemployment forecasts are also expected to resemble a favourable Polish economic condition. It is believed that within the next 5 years the percentage of unemployed will significantly decrease, reaching ca. 6.5% by 2020.

One of the reasons for low unemployment will be a decreasing number of people of production age. Compared to the year 2014, the number of people between 18 and 69 years of age is expected to decline by 2020 and 2030 by 0.9 m and 2.9 m, respectively. This decline in the labour force is much more dynamic in Poland than other average EU countries.

Unemployment, 2015-2030F [%]



Source: PwC analysis based on GUS, ILO

Chapter 2

Consumer trends

Consumer trends



Consumers are better informed, becoming smart-shoppers and make more conscious decisions. Health awareness and „value for money” are becoming the key determinants of purchases.

1. Smart shopping

Along with increasing well-being, there are less people whose main purchasing criteria is price. Smart shoppers are people who make reasonable choices based on all the information available, which includes product specification, prices in different outlets and available promotions, etc. Smart shoppers usually only buy products that they really need and their main principle is to get the most “value for money”. The number of smart shoppers in Poland is increasing rapidly – we estimate that currently more than Seven out of ten people are smart shoppers, while the remaining three are polarized between buying purely based on price or purely on quality. It is worth noting that smart shopping is not only about buying the cheapest product, but also about buying high quality products at a competitive price.

As a result of that trend, we see the development of premium private label brands. Wealthier consumers often turn out to be price conscious as well, therefore, Private Label products are offered in numerous price sectors, including the aforementioned premium products. Biedronka, Lidl, Tesco, Piotr i Paweł and many others have already created an offer of high quality products to address this sector of consumers.

When choosing biscuits, consumers take account of the ‘value for money’ aspect as well as the taste. The answer to these customer needs is the dynamic development of private labels, under which, high quality products are currently offered and do not differ from branded products. Our offer includes healthy cereal biscuits under the Delito private label, which offer very high quality for a fairly low price.

Dariusz Kalinowski, President of Stokrotka

2. Convenience

Consumers are more interested in buying more convenient products, which drives the development of new products. This trend is mainly caused by increasingly busy lifestyles. In Poland almost Nine out of ten people work over 40 hours per week. The increased demand for smaller packages is visible in the market and producers are coming up with new innovations in packaging. On-the-go packaging is becoming more popular, as it allows consumers to save time and increase their comfort.

Also, consumers are choosing functional products, such as breakfast biscuits, which by substituting the first meal of the day, provide substantial time saving on meal preparation.

In the available range of biscuits, first of all, we can observe the growing popularity of smaller, convenient on-the-go packaging, which allows quick consumption, for example in the car or at work. Consumers also choose healthy products containing natural ingredients, which creates pressure to use higher quality ingredients, as well as the development of functional categories, such as breakfast biscuits.

Dariusz Kalinowski, President of the Management Board of Stokrotka

3. Health and origin awareness

Visible trend is the consumption shift towards healthier products. This is mainly caused by new eating habits frequently presented in the media, especially social media. Access to unlimited information has led customers to formulate their own opinions about products and buy them, regardless of the brand. Consumers are increasingly cautious with the selection of products containing preservatives and additives. The search for a balanced lifestyle, including sporting activities and a healthy diet, drives consumers, who can afford to spend more on basic needs, to purchase products with more natural ingredients. Many new product forms have emerged which offer low-sugar biscuits, biscuits with no preservatives, biscuits including fibre or products of ecological shops such as oatmeal biscuits. Increasing number of consumers are willing to pay more for natural products, without artificial additives. Healthy products include, amongst others, functional products such as breakfast biscuits characterised by a higher content of vitamins and minerals.

The country or region of origin is also increasingly important to customers. Many retailers include local products to improve brand perception and attract more customers.

“The changing offer of cookies available in the market, reflects the health awareness trend connected with healthy lifestyles and taking care of a balanced diet, i.e. the Nutrition sector of the market, part of which are belVita cookies.”

Michał Mendowski, Head of Marketing CE at Mondelez International

4. Moment of pleasure

Little free time, along with higher earnings introduced a need for moments of pleasure. Between 1995 and 2014, the disposable income in Poland per hour of spare time* increased by 75%. Consumers demand high quality, inspiring and unique products. They pay more attention to the product packaging quality, its display place in the store and the shopping atmosphere. Producers are expected to provide something extraordinary in order to win the customer's attention. This trend is expected to drive innovations in the market – new products that adhere to customer needs will be introduced.

Confectionery is typically a pleasure category, as they are associated with enjoyment. Many companies emphasise the pleasure that is associated with eating cookies in their marketing campaigns, eg. Bahlsen advertising „Krakuski” cookies with a „Pleasure rituals” slogan.

An average Pole consumes 43 kg of sugar per year, of which only 8% comes from confectionery. A healthy lifestyle requires moderation in everything. A bit of confectionery pleasure never hurts anyone and consumers need it more and more.

Jan Kolański, President of the Management Board of Colian Holding SA

* Time available after deducting time spent on work and sleep





In Poland, consumers purchase biscuits mainly oriented by taste (41% of respondents), quality (22%) and price (17%). Consumption predominantly occurs at home, although family values and sharing are very important for biscuit consumers.

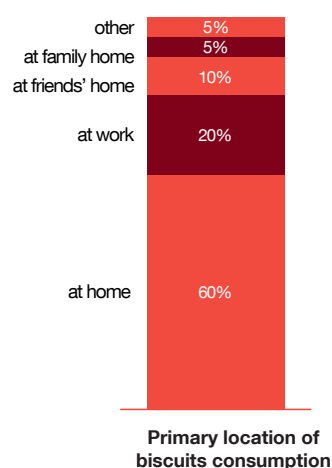
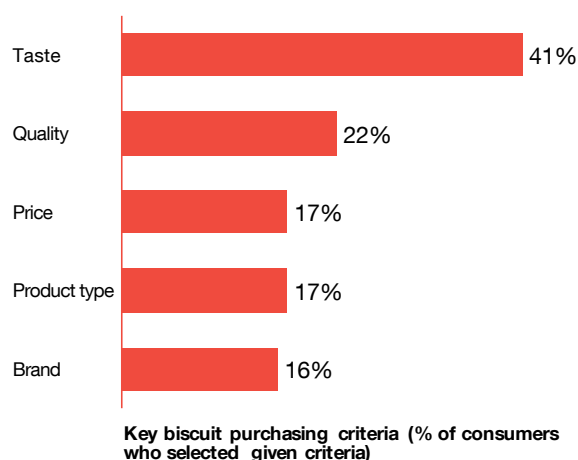
Consumers treat biscuits as a group snack with the purpose of sharing them with family, friends or guests. Six out of ten consumers eat biscuits at home as a primary location, thus the importance of larger, family packaging is expected to be sustained in the market. A noticeable proportion of respondents declare their workplace as the main location of biscuit consumption, following the convenience trend. Consumption is slightly skewed towards women, with an approximately 60% share.

While in certain countries consumers purchase cookies based on their taste, in others, they are mostly concerned about healthiness and pay significant attention to ingredients. The Polish market remains balanced and consumers are not willing to entirely resign from none of these features. They look for both healthy and tasty biscuits.

Jarosław Zawadzki, President of DrGerard

The main purchasing criteria is undoubtedly taste, which is associated with the „moment of pleasure” trend. Price seems to be important in the case of less affluent consumers, however more and more people – in line with the increasing number of smart shoppers – are searching for not only delectable, but also higher quality products. Their increasing demands mainly include ingredients of better quality as well as addressing the health trend by excluding preservatives or sugar.

Consumer biscuits purchasing criteria and location of consumption in Poland [% of respondents]

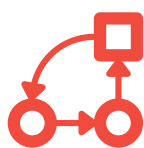


Source: Consumer research, Market interviews, Press research

Chapter 3





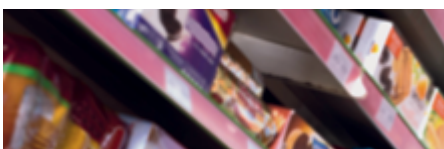

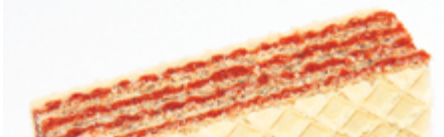
The Biscuit market in Poland

The Biscuit market in Poland – methodology (1/3)



We have created our proprietary market model that covers all segments of the biscuit market. We have also estimated the size of the market and its sub sectors, as well as made an effort to forecast future development based on econometric modeling. Below we present the key definitions and methodologies of the report.

What is the subject of our analysis?

	Market sector	Description	Example
Sweet biscuits	Plain biscuits	Dry biscuits based on flour (the majority of products are very homogenous), a category that includes both dry biscuits and sponge cake	
	Chocolate biscuits	Mainly biscuits with chocolate coating or chocolate inside	
	Sandwich biscuits	Biscuits composed of two or more layers with a filling between the layers. Both chocolate covered or plain	
	Soft cake Jaffa cake	Jaffa cake and soft cakes with and without fillings and/or chocolate cover	
	Other biscuits	Biscuits of remaining categories	
Wafers*	Chocolate wafers	Wafers containing chocolate either as a coating or a filling	
	Wafers without chocolate	Wafers without any coating, however with a filling (various)	

* excluding impulse wafers sold in single serve packs

The Biscuit market in Poland – methodology (2/3)

In order to address the entire market we used the product and channel approach as available sources of data do not cover such a wide market spectrum. Some data does not cover all products, some lack certain channels. Thus, we have created an approach that takes all the relevant sectors into consideration.

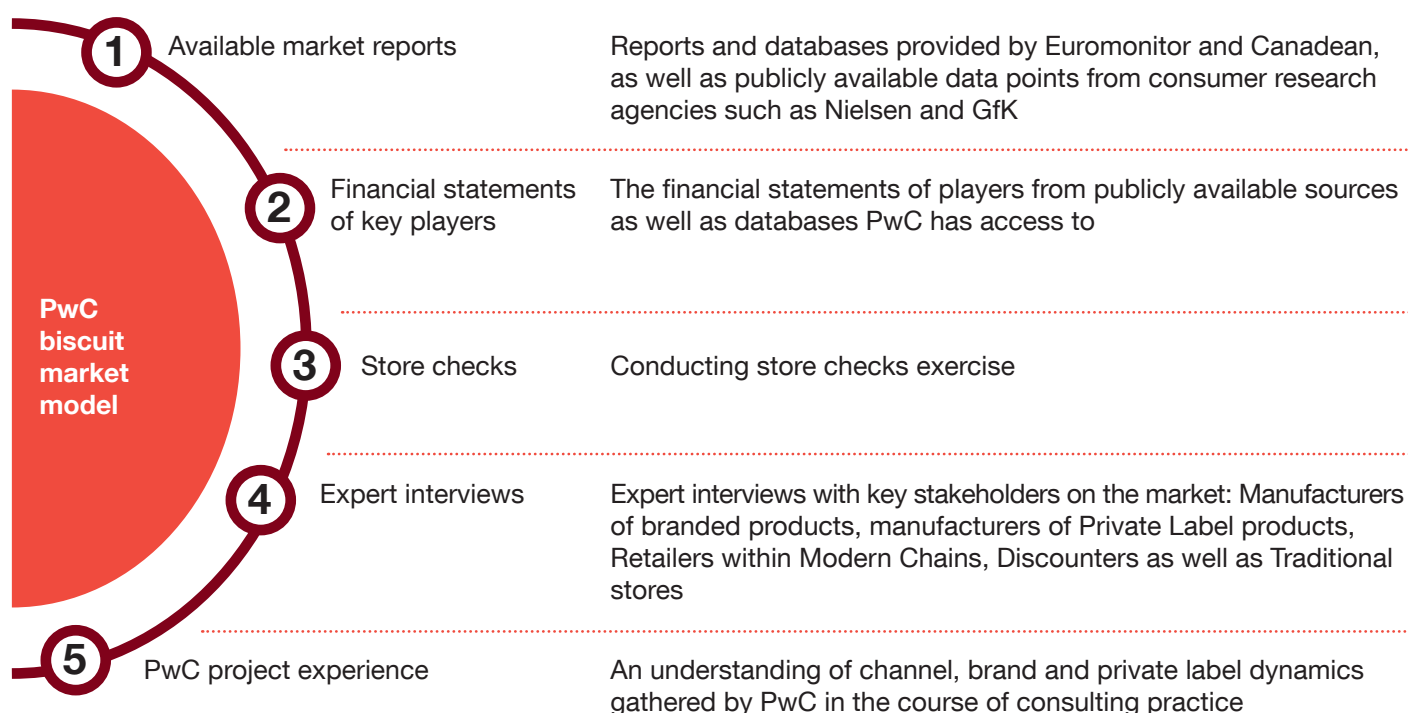
What did we cover?

		Channel	
		Mt and TT stores	
Product	Private Labels	Group 1	
	Branded products	Group 2	
	Bulk products	Group 3	

We use three main groups to describe the total market. Our approach is focused on both channels and products. Private labels, branded biscuits and bulk products are perceived separately in every channel within the MT stores and TT stores category.

How did we build our model?

We used the following sources to create our market sizing and forecasting model:



The Biscuit market in Poland – methodology (3/3)

How does the model work?

We created our model with the utmost precision, forecasting every relevant item based on the best available knowledge and sources. The methodology of key steps is presented below:

Item	Description
① Volume	<p>Total volumes: To forecast the future volumes of biscuits sold in the Polish market we have pegged the biscuit consumption per capita to GDP growth using econometric modelling. For this purpose we used macro-economic data from i.a. IMF, NOBE and National Statistics Office.</p> <p>Group 1 and 2 – Private labels and branded products: the division between the two groups has been forecasted based on historic trends and a model taking into account, e.g., the price convergence of private label products towards the levels of branded products;</p> <p>Group 3: bulk products has been estimated based on store checks in all types of store formats in cities, towns and villages across Poland, where the shelf space as well as prices of bulk and branded products have been compared; forecasts have been prepared based on a comparison of registered observations in 2012 and 2014.</p>
② Prices	<p>We forecasted average prices based on the production structure collected from a number of companies in the industry and forecasted each cost item/group separately. We use publicly available raw material price forecasts from international organizations such as WTO, FAO, Producers associations, etc. Prices are forecasted for all 3. Cost inflation pass-through to end-customers is assumed at a level of 30% based on consultations with market participants and experts.</p>
③ Value	<p>Value is a multiplication of volume and prices for each Group</p>
④ Channels	<p>The channels structure was forecasted based on PwC's broad expert knowledge in the field of Retail and FMCG products supported by expert interviews and publicly available information (reports, press)</p>

Structure of the biscuit market in Poland

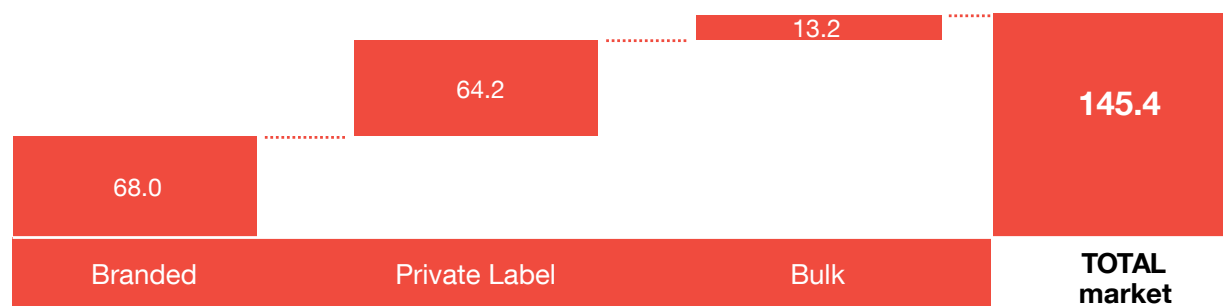


Biscuits are one of the top 15 largest categories in the Polish FMCG market. According to our estimates in 2015 Poles spent ca. PLN 2.6 bn, consuming ca. 145 m kg of biscuits. Branded products constitute the largest category sold in retail stores – over 68 m kg. Private Label products are also very popular with ca. 64 m kg consumption. The remaining category constitutes 13.2 m kg.

Our market size estimate differs to the market size reported by Nielsen as the latter is based on a sample of stores (esp. in TT) not the total universe. Our estimate is based on interviews with producers and we believe it to be accurate.

Branded biscuits, with a volume of 68 m kg are currently the largest category in the biscuit market followed by the rapidly-growing Private Label products with a volume of 64.2 m kg. Biscuits sold in bulk are on the decline with ca. 13 m kg.

Biscuit market volume, 2015 [m kg]



Source: Market interviews, PwC model

Size of the biscuit market in Poland



The biscuit market in Poland was volatile between 2012 and 2014 due to the slight economic slowdown in Poland and the EU – in 2015 a substantial growth was experienced.

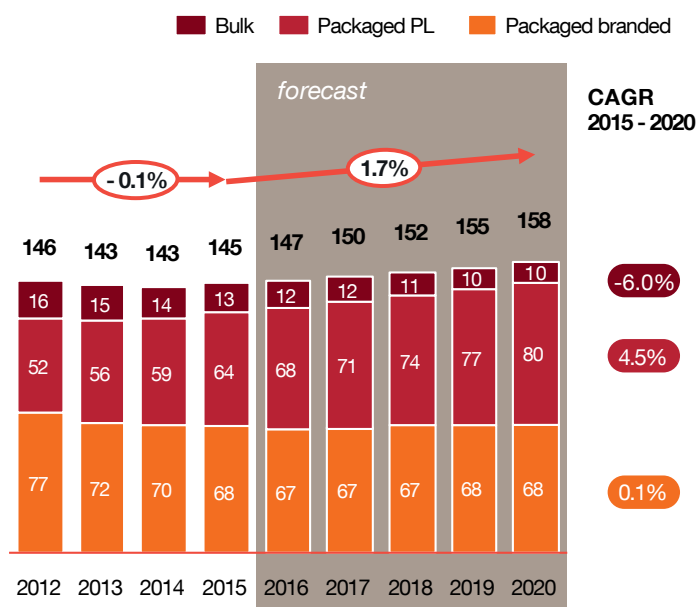
In terms of both volume and value, the biscuit market experienced a drop by 0.1% and 0.4%, respectively. Since 2016, further recovery is expected and the market is forecasted to grow by 1.7% in terms of volume together with a 1.3% average price increases resulting in a 3.1% value growth (all values CAGR '15-'20). One reason for this significantly faster value growth is inflation which is expected to increase after a period of deflation.

Private Labels are expected to develop the fastest with future growth rates of 4.5% in terms of volume and 6.3% in terms of value. Volume growth is driven mainly by increasing presence of Private Label products in discounters, higher volumes sold in this format as well as further development of the discount stores. The speed of their growth is not as dynamic as it used to be e.g. Biedronka used to open 300 stores a year – in 2016 and 2017 it plans

to open 100 stores each year. Yet, there are plans to penetrate additional regions by key discounter chains such as Lidl or Aldi. The value of PL products is driven by two factors: i) price convergence to branded products and ii) increasing production of premium quality Private Label products. Furthermore, the Private Label space is split into 2 sub-segments – commodity (ca. 60% of PL sales), where the price pressure on producers is the highest and quality differs and the differentiation segment (ca. 40% of PL sales), where uniqueness of the product is most important and margins for producers are higher.

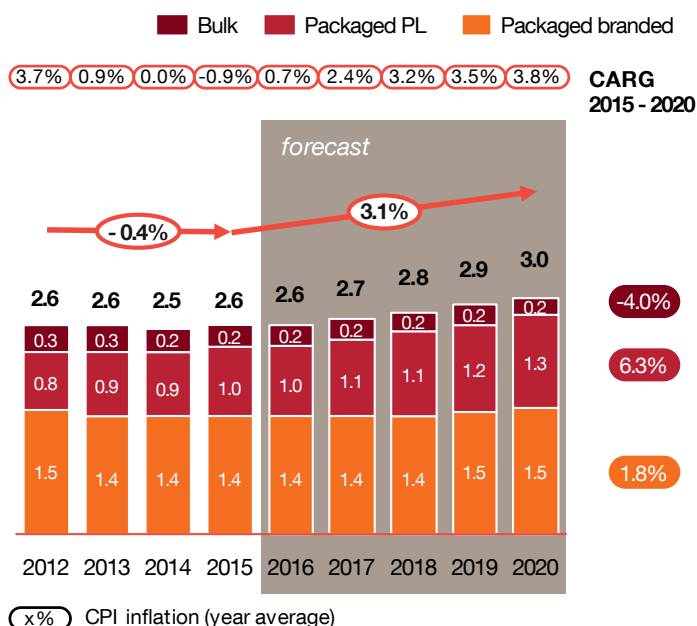
Branded products are expected to grow slightly, by 0.1% in terms of volume, and 1.8% by value. The market is expected to be driven by innovations, a continued strong performance of key SKUs and shelf widening of discounters to include branded products.

Biscuit market volume [m kg], 2012-2020



Source: PwC model, NOBE

Biscuit market value [PLN bn], 2012-2020



Source: PwC model, NOBE

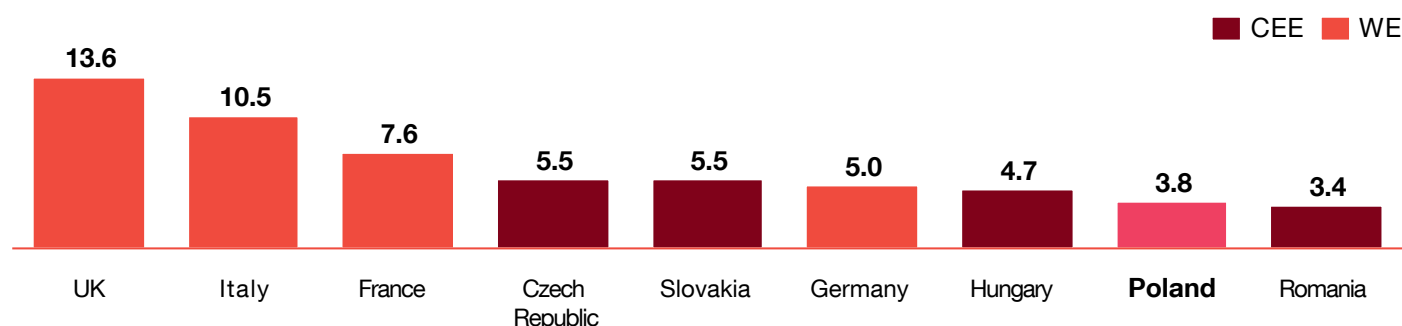
Biscuit consumption development (1/4)



Bulk segment is forecasted to decrease in terms of volume at a 5.8% CAGR '15-'20

Bulk on the other hand, is being squeezed out from the market as consumption patterns change. More and more shops are joining a franchise chain which might have no or limited offer of bulk biscuits and pay greater attention to the optimization of shelf space, product range and employment, which pushes away bulk. Taking the aforementioned into consideration, it is forecasted that the bulk volume will decrease at a 5.8% CAGR '15-'20.

International comparison of biscuit consumption, 2015 [kg per capita]



Source: Market interviews, PwC model

On average a Polish citizen consumed ca. 3.8 kg of biscuits in 2015. Compared to other countries in the CEE region, the volume of consumption is still much lower. It is due to the fact that, in Poland, there is still a considerable amount of residents living in rural areas. This impacts consumption and cooking patterns, which tend to be in favour of home-made confectionery compared to ready biscuit consumption. This trend is still very strong in Poland, whilst in the Czech Republic or Slovakia, there is a much higher propensity to choose packaged products.

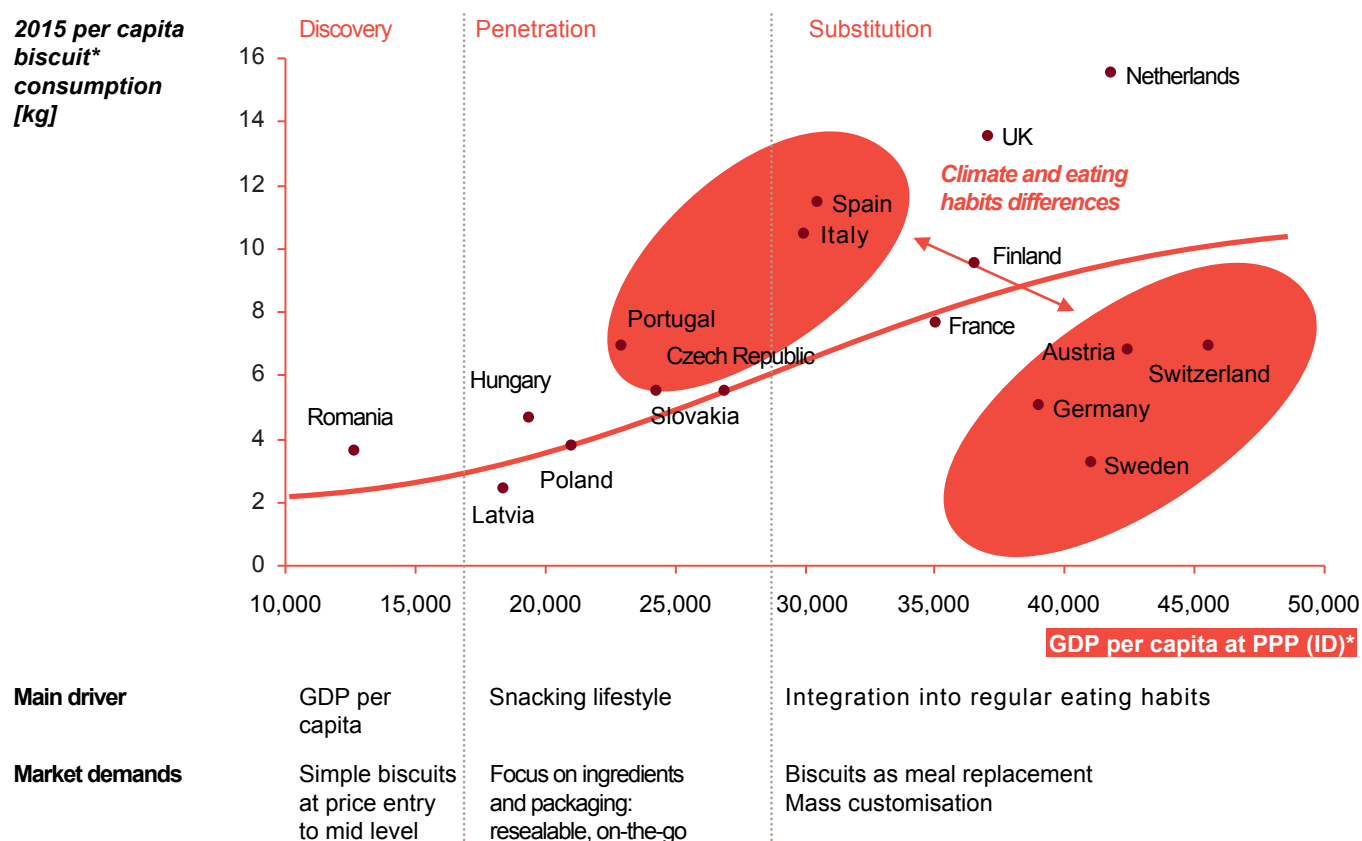
The consumption patterns between countries differ as there are other tastes and habits. For example, Slovaks are the region's leaders in the consumption of wafers with local specialties such as Horalky and Tatrancy, whereas Czechs seem to be the leaders in the consumption of plain biscuits due to the habit of serving plain biscuits while drinking tea and coffee. In Germany and Sweden eating biscuits is less popular, there are other sweets like confectionery or gummies satisfying the need of snacking.

Biscuit consumption development (2/4)

Currently the Polish biscuit market is in a penetration phase, where biscuits are part of a developed snacking culture with new variations of biscuits being offered to address all needs and preferences.

The coming years are expected to gradually shift consumption patterns towards regular consumption of biscuits and substitution of some meals, e.g. breakfast by biscuits with fibre, cereals, etc. The main reason behind this development is the increasing disposable income of society, which together with local preferences and tastes, determines the level of biscuit consumption in any given country. All in all, there is still a rationale behind the market growth and a conduct of thought-through investments, given the long-term potential of the biscuit market in Poland.

International comparison - biscuit consumption per capita vs. GDP per capita, 2015



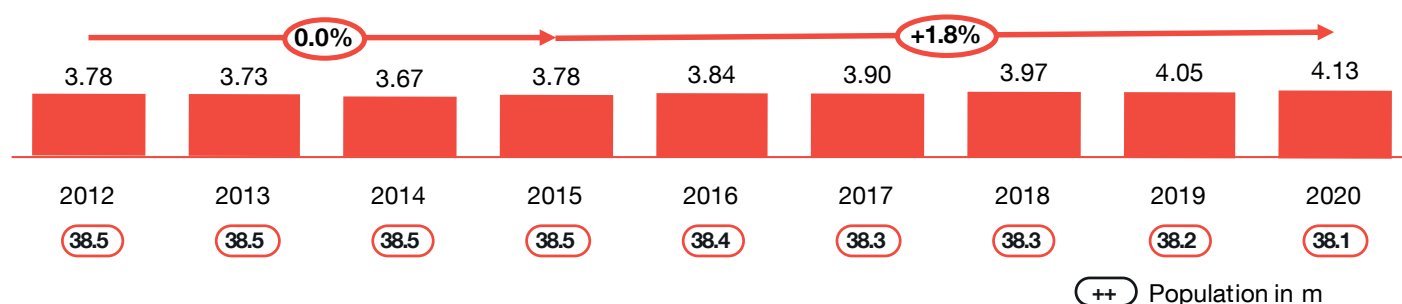
*ID: International Dollar.

Source: Market interviews, PwC model

Biscuit consumption development (3/4)

We expect biscuit consumption per capita in Poland to increase in the future, as a consequence of both more favourable economic situation and intrinsic drivers, such as unexploited consumer needs and resulting product innovations. Based on our model we forecast a growth of consumption at a rate of 1.8%, from 3.8 kg per capita in 2015 to over 4.1 kg per capita in 2020.

Biscuit consumption per capita volume, 2012-2020 [kg / capita]



Source: Polish Statistical office, PwC model

Volume drivers of the Polish biscuit market

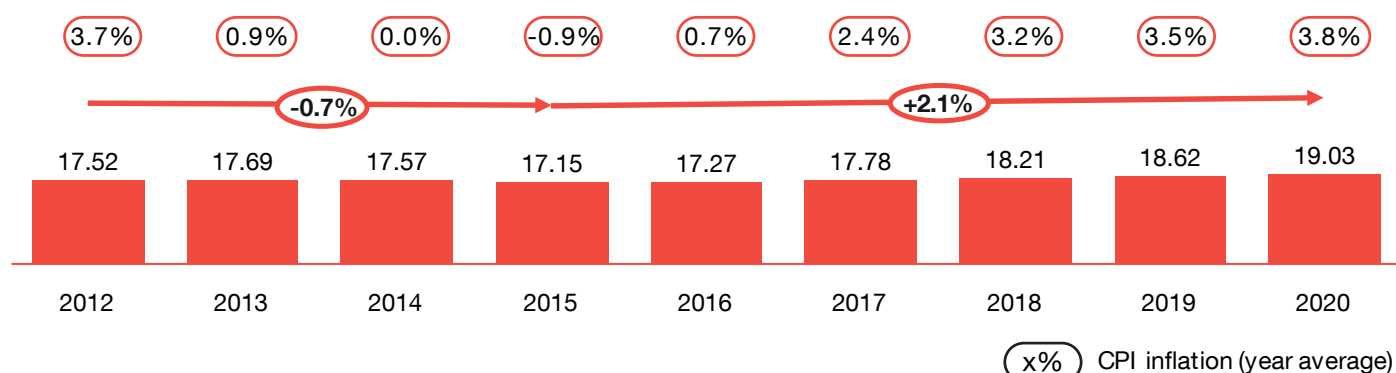
	Description	Impact
1 Disposable income growth	An increase in the disposable income of Polish households is expected to lead to an increased consumption of biscuits as customers are looking for more convenient meals. Whilst between 2012 and 2015 Polish GDP grew on average by 2.6%, during the forecasted period the growth rate is expected to fluctuate between 3.3% and 3.9% - a significantly higher level.	
2 Product innovations and market entries	New product innovation as well as an adjustment of current products to fit changing consumer tastes, is expected to happen, especially in new or emerging market sectors e.g. healthy biscuits, breakfast biscuits, gluten-free biscuits, biscuits for youngsters, etc. New entries in the category, propelled by an expected high growth rate, have already been conducted by Mondelez, which introduced new tastes of BelVita cookies, as well as by DrGerard offering witAM brand.	

Low High

Biscuit consumption development (4/4)

After a slight decline of the price of biscuits in 2014 and 2015, partially due to deflation in Poland, biscuits prices are expected to grow at a 2.1% '15-'20 CAGR

Average biscuit price, 2012-2020 [PLN per kg]



Source: Polish Statistical office, PwC model

Price drivers of the Polish biscuit market

	Description	Impact
1 Rise in input prices	A major driver of price increase will result from input price changes. Especially a growth in chocolate and sugar prices due to rapidly growing demands from Asia and Latin America, who have developed a taste for chocolate. On the other hand, the supply of cocoa has lower adjustment possibilities as the farming of this plant is highly scattered and often a small-scale family business. Additionally, an important factor is the wage pressure expected in the Polish economy as a result of dynamic growth.	
2 Change in product mix	The average price will be driven by a change in the product mix resulting from a higher share of mid to high quality products, inclusion of premium products within Private Labels as well as the rising popularity of healthy biscuits, which are priced at significantly higher levels.	
3 Increasing quality of PL products	The increasing quality of Private Label products, which currently have a market share of over 40%, is expected to fuel the growth of average prices in the market.	

Low High

Chapter 4

Distribution channels

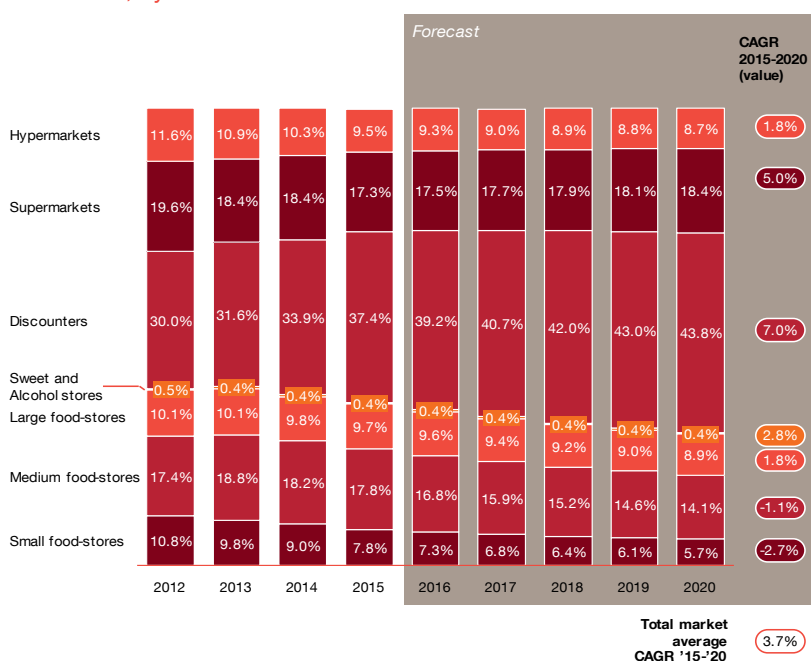
The Channel structure of biscuit sales



Currently, the biscuit channel is dominated by discounter chains, who have been developing dynamically in the last few years. The trend is expected to continue and discounters are expected to further strengthen their position as the key channel for biscuit purchases.

In our forecast discounters are expected to grow from a 37.4% to a 43.8% market share between 2015 and 2020 mostly at the expense of traditional trade and hypermarkets.

The Biscuit market structure by channel excl. bulk category, 2012-2020, by value



Source: PwC model, NOBE



The Channel structure of biscuit sales

The growth of medium size formats is expected to be the fastest as customers prefer convenient locations offering a wide range of products.

The dynamic development of discounters will be additionally stimulated by the largest chain – Biedronka - which apart from offering core range of products, wishes to expand into new, prospective segments. Biedronka announced a launch of new stands in their stores under the title of „Cakes with passion”, with packaged cakes to be sold in the key dis-counter chain. Furthermore, more branded biscuits are to be included into the company’s offer.

Hypermarkets are expected to grow below market (1.8% value CAGR), thus losing the market share. Consumers are not willing to shop there, as they are usually located in an inconvenient location. On the other hand, supermarkets and discounters will develop significantly above market. The difference between these two formats is also decreasing. In the past, discounters used to offer ca. 1000-1200 products – now some are testing offer closer to 3000. We believe that the decreasing difference between these formats will be additionally fuelled by the blurring difference between branded and private label products.

Due to a general decline of the traditional trade channel and the closing down of smaller stores, sales of biscuits in the traditional trade is also forecasted to decline.

We believe that the supermarket format in Poland has a good chance of rapid growth. Supermarkets have competitive prices and at the same time a much wider range of products than discount stores, which allows them to meet the needs of a larger group of customers. The category of confectionery, including biscuits, is often purchased whimsically, the decision being made at the shelf and this purchase is one of the nicest moments of the visit to the store. That is why it is important to offer a wide and well-organised and inviting exhibition shelf. In this respect, supermarkets have a natural advantage over discount stores. Stokrotka adopts this philosophy and offers a range of biscuits of all the key players in this category.

Dariusz Kalinowski, President of the Management Board of Stokrotka

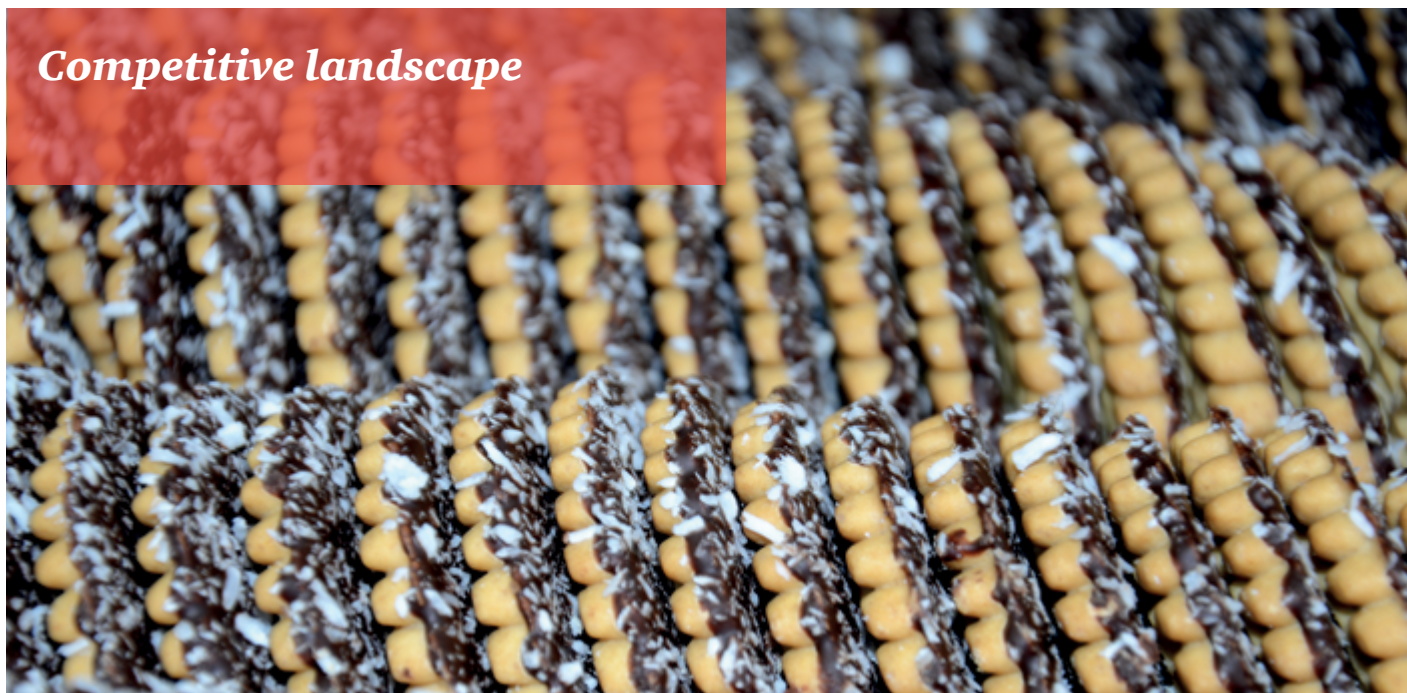
An effective co-operation between distributors and producers is very important in the development of a specific distribution channel of cookies. This includes, amongst others, marketing activities. Joint marketing campaigns are a cost effective solution for both parties. For example, TV commercials, that promote a product sold in a specific chain are significantly cheaper than an individual marketing campaign and can effectively promote both companies.

Jarosław Zawadzki, President of DrGerard

Chapter 5

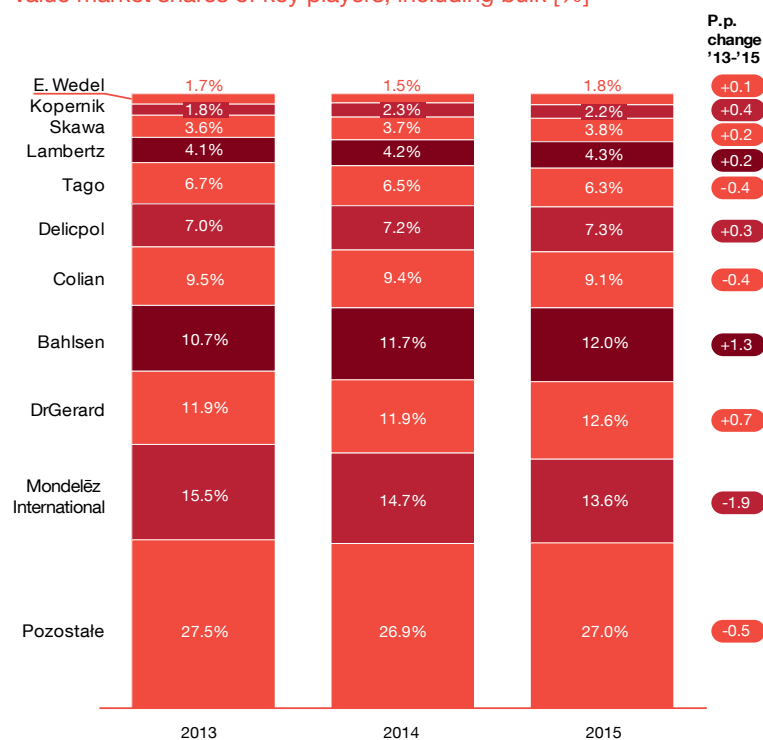
Competitive landscape

Competitive landscape



The Biscuit market in Poland is rather fragmented. However, the share of smaller players is decreasing and consolidation is expected.

Value market shares of key players, including bulk [%]



Source: PwC model, NOBE

During the last 2 years Bahlsen has experienced the fastest growth, followed by DrGerard. Their market share has increased by 1.3 and 0.7 p.p. respectively. Other companies' market shares have remained at similar levels, except for Mondelez, whose market share dropped by 1.9 p.p.

Competitive landscape

Most of the largest biscuit producers are active in both the branded and private label market sectors. Mondelez is the only major company that does not manufacture private label biscuits in Poland.

Profiles of key market players in Poland

#	Name	Top brands	Market share (% value)	Total company sales in Poland in 2015* PLN m	EBITDA margin 2015*	Comments	Private labels
1	Mondelez International	Milka, OREO, belVita, Petitki, Delicje, San, TUC, Milka	12.5-14	200-220	n/a	No. 1 in biscuits and wafers with strong international and local brands	×
2	DrGerard	Pryncypalki, Mafijne, witAM, Zwierzaki	12.5-14	200-220	13.7%	One of the biggest producers of confectionery in Poland	✓
3	Bahlsen	Hit, Krakuski, Leibniz	11.5-12.5	180-200	7.6%	One of market leaders in Poland, focused on biscuits	✓
4	Colian	Goplana, Jutrzenka, Solidarność, Grzeński, Jeżyki, Akuku, Familijne	8.5-9.5	140-160	7.6%	Polish companies present in three market sectors: confectionery, culinary products and beverages	✓
5	Delic-Pol	Gryzolki, Królewskie, Natura, Party, Lindowa	7-8	110-130	n/a	Local producer of confectionery	✓
6	Tago	Kardynałki, Rarytaski, Muzy	5.5-6.5	80-100	n/a	Family companies producing confectionery	✓
7	Lambertz	Lambertz	4-5	60-80	5.6%	Producer focused mainly on the Private Label sector in Poland	✓
8	Skawa	Korsarz, Elitesse	3.5-4.5	50-70	n/a	A Polish producer very active in the Private Label sector	✓
9	Kopernik	Toruńskie Pierniki, Katarzynki, Wafel Teatralny, Bagatelka	2-3	30-50	n/a	The oldest producer of ginger-bread and wafers in Poland	×
10	E. Wedel	Amerykanki	1.5-2.5	20-40	n/a	One of the most recognizable Polish producers of confectionery, especially famous for its chocolate products	×

* Or latest available

Source: PwC model, Company websites, EMIS

Competitive landscape

Further consolidation of the market is expected in the future. Currently there are 2 biscuit producers in Poland owned by Private Equity funds, which, it is highly probable, will be available for sale within the next 36 months.

DrGerard and Delicpol are very interesting targets and are expected to be available for sale within the next 3 years. Future growth of the highly fragmented market, as well as the growing market share of both companies is expected to make them valuable targets for other Private Equity funds or a strategic investor.

DrGerard has a balanced portfolio of brands, private label and export sales.

It is owned by Bridgepoint private equity fund since 2013. Another large player, specializing mainly in Private Label products - Delicpol - owned by Resource Partners since 2012, have increased their sales significantly in the recent years.

Furthermore, there is a large number of smaller players, that might be taken over in the process of market consolidation.

We see exciting investment opportunities in the biscuits space in Poland. It is a market in which tangible value can be generated by players able to successfully innovate or those who offer attractive proposition for private label contracts. There are targets available for market consolidation play. DrGerard and Delicpol are the obvious ones, but they can be considered in a wider context of PE- or family-owned targets such as Bakalland or Sante, both healthy snacks producers. Market consolidation will likely bring cost synergies to the table, to the benefit of investors, but ultimately to the benefit of Polish consumers.

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