



TBC CAPITAL



# E-COMMERCE IN GEORGIA

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# Executive Summary

E-commerce has a significant role in the modern retail market. E-commerce has transcended being a simple alternative to traditional shopping; it has become an essential aspect of global commerce. Its continuous accessibility, borderless reach, and diverse product offerings have changed shopping, empowering businesses of all sizes to connect with customers.

The Covid-19 pandemic accelerated e-commerce adoption, proving its resilience and adaptability during difficult times. As e-commerce continues to evolve, its role remains pivotal in shaping the future of retail and the way people experience and engage with moder brands.

E-commerce development and integration with the traditional retail market is influenced by several key factors. Rising income levels have direct effect on purchasing power of the customers, altering the overall consumption. From 2011 to 2022, CAGR of average nominal monthly salary in Georgia equaled 8.7%, reaching GEL 1,592 in 2022.

E-commerce businesses depend on their online presence to attract customers. According to the 2022 data, internet access indicator for Georgia – 88% is significantly higher than the world average of 66% and is almost on par with the European figure – 89%. This provides a favorable environment for the local e-commerce businesses.

Mobile phone ownership figures show that in 2022, 88% of Georgian individuals own a mobile phone. This figure exceeds the world population average of mobile phone ownership, which stands at 73%. The high rate of mobile phone ownership in Georgia allows e-commerce businesses to expand services across various channels.

The development of e-commerce is linked to the adaptation of cards in the population. In 2022, number of card-based transactions in Georgia grew by 30% compared to the

previous year and the total volume of yearly digital transactions increased up GEL 59 billion in the same period.

The E-commerce market structure has a strong influence on the industry's trajectory and overall e-commerce supply. Georgian E-commerce market is influenced by several key participants which define the market supply, and the logistics consumers face when making e-commerce purchases.

Package courier services are an important aspect of the e-commerce shopping experience for the customer. Courier Items data in Georgia displays that postal delivery has a strong upward trend, with 2021 recording the highest yearly growth of 46% in terms of the number of delivered items.

The analysis of Georgian companies based on whether they had any online sales, shows that only 3-4% of the businesses have made any sales through e-commerce channels in the years 2020-2022.

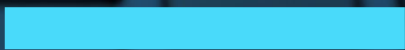
E-commerce presence in the general consumer market can be assessed by the share of e-commerce transactions in the total non-cash payments. Based on the payments made through TBC Bank's channels, 10% of the non-cash payments were e-commerce purchases in June 2023.

Notable change in the spending amount range distribution can be seen in the first half of 2023, with GEL 0-50 transactions constituting 35%. This can be a result of a rise in small value transactions, combined with wider customer base.

Estimated e-commerce market size amounted to over GEL 1,300 million in 2022, recording an 82% growth compared to the previous year. However, the share of local businesses in the overall transactions remains small compared to the cross-border purchases.



# Demand Drivers



# Demand Drivers

## Demographics

Younger people tend to generate the largest demand for the e-commerce services, mostly due to the high level of tech-literacy and income levels. In Georgia, the share of total population aged between 25-39 years equaled 21%. In EU, people within the 25-34 age group generate the largest demand on e-commerce services, hence, large share of the population concentrated in this age group implies potential of the increasing demand on e-commerce. Decreasing share for the 15-24 age group, paired with increased share of population above the 60 years, implies possible negative influence on the market.

In recent years, Georgian urban population has been rapidly growing. Increasing urban population further promotes growth of e-commerce, as rural areas lack access to high-quality internet and logistic services. Rapidly growing urban population in Georgia, especially in Tbilisi, has positive implications on e-commerce industry.

In 2023, the share of urban population reached 60%. Growth of urban population can be mainly attributed to significant growth in population of Tbilisi, which also increased by 2 pp compared to 2018.

Figure 01. Population Distribution by Age Groups (% share)

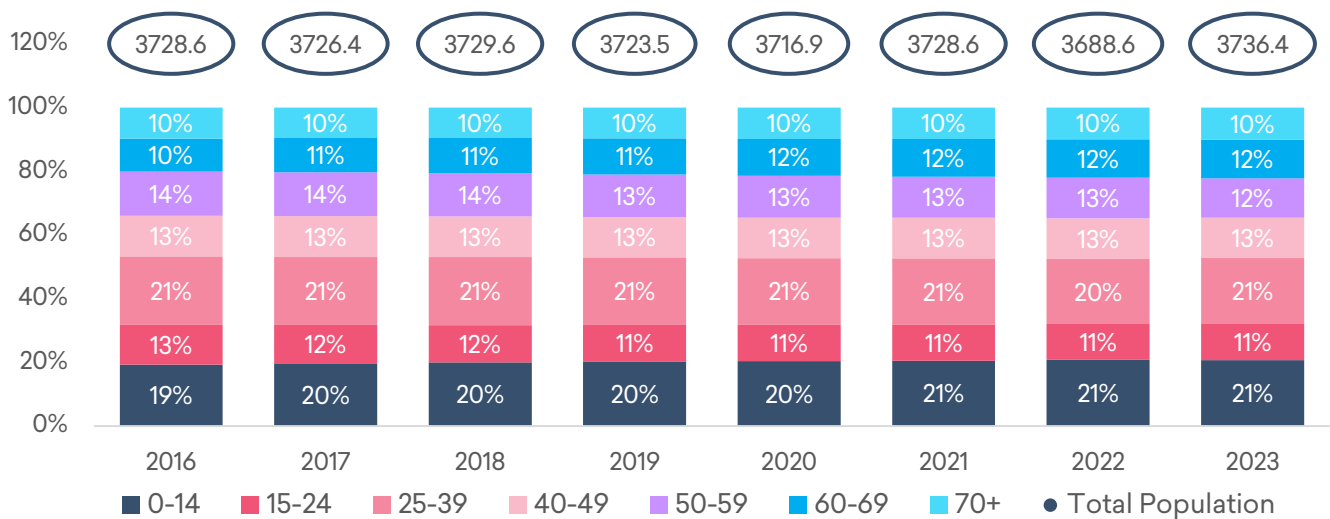


Figure 02. Population Distribution by Regions (% Share)

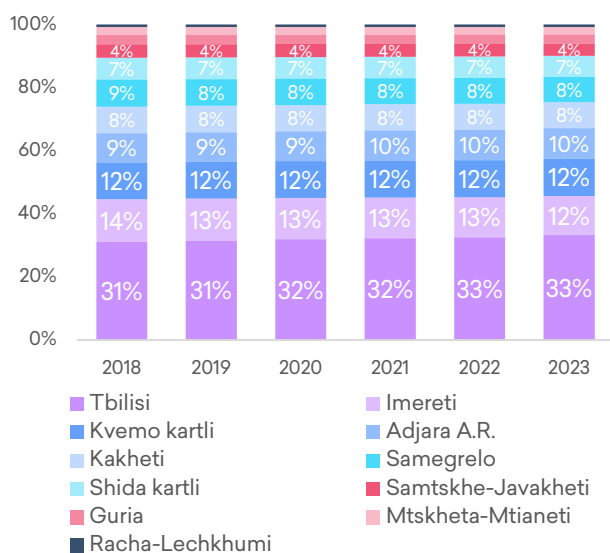
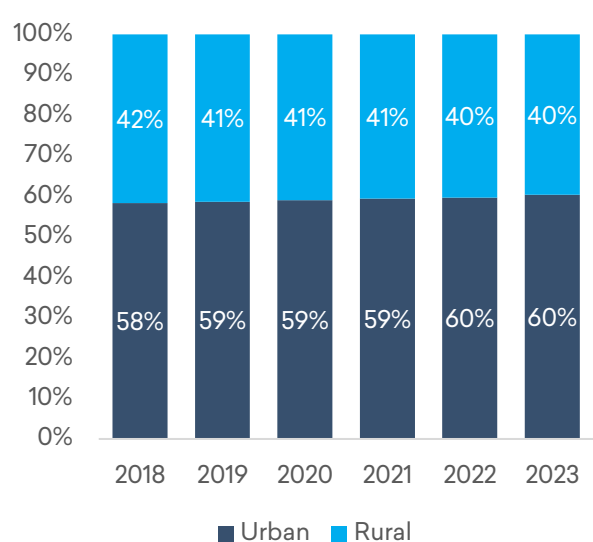


Figure 03. Population Distribution by Urban and Rural Areas (% Share)



Source: Geostat, Eurostat  
 Note: Population is reported as of January 1<sup>st</sup> in the given year

# Demand Drivers

## Consumer Income

E-commerce industry is heavily dependent on consumer income levels. Rising income levels have direct effect purchasing power of the customers and their behavior, altering the overall consumption. Additionally, income level also has its implications on the demand for different products and services within the e-commerce market.

Average nominal monthly salary has been continuously increasing since 2011, although by different YoY changes. From 2011 to 2022,

CAGR equaled 8.7%, reaching GEL 1,592 average monthly salary in 2022.

In order to understand the dynamics of consumer income, it is crucial to consider changes in the proportions of people within specific income groups. The shares of lowest income groups, 0-600 and 600-1200, has significantly decreased compared to the 2020 Q1. Meanwhile, share of population with monthly income that exceeds GEL 1200 has significantly increased.

Figure 04. Average Nominal Monthly Salary in Georgia (GEL)

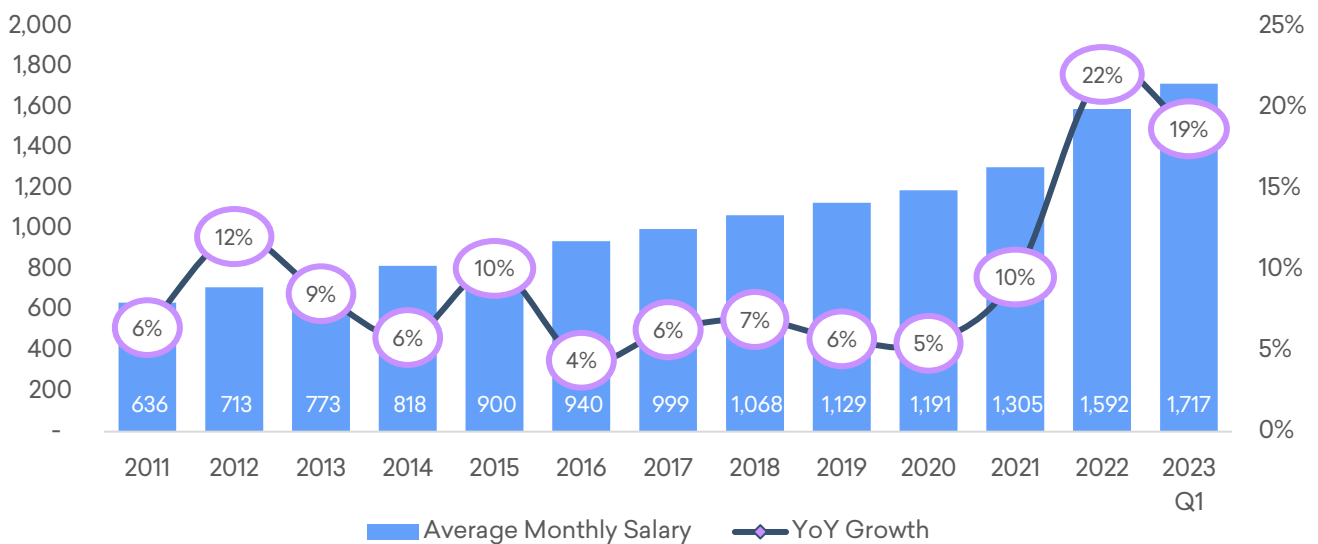
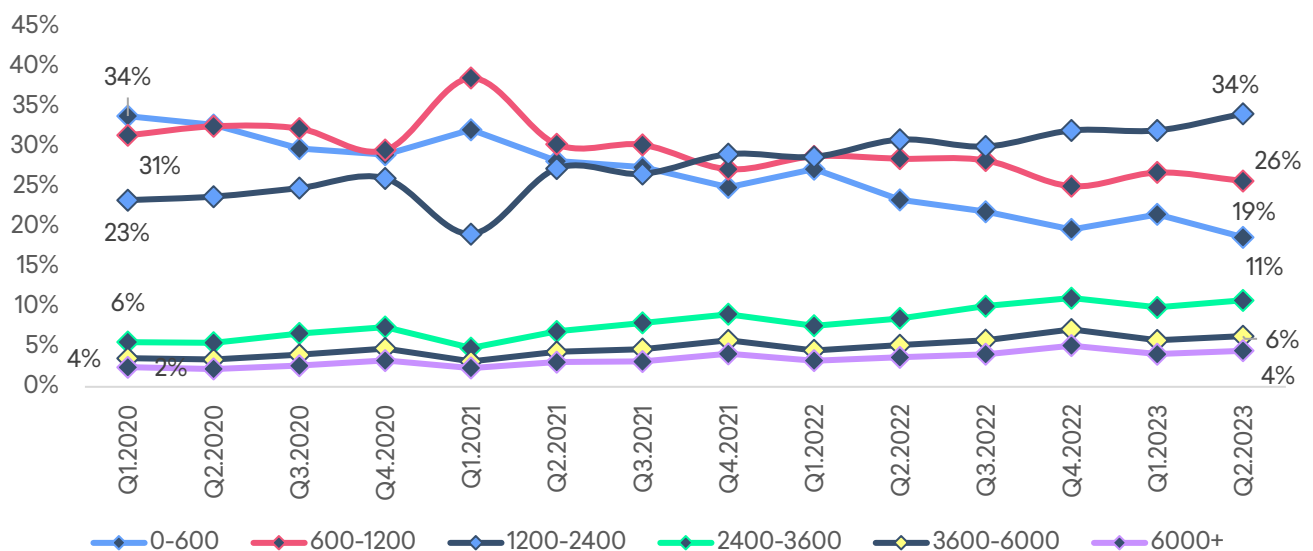


Figure 05. Shares of Income Groups in the Total Income Recipient Population (GEL)



Source: Geostat, Revenue Service

# Demand Drivers

## Access to Internet

E-commerce businesses depend on their online presence to attract customers. Internet access allows individuals to browse and search for products, compare prices, read reviews, and make informed purchasing decisions. Therefore, without access to the internet, the visibility and accessibility of e-commerce platforms would be severely limited.

Analysis of the share of individuals with access to the internet in Georgia shows that the local population has comparatively high access when compared to other regions in the world. According to the 2022 data, internet access indicator for Georgia – 88%

is significantly higher than the world average of 66% and is almost on par with the European figure – 89%. This provides a favorable environment for the local e-commerce businesses as large share of population with access to the internet translates into high number of potential customers they can reach.

While the country-wide access is high, the indicator differs across the Georgian regions. The capital, Tbilisi has the highest figure, totaling 95%, but the number is relatively lower for regions such as Racha-Lechkhumi and Mtskheta-Mtianeti with 72% and 77% shares, respectively.

Figure 06. Share of Individuals with Access to the Internet, 2022 (%)

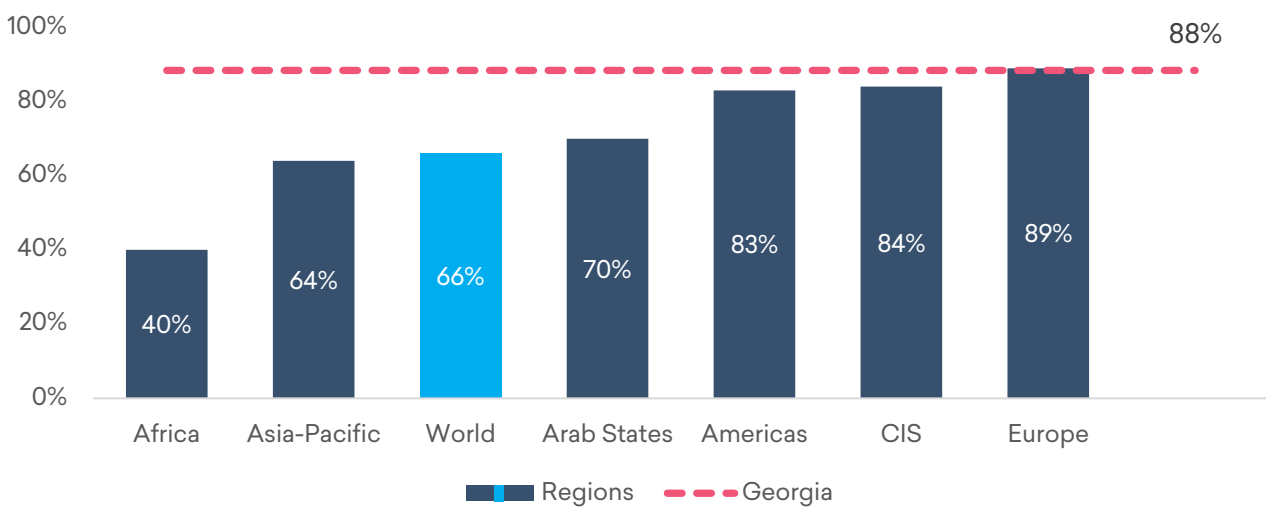
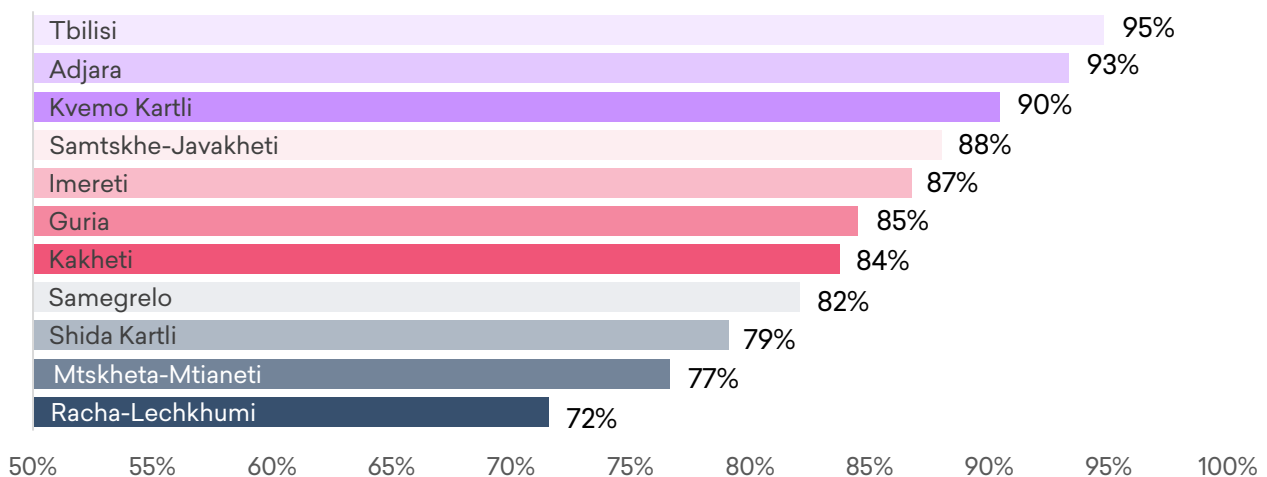


Figure 07. Share of Individuals with Access to the Internet by Georgian Regions, 2022 (%)



Source: Geostat, ITU

# Demand Drivers

## Mobile Phone Ownership

Widespread access to mobile devices, allows individuals to easily connect to the internet, browse e-commerce platforms, and make purchases anytime, anywhere. Mobile phone ownership enables e-commerce to expand their reach and offer consumers greater accessibility and convenience.

Based on the figures from 2022, 88% of Georgian individuals own a mobile phone. This figure exceeds the world population average of mobile phone ownership, which stands at 73%, and is marginally below the CIS (91%) and Europe (93%) region figures. The high rate of mobile phone ownership in

Georgia allows e-commerce businesses to expand services across various channels, develop mobile applications, and implement personalized marketing strategies.

Together with mobile phone ownership, it is important to consider the frequency of device usage. Mobile internet traffic shows that since 2020, traffic has been increasing at a high pace, indicating greater time spent on mobile devices. In terms of age groups, 15-29 and 30-59 age brackets exhibit nearly universal mobile phone ownership, providing e-commerce with a substantial potential customer base.

Figure 08. Share of Individuals Owning a Mobile Phone, 2022 (%)

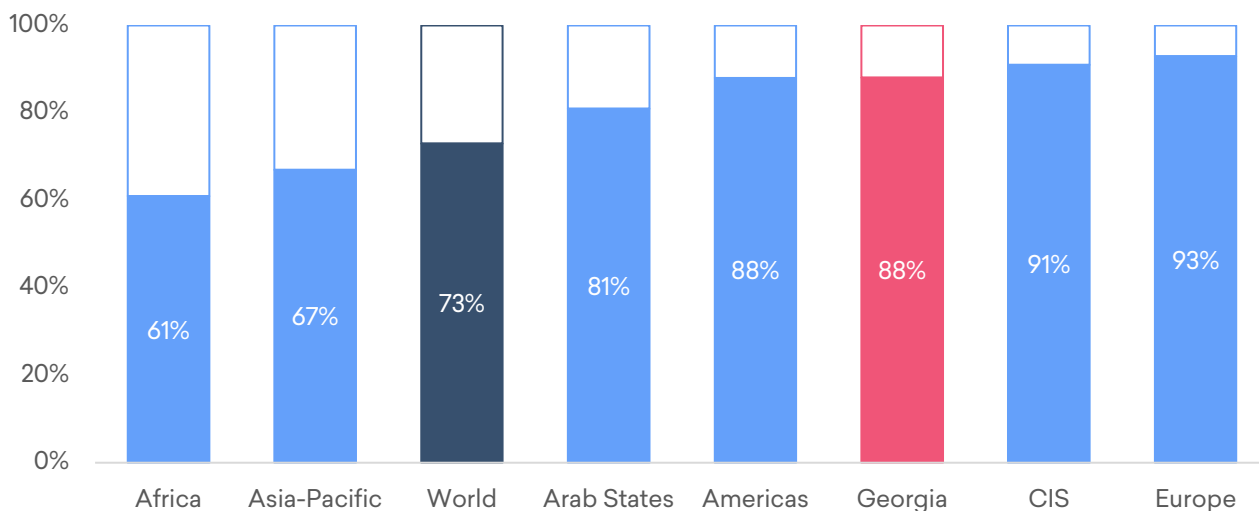
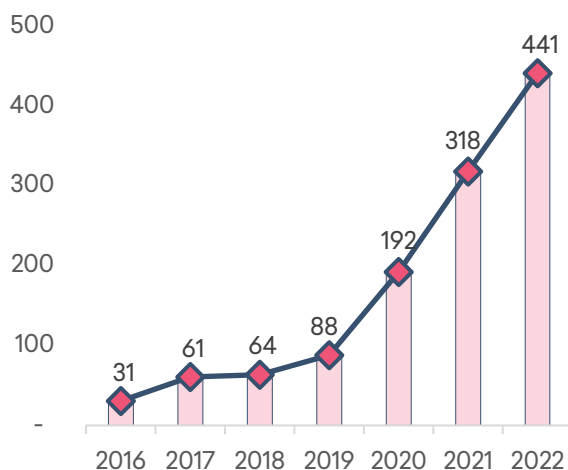
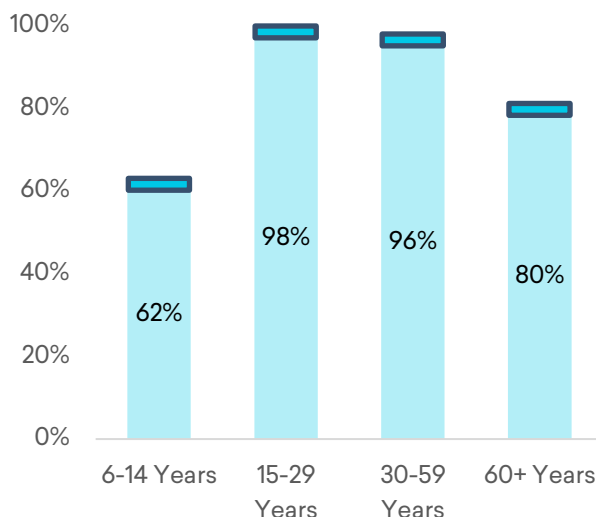


Figure 09. Mobile Internet Traffic in Georgia (Thousand, TB)



Source: Geostat, GNCC, ITU

Figure 10. Mobile Phone Ownership by Age Groups, 2022





# Demand Drivers

## Cards Penetration

The development of e-commerce is linked to the adoption of cards in the population. Increasing number of non-cash transaction indicates larger digital adoption, and as consumers become more comfortable with making electronic payments, shift towards e-commerce purchases tend to grow as well.

Cards usage data in Georgia shows a clear upward trend with number of transactions still scaling up at a fast pace. In 2022, number of card-based transactions grew by 30% yearly. The first six months of 2023, show a

more substantial, 40% YoY growth. While the share of international payments with resident cards remains low, the figure is slowly increasing, reaching up to 8% in 2022.

The analysis of card-based transactions in terms of the spent amount shows a similar trend. Total volume of yearly digital transactions increased up GEL 59 billion in 2022. The share of international transactions is slightly higher in terms of spending volume, with the share figure reaching 10% in 2022 and 11% in the first six months of 2023.

Figure 11. Number of Transactions with Card-Based Payment Instruments issued by Residents, Including POS and E-Commerce Transactions (in Millions)

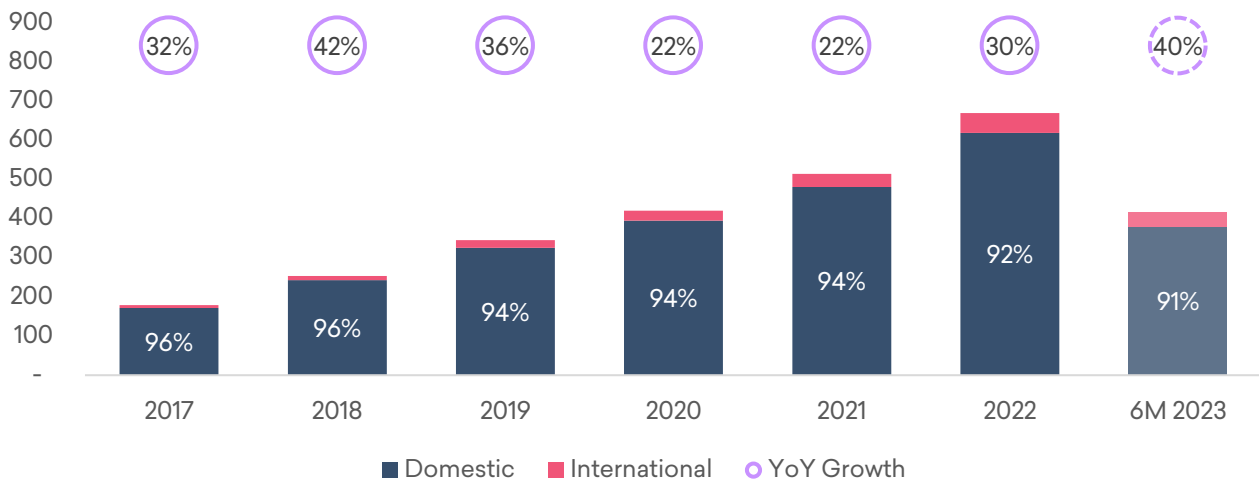
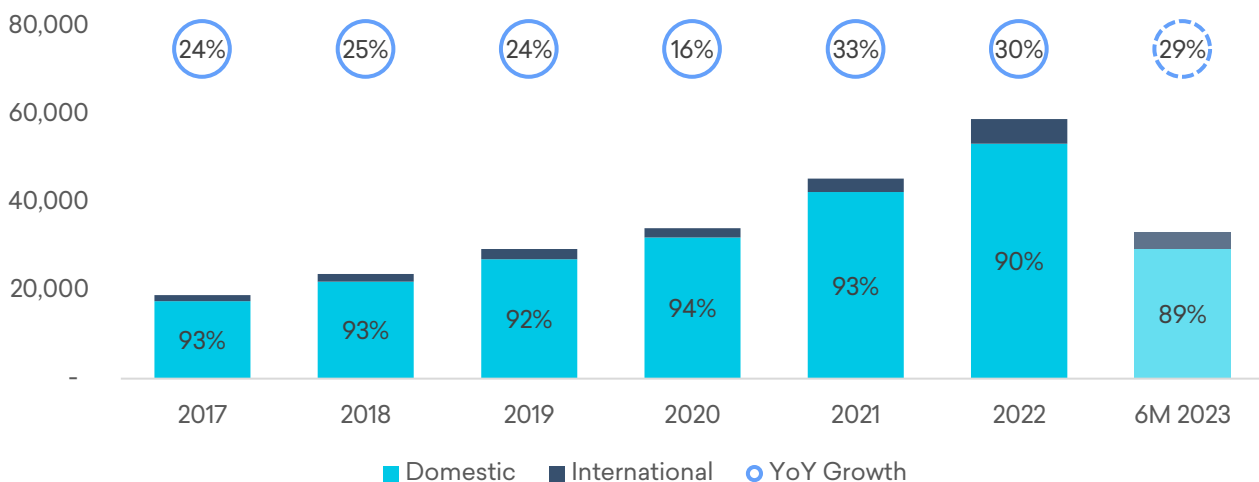


Figure 12. Value of Transactions with Card-Based Payment Instruments issued by Residents, Including POS and E-Commerce Transactions (Million GEL)



Source: National Bank of Georgia (NBG)

# Demand Drivers

## Legal Environment - Customs Formalities

Online purchases on foreign websites are an important component of the e-commerce spending in Georgia. Unlike the usual e-commerce transaction, where the customer makes a payment and the business oversees the delivery of the package, international online shopping adds another party to the transaction – the postal carrier.

The postal carriers in Georgia include public postal service – Georgian Post, as well as private sector companies, which usually have special selection of countries where package storage and delivery is available. The postal carriers charge customers fees based on the weight and volume of the package they have to deliver to the country.

Another party involved in the cross-country e-commerce transaction is the Revenue Service of Georgia. To enter the territory under Georgian jurisdiction, packages should not include any forbidden items, including – substances under special control and equivalent, flammable substances, counterfeit items, etc.

Price of the purchased item is also an important factor for the customs formalities of Georgia. According to the law, the type

and the price of the purchased item should be declared before the package arrives at the border. The representative of the customer for the customs procedures is the carrier and the details about the item should be provided to the carrier company by the individual. If the declaration is not filled by the arrival at the border, the packages may be held at the customs office.

Individual purchases below the GEL 300 limit are exempt from any additional procedures and are not subject to customs clearance. If the purchase exceeds this limit, the consumer is required pay customs duty amounting to 18% of the cost of the ordered product and its transportation. The customs duty payment also applies to the packages which exceed the weight limit of 30 Kg.

The additional payment partly effects the e-commerce purchases on foreign websites as there is a negative incentive to order items which cost above the existing customs limit. This results to a larger demand in the local market on the items which are above the price limit. These products are less likely to be replaced by the items sold on the foreign online stores than the products in which are in the lower price category.

Figure 13. Customs Clearance Rule for International Packages Arriving in Georgia



Source: Revenue Service (RS)



# Supply Drivers



# Supply Drivers

## Market Structure

The e-commerce market structure has a strong influence on the industry's trajectory and overall e-commerce supply. Robust delivery services and well-functioning marketplaces are vital aspect of this structure, impacting the market's reach and accessibility.

Efficient delivery systems increase consumer convenience, help with cross-border trade, and expand market globalization. Furthermore, the marketplace model can encourage diverse product offerings, reduced entry barriers for small businesses, resulting in economies of scale.

Georgian E-commerce market is influenced by several key participants which define the market supply and the logistics consumers

face when making e-commerce purchases. Cross-border e-commerce indicates the inclusion of additional participants in the purchase transaction, such as local Revenue Service and international package couriers, which have the responsibility of delivering orders within the country. This structure generates additional revenue streams for these participants in terms of taxes and service fees, making the total purchase price higher for the consumer.

Local e-commerce transactions can also include additional participants. If the business does not have its own web page, it can choose to sell products on a suitable marketplace and utilize third party delivery services to finalize the purchase transaction.

Figure 14. Georgian E-Commerce Market Key Participants



Source: TBC Capital

# Supply Drivers

## Company Web Pages Availability

The proliferation of company web pages has emerged as a vital driver of e-commerce supply. With an increasing number of businesses establishing their online presence through web pages, consumers now have easier access to a wide range of products and services.

Company websites serve as virtual stores, offering information about products, pricing, and promotions, which enables customers to make informed decisions without physically visiting the stores. In Georgia, the adoption of web pages by businesses reached its highest point in 2021, with 20% of companies establishing an online presence. However,

this figure declined to 13% in 2022 as pandemic-related restrictions eased, indicating a reduced reliance on online channels. In 2023, 72% of larger companies had web pages, indicating a more considerable adoption of online presence among these enterprises.

It is also important to consider the capabilities of web pages and what they offer to the customers. The incorporation of key e-commerce features into Georgian business strategies appears limited, with 32% of web pages providing product descriptions and only 18% of web pages offering online ordering in 2023.

Figure 15. Share of Enterprises with a Web Page by January 1<sup>st</sup> of the Relevant Year (%)

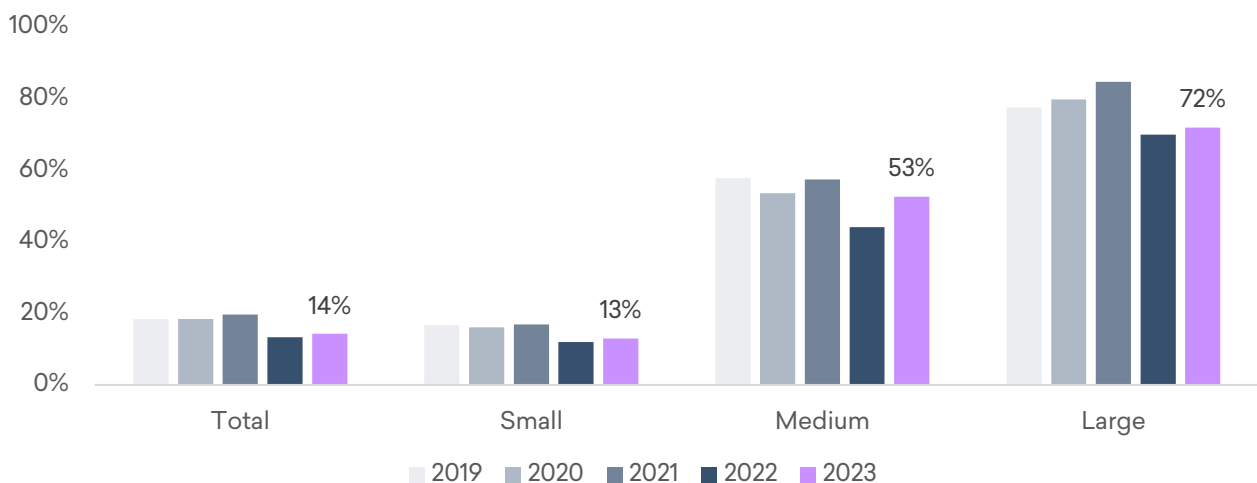
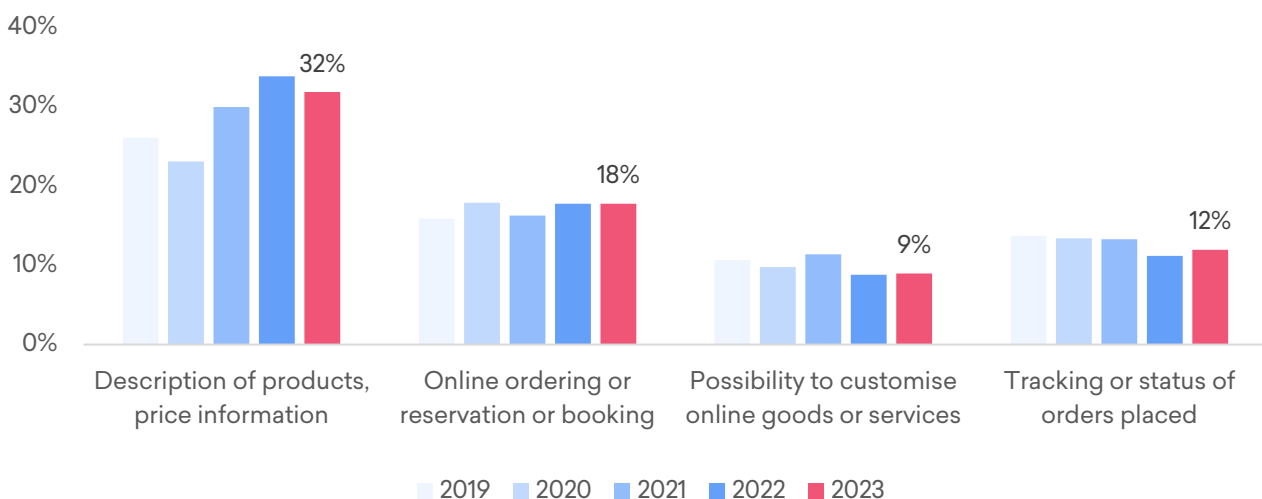


Figure 16. The Capabilities of Web Pages of Enterprises by January 1<sup>st</sup> of the Relevant Year (%)



Source: Geostat

# Supply Drivers

## Package Courier Services

Package courier services are an important aspect of the e-commerce shopping experience for the customer. The reliability of shipping services, their storage policies, delivery times and fees largely determine if consumers choose to purchase products from foreign web pages or buy the products locally. International e-commerce sales are also largely affected by the international package couriers operating in the country.

Courier Items data in Georgia displays that postal delivery has a strong upward trend, with 2021 recording the highest yearly growth of 46% in terms of the number of

delivered items. While the international parcels account to majority of the delivered items, share of locally purchased parcel deliveries has increased from 2019, indicating growth of the local e-commerce and delivery businesses.

The increased amount of parcel delivery is reflected in the revenues generated by the postal courier services as well. The income earned by delivery businesses surpasses GEL 86 million in 2021. Larger part of the revenues is attributed to the international parcels, which emphasizes the higher costs of the international delivery for consumers.

Figure 17. Number of Postal and Courier Items Delivered in Georgia (Thousand Units)

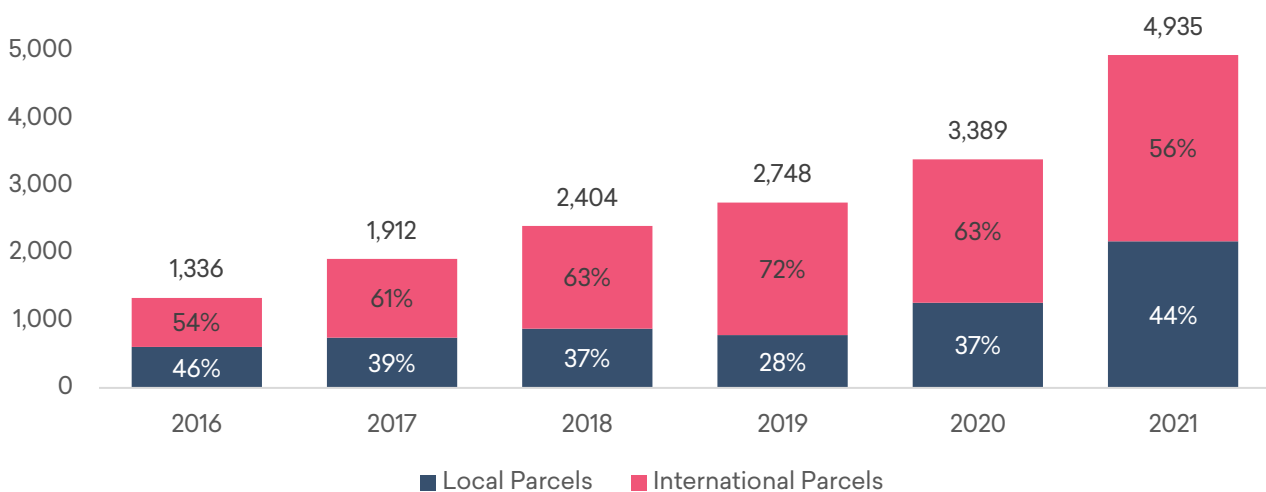
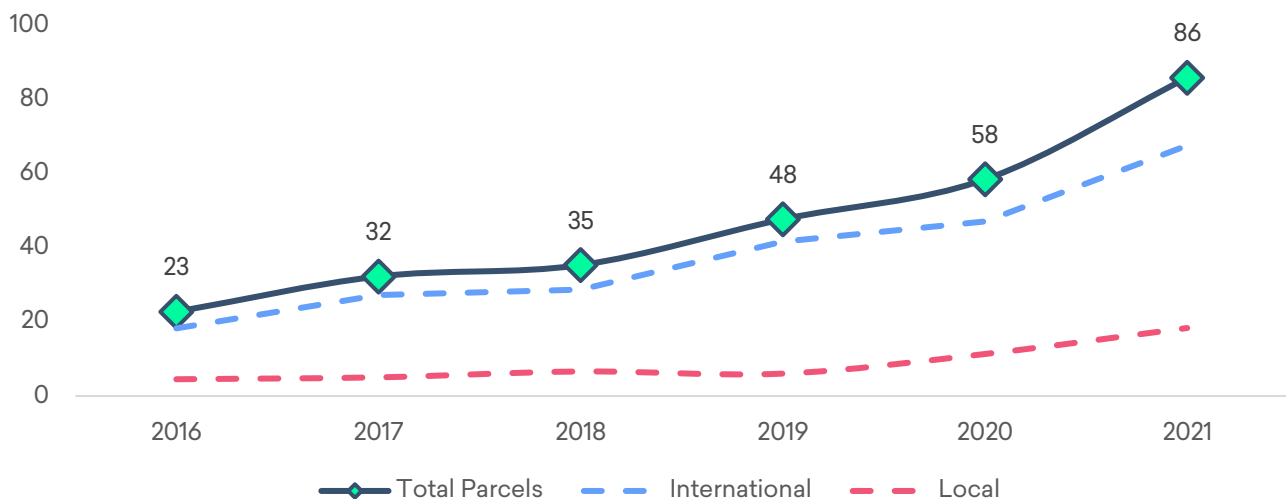


Figure 18. Postal and Courier Services Revenues Generated by Parcel Delivery (Million GEL)



Source: Geostat

# Supply Drivers

## Local Delivery Service Applications

In recent years, the popularity of food delivery services in Georgia has experienced a notable surge. This, consequently, has influenced the overall e-commerce market by expanding its ecosystem and changing consumer behavior. The convenience and accessibility offered by delivery services have created more opportunities for both businesses and consumers.

Beginning of the Covid-19 pandemic in 2020 accelerated the usage of delivery services. Throughout the year, both indicators - transaction volume and the number of transactions experienced a remarkable

triple-digit growth each month of the year. The growth relatively normalized from 2022 with a 38% yearly increase in transaction volume, while 6M 2023 shows, 40% YoY growth. Divergence between volume and the number of transactions' year-on-year changes has widened, indicating a growth in the average price of a delivery order.

Increased demand on the delivery services, translated into revenue growth for the local providers of this service. Delivery companies reported a +203% change in income in 2020 and figure remained high in the following year, posting an 88% growth in 2021.

Figure 19. Delivery Services Transactions, Through TBC Bank's Channels, YoY Change (%)

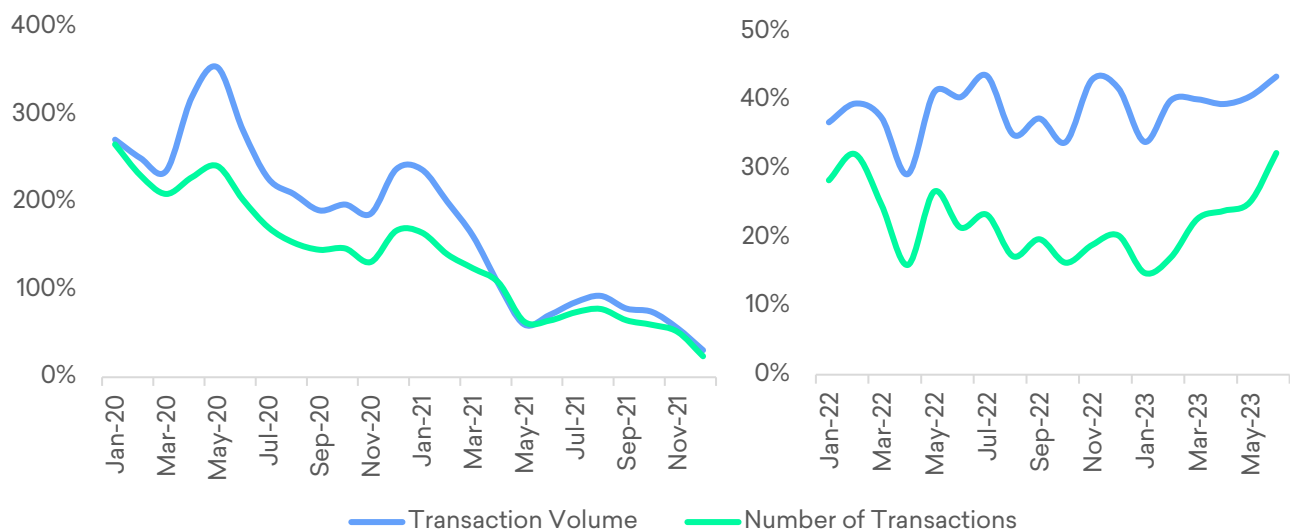
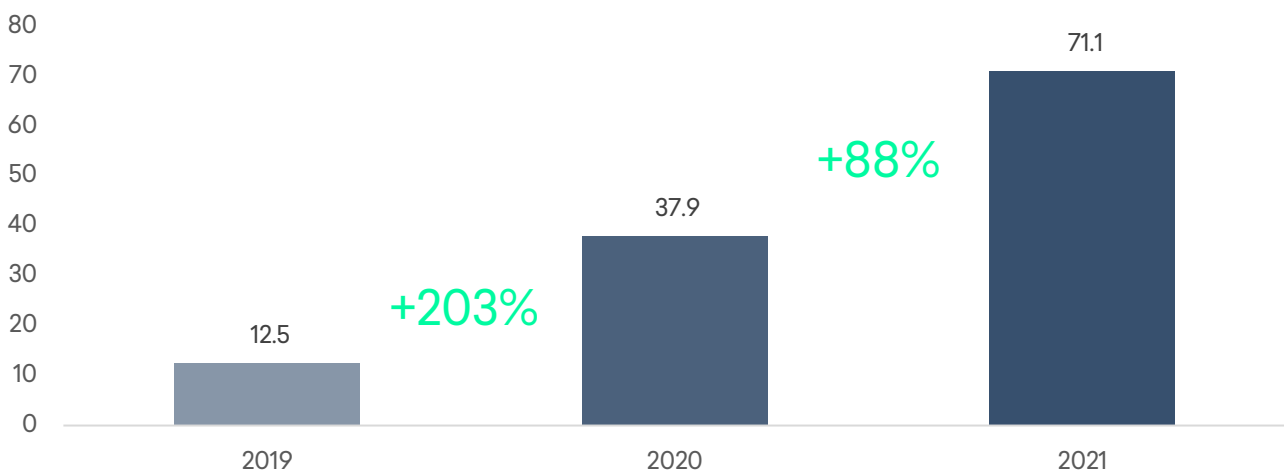


Figure 20. Revenues of Selected Delivery Companies in Georgia (Million GEL)



Source: Reportal, TBC Bank's Channels

# Supply Drivers

## Marketplaces – C2C and B2C Services

Marketplaces usually serve as intermediaries between businesses and customers. While this offers opportunity and convenience for purchase transactions to be completed fully using the web page, sometimes buyers use marketplaces only to browse items and then purchase them in the physical space.

Customer-to-Customer (C2C) marketplaces are the most widely spread platforms, where consumers search for the desired products and then make the purchase offline.

In the Georgian e-commerce environments, the most visited C2C marketplace is MyAuto.ge, with over 2.8 million monthly visitors recorded in June 2023. MyAuto serves as a marketplace for new and used vehicles and offers sellers ability to post cars they wish to sell without any fees. Actual transactions, however, take place outside of MyAuto web page and value and amount of car sales which took place thanks to the marketplace, are mostly unrecorded.

Similar to MyAuto, MyMarket is also a C2C marketplace, where any kind of product can be sold by the individuals. MyMarket had over 1.6 million monthly visitors in June 2023, making it more popular than any Business-to-Customer (B2C) marketplaces which offer tangible products. As final transactions take place out of the platform, scale of MyMarket related sales and its contribution to overall retail sales market is difficult to quantify.

Businesses can use marketplaces to offer consumers other products, which are not traditional, physical goods. A popular marketplace for B2C services in Georgia is TKT.ge – a web page with more than 1.7 million visitors in June 2023. TKT offers various types of tickets to consumers. concert, theater, railway, place, etc. and the purchase transaction is completed fully online. Relatively large intangible product marketplaces are Swoop and Hotsale, which offer sale coupons to consumers.

Figure 21. Number of Visitors of the Georgian C2C Marketplaces, June 2023 (Thousands)

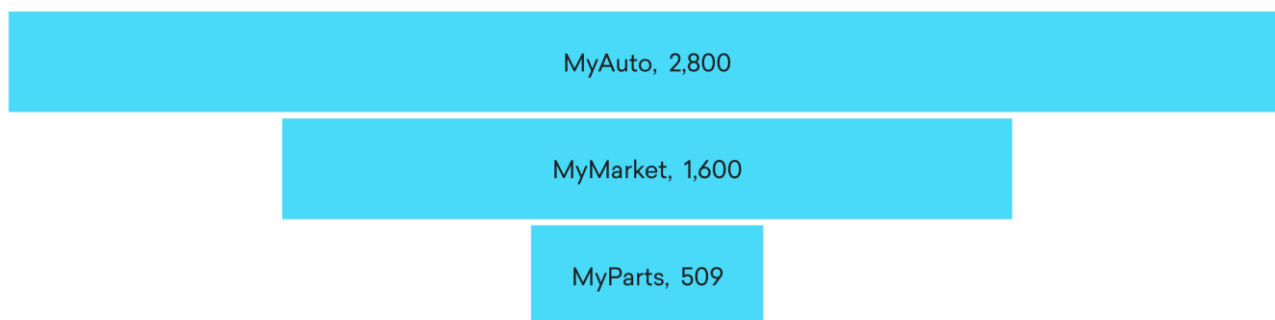


Figure 22. Number of Visitors of the Georgian B2C Service Marketplaces, June 2023 (Thousands)



Source: Similarweb



# Supply Drivers

## Marketplaces – Physical Goods B2C

Marketplaces serve as centralized platforms where multiple sellers can list and sell their products. This results in a wider selection of goods available to consumer and increases the market reach for sellers without the need for individual online stores.

There are numerous marketplaces present in the Georgian e-commerce market, offering services to both customers and sellers. According to the June 2023 data, Veli store has the largest number of web page visitors among the physical goods marketplaces, with over 500 thousand visitors a month.

Georgian marketplaces analysis shows that to assist consumer in making more informed purchased, all of these platforms try to provide detailed descriptions for the listed

products. Various payment options are also present in all selected marketplaces, including – card payments, installments for higher price items, cash payments upon product receipt, direct money transfers and exchange for local banks' loyalty program points.

Purchase return option and the capability to register your unique user on the marketplace is also offered by most of the web pages. However, comments and product ratings appear to be less popular features for Georgian marketplaces. These platforms also differ in their delivery options and times. In the capital, Tbilisi a customer can receive their order on the same or the next day depending on the marketplace, while regional delivery takes up 3-5 days.

Figure 23. Number of Visitors of the Georgian Physical Goods E-Commerce Marketplaces, June 2023 (Thousands)

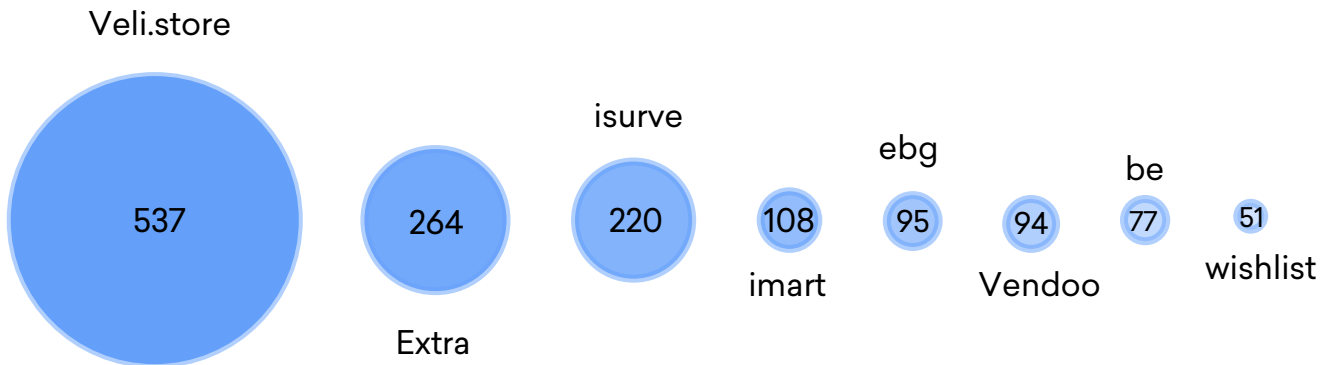
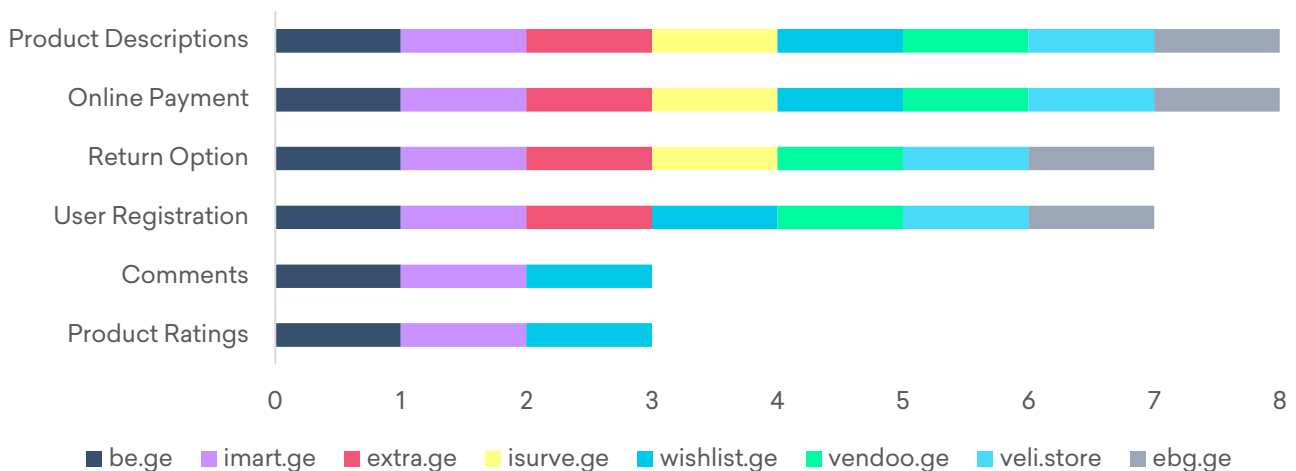


Figure 24. The Capabilities of the Georgian Physical Goods E-Commerce Marketplaces



Source: Similarweb, TBC Capital



# Market Overview

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# Market Overview

## E-Commerce Adoption

The adoption of e-commerce in the business operations can be evaluated using the income generated by the online sales relative to the total sales made by the companies. This metric is an important indicator of the extent to which businesses are utilizing e-commerce as a channel to reach customers and conduct transactions in the digital space.

The analysis of Georgian companies based on whether they had any online sales, shows that only 3-4% of the businesses have made any sales through e-commerce channels. While the overall e-commerce sales remain

small relative to the total sales volume, 2021 and 2022 show a growth in revenues generated by marketplaces, indicating wider adoption of these intermediaries in the Georgian retail market.

The convenience of e-commerce allows local businesses to sell their products overseas without having to establish physical stores. Georgian businesses' web sales distribution shows that since 2021, more than half of the revenues are generated from foreign countries, indicating a diversified sales revenue for the local companies.

Figure 25. The Share of Georgian Businesses That Had Web Sales of Goods / Services (%)

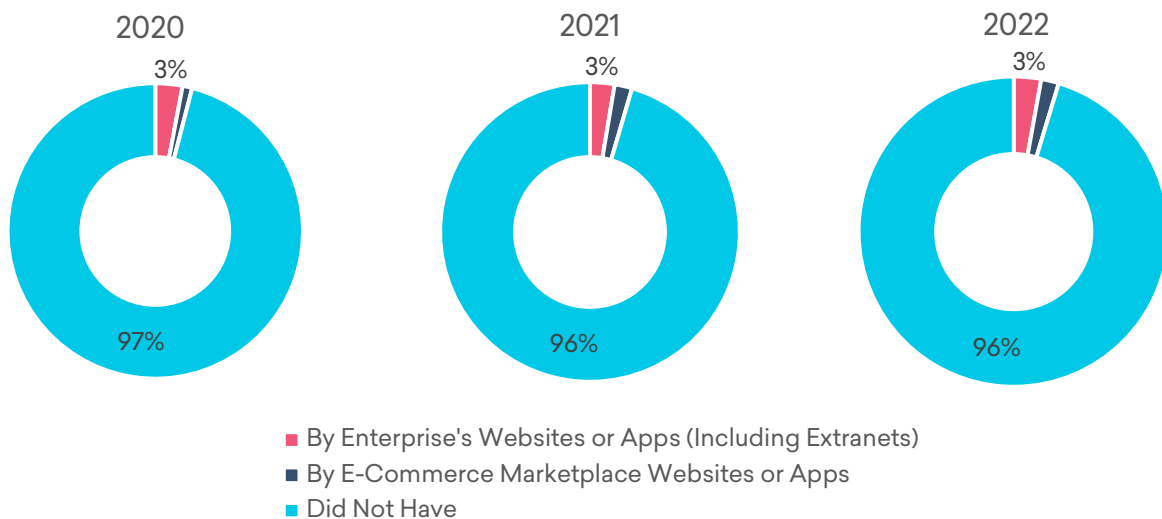
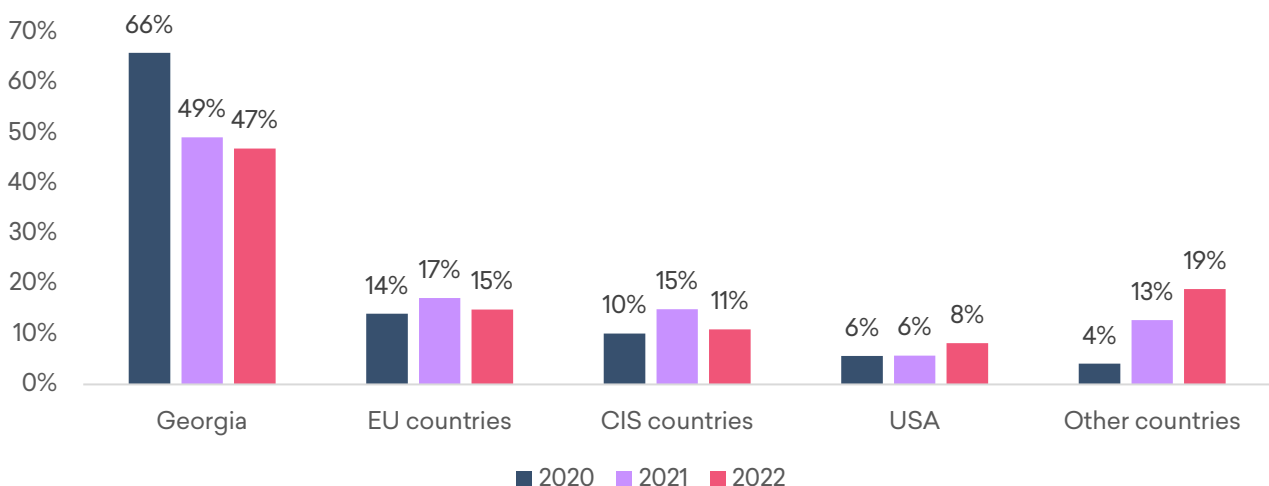


Figure 26. Georgian Businesses' Web Sales Value Distribution by Countries (%)



Source: Geostat

# Market Overview

## Purchase Habits

E-commerce presence in the general consumer market can be assessed by the share of e-commerce transactions in the total non-cash payments.

Based on the payments made through TBC Bank's channels, 10% of the non-cash payments were e-commerce purchases in June 2023. This exhibits the importance of online retail and digital transactions in the economy, but it shows that with around 10% share, e-commerce does not have overwhelmingly dominant role within the broader non-cash payment landscape yet.

Monthly analysis of e-commerce payment shares displays a small seasonality, with shares dropping in the summer seasons.

Georgian e-commerce consumer market trends can also be seen through the average transaction volumes. According to TBC Bank's channels' data, average volume of e-commerce transaction has been decreasing over the analyzed period and amounted to GEL15 in June 2023. This decline is mostly caused by the increased frequency of e-commerce purchases and smaller purchases made through e-commerce channels.

Figure 27. Share of E-Commerce in Non-Cash Payments, Through TBC Bank's Channels

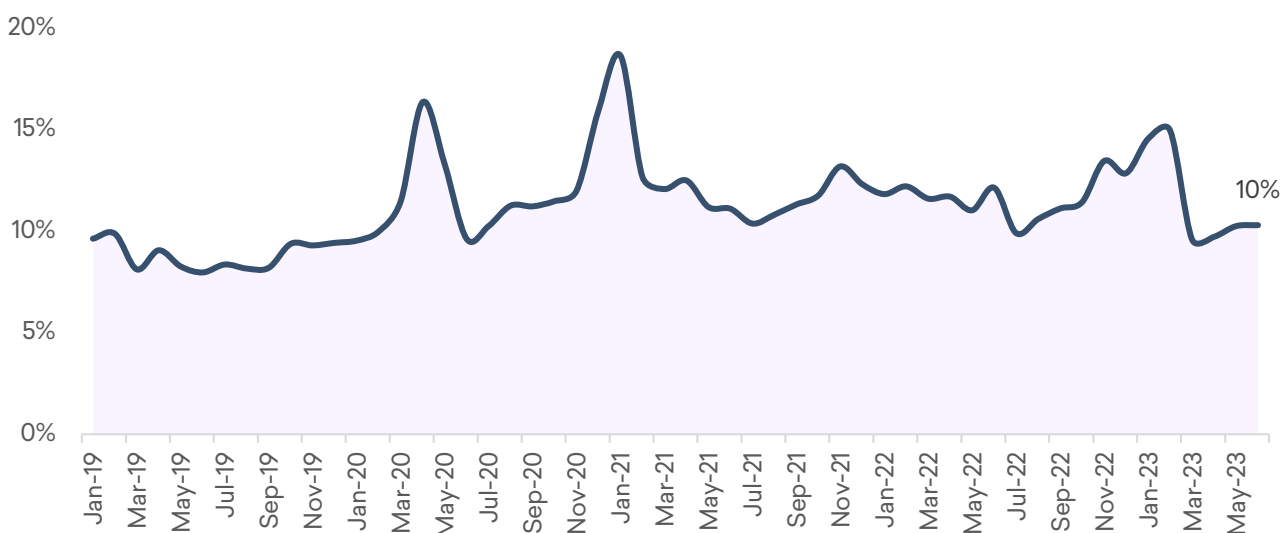
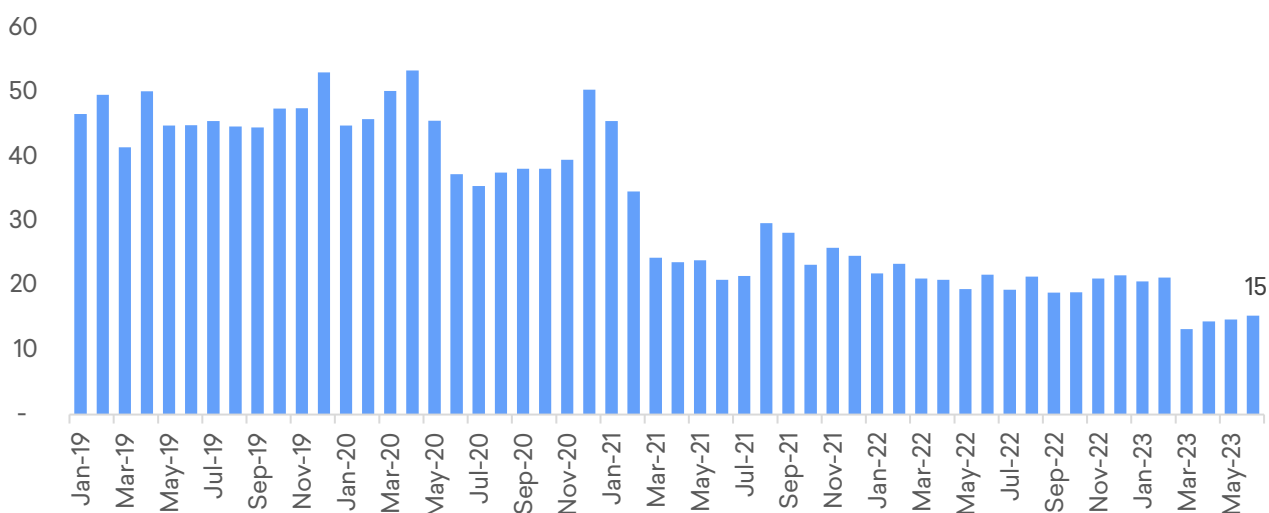


Figure 28. Average Transaction Value of E-Commerce Payments, Through TBC Bank's Channels (GEL)



Source: TBC Bank's Channels

# Market Overview

## Purchase Habits

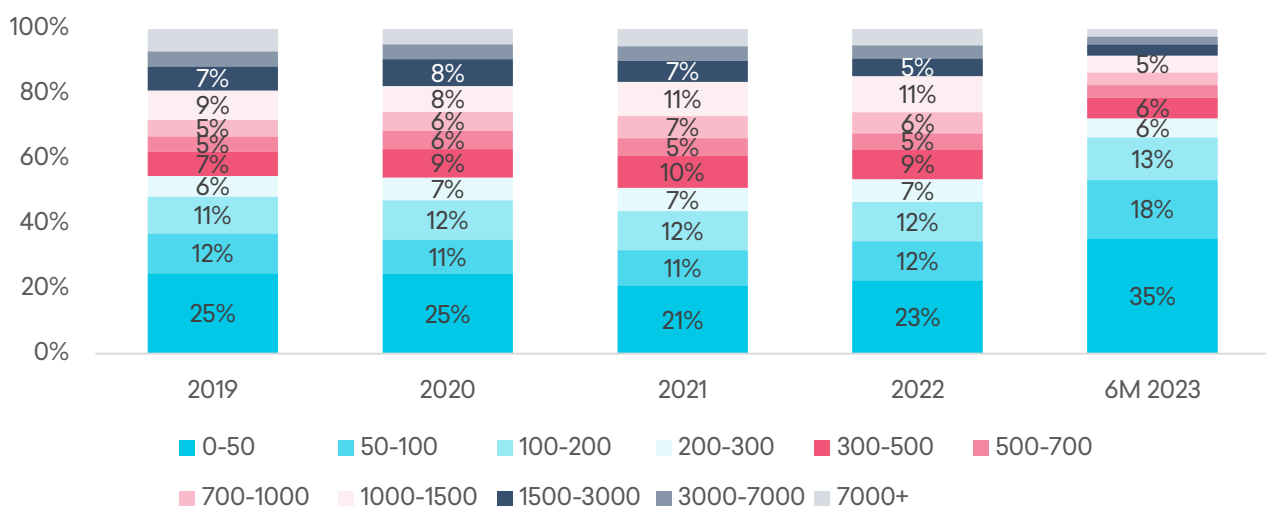
The concentration of e-commerce spending amounts in different price ranges shows in which type and price category products is e-commerce more dominant in the local consumer market.

E-commerce spending amount ranges' distribution displays, that in Georgia, e-commerce is more popular for lower price item purchases. The largest share of total e-commerce volume, 25% was attributed to GEL 0-50 price range category in 2019 and this indicator remained somewhat stable for the following years. Notable change in the spending amount range distribution can be

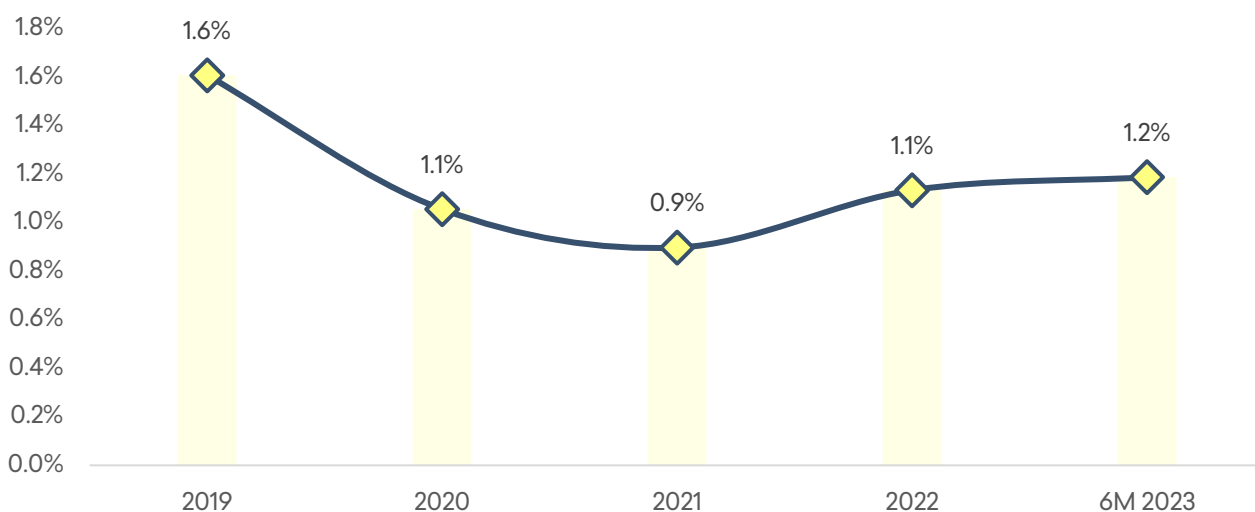
seen in the first half of 2023, with GEL 0-50 transactions constituting 35%. This can be a result of a rise in small value transactions, combined with wider customer base or a general shift in customer spending habits.

While the advantages of e-commerce include the ability to make purchases from any place, it is important to consider regional distribution of the companies offering e-commerce services to customers. Based on 6M 2023 data, share of regionally registered companies in e-commerce payment remains insignificant and volume equals 1.2% of purchases.

**Figure 29.** Distribution of E-Commerce Spending Amount Ranges, Through TBC Bank's Channels (GEL)



**Figure 30.** Share of Regional E-Commerce Purchases, Through TBC Bank's Channels



Source: TBC Bank's Channels

# Market Overview

## Purchase Habits

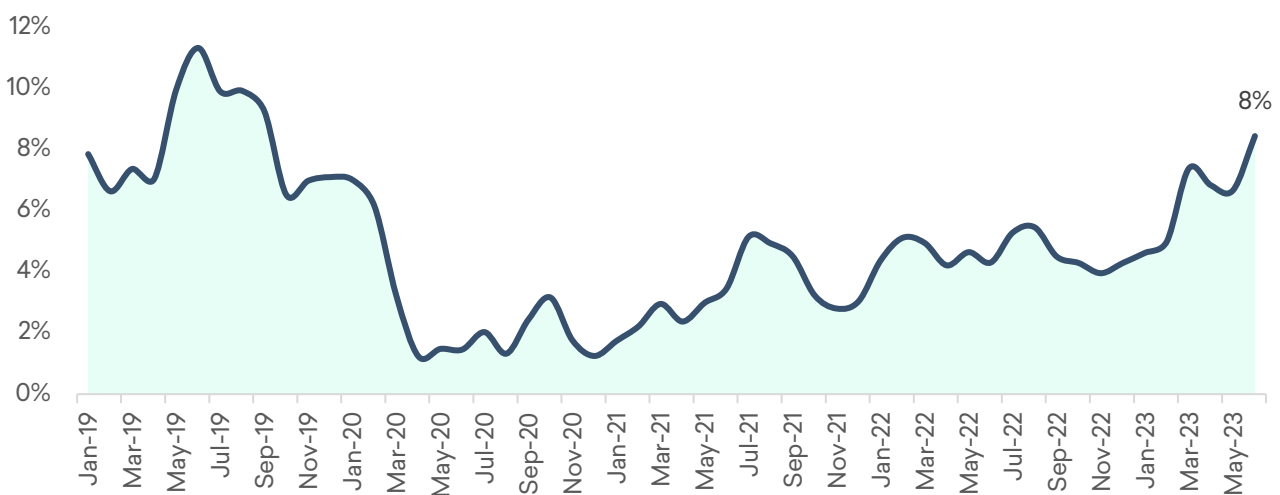
E-commerce allows local companies to expand their businesses worldwide, without the need for physical stores. A higher share of non-resident payments in the local e-commerce market indicates that the market has a global appeal and is attracting customers from other countries. This suggests that the market's products, pricing, and overall offerings are in line with international consumers' expectations.

Share of non-resident purchases in local e-commerce transactions has been somewhat volatile for past several years. In 2023, non-resident purchases have an upward

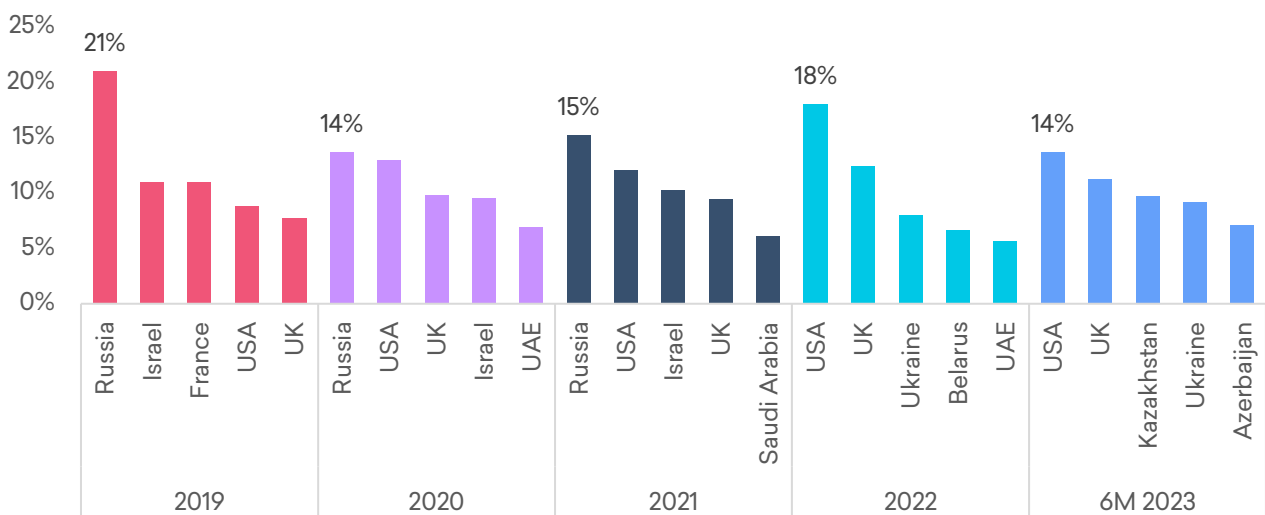
trend, with the share totaling 8% in June 2023. Non-resident payments contribute to diversifying the revenue streams of local e-commerce businesses; Therefore, growing non-resident payments indicate a more diverse cash flows for companies.

The distribution of non-resident payments across different countries is also a tool for measuring cash flow diversification. Shares of top e-commerce purchasing countries displays, that there is less dependency on a single country in 2023, with the largest share figure decreasing from 21% in 2019 to 14% in 6M 2023.

**Figure 31.** Share of Non-Resident Purchases in E-Commerce Transactions, Through TBC Bank's Channels



**Figure 32.** Shares of Top E-Commerce Purchasing Countries, Through TBC Bank's Channels



Source: TBC Bank's Channels

# Market Overview

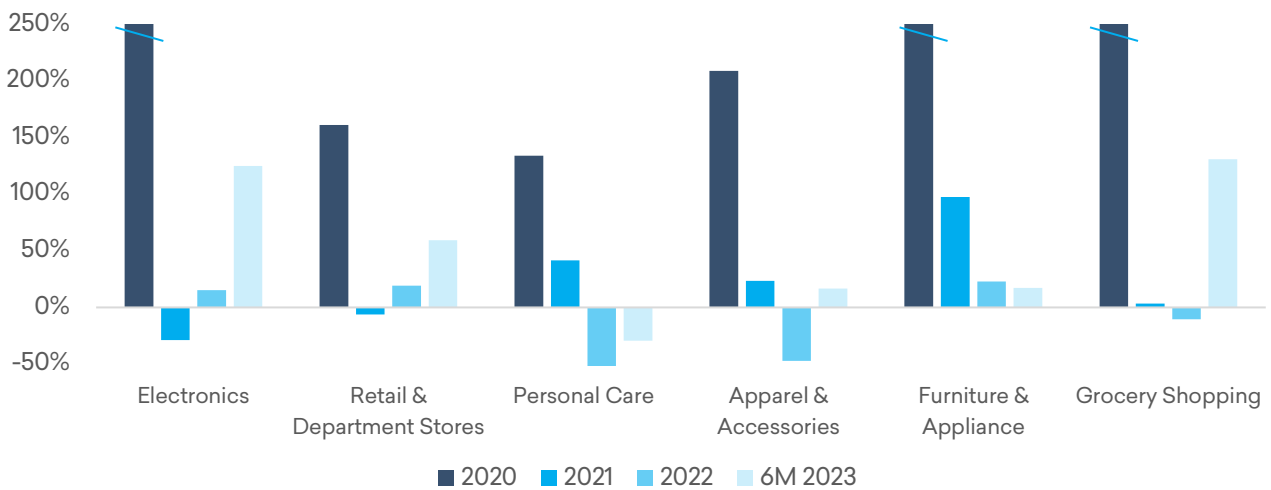
## Product Category Dynamics

The products that customers are purchasing online can define the market's focus and specialization. The extent to which traditional retail sectors have moved online, and the product categories leading this transformation, define how the businesses are adapting to the digital age. The products customers choose to buy online also reflect their preferences and willingness to embrace digital shopping experiences.

In 2020, with the beginning of the Covid-19 pandemic, goods which were traditionally

bought in the physical shopping space, became popular e-commerce products. The largest annual increase in e-commerce Transactions were seen in electronics and furniture products, for which YoY change in sales volume totaled more than 1,000%. Growth for consumer goods has been relatively slow since 2020, due to the high base effect. The service-based products have also moved to e-commerce environment and recorded sizeable growth rates for the past years.

**Figure 33.** Yearly Change in E-Commerce Transaction Volume for Selected Goods, Through TBC Bank's Channels



**Figure 34.** Yearly Change in E-Commerce Transaction Volume for Selected Services, Through TBC Bank's Channels



Source: TBC Bank's Channels

# Market Overview

## Market Size

E-commerce market in Georgia has been rapidly expanding. Estimated e-commerce market size amounted to over GEL 1,300 million in 2022, recording an 82% growth compared to the previous year. Such extensive growth indicates stronger demand for online shopping.

This could be driven by various factors, including changing consumer behavior, increased convenience, and expanded product offerings. High growth rates could also signify that new businesses are entering the e-commerce market and gaining traction more quickly than before. Such rapid

increase in sales further indicates that consumers are gaining trust in online transactions, especially in terms of payment security, quality of products, and timely delivery.

While the e-commerce market in Georgia is increasing in size, share of local businesses in the overall transactions remains small compared to the cross-border purchases. This shows that there are still products and services which are unavailable in the local market and customers choose to make purchases on the foreign websites due to convenience and price difference.

Figure 35. Estimated Georgian E-Commerce Market Size (Million GEL)

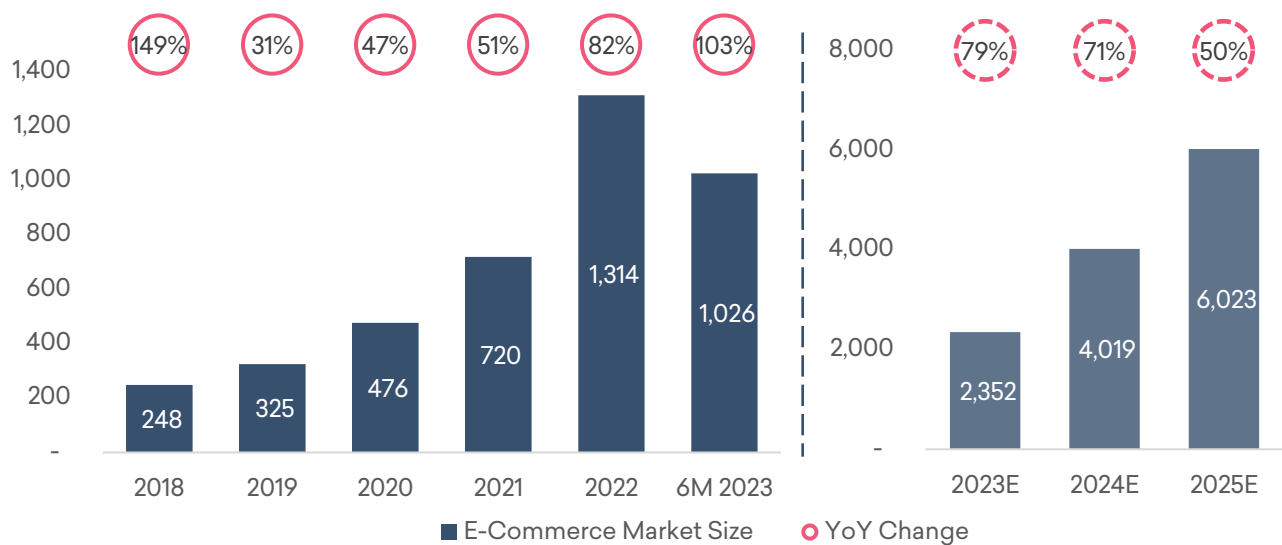
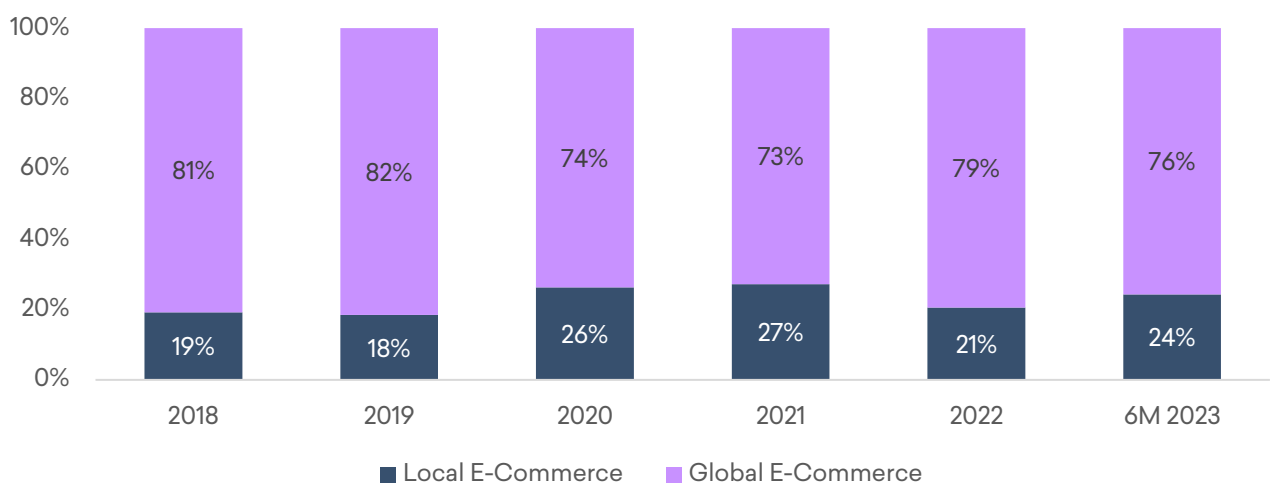


Figure 36. E-Commerce Market Distribution Between Local and Global Transactions



Source: NBG, TBC Bank's Channels, TBC Capital



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