



TBC CAPITAL

AUTOMOTIVE SECTOR

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Executive Summary

The Georgian automotive fleet experienced a 5.6% YTD expansion by September 2023, driven primarily by a 5.3% growth in light vehicles, amounting to over 82% of the total fleet. First registrations surged by 26.7% YoY in 9M 2023, dominated by light vehicles.

Toyota caught up with Mercedes Benz in the automotive fleet, reflecting its sustained popularity in first registrations. The concentration of newly registered vehicles in the capital, exceeded 50%, signaling a trend towards higher level of concentration.

Despite fluctuating oil prices, gas-powered vehicles remained dominant, reaching 63% of newly registered light vehicles in 9M 2023.

Electric vehicles exhibited a rising trend, comprising 1.2% of total first registered light vehicles in 9M 2023. Nissan dominated the Georgian EV fleet, amounting to over 52%.

In line with the global automotive trend, SUVs surpassed sedans in popularity for the first time in 2023 for Georgian consumers.

Consumer preferences diversified, with the top ten models making up 19.9% of first registered light vehicles, compared to 25.7% in 9M 2022.

Brand new car sales improved, particularly in the domestic market, growing by 16% YoY compared to 4% for the external market.

External trade dynamics showed significant growth, with vehicle imports doubling, and re-exports increasing by 163% in 9M 2023.

Unlike major increases in the import of vehicles the import of spare parts saw a 30% YoY increase and tires experienced a mere 1% YoY increase.

International benchmarking indicates that the Georgian automotive fleet is expected to increase further and renew in line with economic development. The Georgian automotive fleet, with over half of vehicles older than 20 years, already shows a renewal trend in first registrations, with the average age decreasing to 8.3 in 9M 2023.

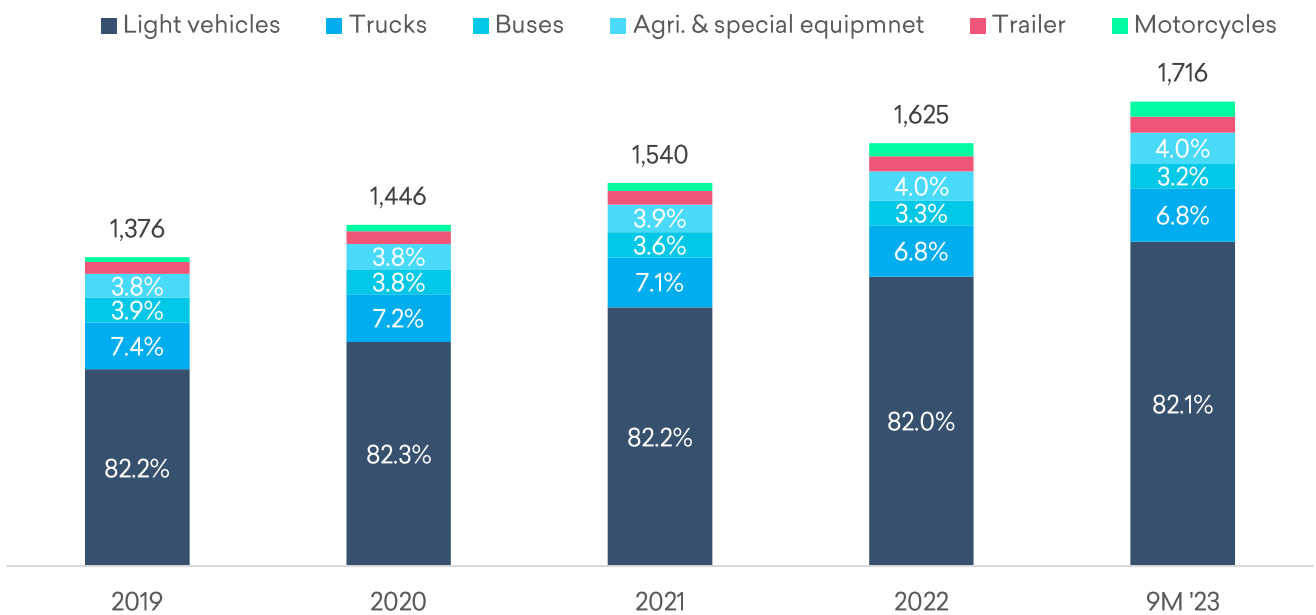
Despite doubling vehicle trade, formal spare parts trade and service growth lagged, with service turnover decreasing by 5% YoY. Despite the lagged growth rates in the supporting sub-categories, the total formal automotive industry is expected to increase by c. 30% in 2023 and reach GEL 8 bn. Anticipated market regulations from January 2024, banning registration of vehicles manufactured before 2013, are expected to result in a minor 5% decrease in 2024.

DOMESTIC MARKET TENDENCIES: FLEET VS. FIRST REGISTRATIONS

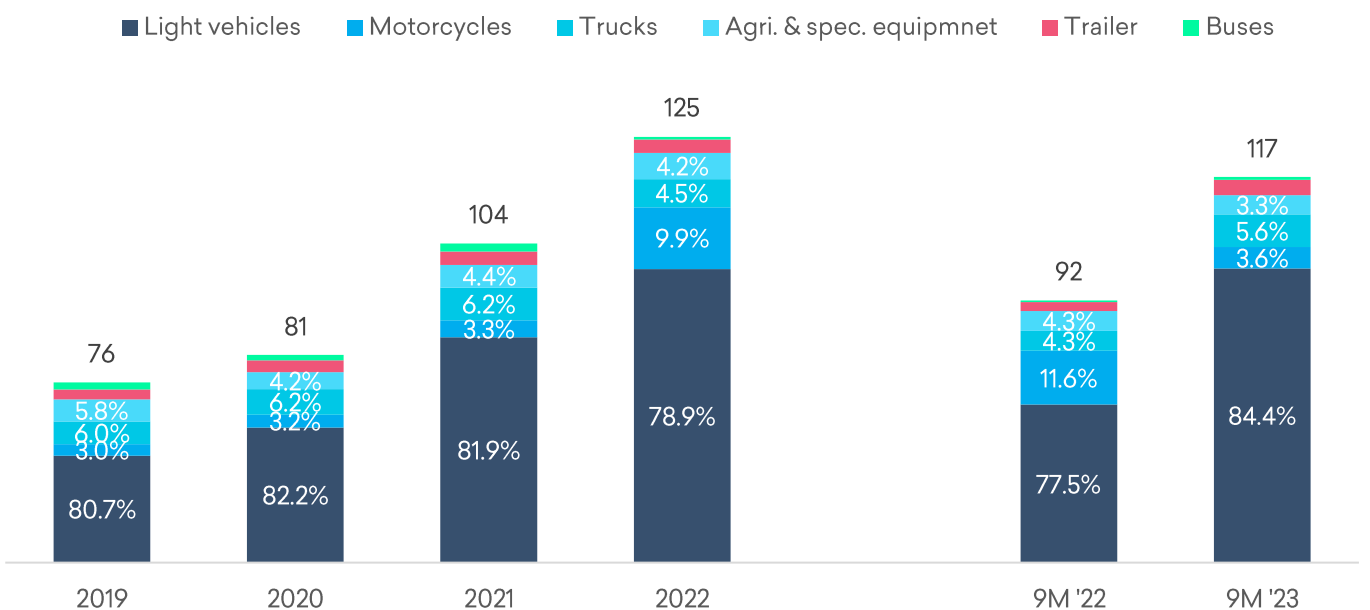
The Georgian automotive fleet saw a further 5.6% YTD expansion by September 2023. The increase was mainly on the back of a 5.3% growth in light vehicles, which amounted to over 82% of the total automotive fleet as of September 2023.

As for the first registrations, it saw a more substantial, 26.7% YoY increase in 9M 2023. The increase was once again on the back of light vehicles, making up over 84% of total newly registered vehicles, a historically high figure in the observed period.

Georgian Automotive Fleet by Type ('000 Units)



First Registrations in Georgia by Type ('000 Units)



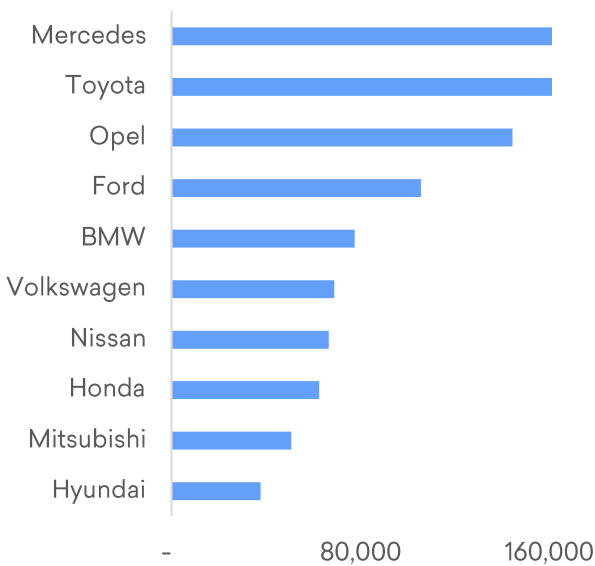
Source: Ministry of Internal Affairs

DOMESTIC MARKET TENDENCIES: FLEET VS. FIRST REGISTRATIONS

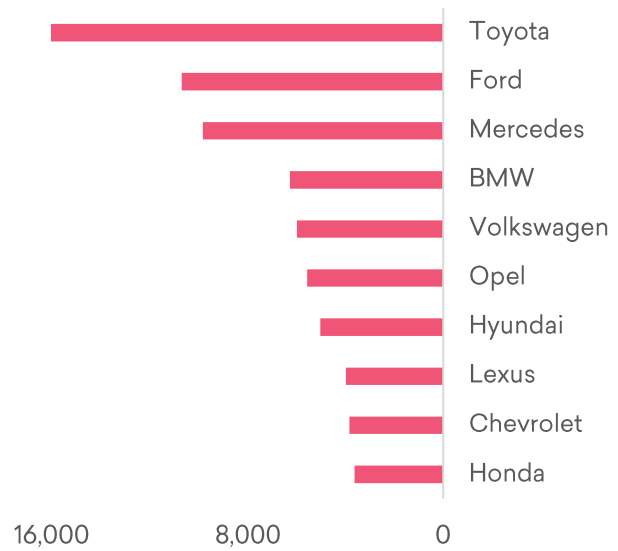
As expected on the basis of the first registration dynamics of the previous years, Toyota has caught up with Mercedes Benz in the Georgian automotive fleet by September 2023. Toyota's popularity has continued in 2023, evident by its position in the first registrations of 9M 2023.

The regional diversification of the Georgian automotive fleet is expected to be hindered and be more and more concentrated in the capital as indicated by the distribution of the newly registered vehicles according to which more than half of vehicles were registered in Tbilisi.

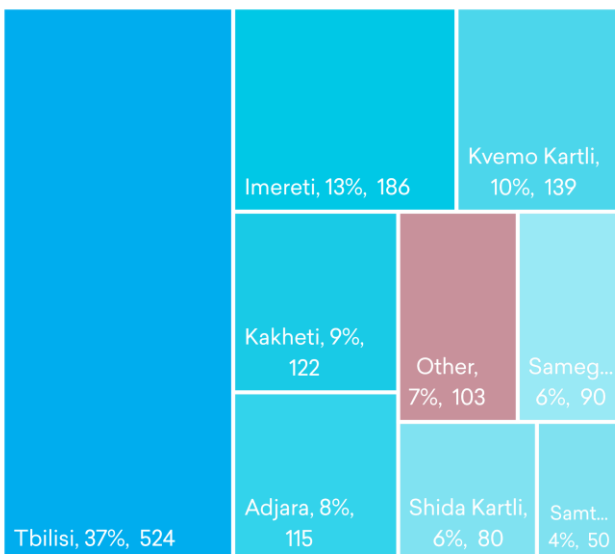
Top Brands in Georgian Light Vehicle Fleet, 9M 2023*



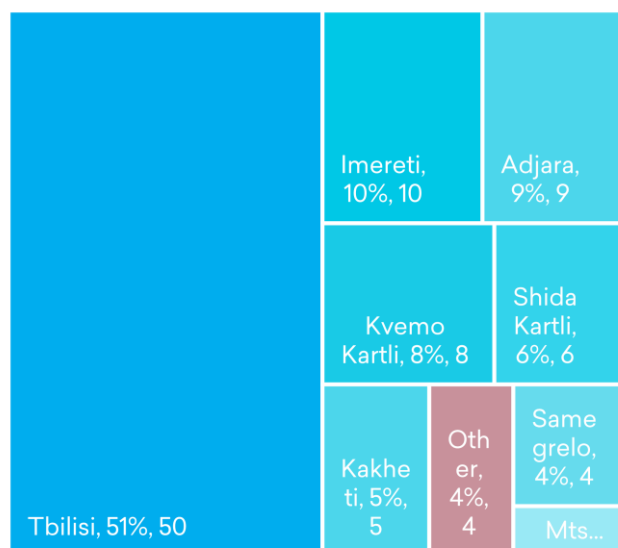
Top Brands in First Registered Light Vehicles, 9M 2023



Light Vehicle Fleet by Regions, 9M 2023 ('000 Units)



First Registrations by Regions, 9M 2023 ('000 Units)



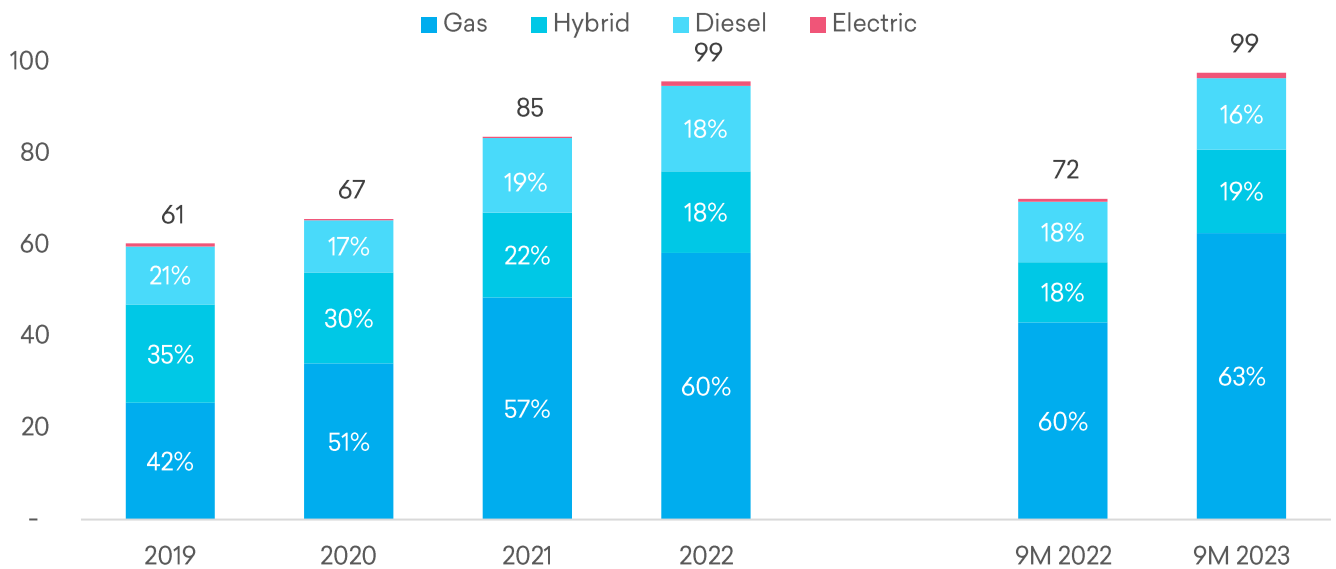
Source: Ministry of Internal Affairs; *VAZ has been omitted from the list as it is believed that the vast majority is in need of deregistration

CONSUMER PREFERENCES

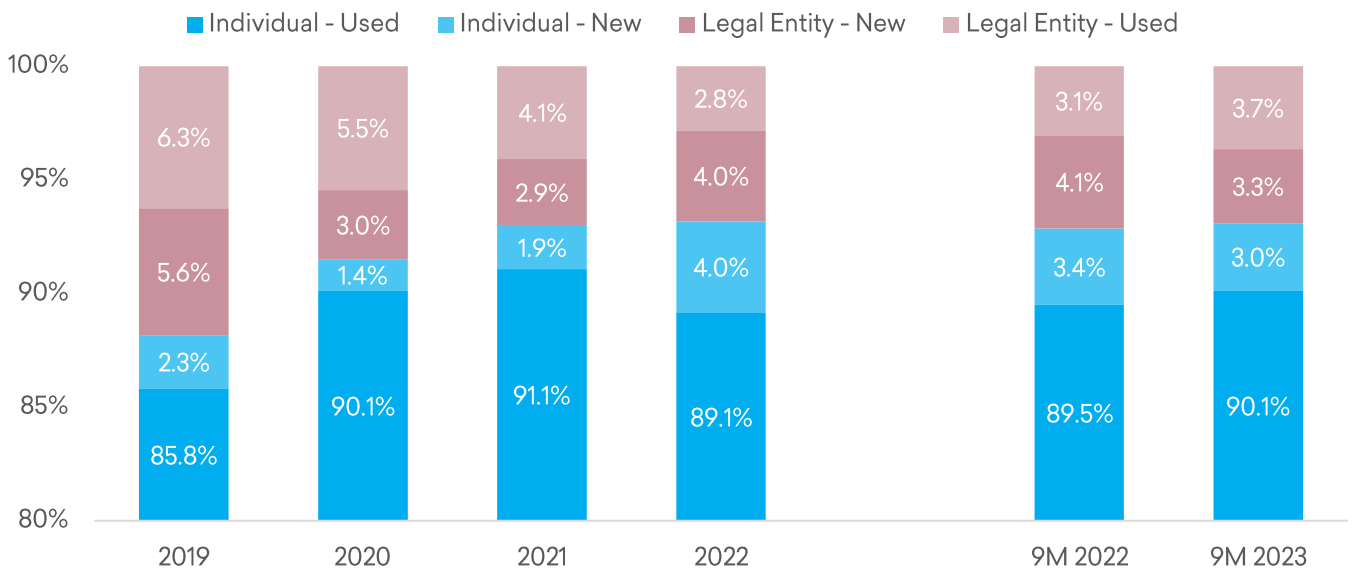
Regardless the unstable oil prices gas powered vehicles remain as the most popular vehicle type and reached an all new high of 63% of total newly registered light vehicles in 9M 2023. Hybrid vehicles also saw a minor 1 pp YoY increase, remaining as the second most popular vehicle type.

The distribution of newly registered light vehicles in terms of ownership type has remained relatively unchanged compared to the previous year, with over 93% of total vehicles registered to individual entities.

First Registered Light Vehicles by Fuel Type ('000 Units)



First Registered Light Vehicles by Ownership



Source: Ministry of Internal Affairs

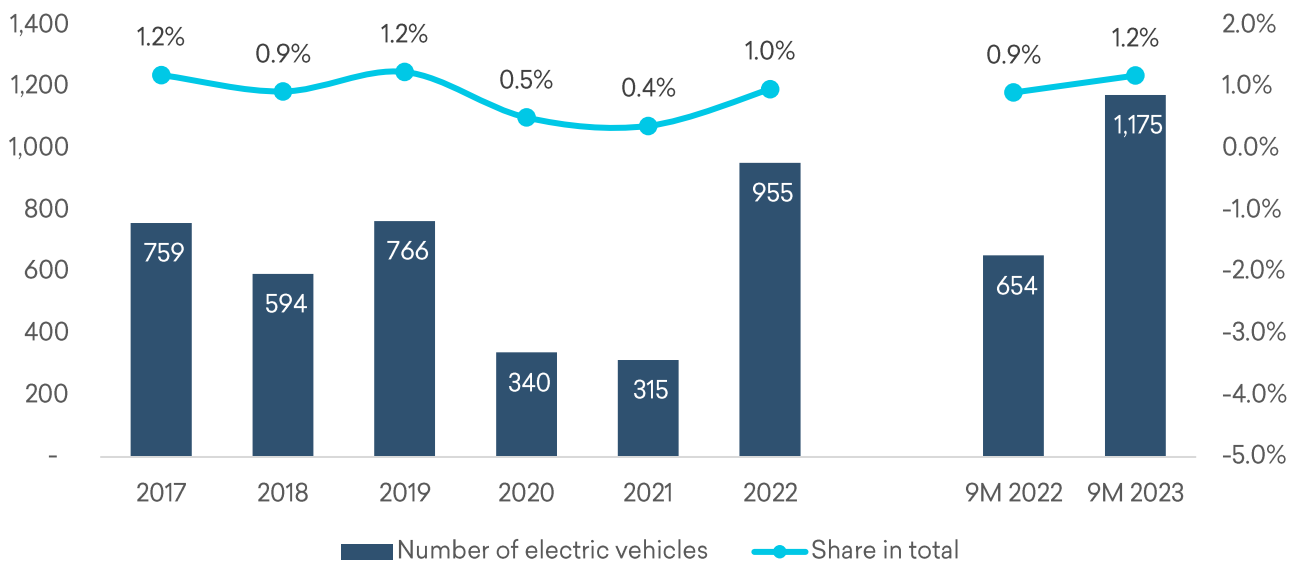
CONSUMER PREFERENCES

The dynamics of newly registered electric vehicles was not characterized by a direct tendency in the 2017-2021 period. As for 2022 and the current year, it can be characterized with an increasing tendency, reaching 1.2% of total first registered light vehicles in 9M 2023. While the absolute numbers remain insignificant, at 1,175 units in the first nine months, the increasing

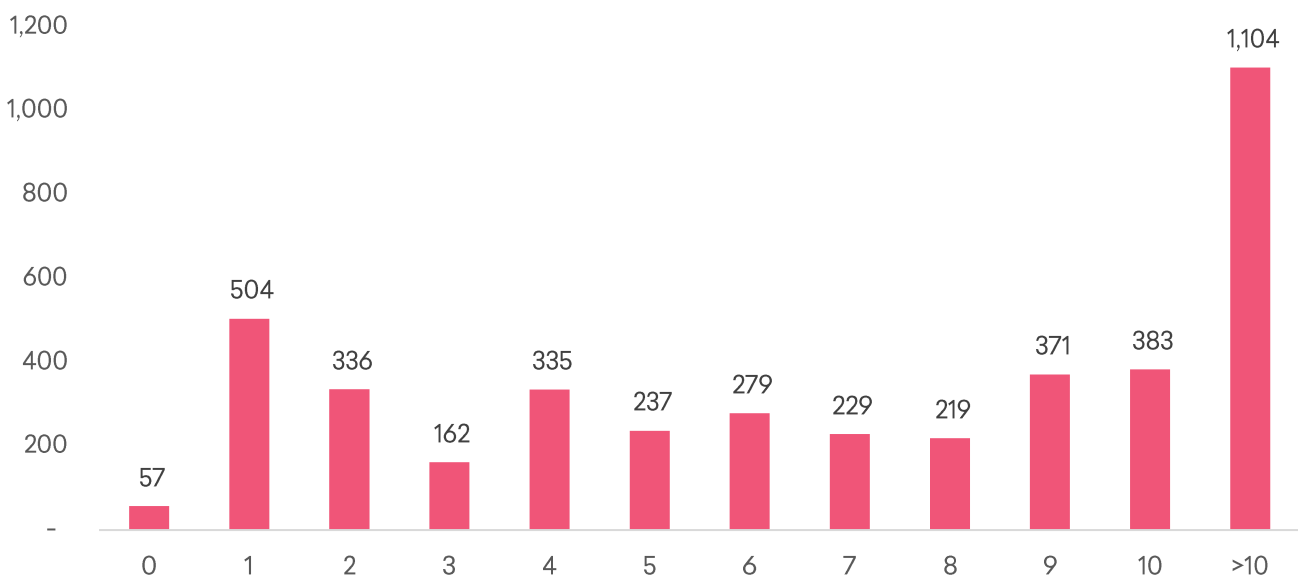
tendency is promising for the future development of the segment.

In terms of the age distribution of the Georgian EV fleet, the majority fall under the age of 11 years and older. The fleet is dominated by Nissan, making up more than 52% of all electric vehicles registered in Georgia.

Number of first registered EVs and share in total first registered light vehicles



Age of EVs in the Georgian automotive fleet



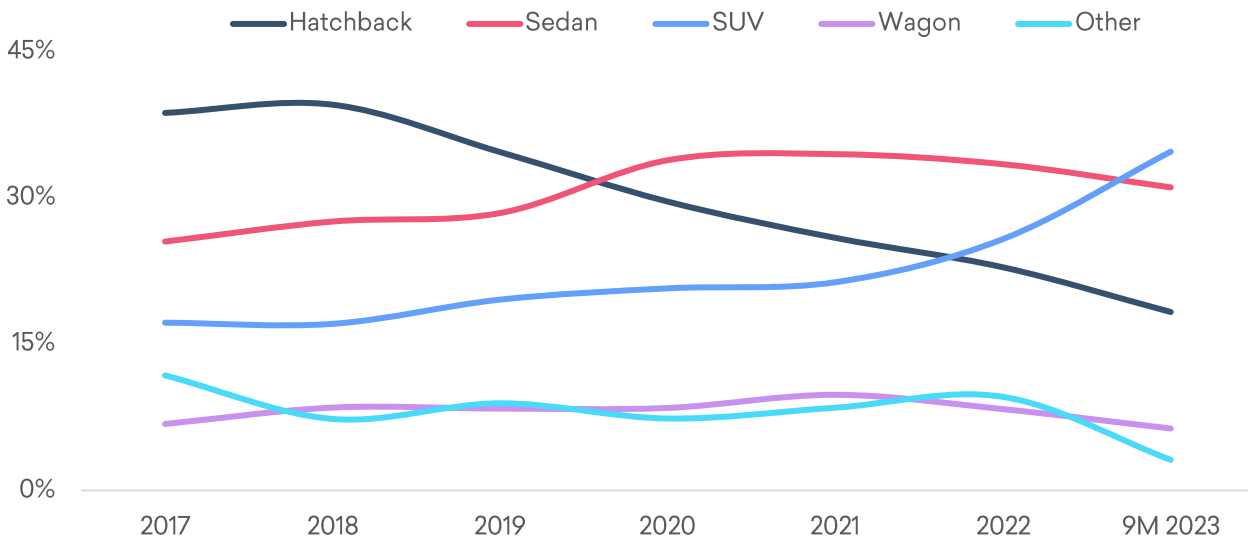
Source: Ministry of Internal Affairs

CONSUMER PREFERENCES

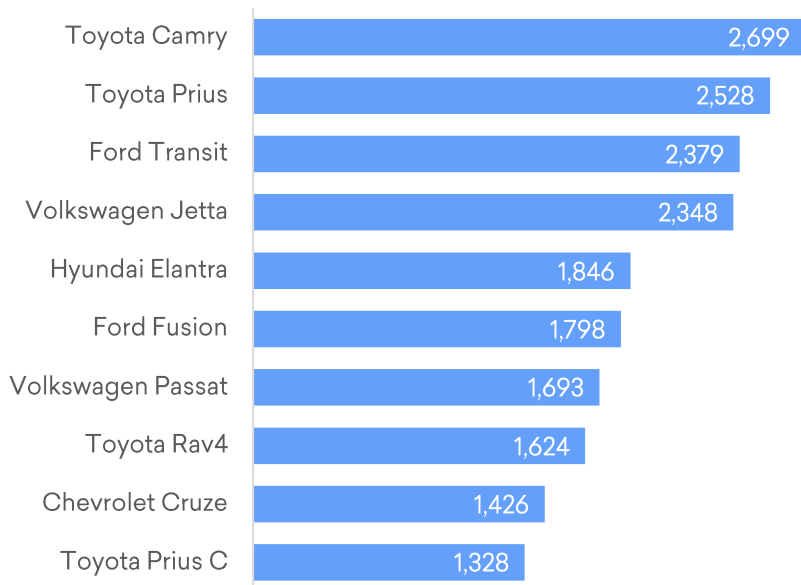
While the distribution of first registrations by top favored models includes only one SUV the total analysis by light vehicle type has shown that 9M 2023 was the first period when SUVs outpaced sedans and became the most popular vehicle type for Georgian consumers, in line with the global tendencies.

The list of top first registered light vehicles remained relatively unchanged in 2023 but it is noteworthy that the first registrations became more diversified as the top ten models made up 19.9% of total first registered light vehicles compared to 25.7% in 9M 2022.

First Registered Light Vehicles by Type, 9M 2023



Top 10 Models in First Registered Light Vehicles, 9M 2023



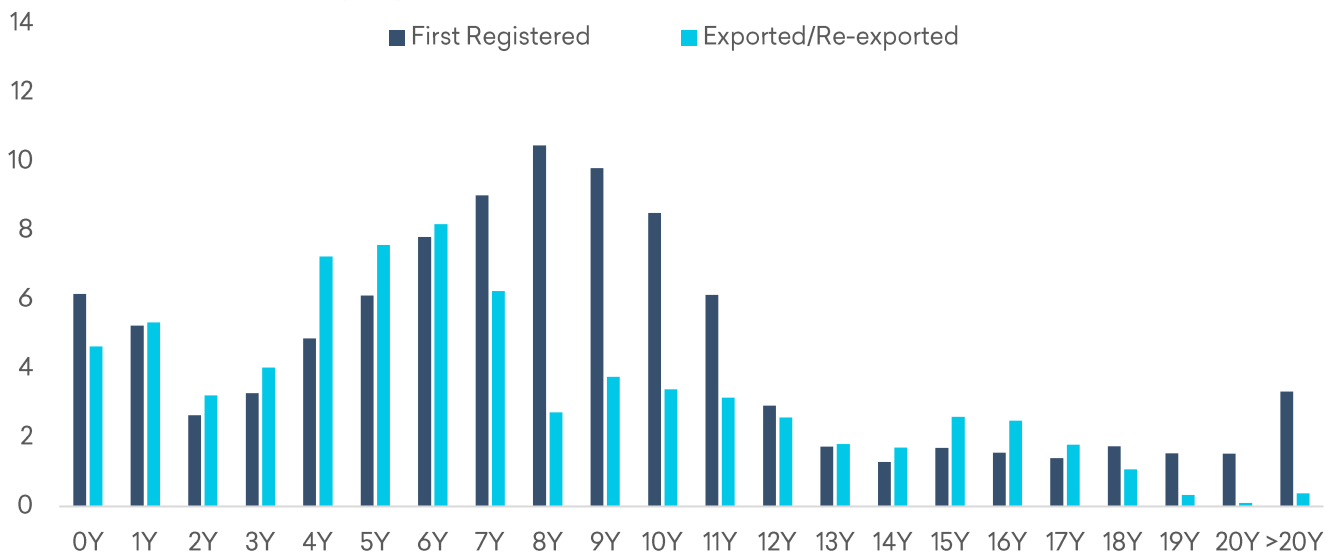
Source: Ministry of Internal Affairs

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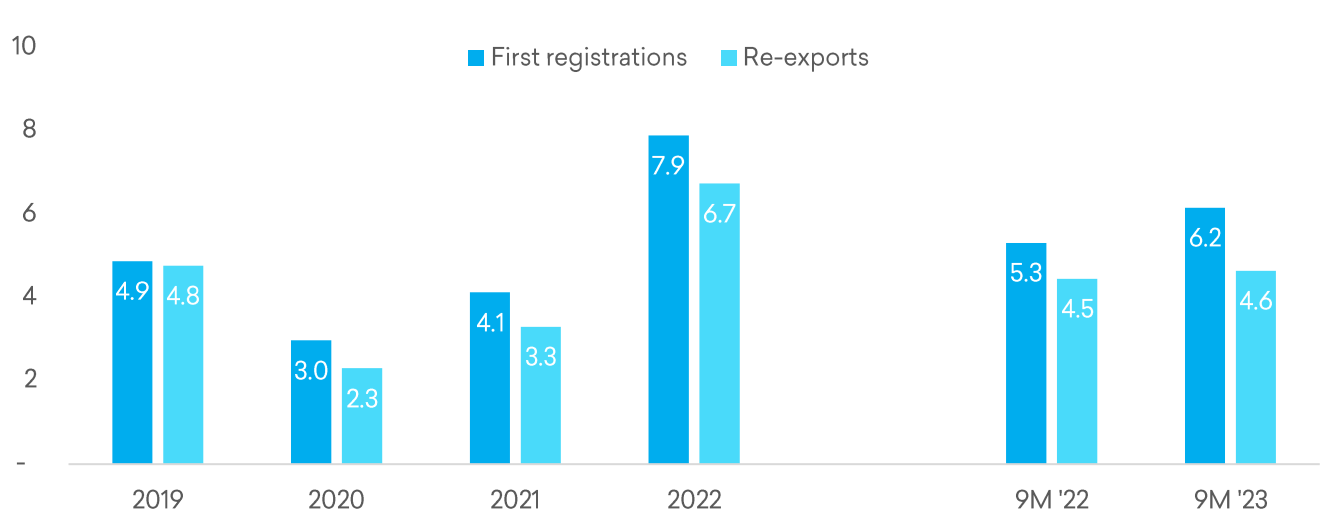
Consumer preferences in terms of vehicle age are noticeably different for domestic and external markets. While the majority of re-exported vehicles are concentrated in the 4-7 year old vehicles, the first registrations of light vehicles in Georgia mostly fall under 6-11 year old vehicles. As for brand new vehicles, the domestic market slightly outweighs the external market.

2023 has exhibited improved performance in terms of brand new car sales, especially taking into account the high base of 2022. While growth was observed in brand new car sales on domestic as well as external markets, the domestic market grew more substantially at 16% YoY in 9M 2023 compared to 4% YoY growth for the external market.

Number of Vehicles by Age, 9M 2023 ('000 Units)



Brand New* Light Vehicle Dynamics, 9M 2023 ('000 Units)



Source: Ministry of Internal Affairs; Note: Due to data limitations brand new vehicles are defined as vehicles with matching manufacturing and registration dates

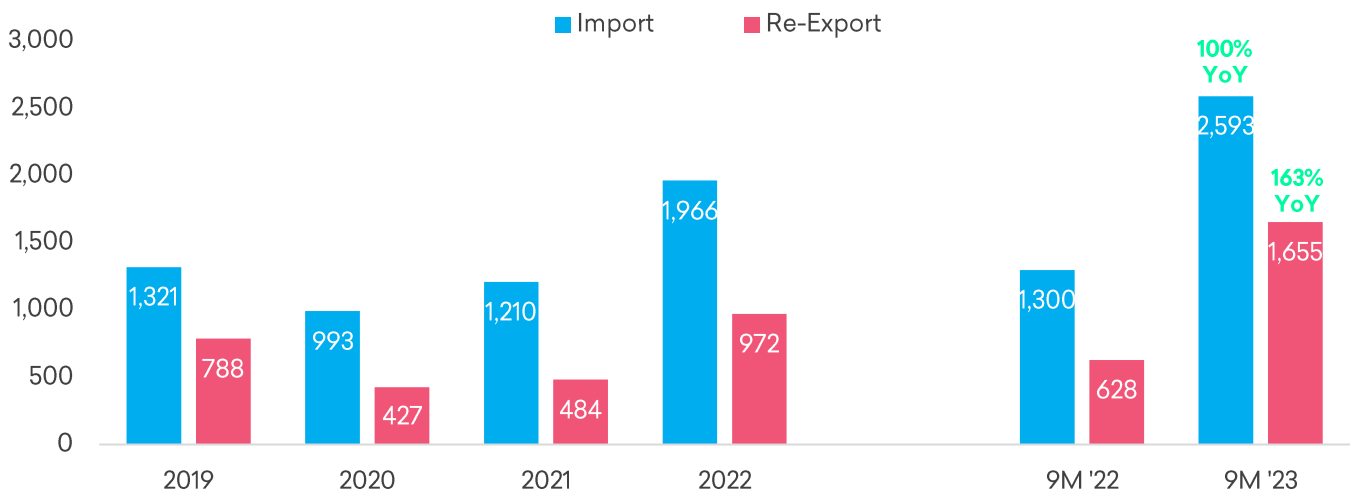
EXTERNAL TRADE DYNAMICS

In USD terms, external trade dynamics was characterized by unprecedented growth rates in 9M 2023. Import of all types of vehicles has doubled, while re-export has increased by 163% in 9M 2023.

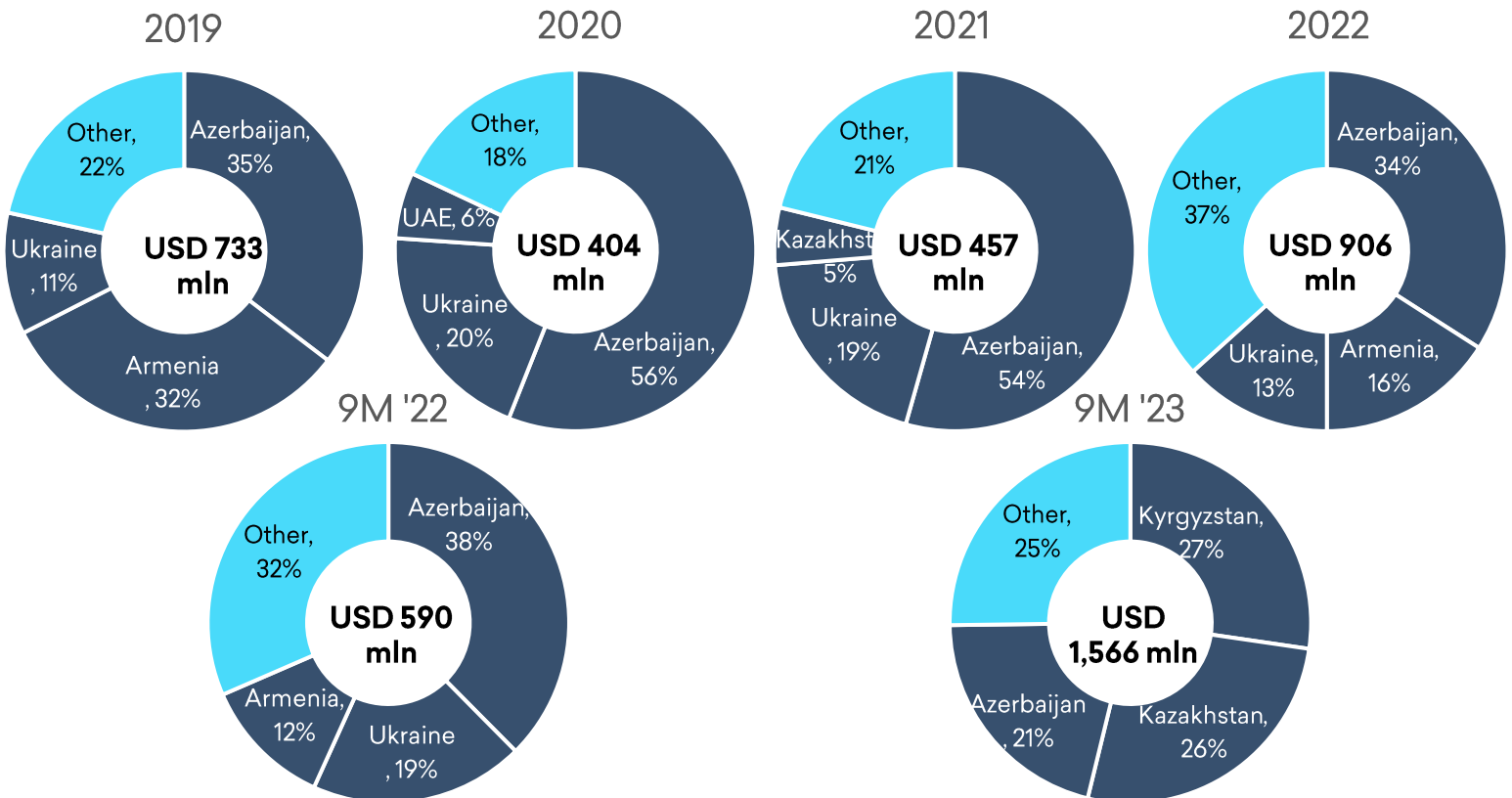
US leading the list, significant shifts have been observed in the top re-export markets, with Central Asian countries taking Azerbaijan's historic first place, as the land borders with the neighboring country remain closed to this day.

While the major import markets remain unchanged from year to year, with the

External Trade of Light Vehicles, Trucks and Spec. Equipment (USD mln)



Re-Export of Light Vehicles (% share, USD mln)



Source: GeoStat

EXTERNAL TRADE DYNAMICS

External trade of trucks and heavy vehicles has accelerated noticeably in 9m 2023 in terms of imports as well exports.

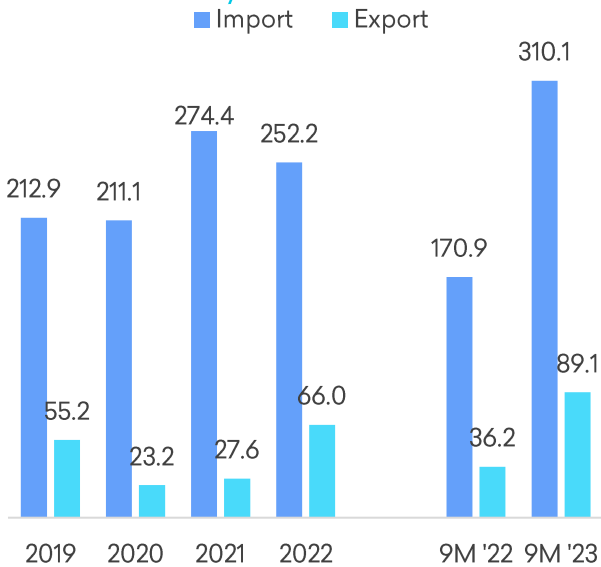
Import of motorcycle and scooters have also increased noticeably with the annual growth rate reaching 46% in 9M 2023. While exports have also increased significantly in percentage terms, the absolute volume remains insubstantial.

With the huge 100% spike in the import of vehicles, the 30% YoY increase in spare parts seems insignificant, probably on the expense of imported scrap cars for spare parts.

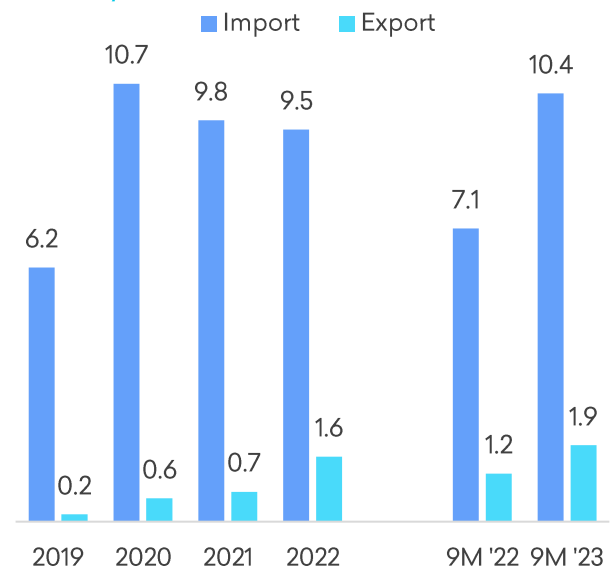
As for tires, the comparison of imported car to tire ratio is more significant with the import of tires having increased only by a mere 1% YoY.

External Trade Dynamics of Vehicle Sub-Types and Associated Products (USD mln)

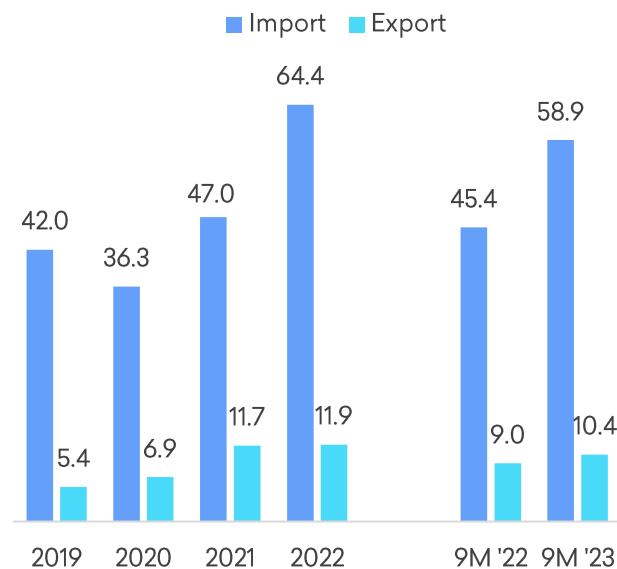
Trucks and Heavy Vehicles



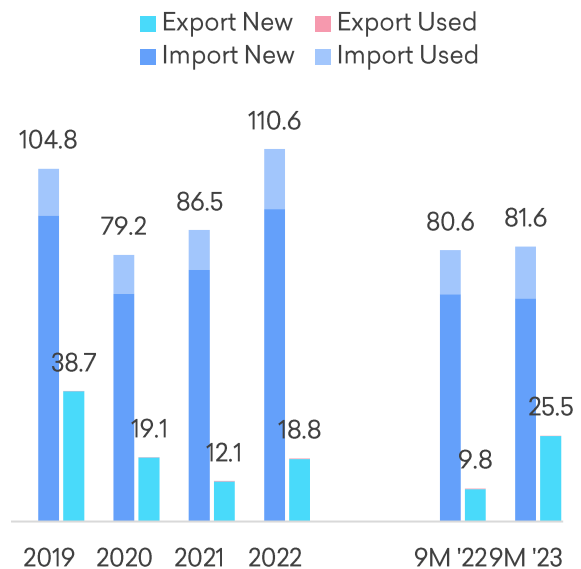
Motorcycles and Scooters



Spare Parts



Tires



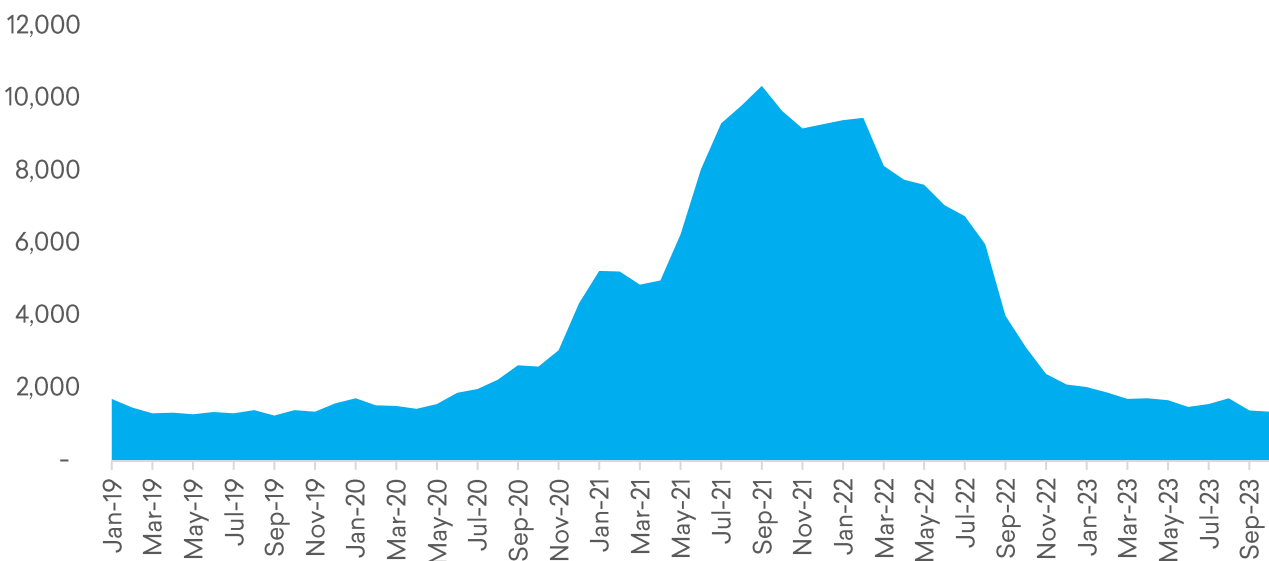
Source: GeoStat

DEMAND DRIVERS

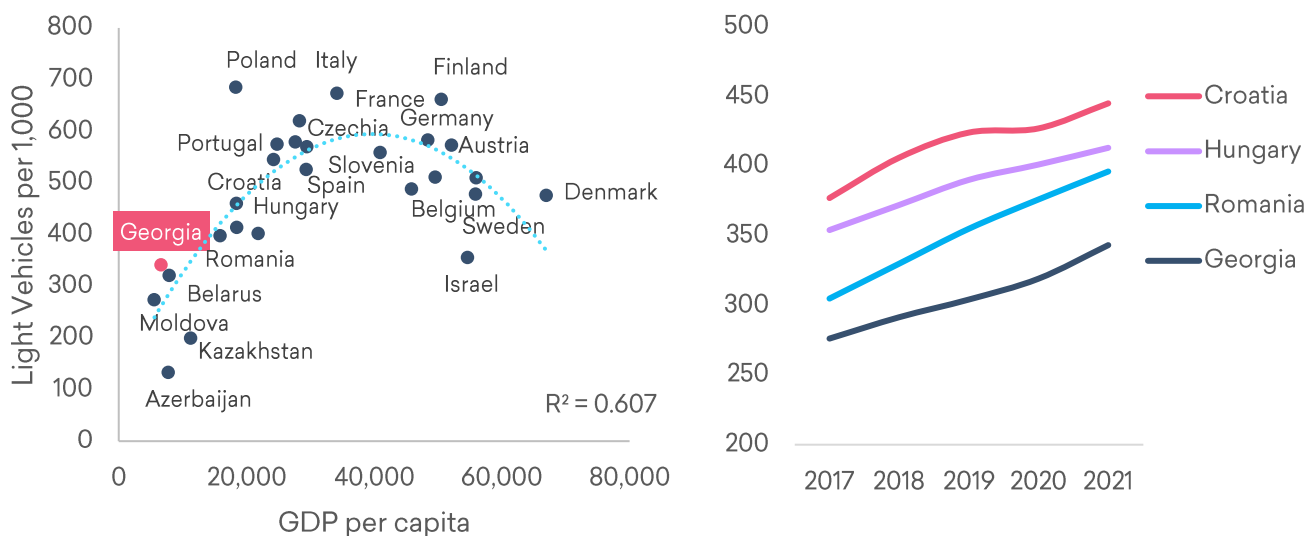
The global transportation price is a major affecting factor of the Georgian automotive industry. The current state, at which the World Container Index has returned to the pre-pandemic 2019 level is a positive driver for the demand, especially on used vehicles.

While Georgia might be characterized as overcrowded by vehicles it is mostly on the basis of centralization. The global benchmarking suggests that there is huge room for expansion of the Georgian automotive fleet in line with economic development.

World Container Index (USD/40ft Container)



Light Vehicles per 1,000 inhabitants vs. GDP Per Capita (Units, USD)



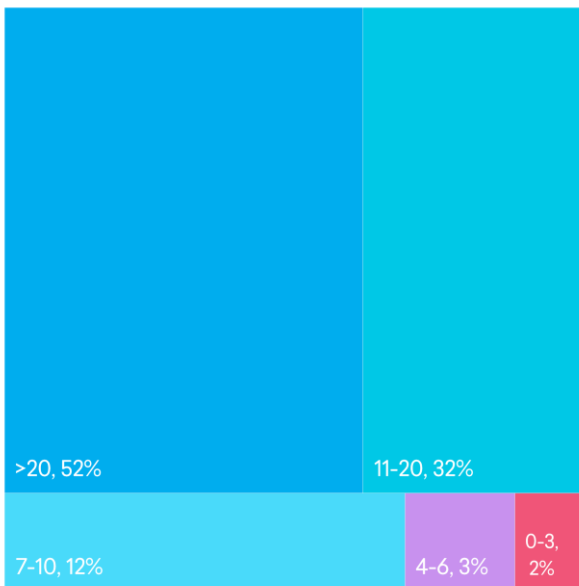
Source: Drewry, OECD, World Bank, Ministry of Internal Affairs, GeoStat

DEMAND DRIVERS

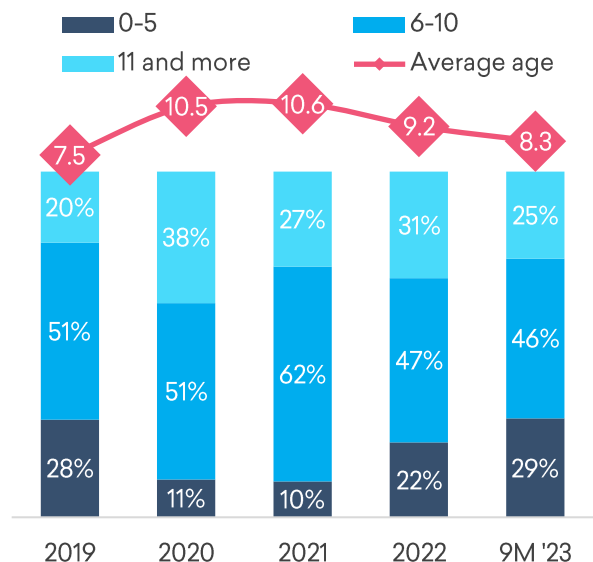
The Georgian automotive fleet remains outdated as of September 2023, with more than half of the fleet being older than 20 years. The renewal tendency is observed in the first registrations of light vehicles, with the average age decreasing by c. 1 year in 9M 2023 and reaching 8.3. It must be noted that regardless the decreasing tendency in the average age of first registered vehicles since 2020, the pre-pandemic level has not yet been reached.

International practice also suggests that Georgia is need of drastic renewal of the automotive fleet. We expect the average age of the Georgian automotive fleet to decrease in line with the expected economic development as well as the gradual deregistration of outdated vehicles.

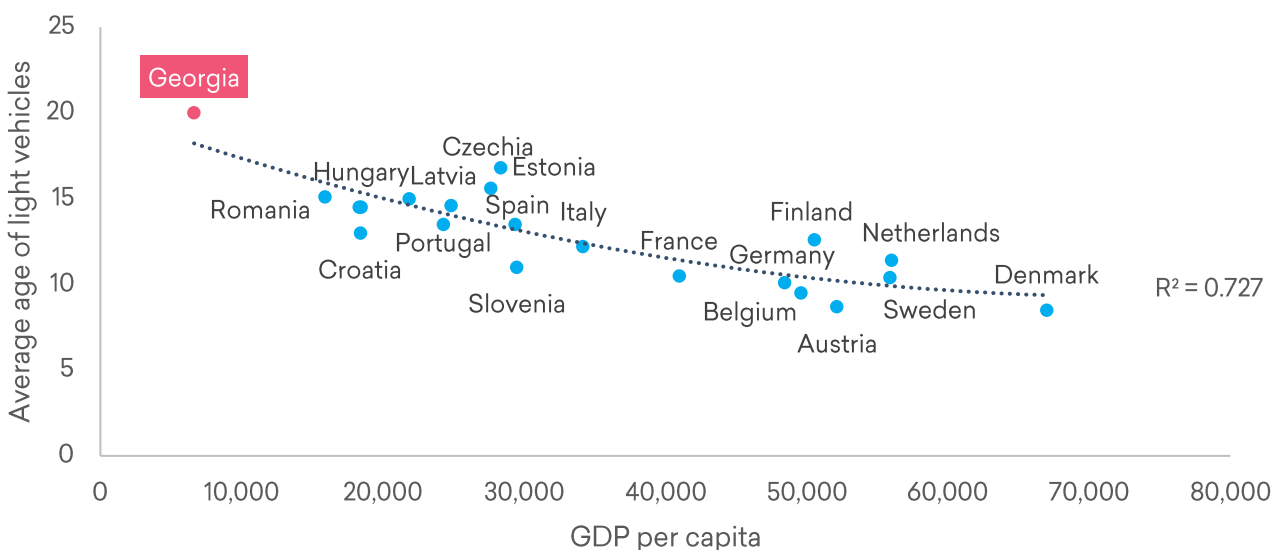
Automotive Fleet by Age, Sep-2023



First Registered Light Vehicles by Age Brackets



Average Age of Light Vehicles per vs. GDP Per Capita (Years, USD)



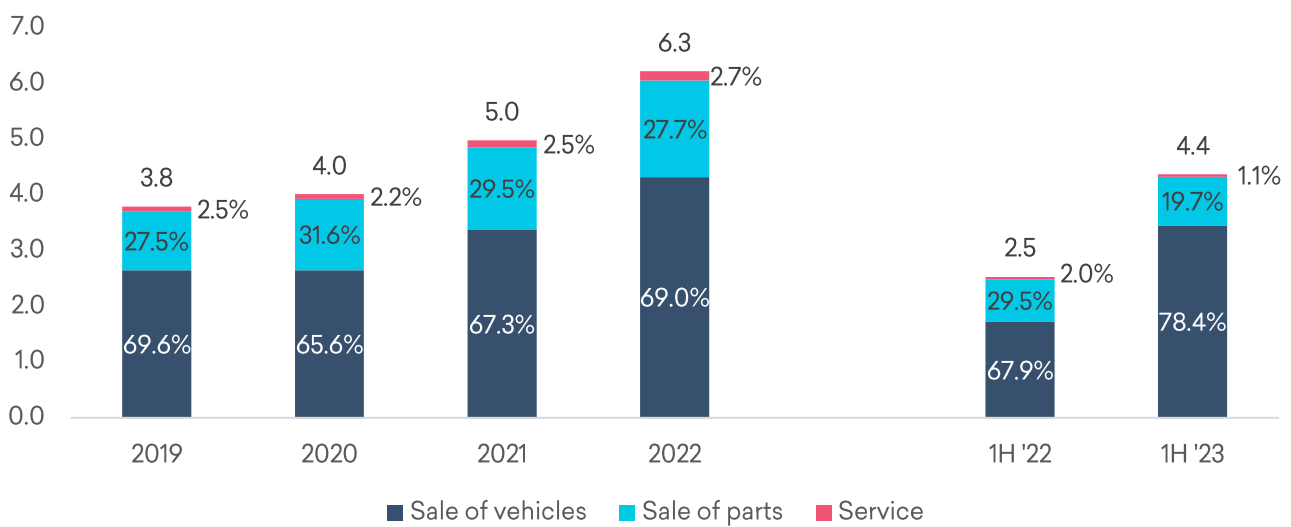
Source: Ministry of Internal Affairs, ACEA, OECD

FORMAL MARKET TURNOVER AND FUTURE OUTLOOK

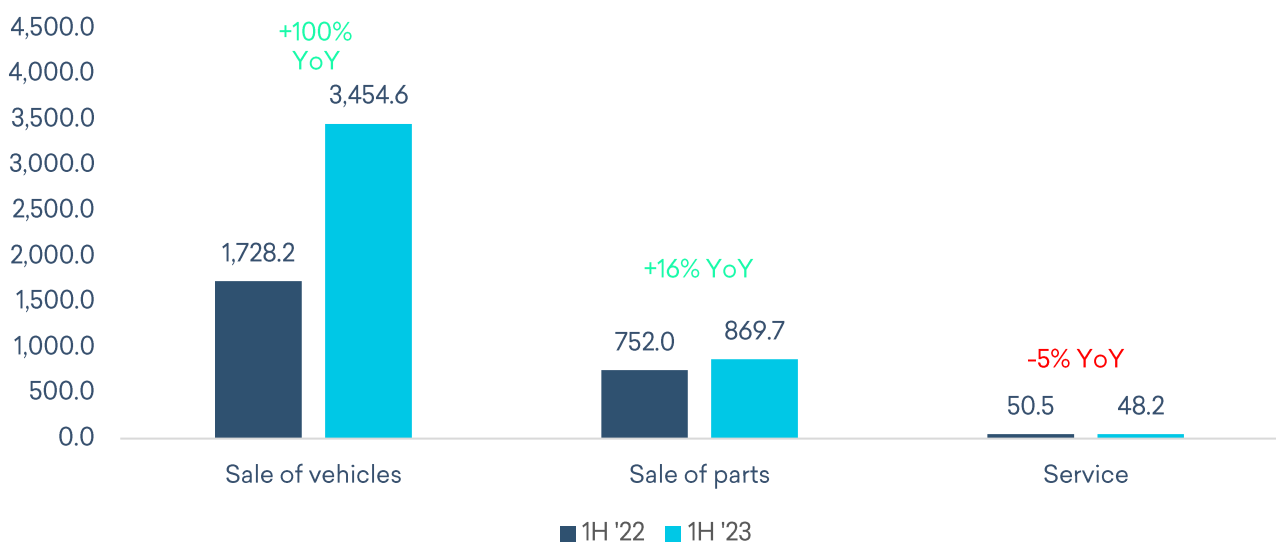
The doubling of trade of vehicles has not been matched with relatable growths in trade of spare parts and service of vehicles as also suggested by external trade dynamics of spare parts.

While the turnover of sale of vehicles has doubled, turnover of trade of parts has increased by 16% YoY, while the turnover of service has decreased by 5% YoY.

Turnover of Vehicles & Spare Parts Trade and Service (GEL bn)



Turnover of Vehicles & Spare Parts Trade and Service (GEL mln)



Source: GeoStat, TBC Capital

FORMAL MARKET TURNOVER AND FUTURE OUTLOOK

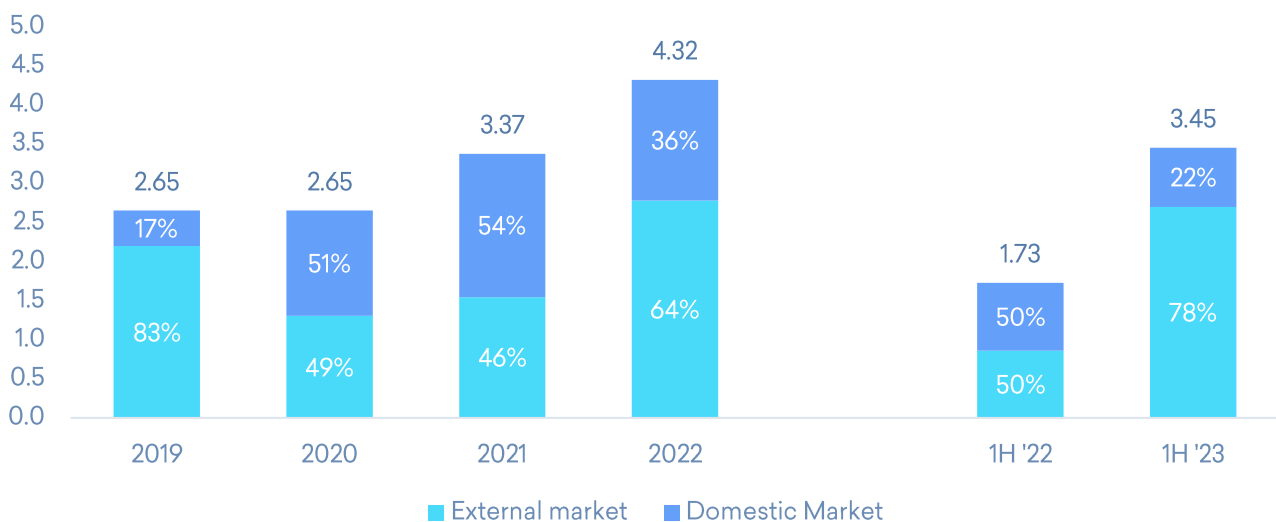
The turnover of formal sale of vehicles has doubled in 1H 2023 in line with the import dynamics, reaching GEL 3.45 bn. The breakdown of the market turnover by external and domestic markets provides an important insight that unlike 2022, when the market was evenly split, 2023 has been more concentrated on the external market, with only 22% of the total market turnover attributable to domestic demand.

The formal market turnover has exhibited significant growth in 6M 2023 at 73% YoY. The growth is expected to

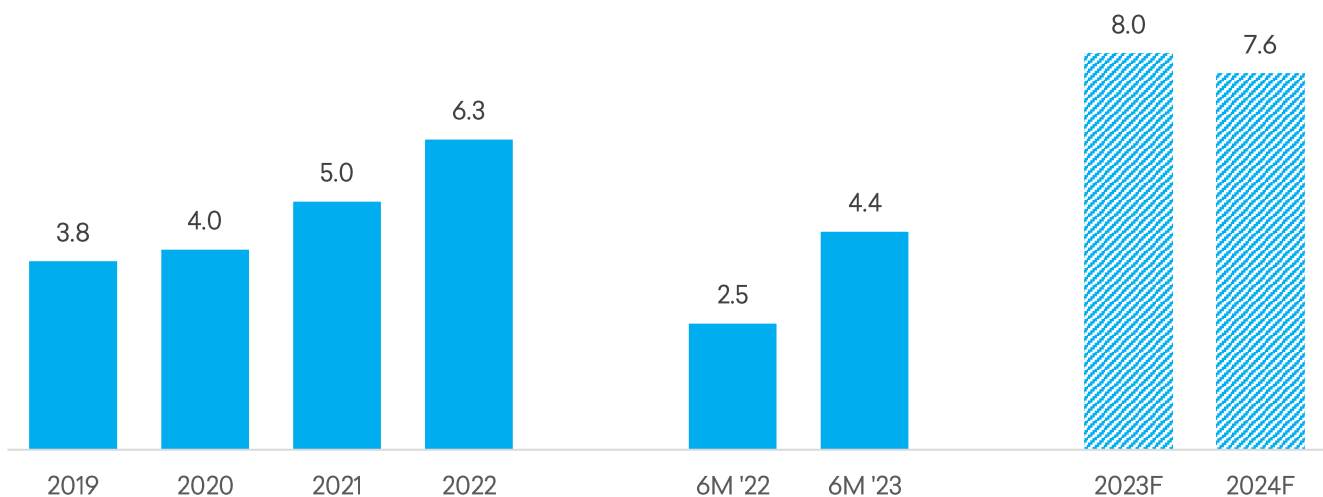
stabilize in the second half of the year and the formal market turnover is expected to increase by c. 30% in 2023 and reach GEL 8.0 bn.

Due to market regulations going into force starting from January 2024 and banning first registration of light vehicles manufactured before 2013, the market is expected to halt the growing tendency and a minor c. 5% decrease is expected in 2024.

Turnover of Sale of Vehicles (GEL bn)



Turnover of Cars & Spare Parts Trade and Service (GEL bn)



Source: GeoStat, TBC Capital

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