



TBC CAPITAL

ORGANIZED FMCG MARKET – 9M 2023

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AndroTvaliashvili

Senior Associate, Research

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Key findings



The organized FMCG market continued its robust growing tendency and the market revenue increased by 25% YoY in 9M 2023, in line with our expectations.



No significant shifts are observed in market shares of key players, with the top three players accounting to more than half of total organized FMCG market revenues.



The organized FMCG market players increased their presence in Georgia's regions, with the regional market share in total revenues increasing by c. 1 pp in 9M 2023.



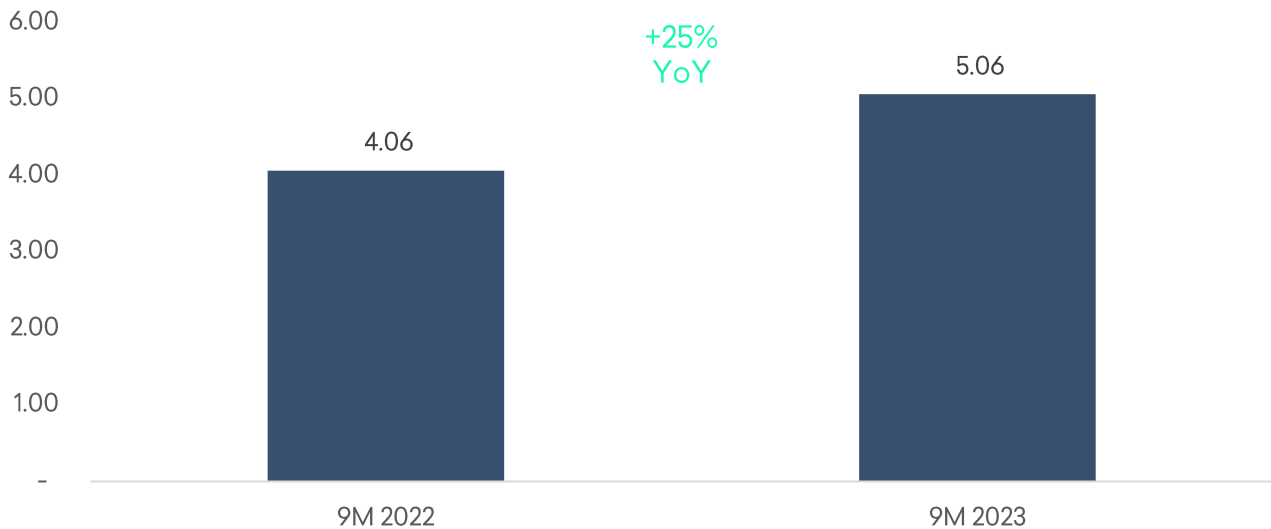
Due to fierce competition in the organized FMCG market and scale related shifts in discount models, the average weighted front margin has slightly shrunk in 9M 2023.

Organized FMCG market revenue

The organized FMCG market has demonstrated a noticeable growth, with a revenue surge of 25% YoY during the first nine months of 2023, surpassing an impressive milestone of GEL 5 bn. This substantial increase signifies the market's resilience and further growth potential.

The robust expansion of the FMCG sector aligns with our expectations we forecasted in the beginning of the year.

Organized FMCG market revenue, including VAT (GEL bn)



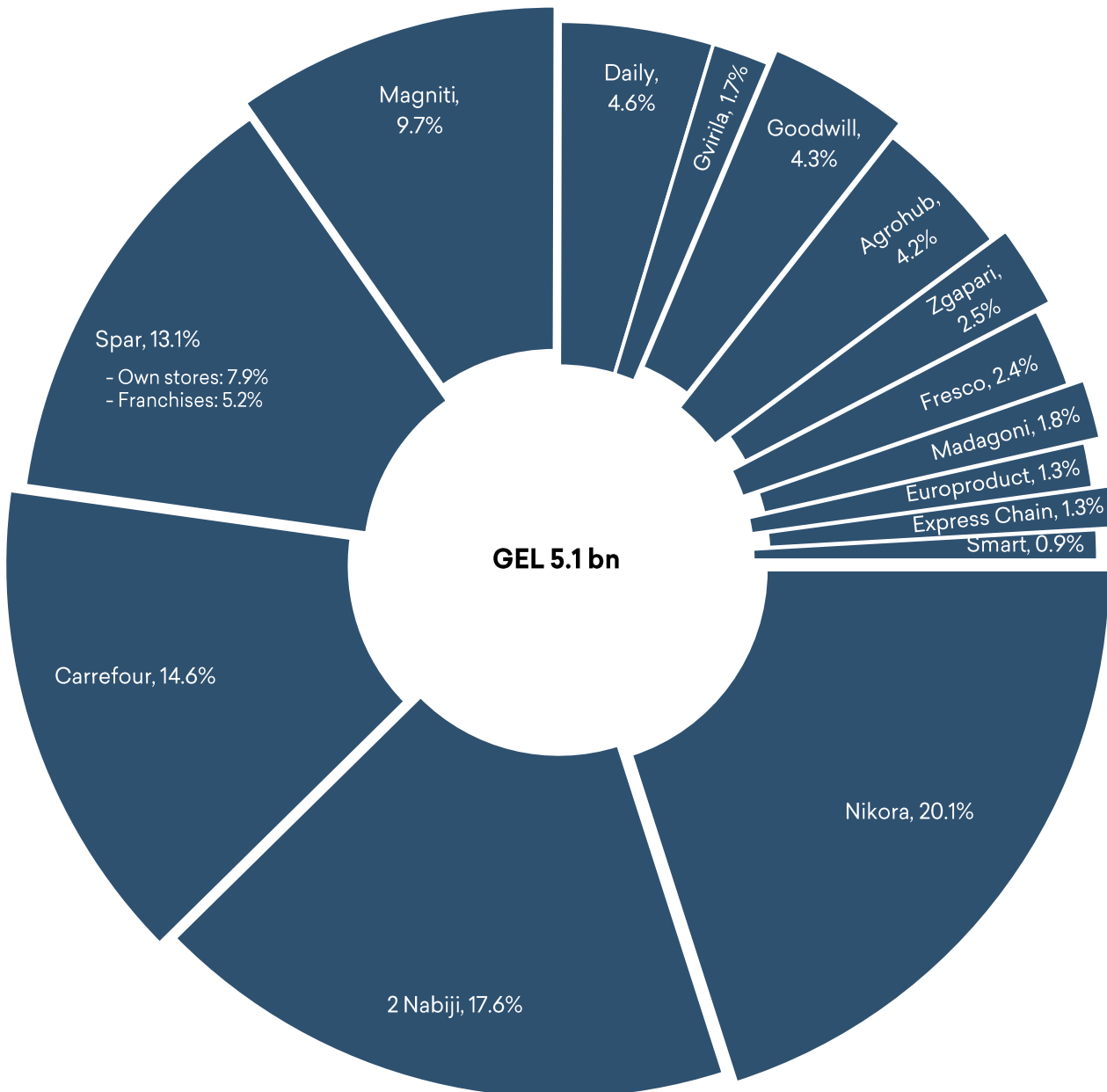
Source: Survey of selected organized market players

Organized FMCG market revenue

In terms of the organized market revenue breakdown by key market players, no major shifts has been observed in the first nine months of 2023.

More than half of the organized market remains concentrated among the top three market players.

Organized FMCG market breakdown (% share)



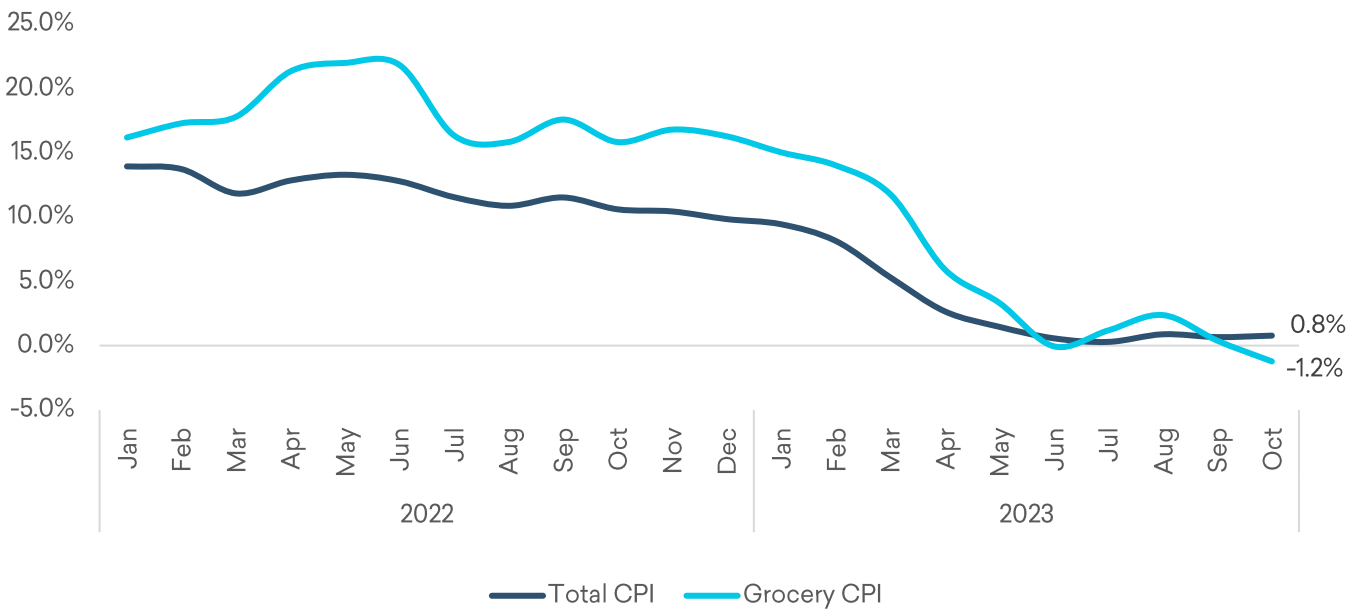
Source: TBC Capital, SARAS, Survey of selected organized market players

Price dynamics and LFL sales

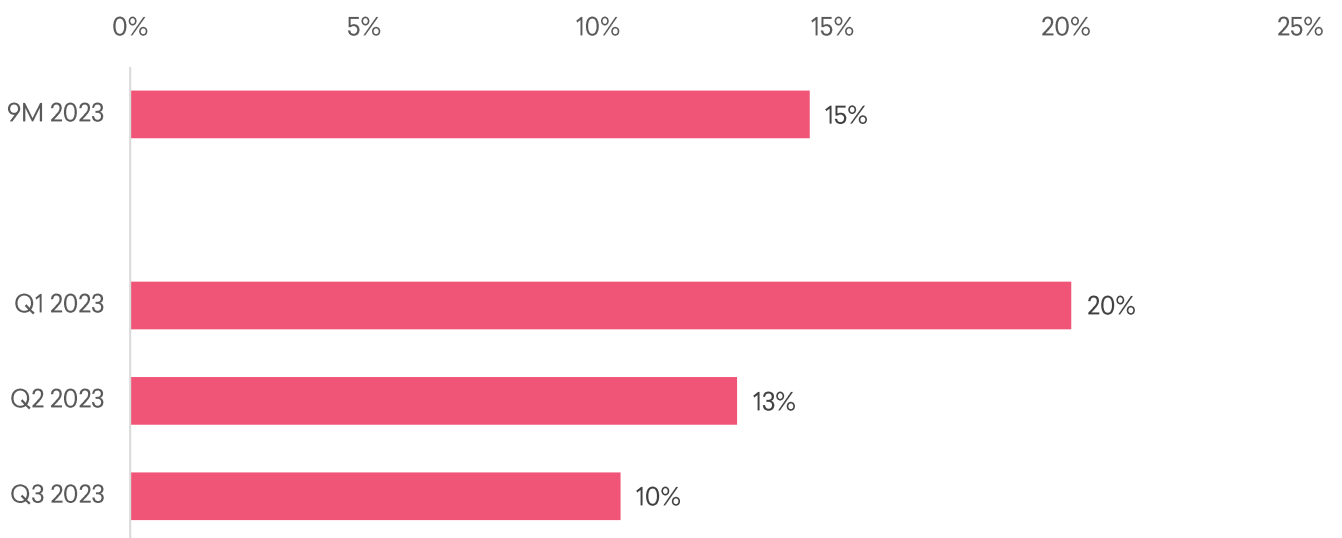
As expected, price indices have stabilized throughout 2023, with grocery CPI experiencing deflation in October 2023.

With the stabilized price levels, the 15% increase in LFL sales in 9M 2023 is indicative of increased demand.

Consumer price index (YoY)



Like-for-like sales in the organized FMCG market (YoY)



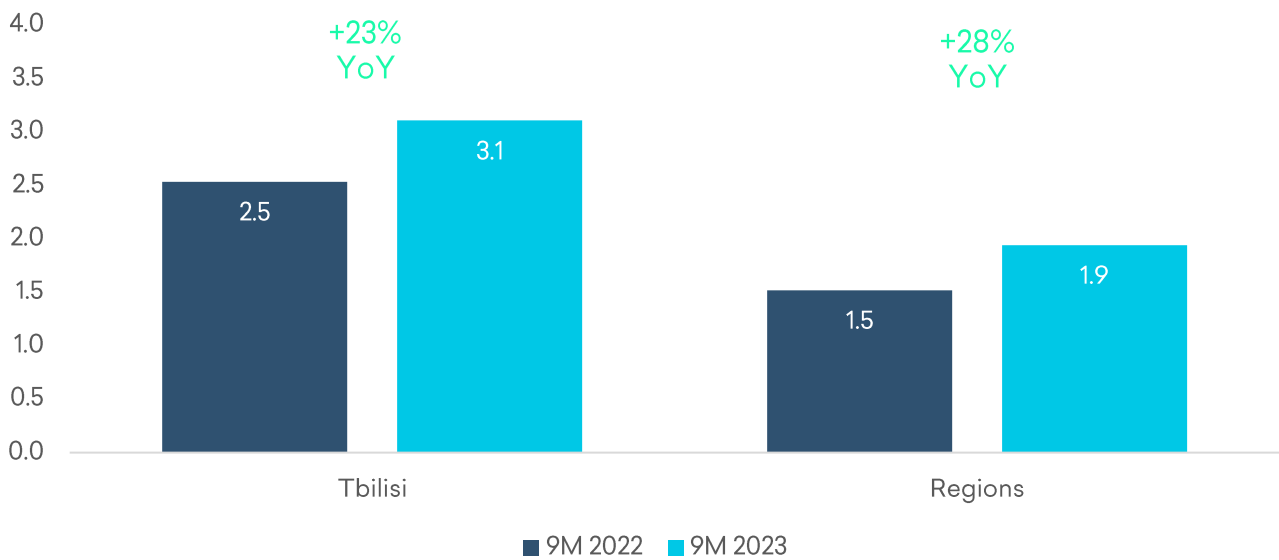
Source: GeoStat, survey of selected organized market players

Regional breakdown of the organized FMCG market

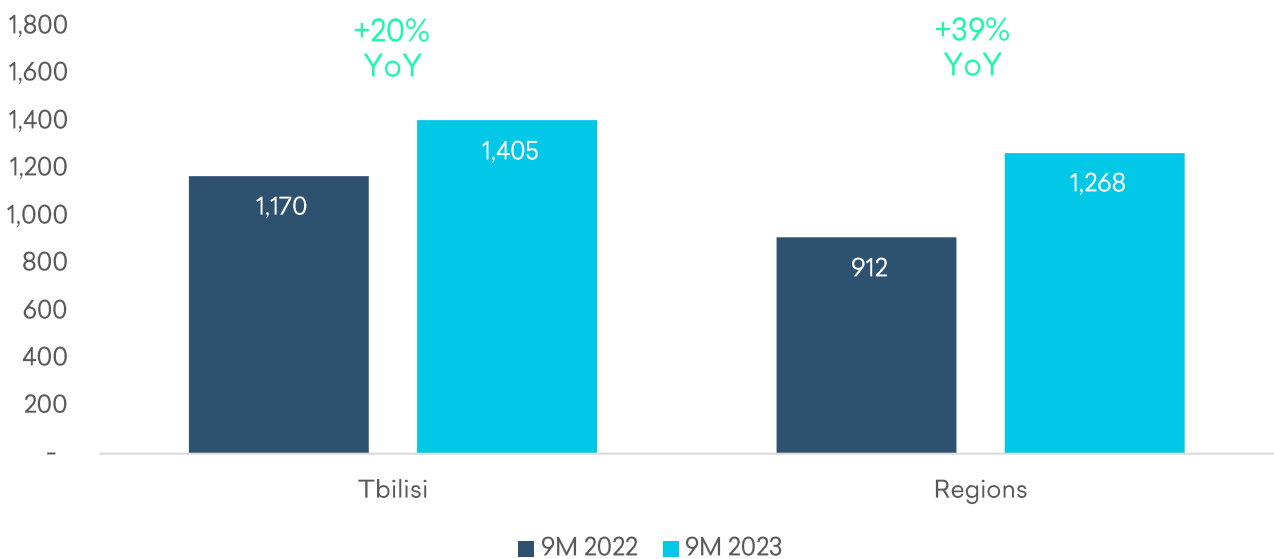
While the total organized FMCG market has grown by 25% YoY, regional breakdown of the revenues offers an interesting insight into the further development strategies that most of the retailers employ.

Growth has been more substantial both in terms of revenues, as well as number of stores in the regions of Georgia, when compared to the capital.

Organized FMCG market revenue breakdown, including VAT (GEL bn)



Number of stores in the organized FMCG market (count)



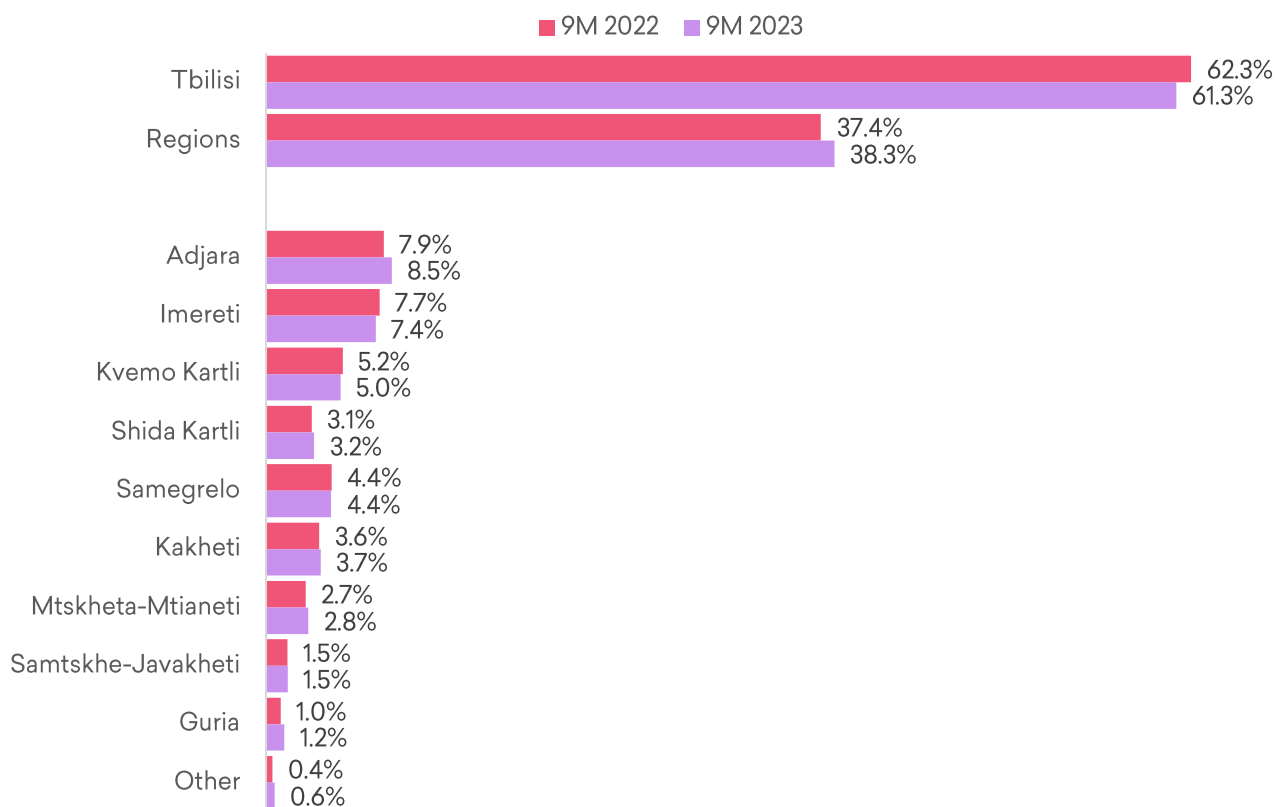
Source: Survey of selected organized market players

Regional breakdown of the organized FMCG market

While the organized FMCG revenue remains concentrated in the capital with 61.3% of total revenues being focused in Tbilisi, it is noteworthy that the share has decreased by 1 pp YoY.

In terms of detailed regional analysis, the runner-up region, Adjara has experienced the largest share increase in terms of revenues in 9M 2023.

Regional breakdown of organized FMCG market revenue (% share)



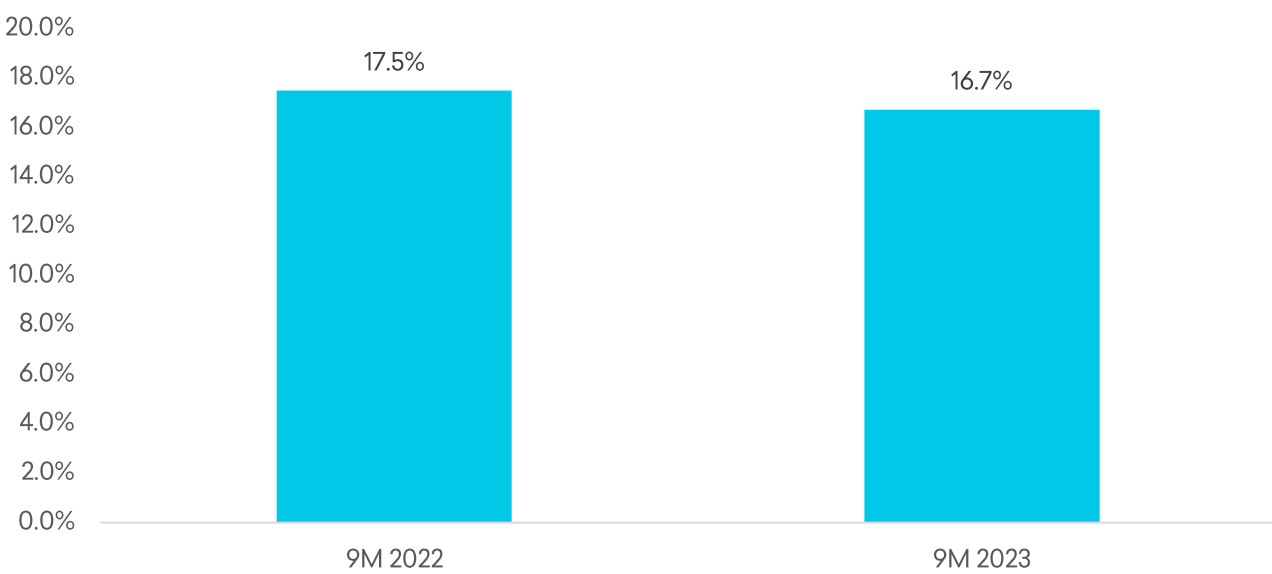
Source: Survey of selected organized market players, TBC Capital

Gross profit margin of the organized FMCG market

The increasing competitive environment in the organized FMCG market paired with shifts in the discount models due to increased scales has been reflected in the average weighted front margin.

While minor, a 0.8 pp YoY decrease in the average front margin has been observed in 9M 2023, the annualized ratio will offer a better insight into the organized market players' profitability.

Average weighted gross profit margin* in the organized FMCG market (%)



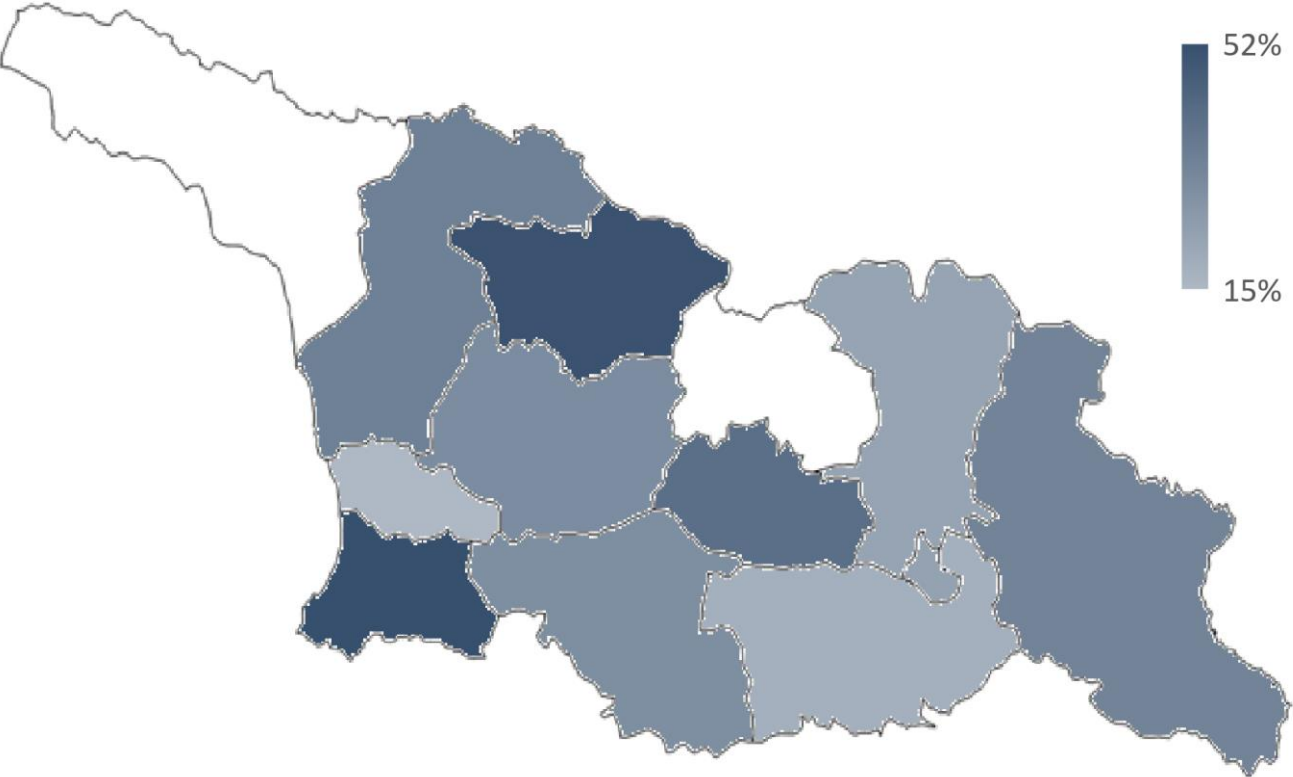
Source: Survey of selected organized market players, TBC Capital; *The front margin is calculated using only merchandise sales and cost of goods sold and is weighted by corresponding market shares

Non-cash spending in the FMCG market

The analysis of non-cash expenditures in the FMCG sector through TBC Bank channels further backs up the regional development of the organized FMCG market, with higher growth rates observed in the regions.

The stabilized price levels have also reflected on the average ticket size, remaining unchanged YoY at GEL 16.2 in 9M 2023.

Annual growth of non-cash expenditures in the FMCG market (%)



Source: TBC Bank, TBC Capital

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