

FMCG Sector Overview

2023 FY and 5M 2024

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Key findings

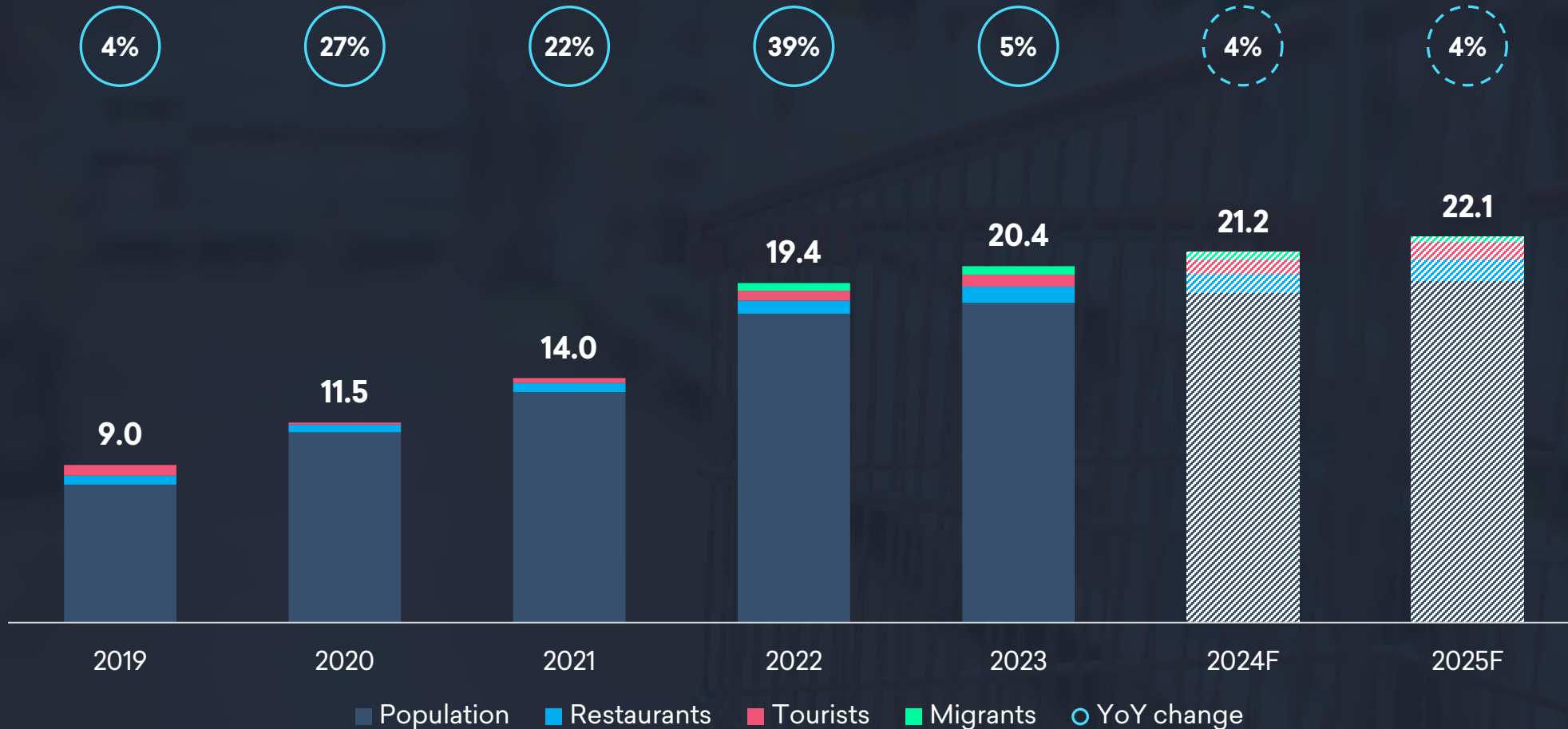
- ❖ The total FMCG market revenues will stabilize in 2024 and the growth will be mainly driven by natural demand
- ❖ The organized FMCG market will continue growing on the back of the unorganized market and will reach 45% of the total market by the end of 2025
- ❖ The organized market is characterized by fierce competition, evident by changing market shares in short period of time
- ❖ The organized market is expected to continue growth in 2024 and beyond mainly on the back of regional expansion
- ❖ The fierce competition pushed profitability margins down in 2024. Additionally, the increased wages and FX volatility negatively affected the operational indicators
- ❖ The share of e-commerce in organized FMCG sales remains low at c. 2% level, however, the share reaches low two-digit levels in high-income segment

FMCG market dynamics



The effect of one-off events – pandemic, high inflation, and migrant inflows deteriorated in 2023 and the FMCG market growth is back to its normalized level

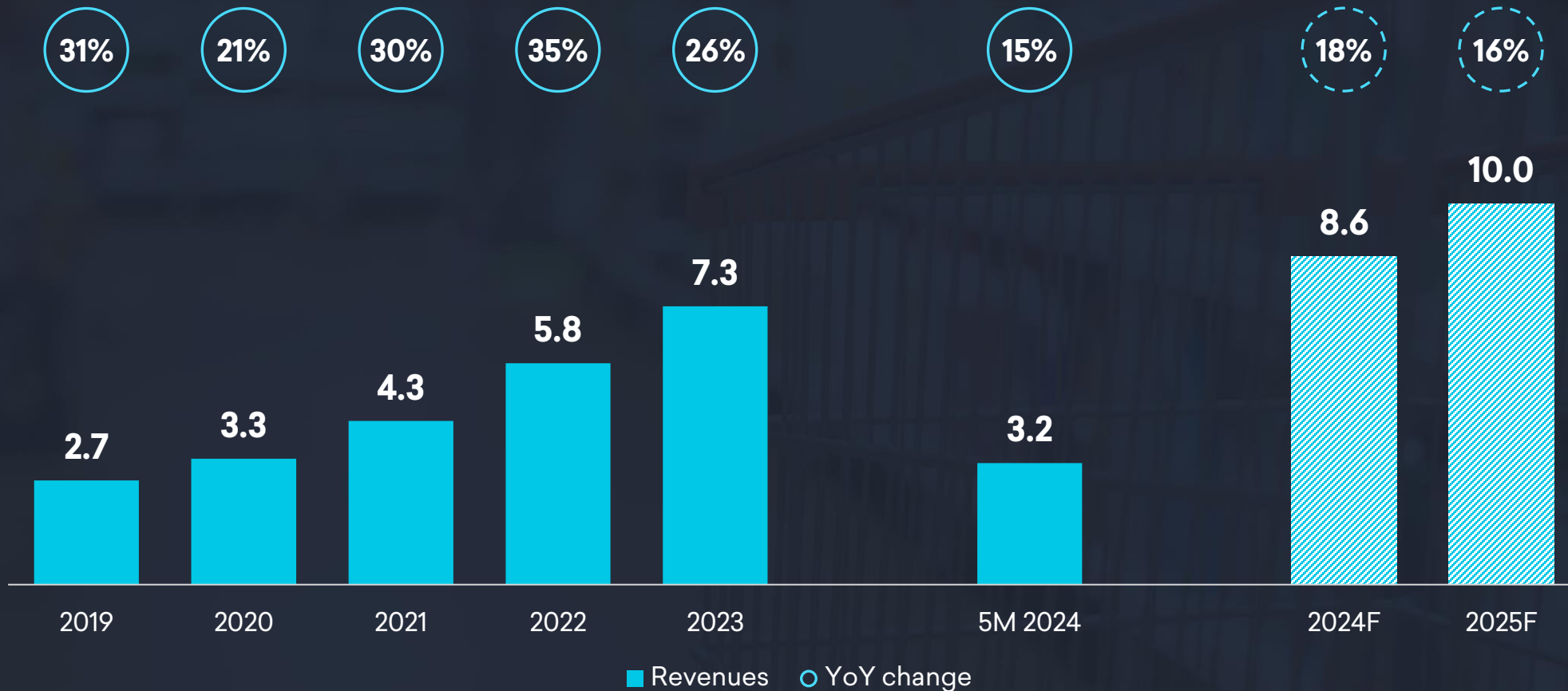
FMCG market revenues, GEL bn (including VAT)



Source: GeoStat, NBG, TBC Capital

The growth rate for organized FMCG market revenues in 2023 was significantly higher compared to the overall market growth

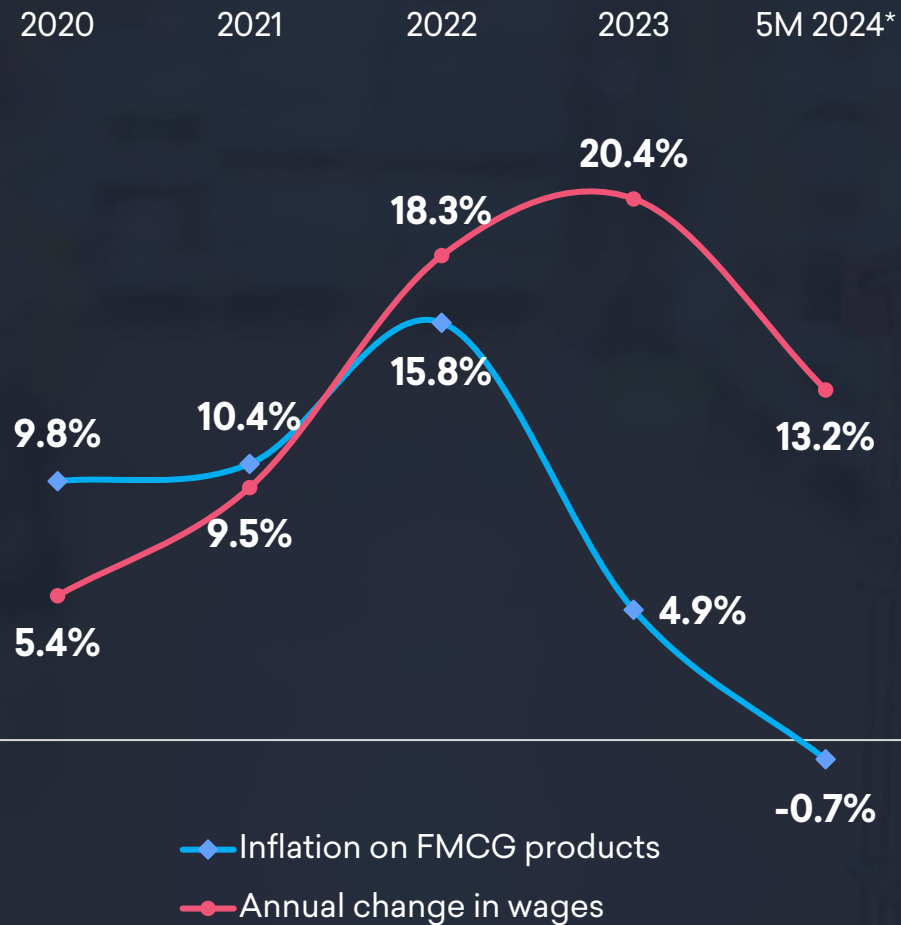
Organized FMCG market revenues, GEL bn (including VAT)



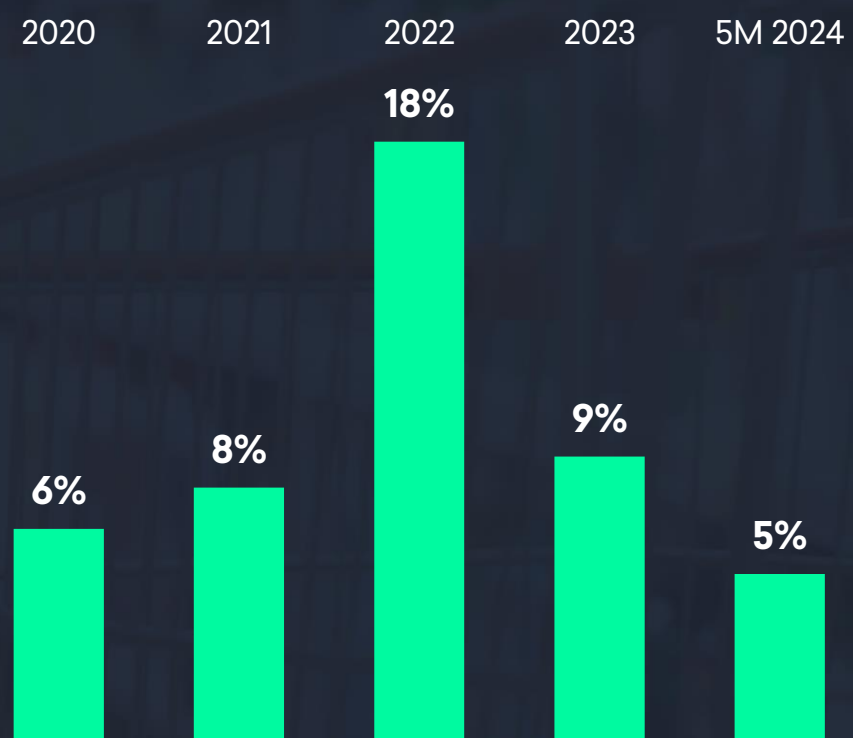
Source: SARAS, survey of selected market participants, TBC Capital

Regardless the small deflation on FMCG products this year, the positive annual change in LFL sales and high growth of wages indicate a stable growth for the FMCG market

Inflation and wages, YoY change, %



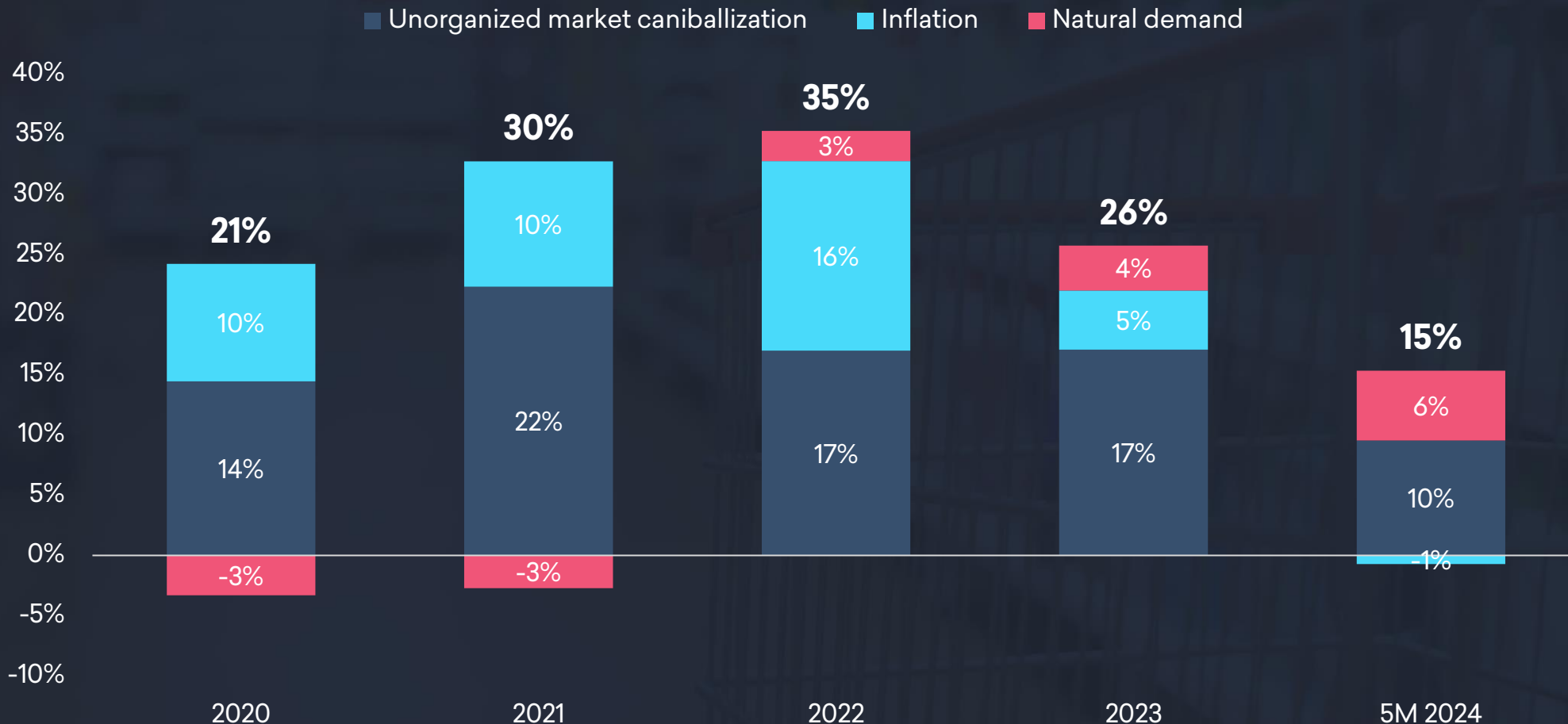
LFL sales of the organized market, YoY change, %



Source: GeoStat, survey of selected market participants, TBC Capital; *The data for wages is only for Q1 2024

Since the pandemic, the organized market growth has been attributable to the recovery of natural demand, cannibalization of the unorganized market and price dynamics

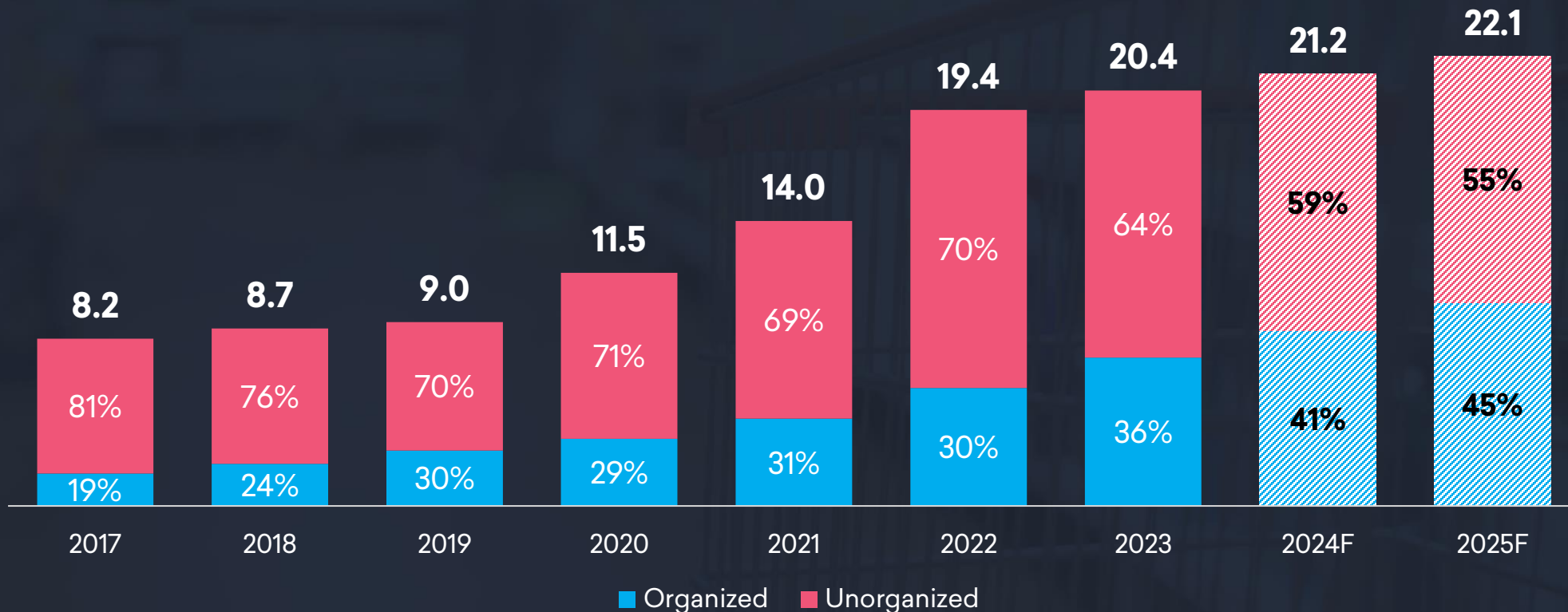
Decomposition of annual growth in the organized FMCG market



Source: GeoStat, survey of selected market participants, TBC Capital

The share of organized market reached its historic high at 36%. In the coming two-year period, the share is expected to reach 45%

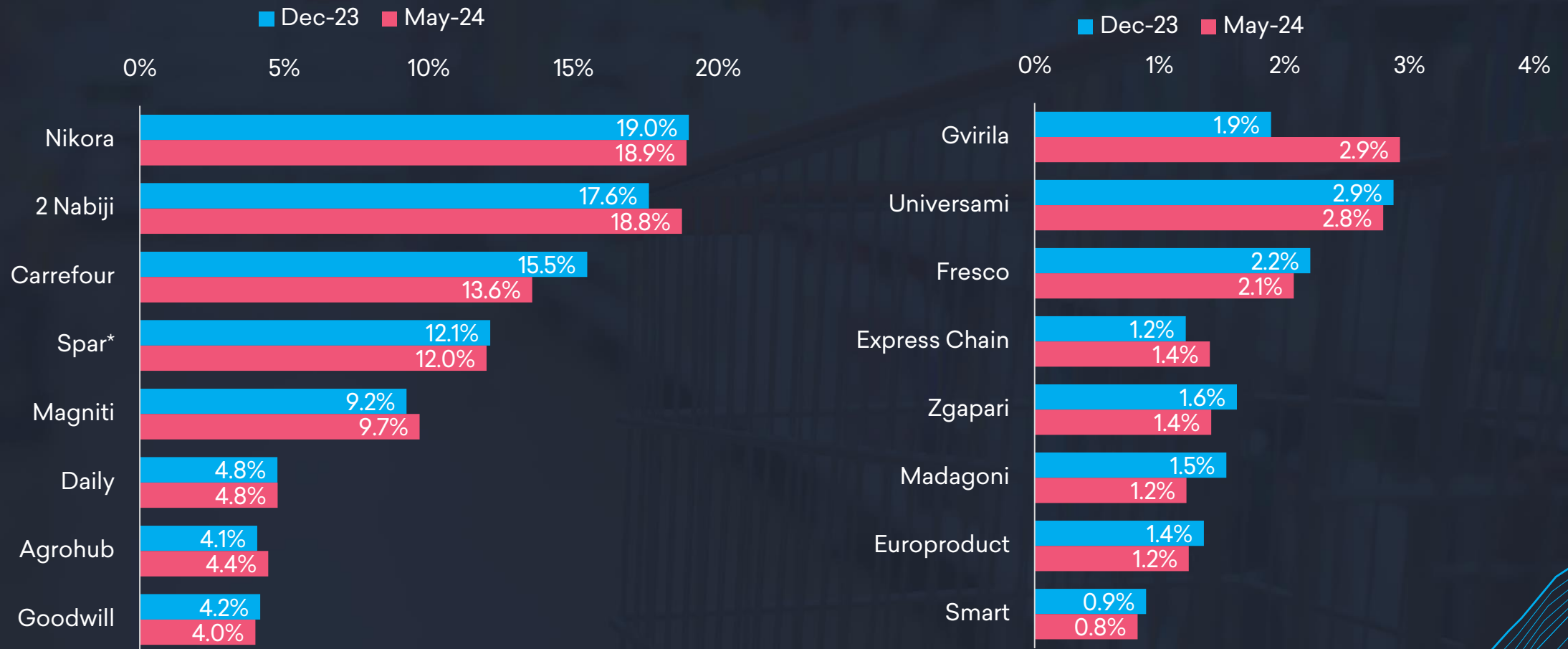
FMCG market breakdown by the organized and unorganized portions GEL bn (including VAT)



Source: GeoStat, NBG, SARAS, survey of selected market participants, TBC Capital

A high level of competition is still present on the organized market, evident by shifting market shares in a five-month period

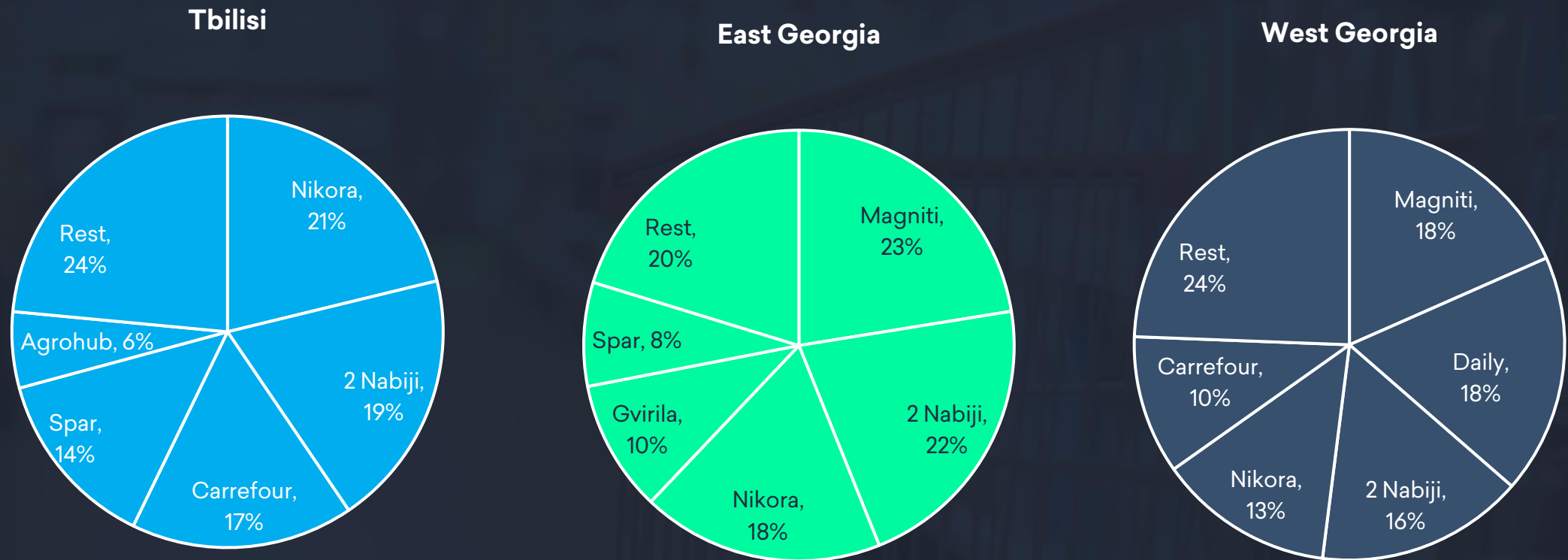
Breakdown of the organized FMCG market by its participants



Source: SARAS, survey of selected market participants, TBC Capital estimates; *Including franchises

Regional expansion and corresponding strategic concentrations vary by different companies

Breakdown of the organized market by key participants and regions, YTD May-2024

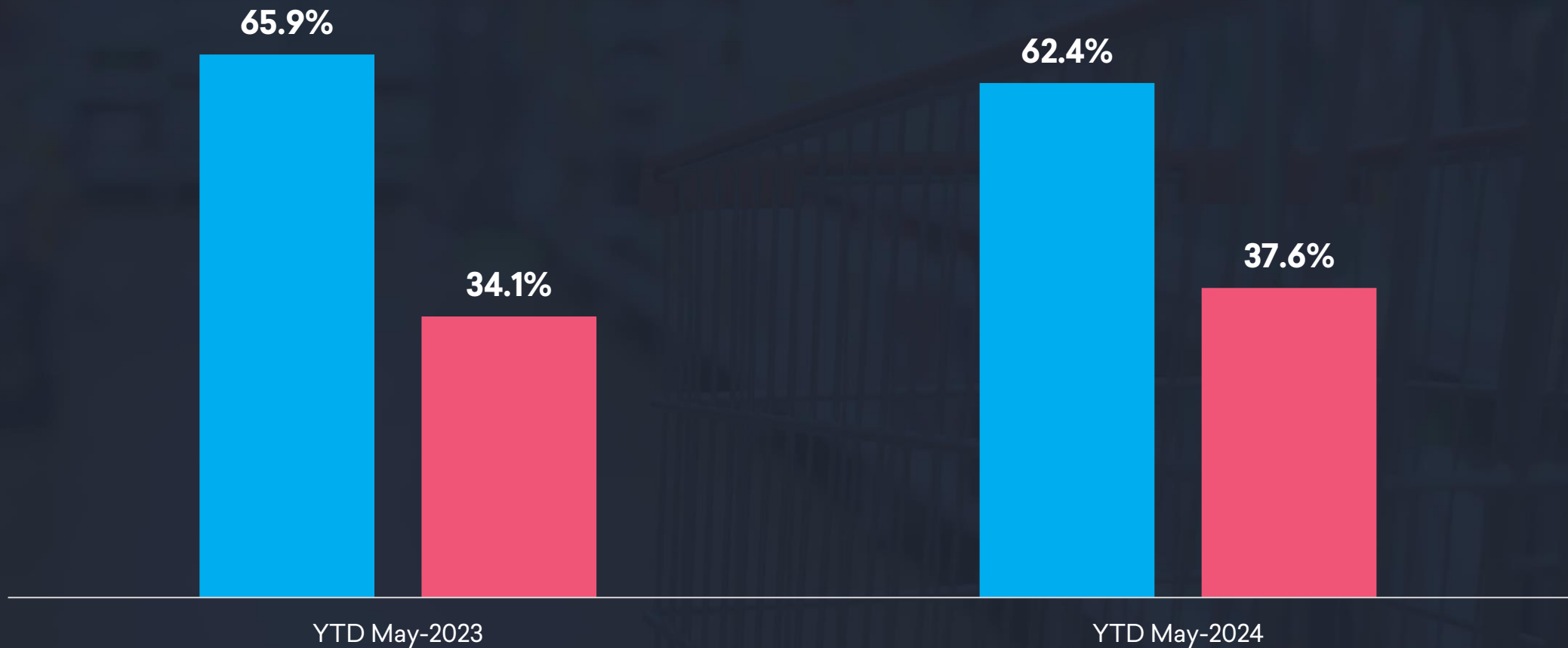


Source: Survey of selected market participants, TBC Capital estimates

In line with our expectations, the organized FMCG market is actively expanding in the regions of Georgia

Distribution of the organized FMCG market revenue by the capital and regions of Georgia

Tbilisi Regions

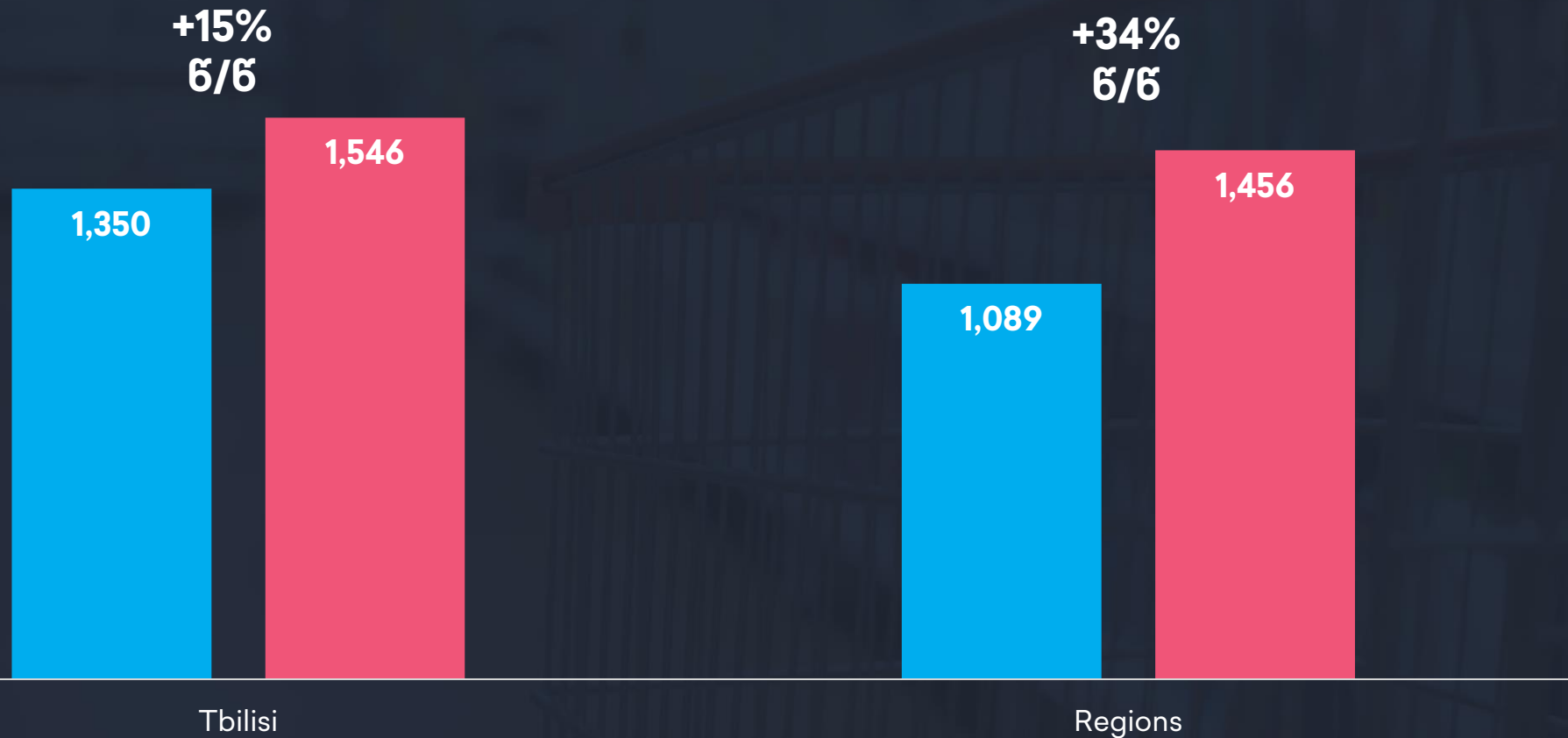


Source: Survey of selected market participants, TBC Capital estimates

The number of new stores in the capital and regions once again emphasizes that the organized market continues growth mainly on the back of regional expansion

Number of stores in the organized FMCG market

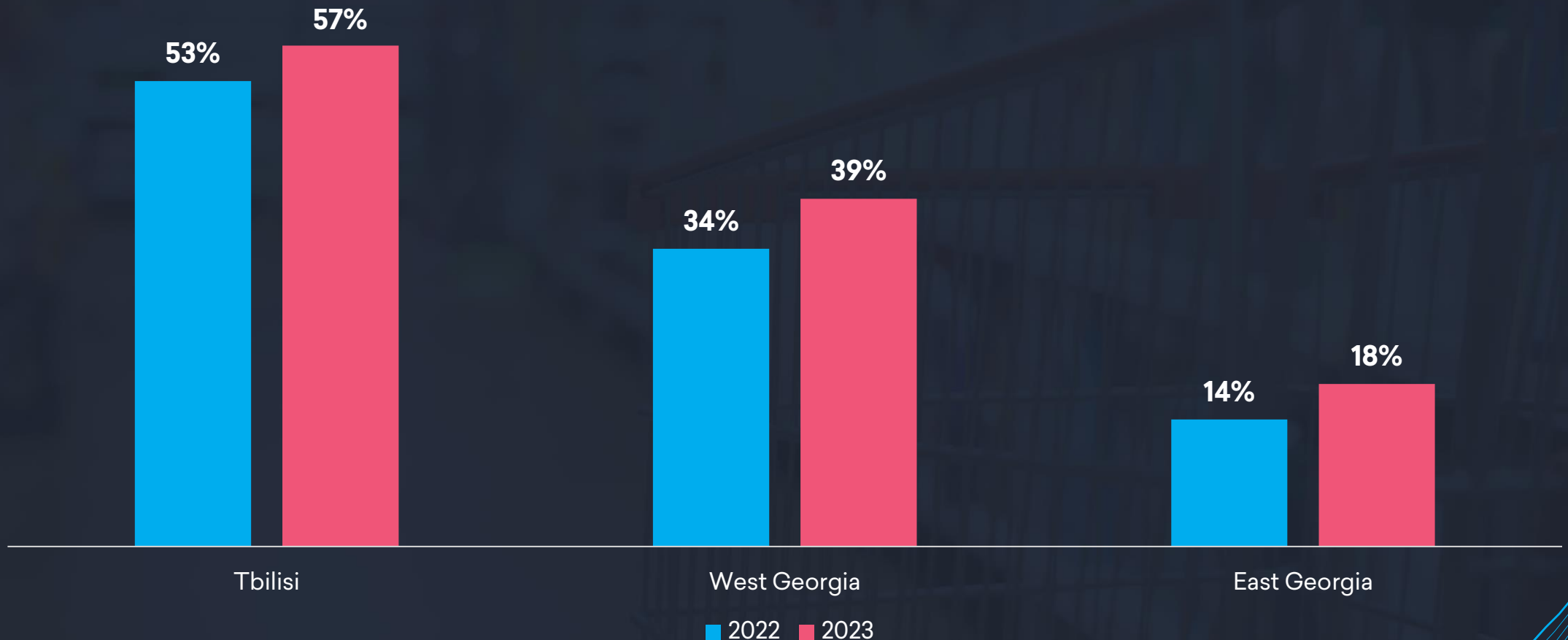
■ May-23 ■ May-24



Source: Survey of selected market participants, TBC Capital estimates

The Tbilisi FMCG market is more or less saturated with the organized market participants, while the penetration levels remain low in East as well West Georgia

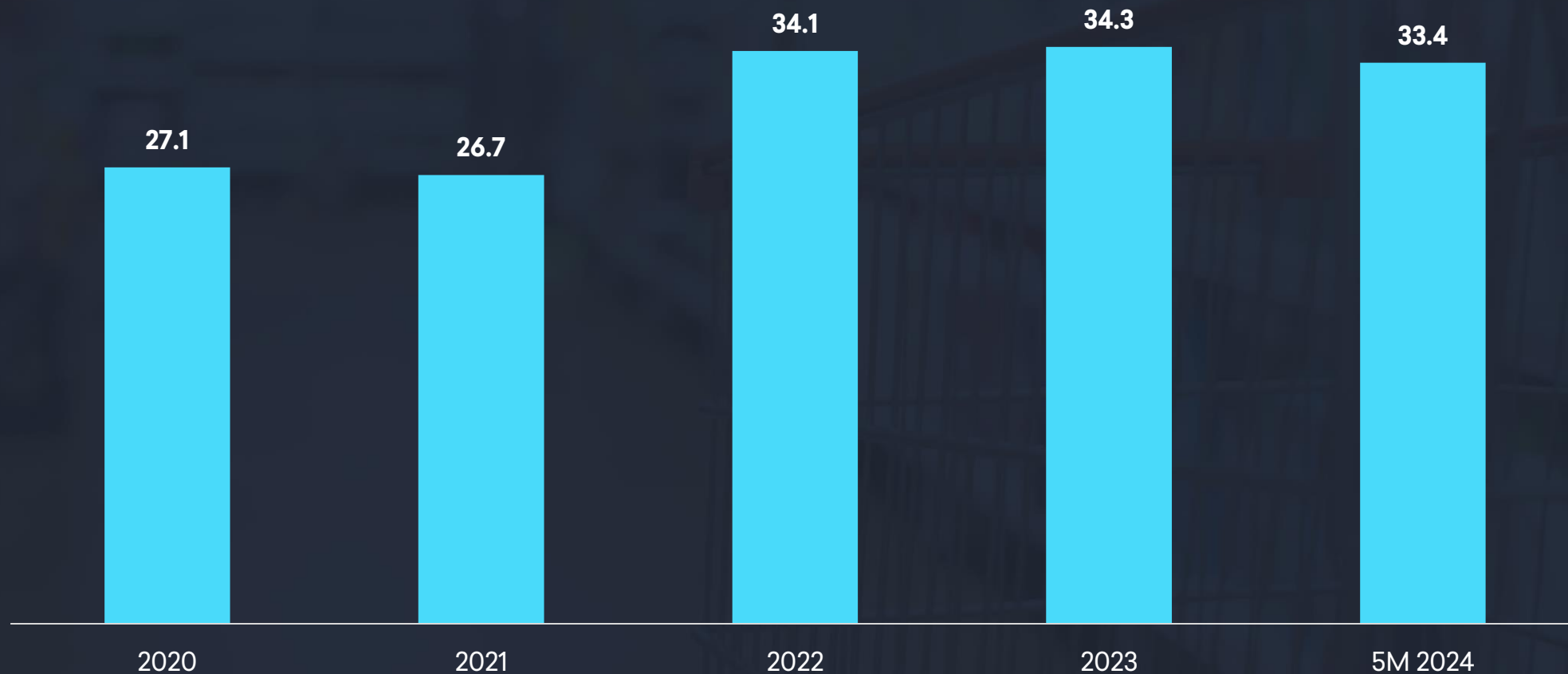
Organized FMCG market penetration by regions



Major operational and financial indicators of the organized FMCG market

Sales per sqm have remained more or less stable over the course of the past three years

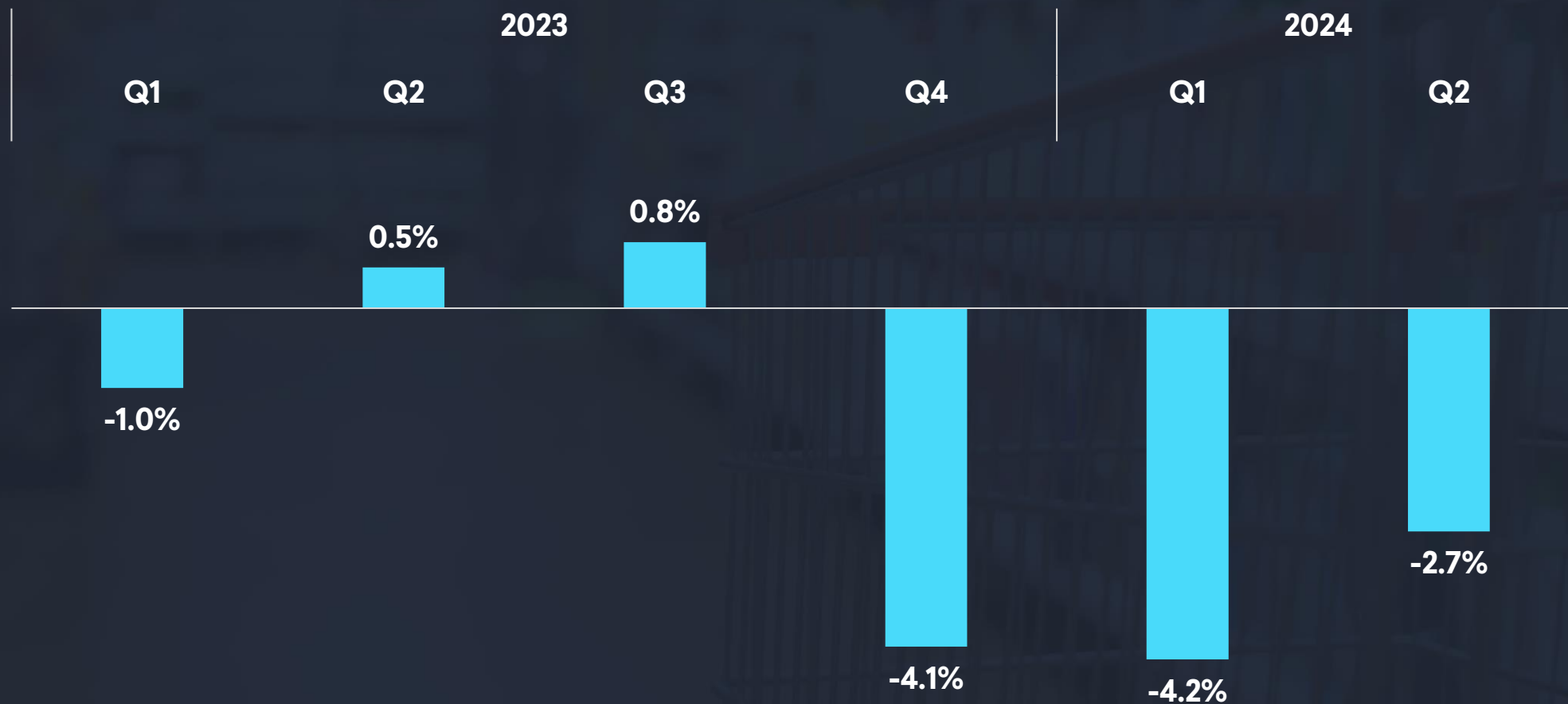
Sales per sqm at the end of the period, GEL/day (including VAT)



Source: Survey of selected market participants, TBC Capital estimates

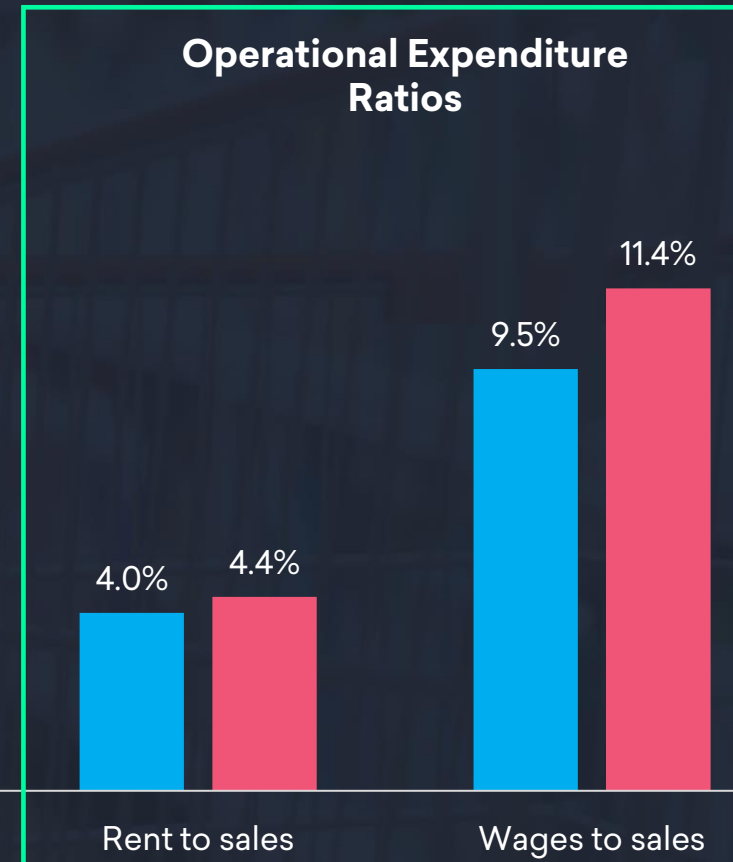
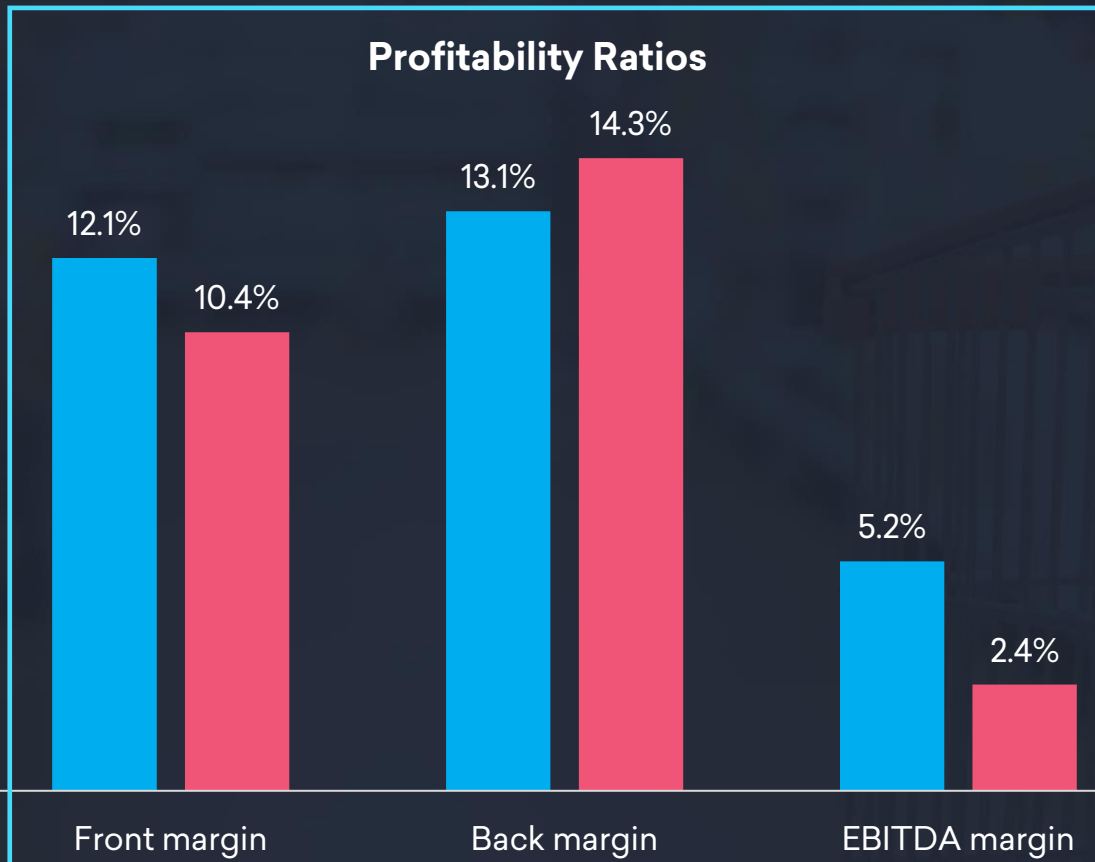
The average ticket size keeps hovering around GEL 16, however, slight decreases can be observed in the past three quarters, partially attributable to changes in spending habits due to increased presence of retail spaces

Average ticket size in the FMCG sector through TBC Bank channels, YoY change, %



The fierce competition pushed the profitability margins down. Additionally, the increased wages and FX volatility negatively affected the operational indicators

Weighted average financial ratios for the organized FMCG market



■ 5M 2023 ■ 5M 2024

Source: Survey of selected market participants, TBC Capital estimates

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