



FMCG Sector Overview

9M 2024

November 2024

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Key findings

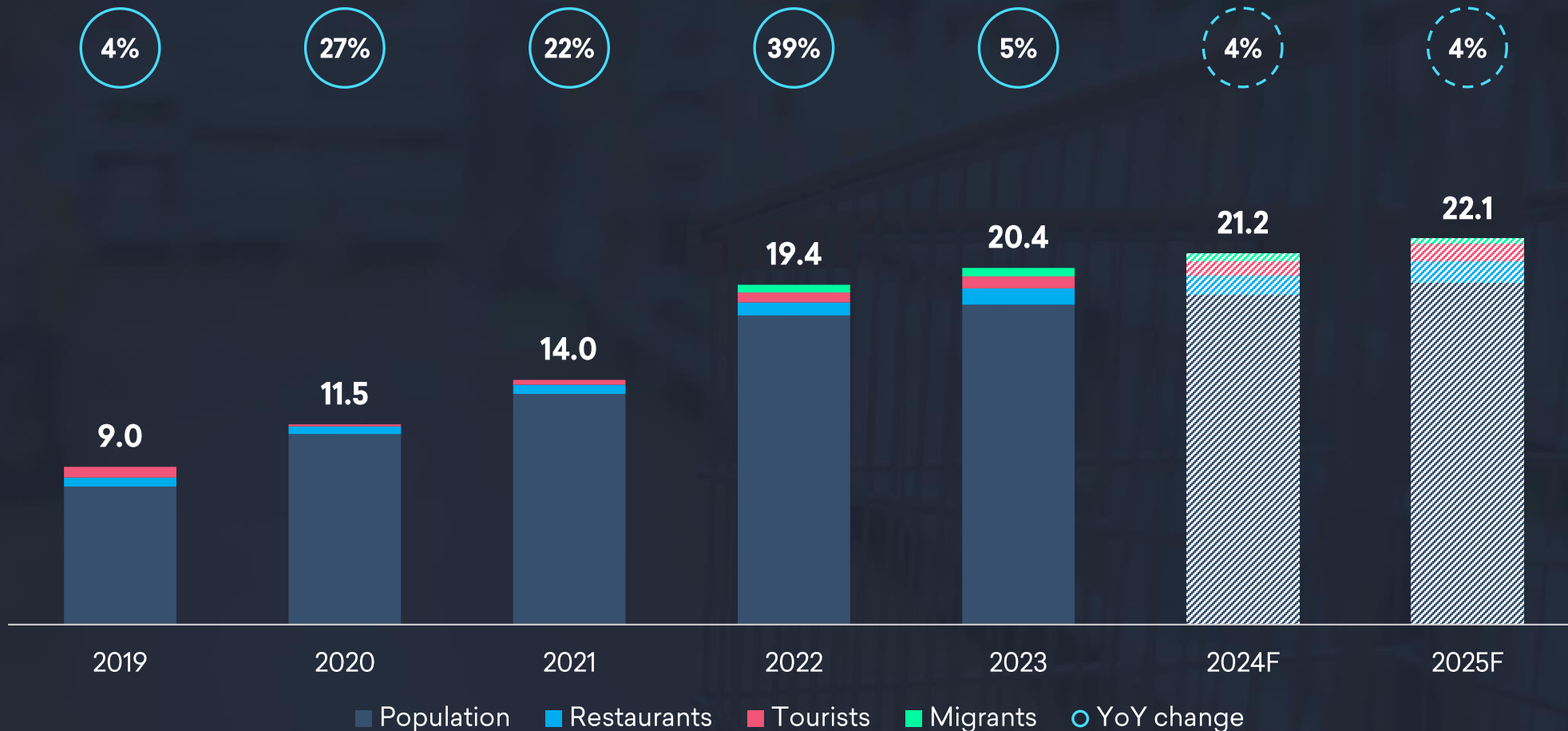
- ❖ The overall FMCG market growth rate is expected to remain at its normalized level in the baseline scenario, while the organized market is expected to outpace it in the current as well upcoming years, resulting in the share reaching up to 45% in a two year period
- ❖ Growing LFL sales regardless the close to zero inflation on FMCG products this year, coupled with high growth of wages is the basis of a positive outlook for the organized FMCG market
- ❖ The most recent consolidations on the organized FMCG market will noticeably reshuffle the market positions of the key participants
- ❖ As evident by new store openings and increased share of regional revenues, the organized FMCG market keeps expanding mainly on the back of regional expansion
- ❖ Shifted pricing strategies due to fierce competition has pushed the gross margin down, while increased cost pressure from rent and wages has made additional negative impact on the EBITDA margin
- ❖ Productivity ratios like sales per sqm and sales per employees are expected to normalize as the newly opened stores reach their optimal revenue levels

FMCG market dynamics



The FMCG market growth rate is expected to remain at its normalized level in the coming years in the baseline scenario

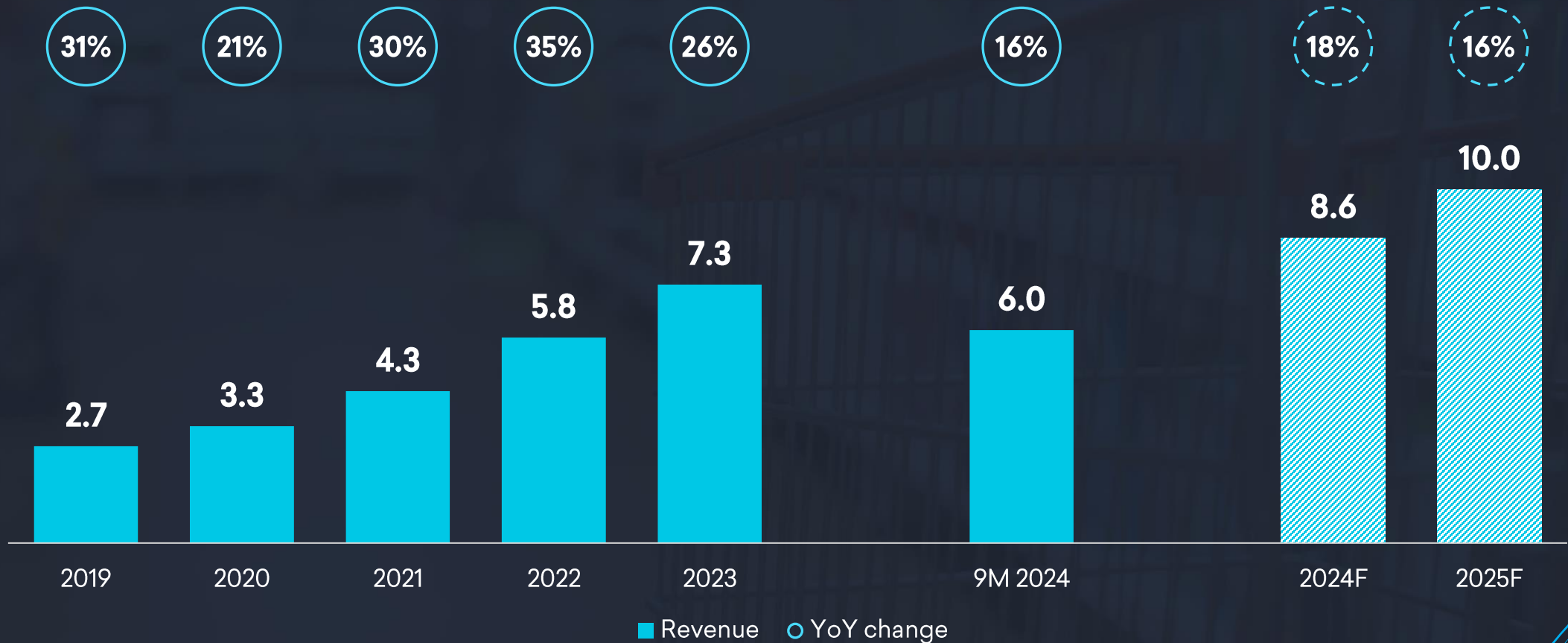
FMCG market revenues, GEL bn (including VAT)



Source: GeoStat, NBG, TBC Capital

The organized FMCG market is expected to outpace the overall market in the current as well upcoming years

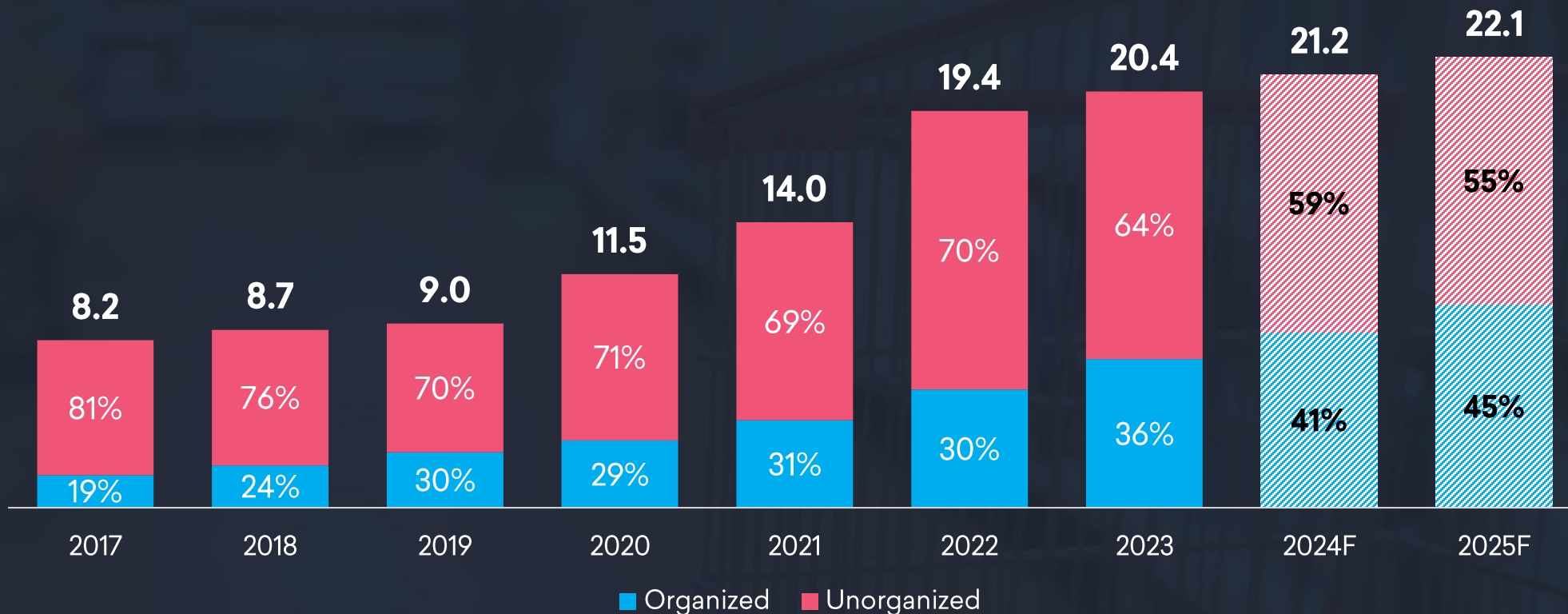
Organized FMCG market revenues, GEL bn (including VAT)



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

The share of organized market reached its historic high at 36% in 2023 and is expected to further expand in the coming two-year period, with the share reaching up to 45%

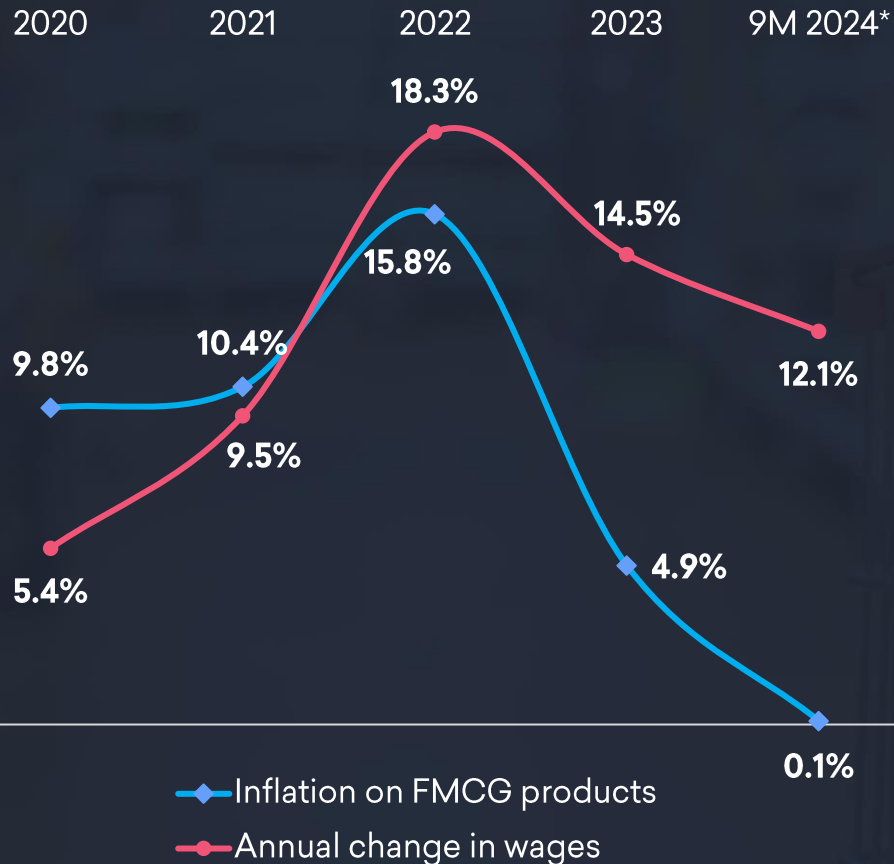
FMCG market breakdown by the organized and unorganized portions GEL bn (including VAT)



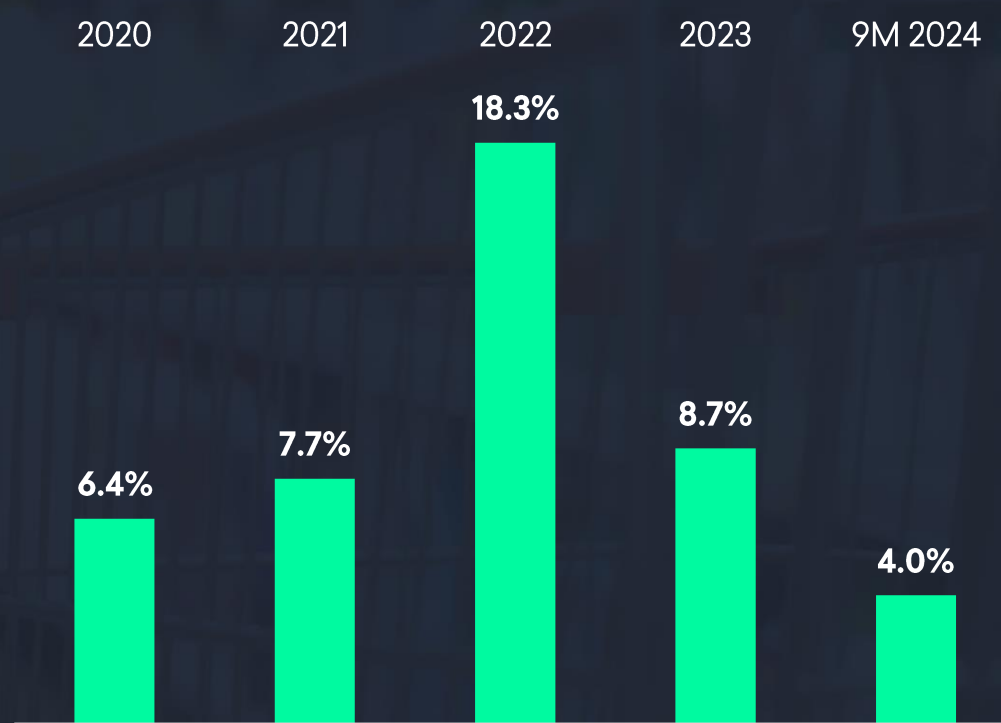
Source: GeoStat, NBG, SARAS, survey of selected market participants, TBC Capital

Growing LFL sales regardless the close to zero inflation on FMCG products this year, coupled with high growth of wages is the basis of a positive outlook for the FMCG market

Inflation and wages, YoY change, %



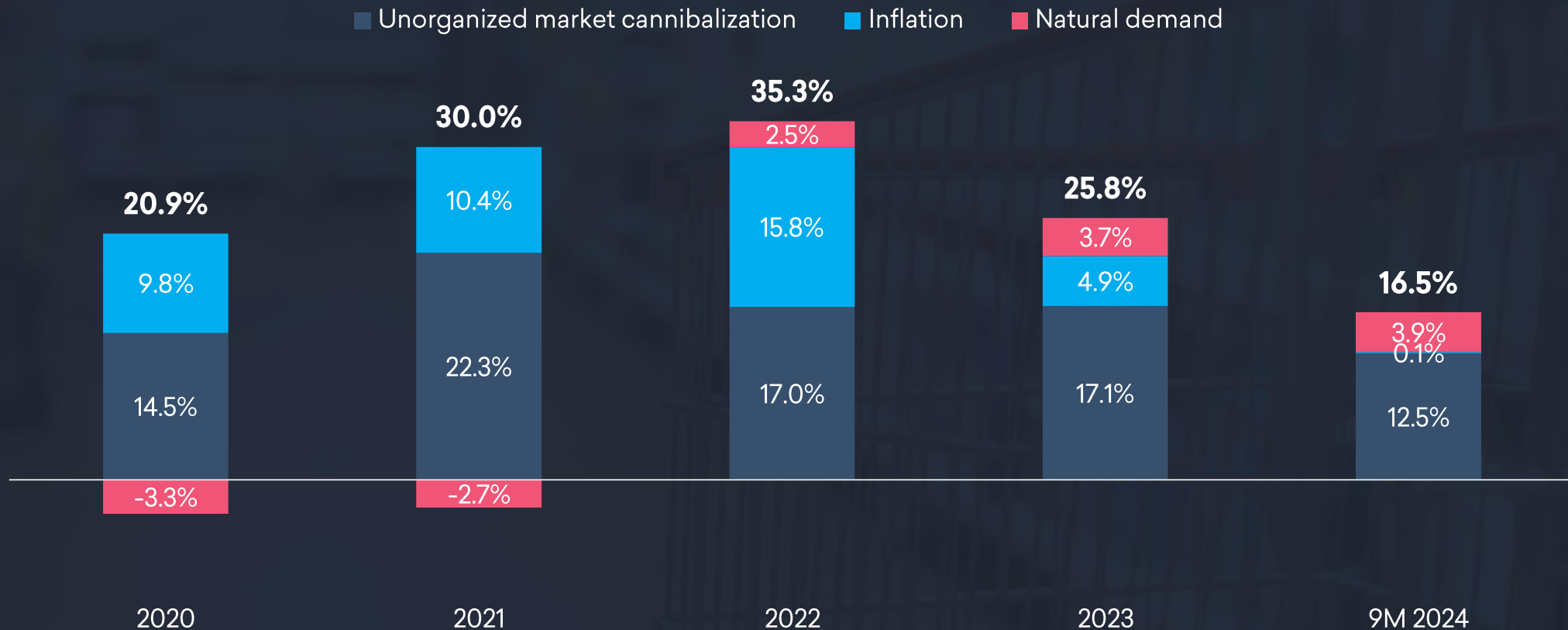
LFL sales of the organized market, YoY change, %



Source: GeoStat, survey of selected market participants, TBC Capital; *The data for wages is based on 1H 2024

Natural demand growth is at its peak since the pandemic but the key driver for the organized FMCG market growth remains cannibalization of the unorganized market

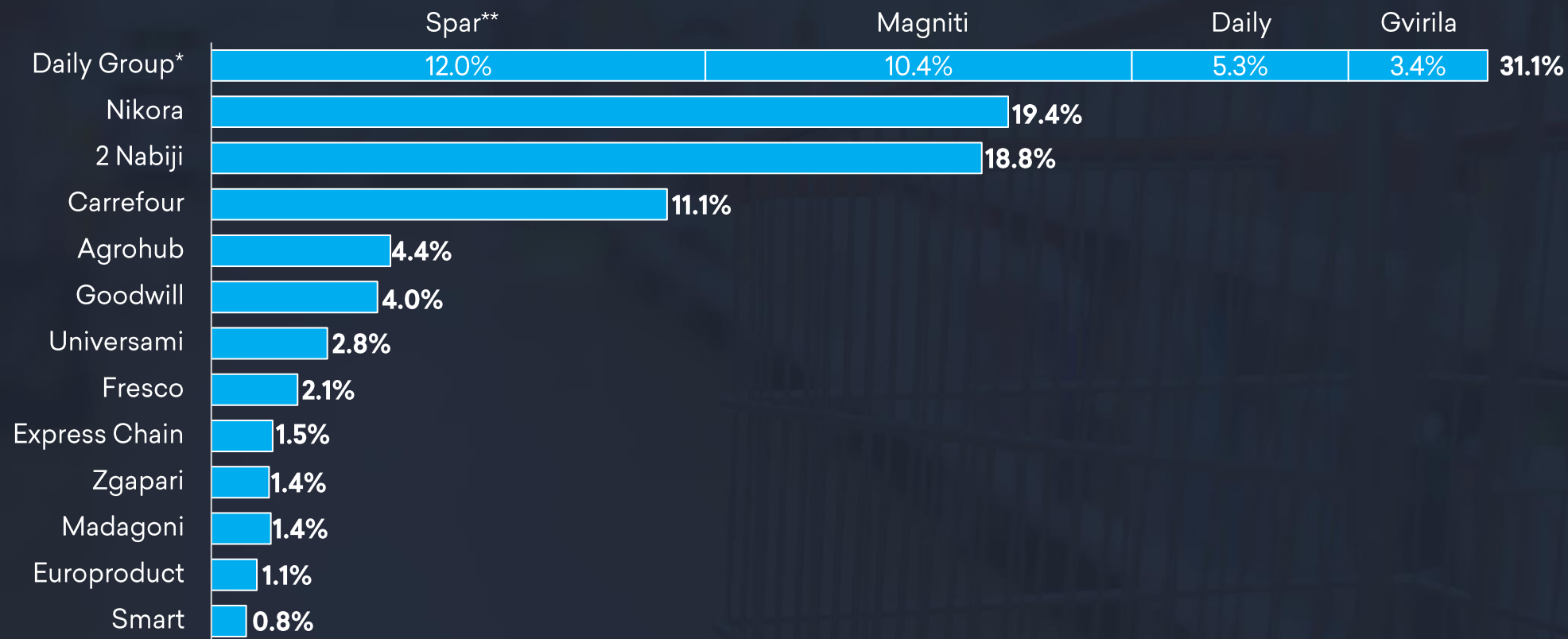
Decomposition of annual growth in the organized FMCG market



Organized FMCG market distribution

The most recent consolidations on the organized FMCG market will noticeably reshuffle the market positions of the key participants

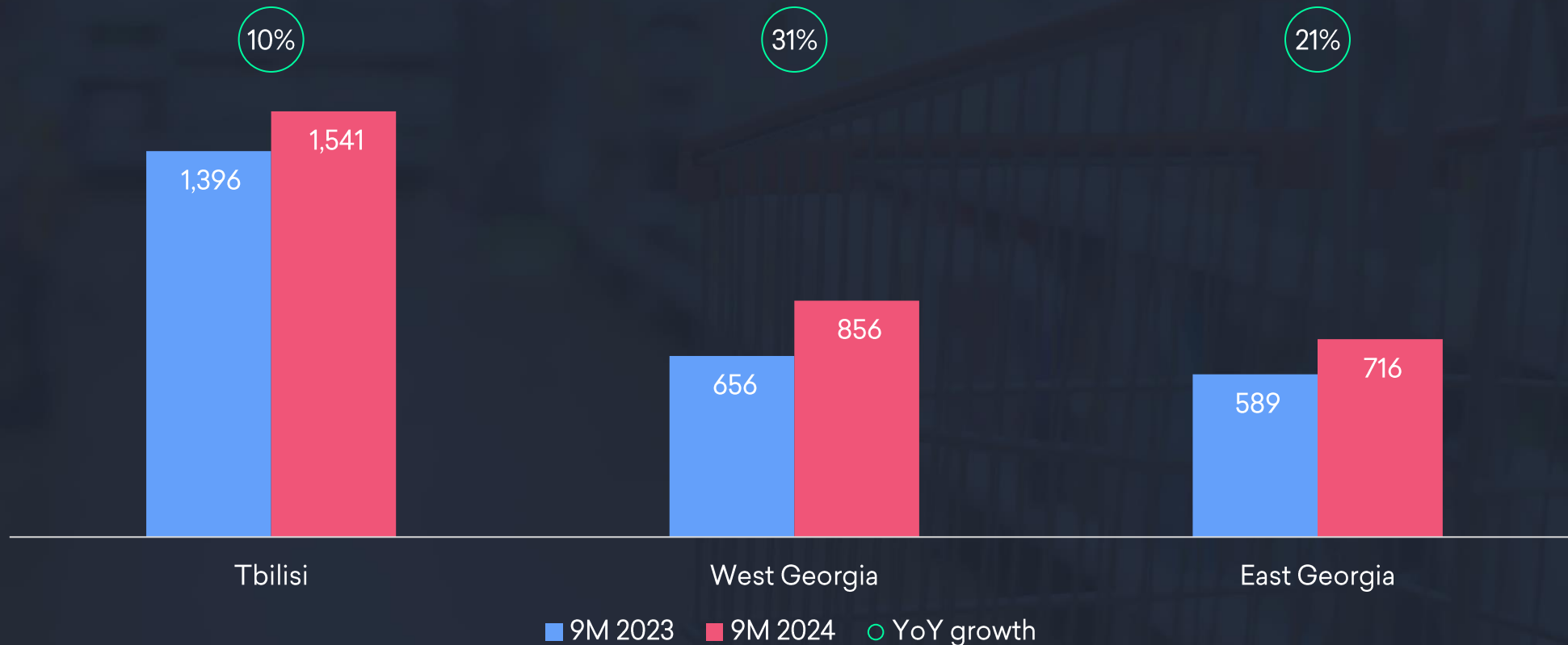
Breakdown of the organized FMCG market by its participants, 9M 2024



Source: SARAS, survey of selected market participants, TBC Capital estimates; *The entire 9M revenues of Spar, Magniti, and Gvirila have not been under the Daily Group umbrella; **Including franchises

As evident by new store openings, the organized FMCG market keeps expanding mainly on the basis of regional expansion

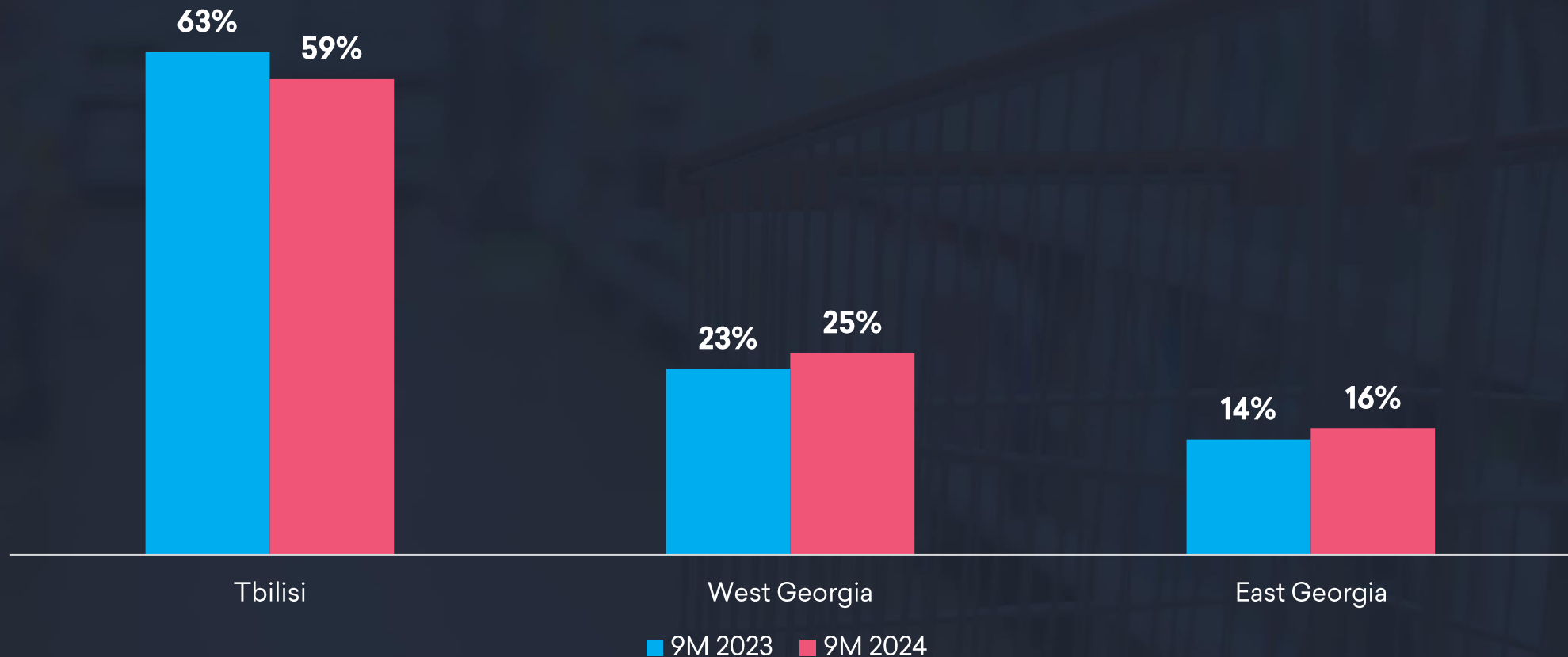
Number of stores in the organized FMCG market



Source: Survey of selected market participants, TBC Capital estimates

Increased regional presence also translates into regional revenues' increased share in total revenues

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

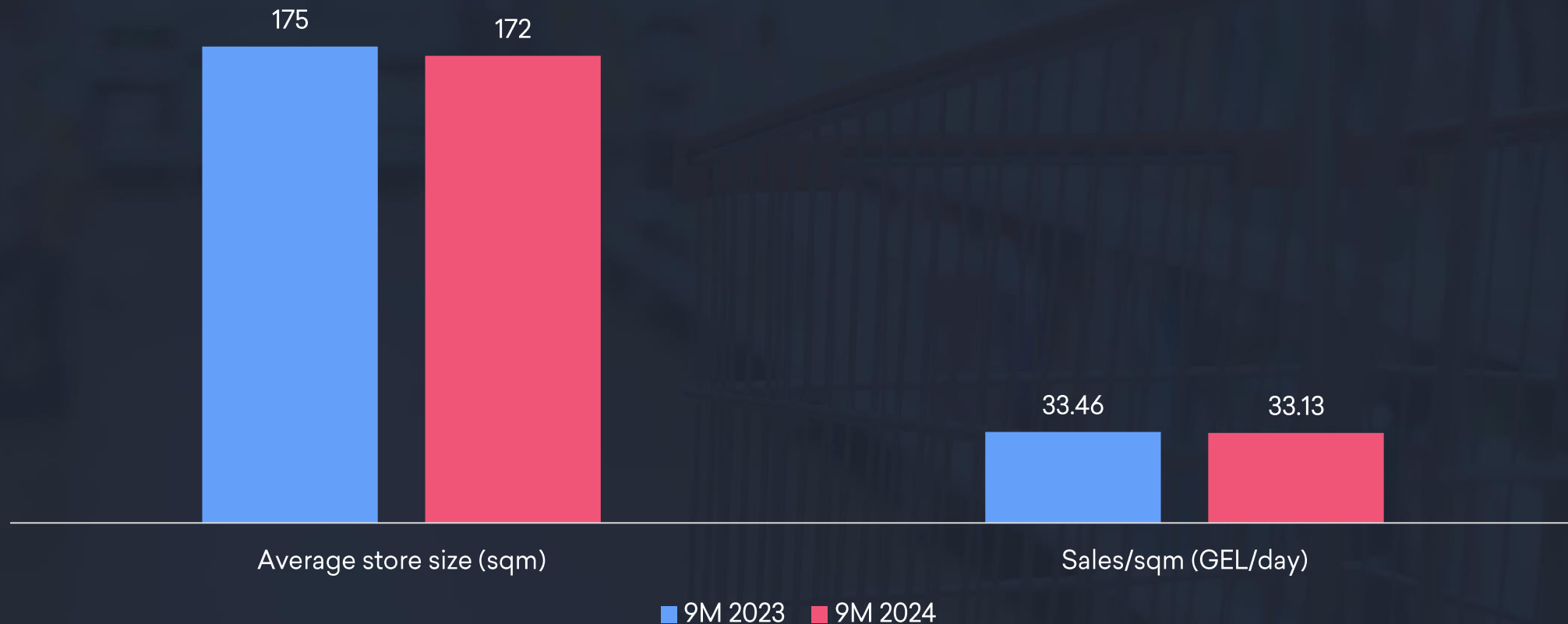


Source: Survey of selected market participants, TBC Capital estimates

Major operational and financial indicators of the organized FMCG market

While the average store size has shrunk over the past year, sales per square meter has not improved over the same period as the newly opened locations are yet expected to generate normalized revenues

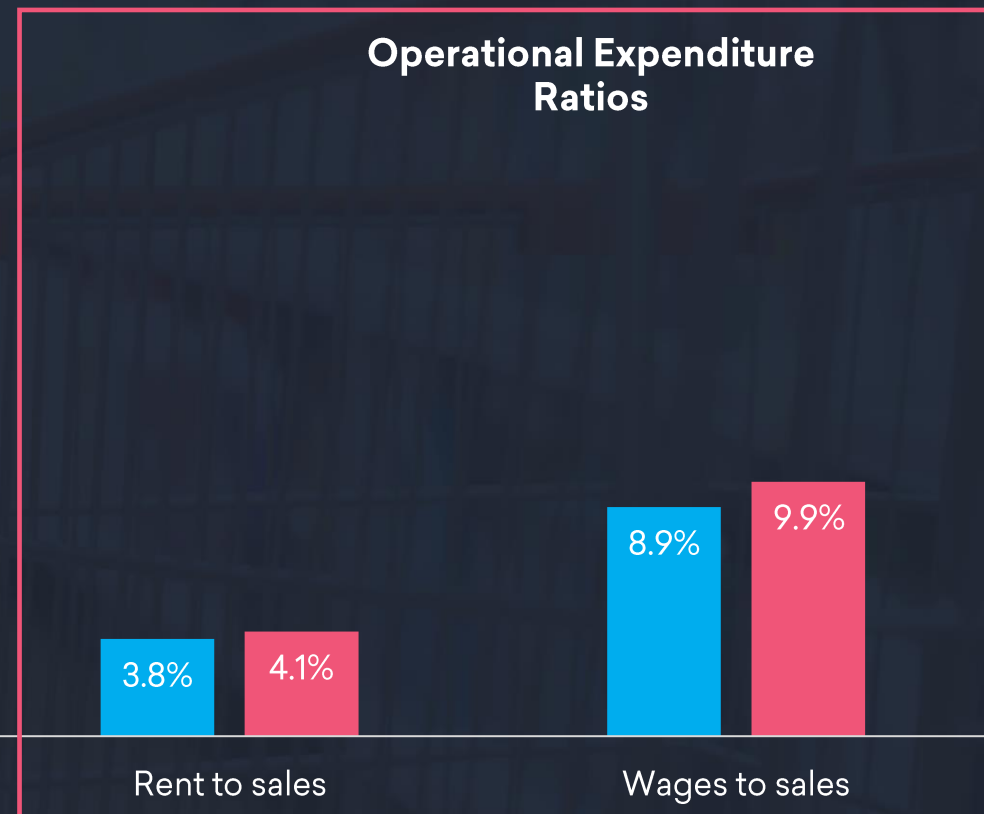
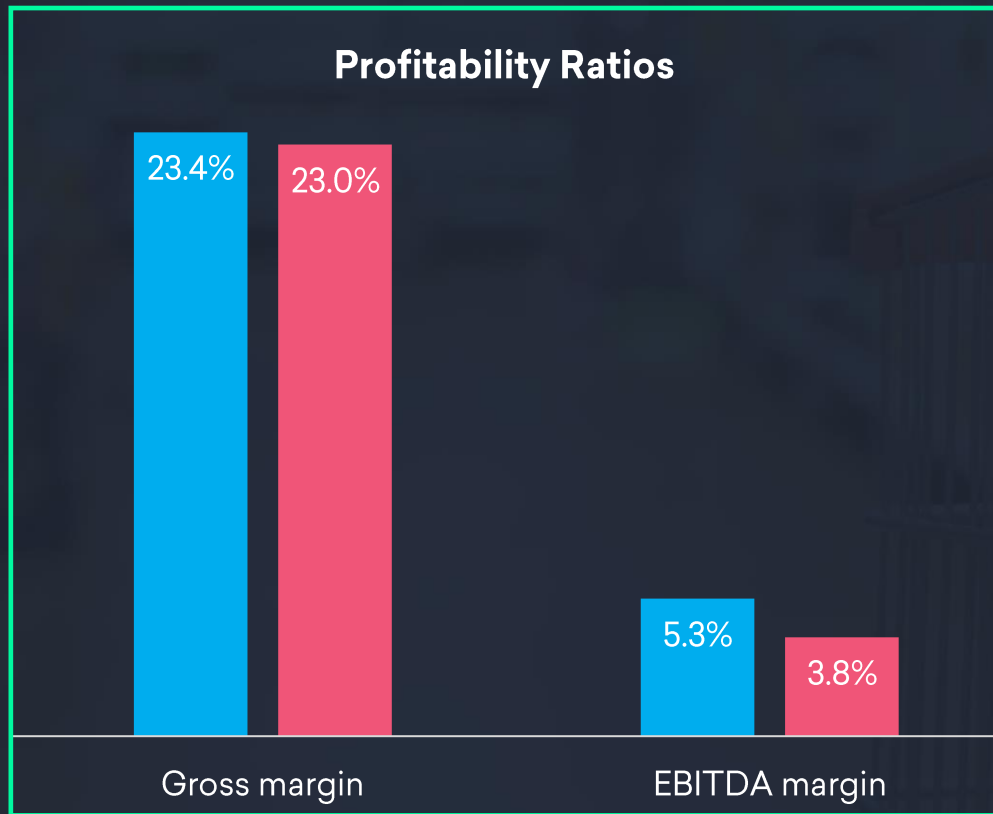
Average store size and sales per sqm at the end of the period, GEL/day (including VAT)



Shifted pricing strategies due to fierce competition has pushed the gross margin down, mainly on the back of the front margin, while increased cost pressure from rent and wages has made additional negative impact on the EBITDA margin

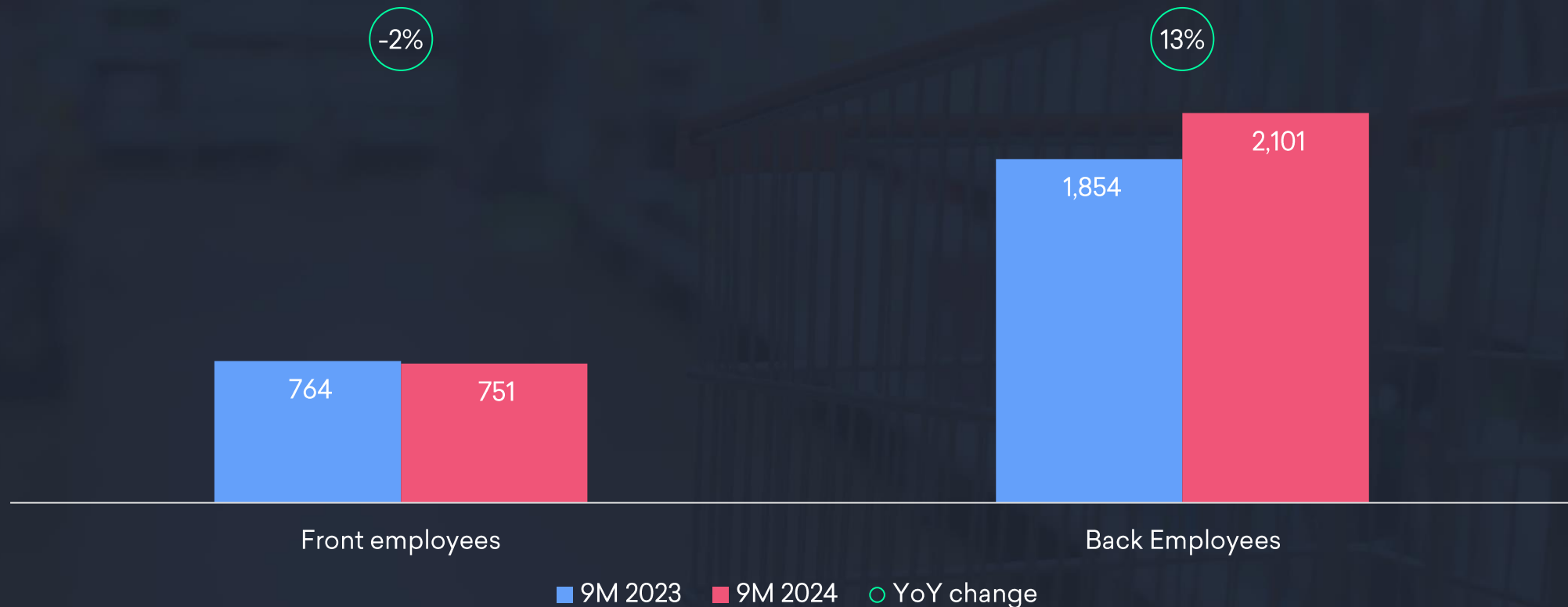
Weighted average financial ratios for the organized FMCG market

■ 9M 2023 ■ 9M 2024



Mixed productivity shifts are observed when analyzing by front and back employees, which is expected to normalize as the newly opened stores reach their optimal revenue levels

Daily sales per employee, GEL (including VAT)



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