TBC CAPITAL

Overview of Beer and Non-alcoholic Beverages in Georgia

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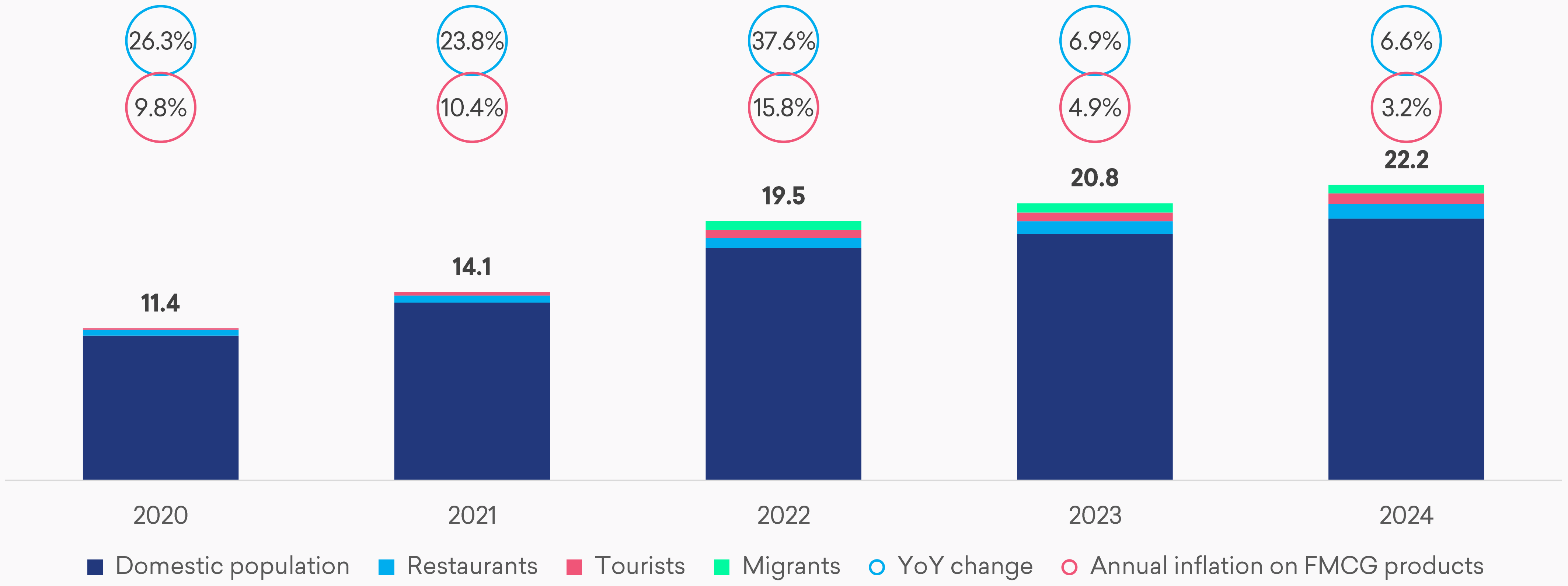
Executive Summary

- The key sales markets, FMCG and the HORECA industry, are expected to maintain sustainable growth in the coming years;
- While domestically produced beer has remained mostly unchanged in 2024 in absolute terms, price changes have significantly boosted the market revenue;
- Domestic beer consumption has been on a rise for the past several years, reaching a new high in 2024. Boosted demand on imported beer is also visible in the annual numbers;
- The increased domestic demand, especially on imported beer is translated into significant growth of imports and reduced exports;
- Domestic production of non-alcoholic beverages is stably growing in absolute as well GEL term, expected to break the GEL billion threshold in the current year;
- With import levels remaining mostly unchanged throughout the past several years, domestic demand on non-alcoholic beverages is mostly met with local production;
- Export of non-alcoholic beverages has significantly increased in the past five years, exhibiting a 30% 4-year CAGR and reaching 150 mln liters in 2024.

With halted inflation rates in the past two years the Georgian FMCG market revenue's growth rate has stabilized and exhibits natural demand growth, expected to be sustainable in the medium term period

FMCG market revenue

GEL bn, including VAT

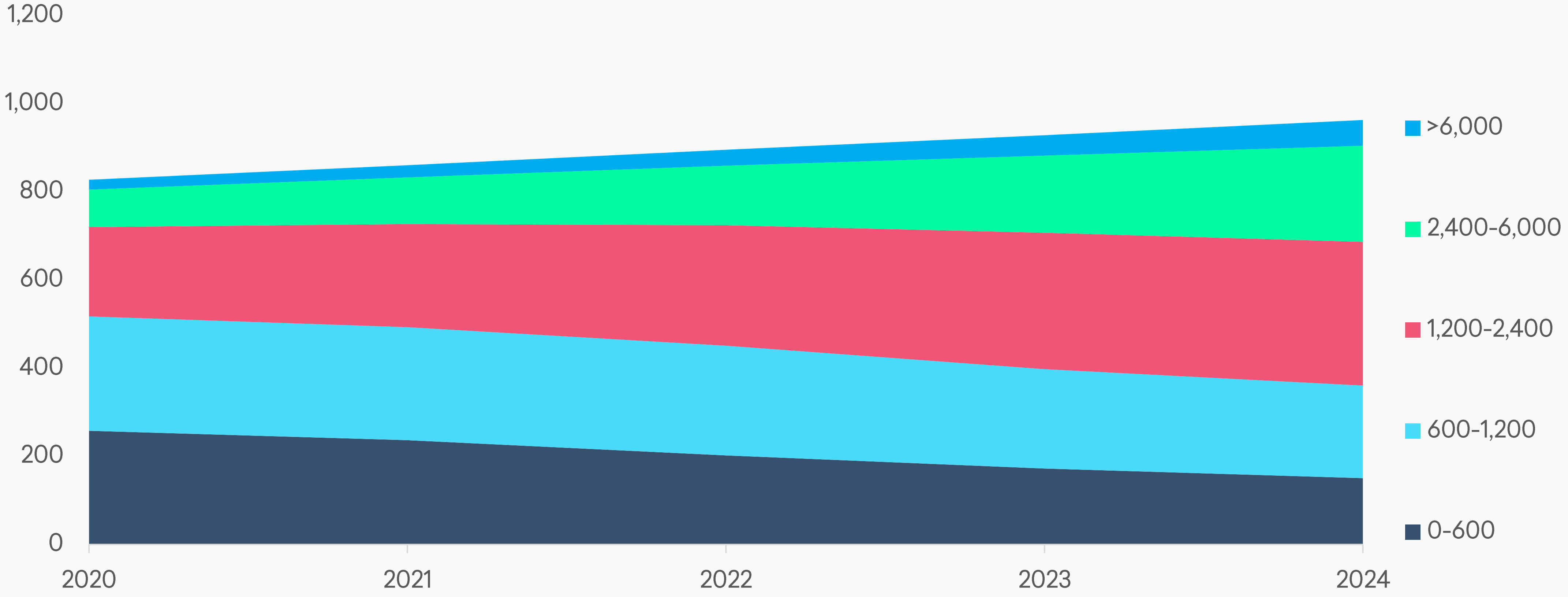


Source: GeoStat, NBG, TBC Capital

The increasing number of employed individuals and the rising share of mid-range salary recipients are the key drivers of growing consumption among the Georgian population

Number of salary recipients by income brackets

1,000 persons, GEL including income tax

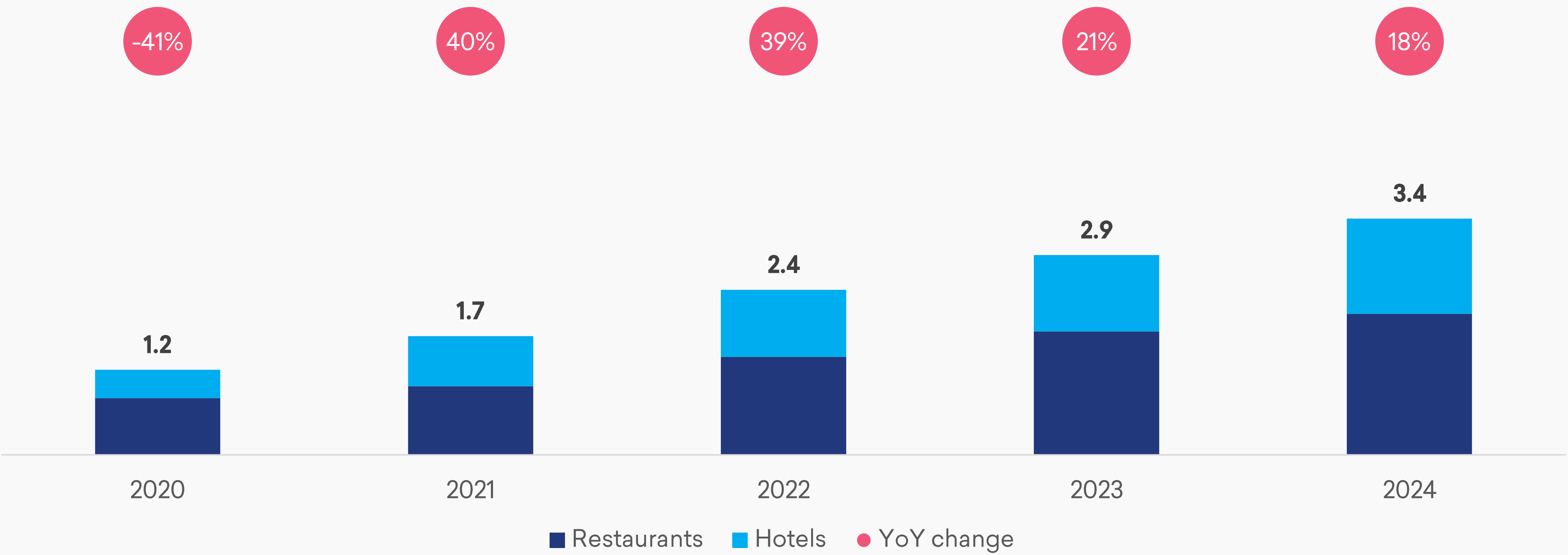


Source: Revenue Service, TBC Capital

The HORECA industry, one of the other key sales markets for beer and non-alcoholic drinks, continues to exhibit strong growth. The growth is expected to be sustainable in the medium term

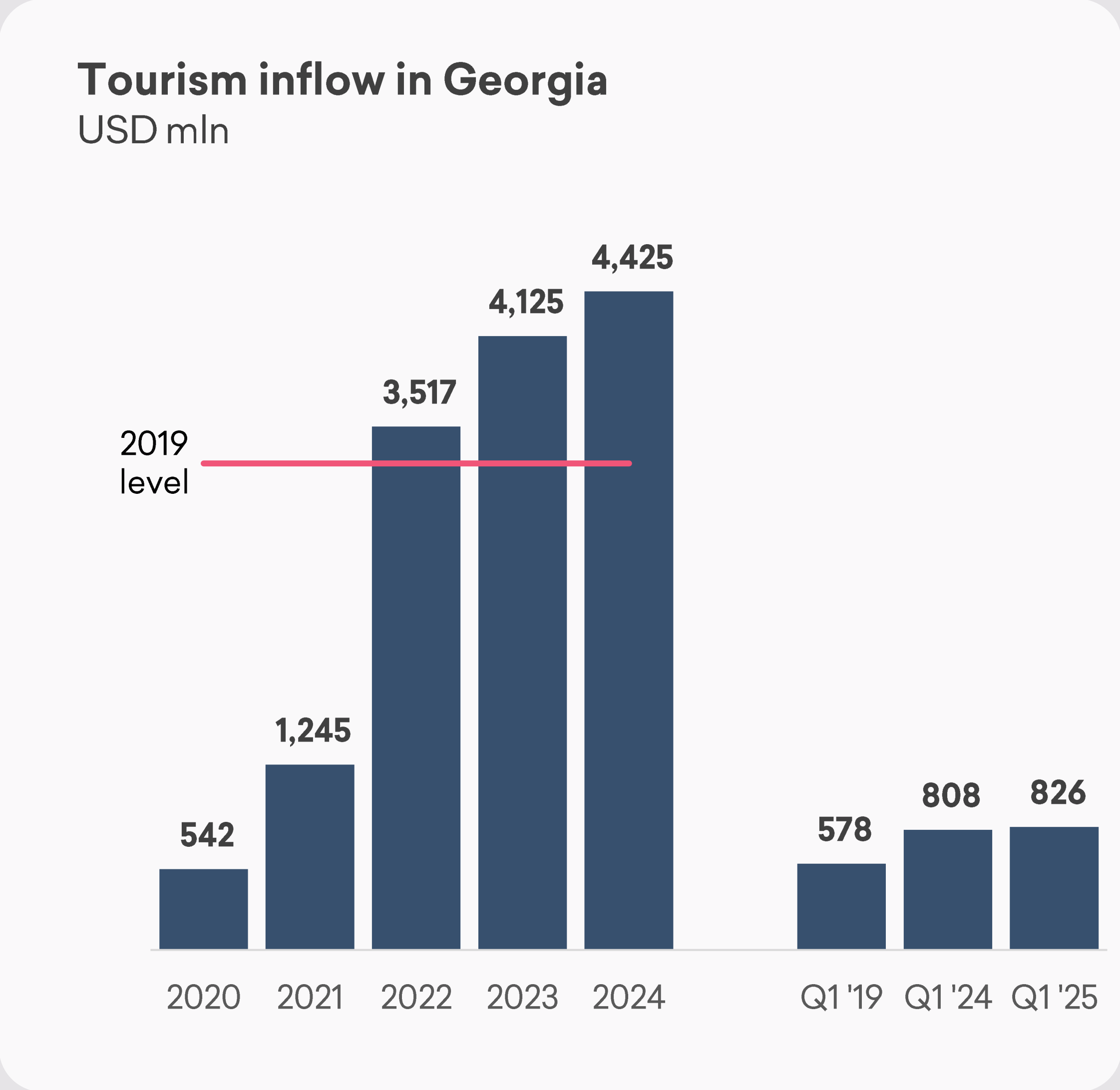
Georgian HORECA sector market revenue

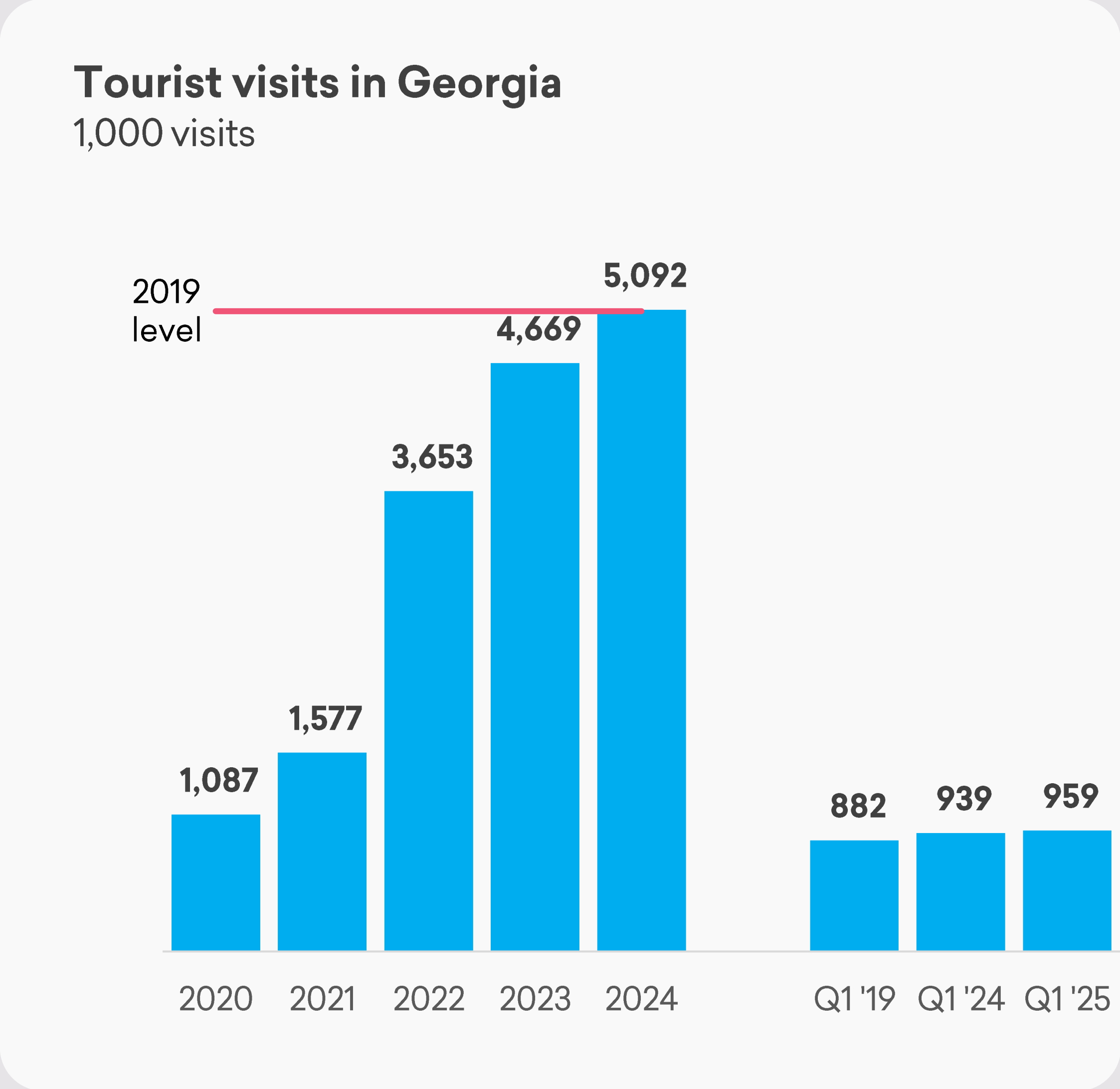
GEL bn, including VAT



Source: GeoStat, NBG, TBC Capital

While tourism inflow in USD terms quickly recovered after the pandemic, tourist visits recovered only in 2024. The growth continued in Q1 2025, offering a promising outlook for the current year



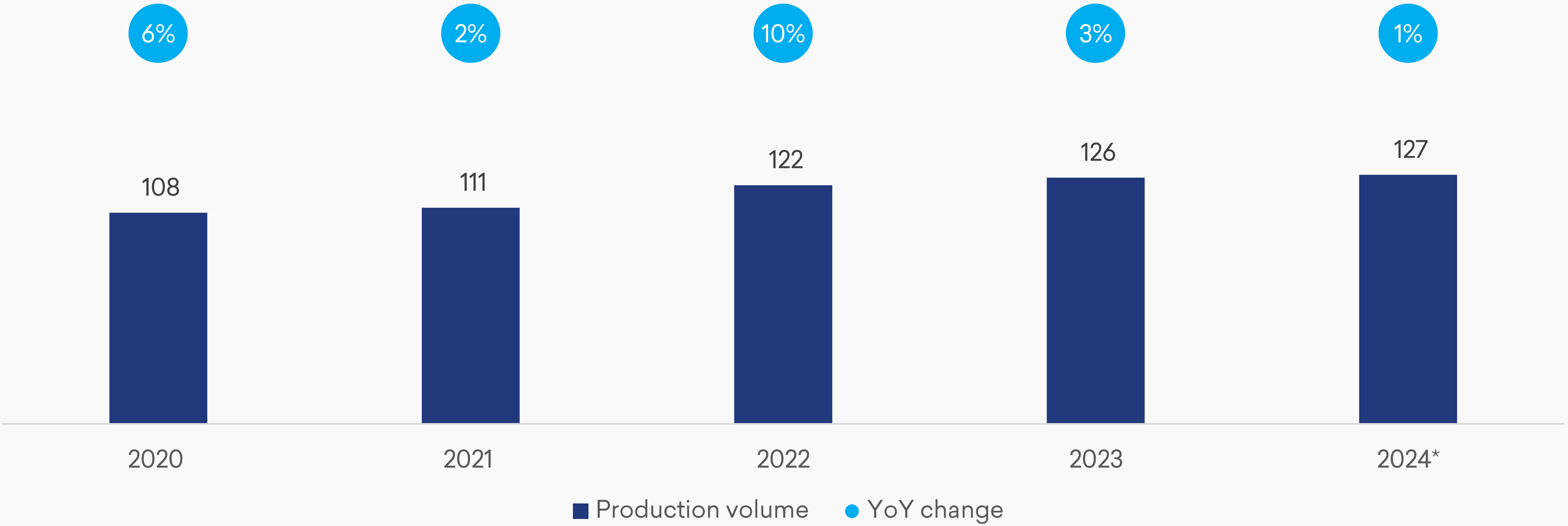


Source: NBG, GNTA, TBC Capital

With no major observed shifts in the production volumes of beer in Georgia in the past several year, 2024 has been the slowest in terms of growth, recording only a 1% YoY increase

Domestic production volume of beer in Georgia

mln liters

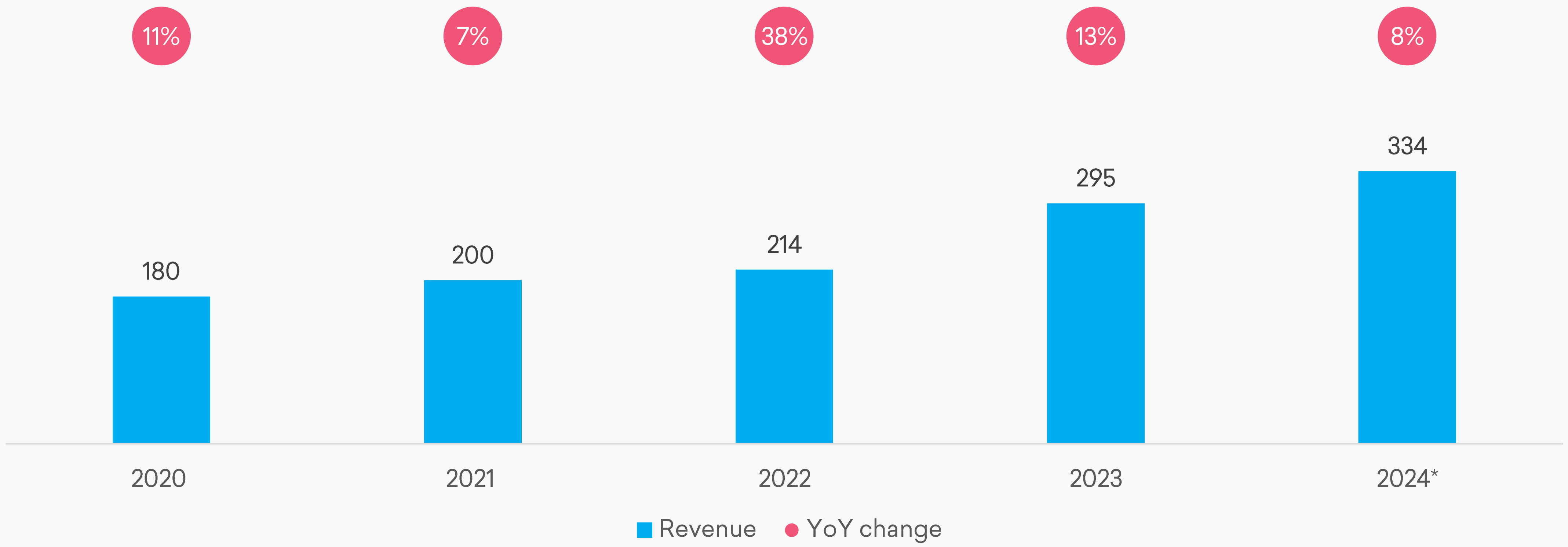


Source: GeoStat; *Preliminary data

While significant shifts in production volumes have not been observed, the rising average shelf prices have translated into major growths in the value of produced beer in Georgia

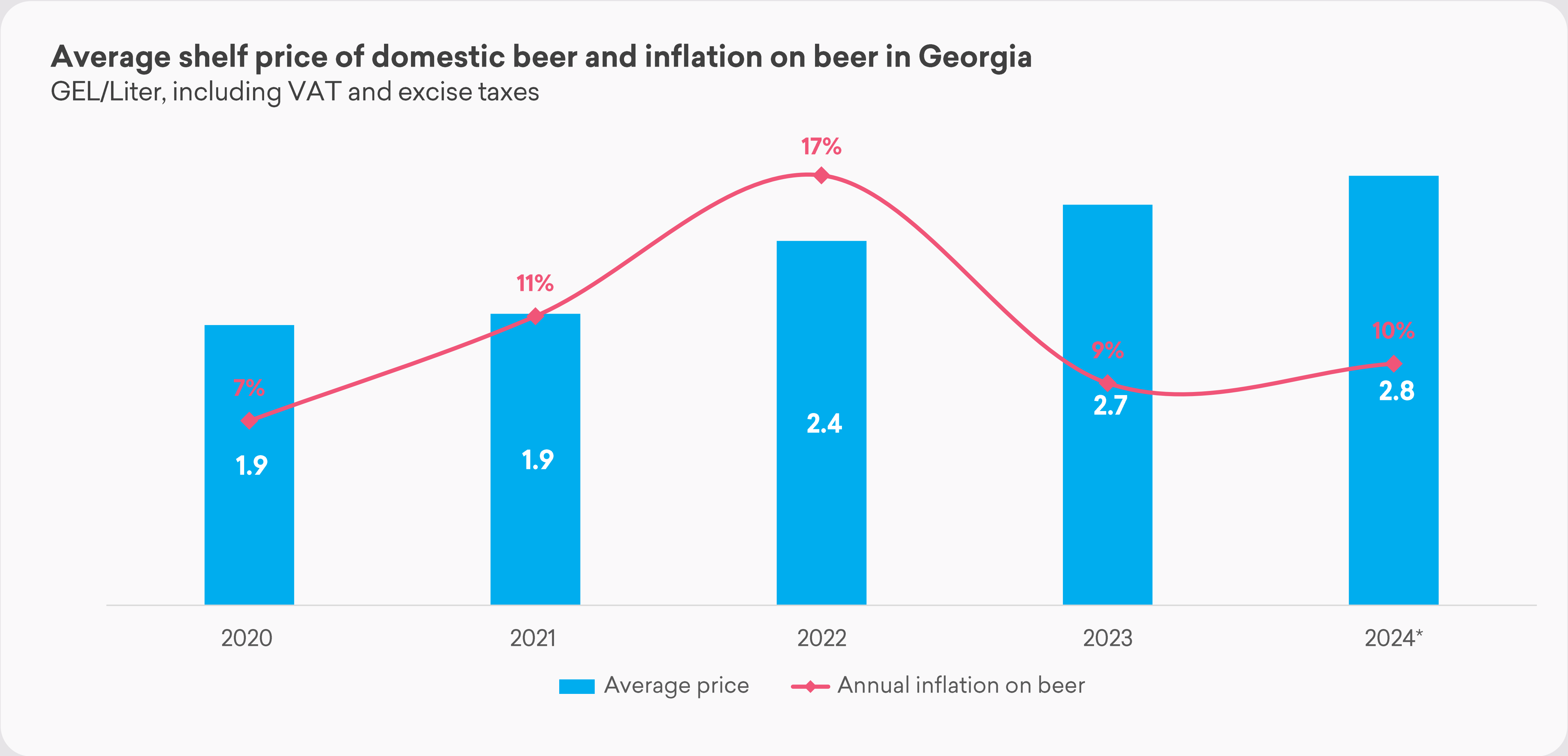
Volume of domestically produced beer in Georgia

GEL mln, including VAT and excise taxes



Source: GeoStat; *Preliminary data

The average shelf price of domestically produced beer has been stably increasing throughout the past years

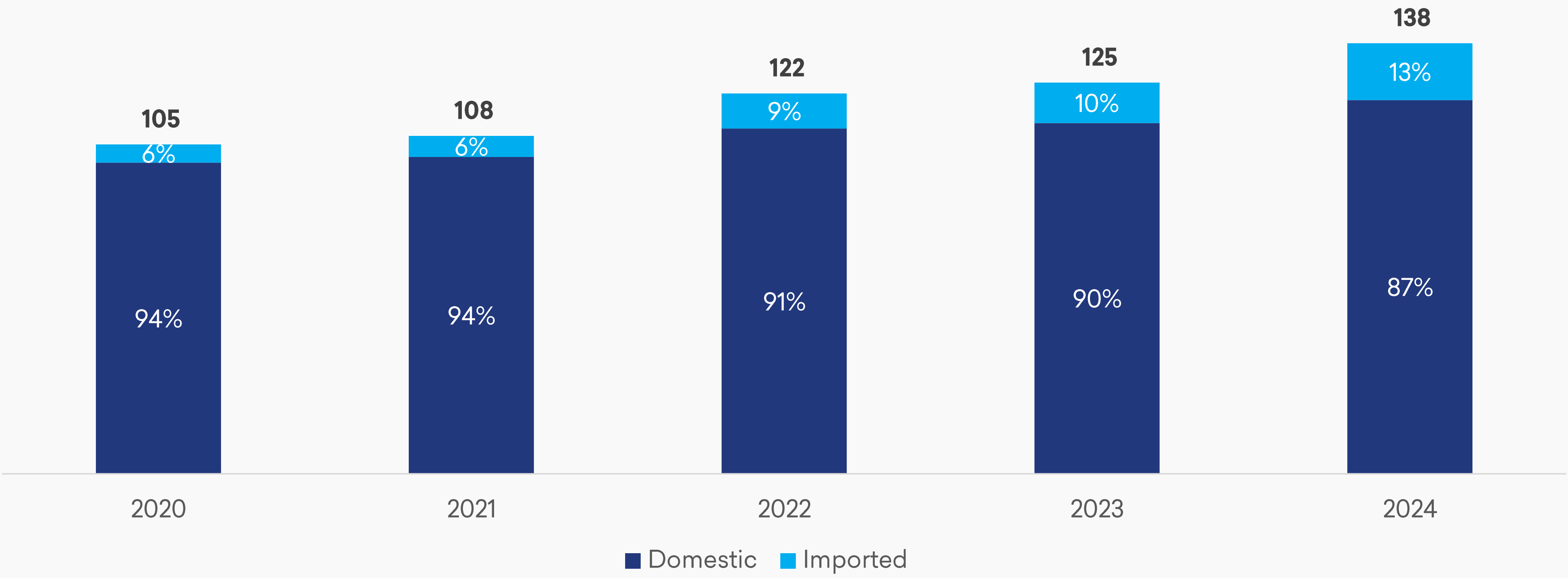


Source: GeoStat, TBC Capital; *Preliminary data

While the demand is predominantly met with domestic production, imported beer is gaining popularity among consumers in Georgia

Volume of domestic beer consumption

mln liters

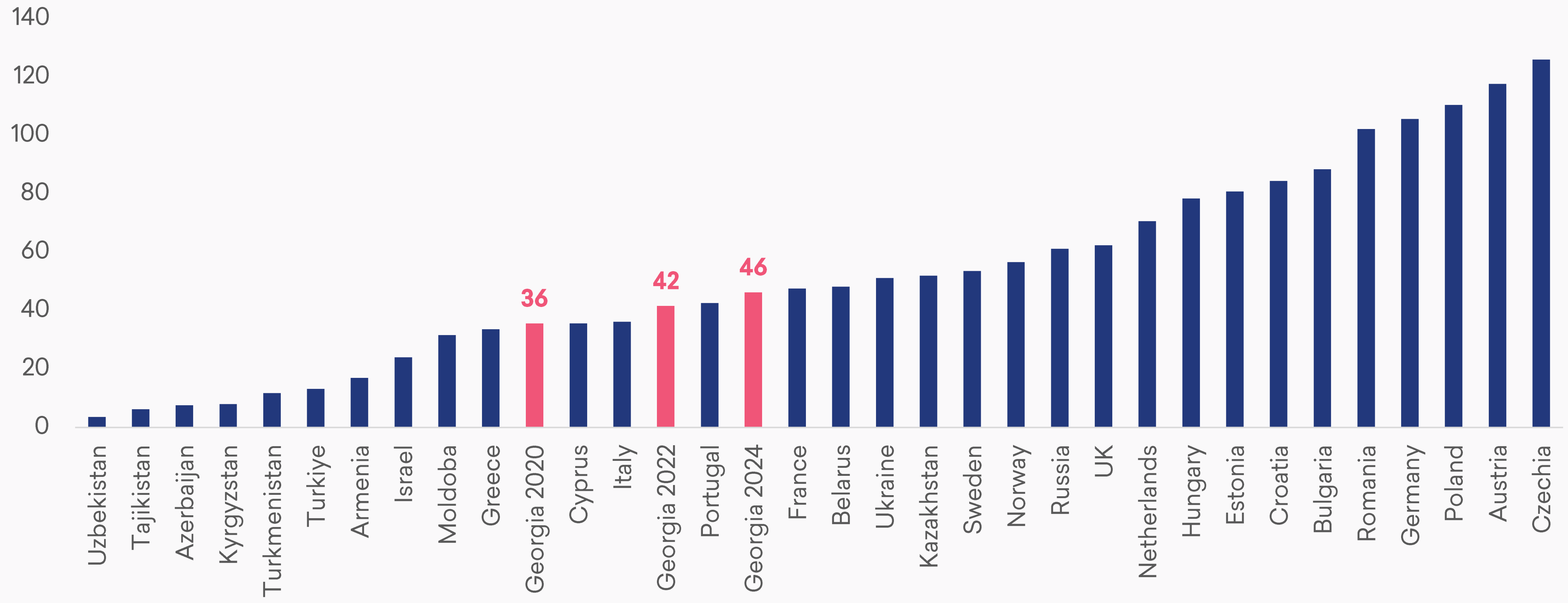


Source: Revenue Service, TBC Capital; Note: Historical data based estimate used for average volume per tax stamp

Significant growths are observed in beer consumption in Georgia throughout the past several years

Beer consumption in 15+ population, per capita, 2020

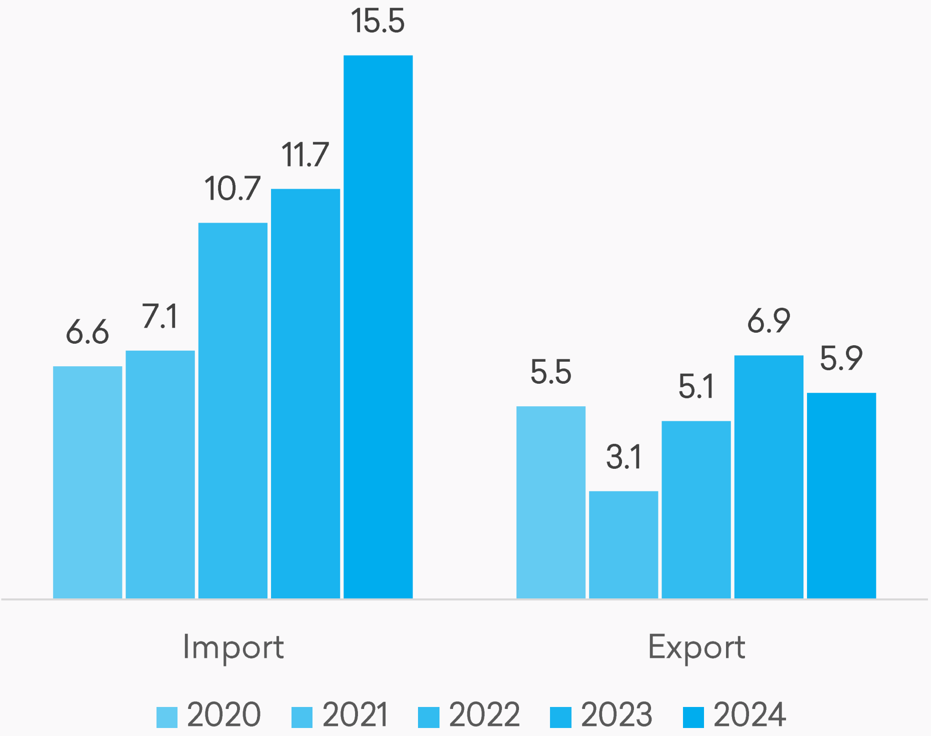
Liters per year



Source: WHO, Revenue Service, TBC Capital

While beer export has remained on a growing tendency throughout the past five years a notable, 15% decline can be observed in export in 2024

Import and export of beer
'000 Tons



Top trading partners in 2024

Import:

Germany, 31%

Russia, 17%

Turkey, 15%

Czechia, 7%

Ukraine, 6%

Export:

Kazakhstan, 31%

Armenia, 18%

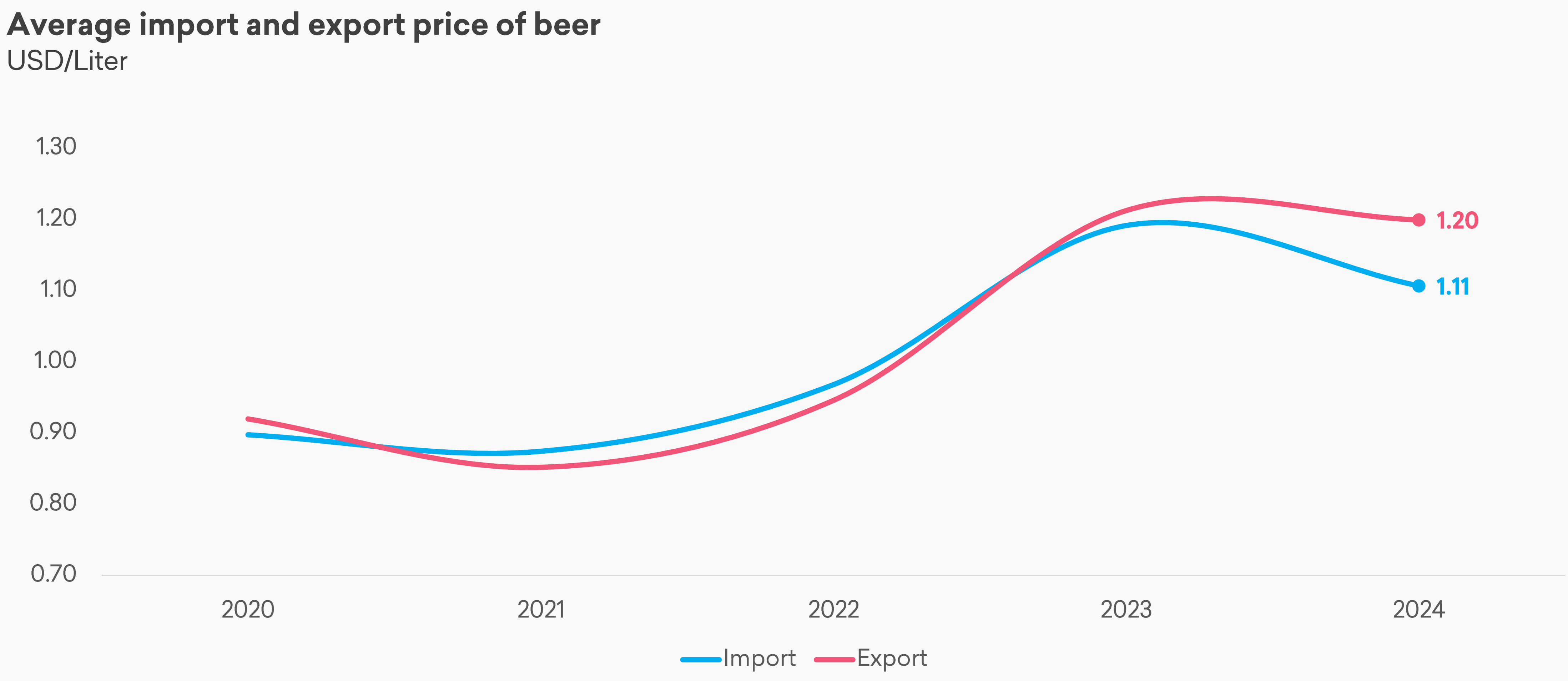
Russia, 8%

Azerbaijan, 5%

Israel, 5%

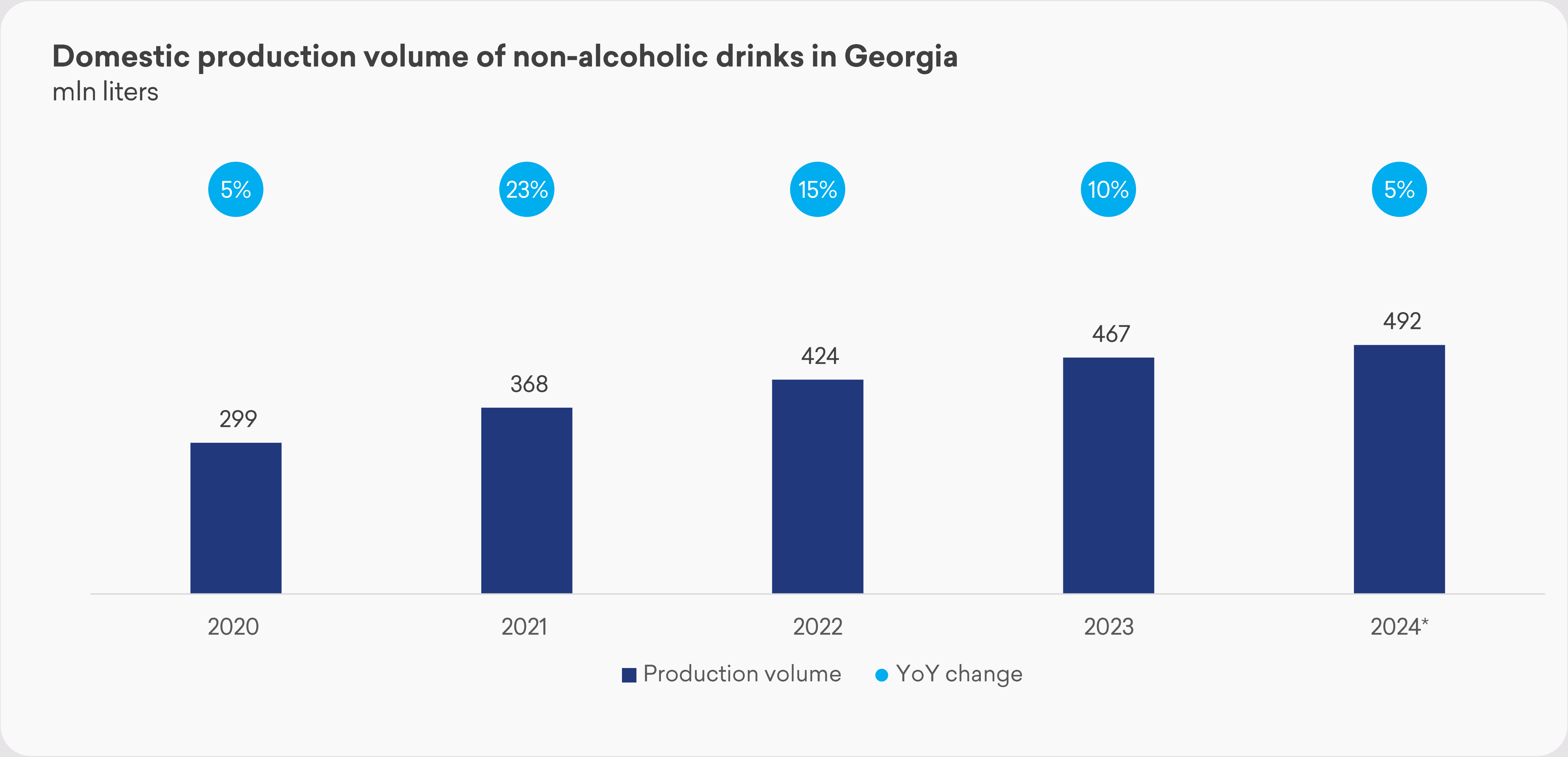
Source: GeoStat

Average prices of imported and exported beer remained highly comparable in the past years. In 2024 however, average price of exported beer remained mostly unchanged, while price of imported beer decreased by 7% YoY



Source: GeoStat, TBC Capital

After three post-pandemic years of strong double-digit growths, the production volumes of non-alcoholic drinks relatively stabilized, posting a 5% YoY growth in 2024

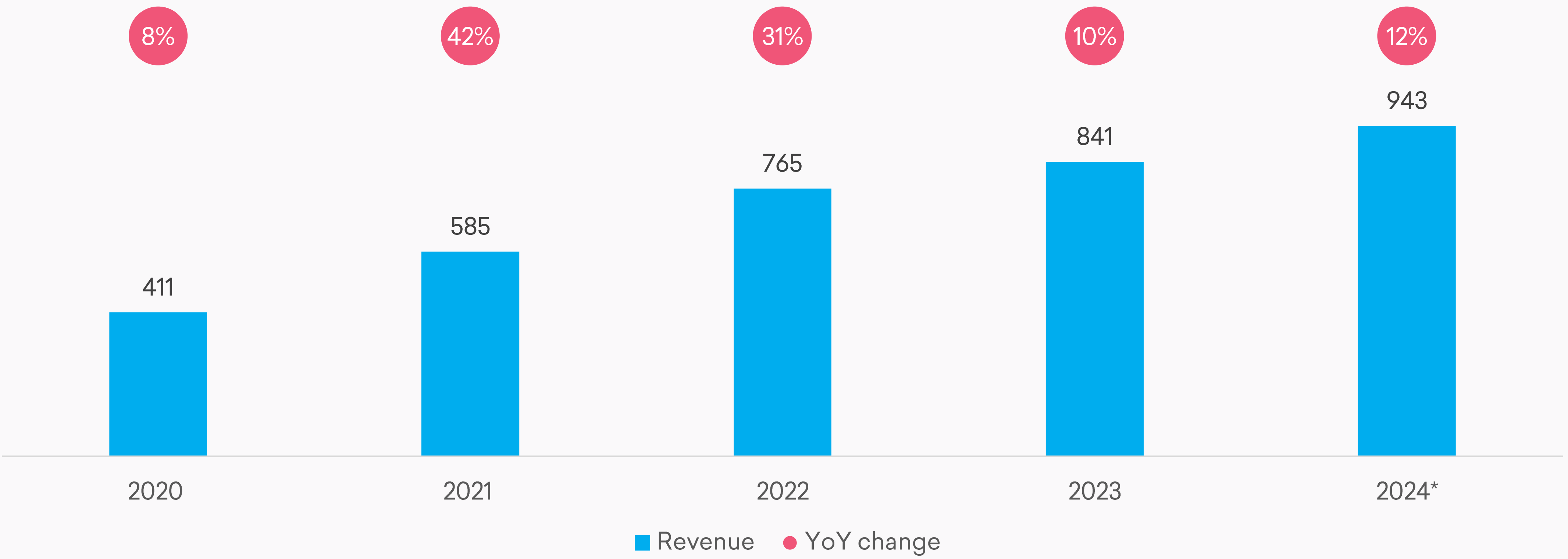


Source: GeoStat; *Preliminary data

Regardless the stabilized production volumes in absolute terms, price shifts and diverse product mix have pushed the market revenue close to GEL billion in 2024

Volume of domestically produced non-alcoholic drinks in Georgia

GEL mln, including VAT and excise taxes

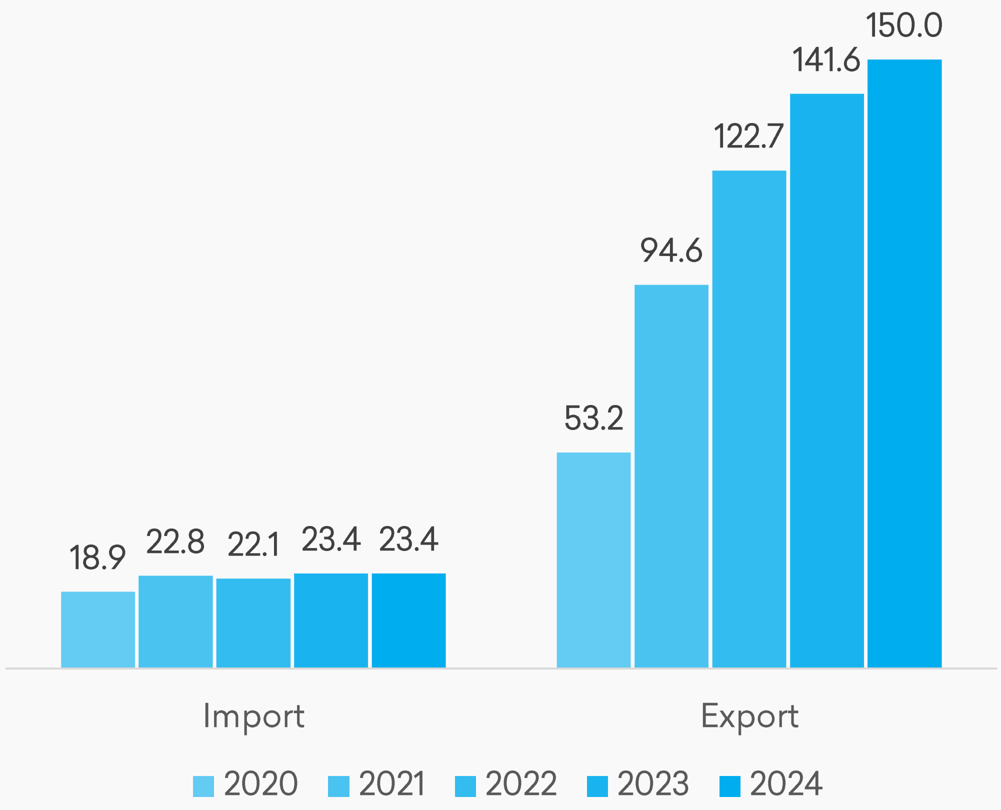


Source: GeoStat; *Preliminary data

Non-alcoholic drink imports have remained more or less unchanged throughout the past five years. Exports, on the other hand, have exhibited robust growth throughout the same period, reaching 150 mln tons in 2024

External trade of non-alcoholic beverages

mln liters



Top trading partners in 2024

Import:

Russia, 23%

Poland, 17%

Türkiye, 17%

Hungary, 6%

Austria, 5%

Export:

Russia, 47%

Azerbaijan, 14%

Kazakhstan, 11%

Armenia, 10%

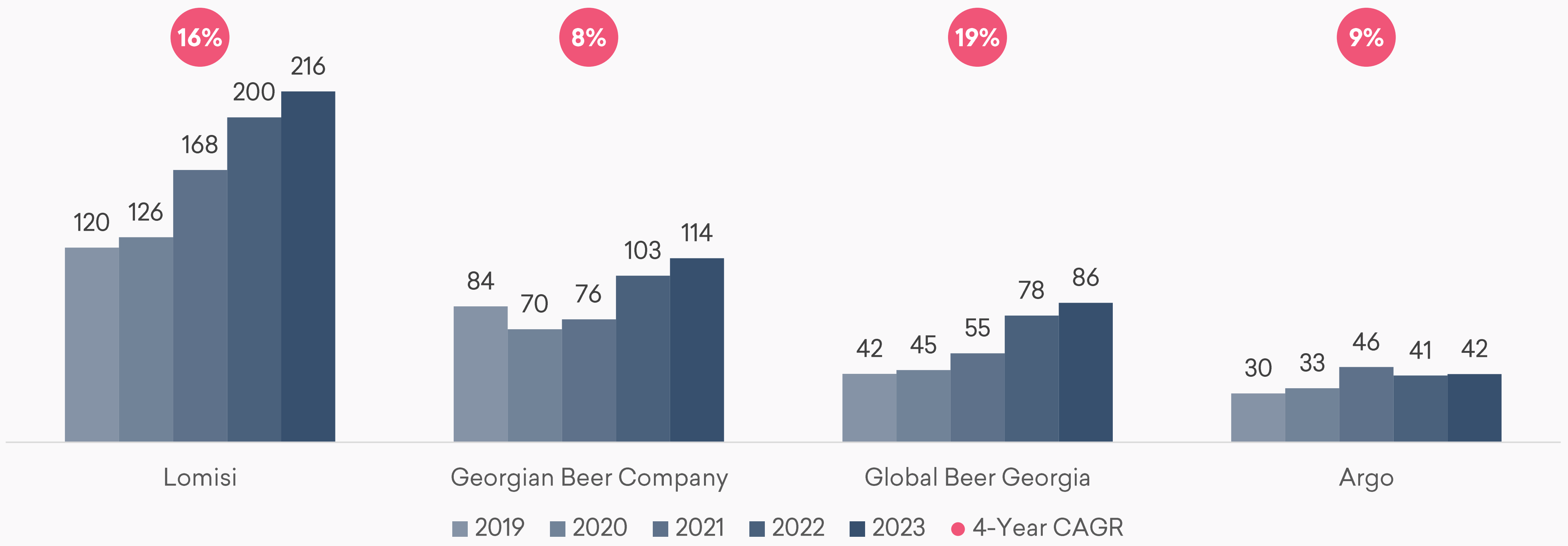
Uzbekistan, 5%

Source: GeoStat

Lomisi continues to be one of the fastest growing companies and the market leader in terms of revenues, responsible for 47% of revenues of the top four producers in Georgia

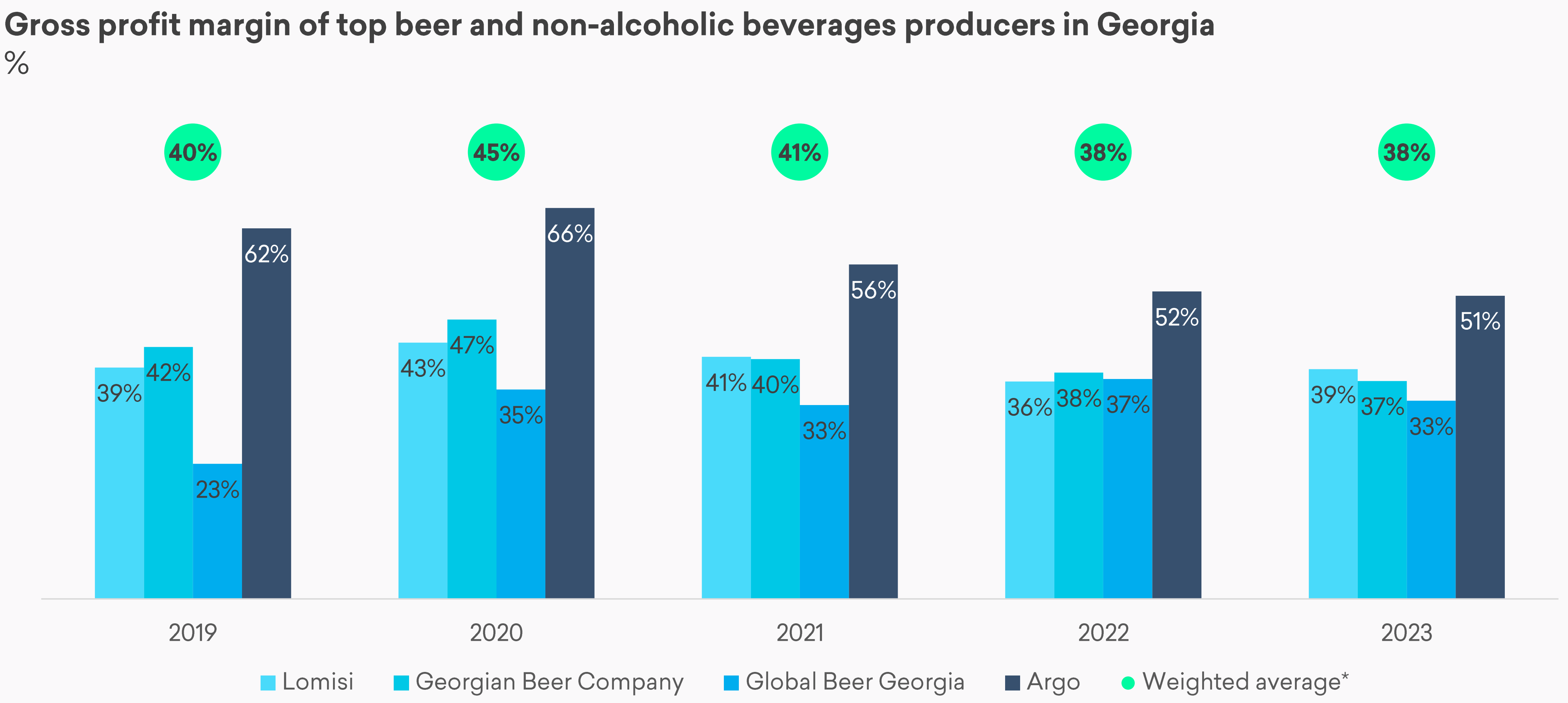
Revenue of top beer and non-alcoholic beverages producers in Georgia

GEL mln, excluding VAT and excise tax



Source: SARAS, TBC Capital

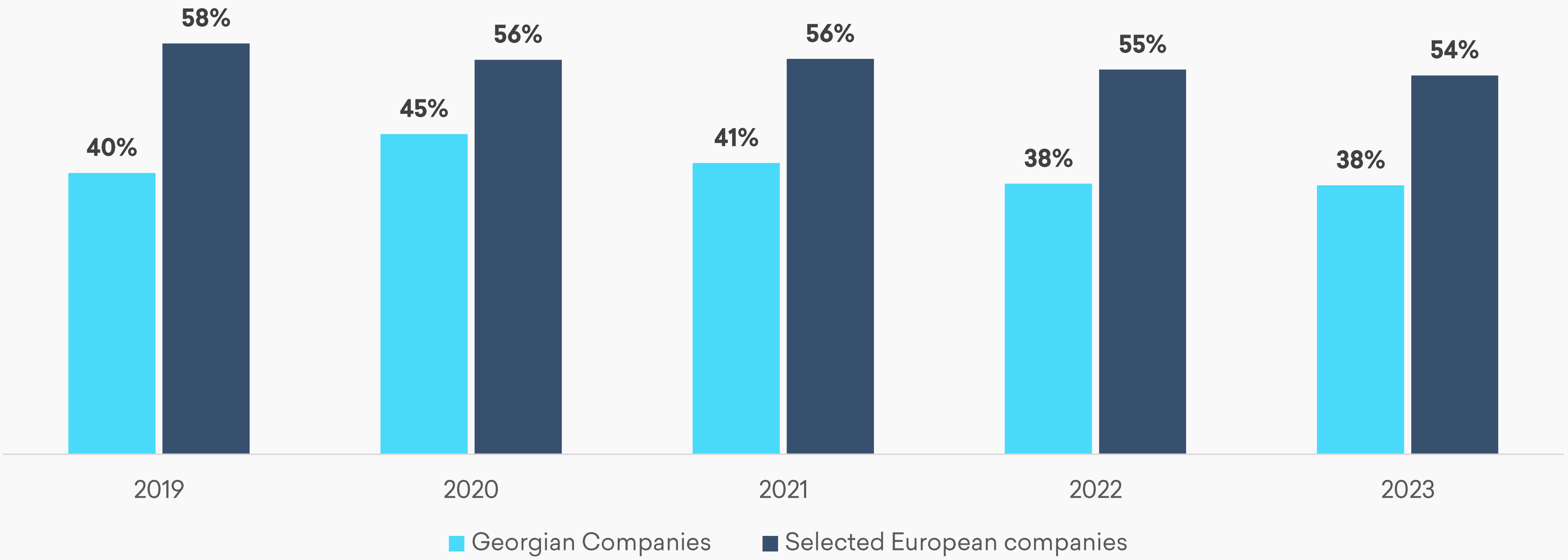
The weighted average gross profit margins among the top four market players have been declining since the pandemic but remained stable in 2023



Source: SARAS, TBC Capital; *Revenue based weighted average

While Georgian companies' gross profit margin is significantly lower compared to European companies' margins, the overall dynamics are comparable in the past several years

Gross profit margin of beer and non-alcoholic beverages producers
%



Source: SARAS, TBC Capital; *Revenue based weighted average; European companies include AB InBev (Budweiser, Corona), Carlsberg, Royal Unibrew (Royal, Heineken, PepsiCo), and Diageo (Guinness)

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