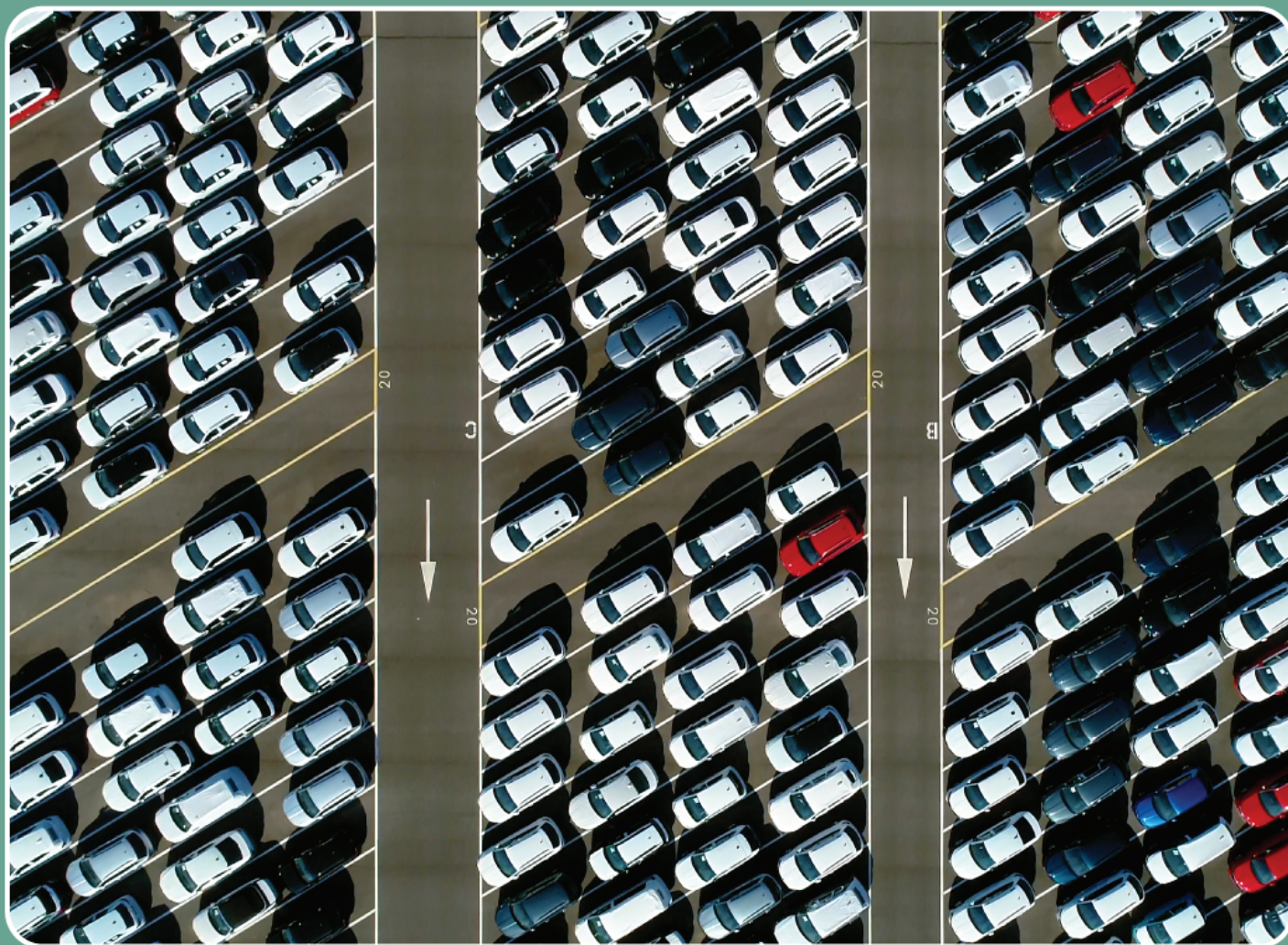




GALT & TAGGART
CREATING OPPORTUNITIES

GEORGIA'S AUTOMOBILE BUSINESS

Developments in 2022 and outlook for 2023



Georgia | Auto Business

Sector Research

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Terms and definitions

ACEA – European Automobile Manufacturers Association

APS - Announced Pledges Scenario

BEV – Battery electric vehicle

CAGR – Compound annual growth rate

CPI – Consumer price index

EAEU - Eurasian Economic Union

EBITDA - Earnings before interest, taxes, depreciation, and amortization

EU - European Union

EV – Electric vehicle

FRED - Federal Reserve Economic Data

Geostat – National Statistics Office of Georgia

ICE – Internal combustion engine

IEA – International Energy Agency

MIA – Ministry of Internal Affairs of Georgia

SARAS - Service for Accounting, Reporting and Auditing Supervision

STEPS - Stated Policies Scenario

USA – United States of America

Car exports and car re-exports are used interchangeably in the document



Executive summary

Global automotive industry faced many challenges in 2020-22, but outlook for 2023 looks better. Supply-demand gap fuelled new car price growth, with the US and the EU seeing 17% and 12% hike, respectively, compared to 2019. Meanwhile, used car prices in the US – major market for Georgia surged by 55% during the same period. Used car prices have started to decline in 2022 and this trend is likely to continue in 2023, as car production expected to grow. New car prices are expected to decline in the US in 2023, while price decline is less anticipated in the EU, as Russia-Ukraine war is further exacerbating the challenges in the sector.

Georgia is a regional hub for car trade and expected to continue benefitting from export opportunities. Georgia's car exports doubled to US\$ 904mn in 2022, with EAEU countries as well as traditional export markets (Azerbaijan and Ukraine) contributing to growth.

Similar to global trends, Georgia's auto business also faced supply constraints and price increases in 2021-22, with increased transportation costs further adding to the burden. Prices for new cars were up 15%-20% y/y and used car prices increased 23% y/y in 2022, while transportation costs varied among dealers. Transportation costs are set to improve in 2023, as global transportation index is normalizing to pre-pandemic levels.

Dealers expect strong demand on new cars to continue in 2023, but challenges with supply and pricing may persist. Official dealers expect sales to increase by 15-20% y/y in 2023, while price expectations are uncertain, with no decline anticipated from dealers. According to our analysis on expected supply and pricing for new cars, some European brands may still face supply constraints and price increases in 2023. In contrast, expectations for Japanese and South Korean brands are positive, given their success in managing the global semiconductor shortage. American brands are also improving production, with prices expected to decline in 2023.

Increased credit availability could stimulate the growth of the new car market in Georgia in medium-term, given dealers' low share in total 0-2years old car sales. According to our analysis of selected 10 brands, official dealers hold 35%-40% share in total 0-2years old car sales in Georgia and export markets. This indicates a growth potential, if financing options become more available. Rough estimates suggest that 70-85% of US and European new car sales are made through financing, while this number ranges between 15%-25% of total new car sales in Georgia, due to high cost of financing.



The used car market's growth trajectory will largely depend on the potential adoption of Eur-5 standard on cars by government. Local demand for used cars averages 75k units per year, with a preference for older 7-9 years old and fuel-efficient models. The rise in car prices shifted demand towards 10 years or older cars with petrol engine in 2021-22. This trend is expected to change with the adoption of Eur-5 standard on cars, however the exact timing of the implementation remains uncertain. Once this regulation is enacted, there may be a decrease in demand in the short-term, but we anticipate an 8-9% y/y growth of used car sales in the medium term, with regions providing growth opportunities.

Electrification of the automotive industry looks unavoidable and it is crucial for Georgia to prepare for this transition. The global EV market is currently driven by state incentives, particularly in developed markets with environmental commitments. Georgia will also have to become a part of this shift in medium-to-long term. While Georgia's EV market may not experience significant growth until the population's purchasing power increases, decreasing production costs are expected to make EVs more price-competitive with ICEs in near future, potentially leading to greater adoption. To prepare for this, government can take several steps including developing charging infrastructure and promoting the benefits of EVs to the public.



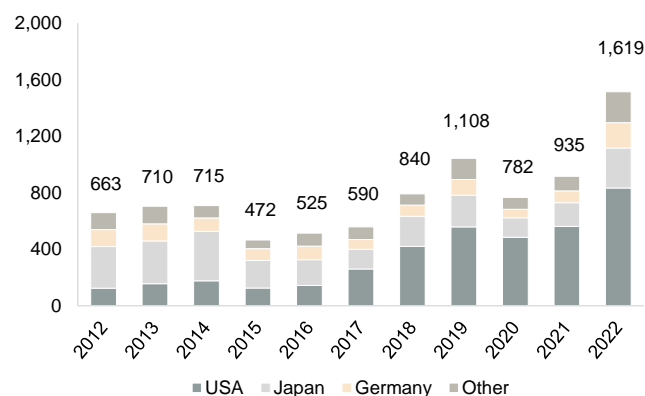
Georgia's Automobile Business

Foreign trade of passenger cars

Georgia's foreign trade of automobiles experienced extraordinary growth in 2022, particularly in the new car category. Notably, imports source markets remained the same, while re-exports markets changed reflecting demand growth from EAEU (Eurasian Economic Union) countries.

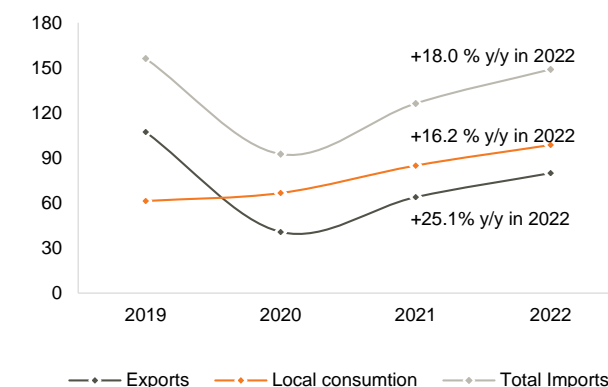
Imports increased 73.1% y/y to US\$1.6bn and 18.0% y/y to 149k cars in 2022, driven by robust external and domestic demand. Imports surged from all major source markets, with USA and Germany being the largest contributors. Demand from Georgian consumers remained strong but shifted towards older models due to record-high prices for used cars. Additionally, new car imports from top source markets including Japan, Germany, Turkey and Korea were also up, mostly due to increased external demand in 2022.

Figure 1: Passenger car imports by top source markets, US\$ mn



Source: Geostat

Figure 2: Passenger car imports for local consumption and re-exports, '000



Source: Geostat, MIA

Note: The sum of imports for local consumption and exports may not always match the total imports mostly due to timing differences

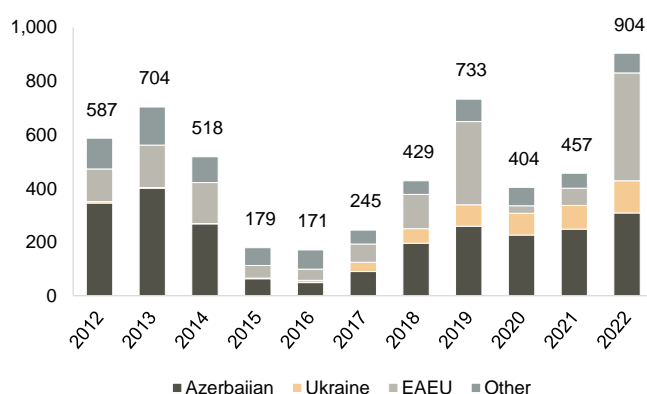
Car exports doubled due to demand growth from EAEU countries in 2022. Georgia's car exports hit an all-time high, reaching US\$ 904mn in 2022. Although exports in value terms grew to traditional car export markets such as Azerbaijan and Ukraine, the majority of the overall export growth was attributed to increased demand from Armenia, Russia, Kazakhstan, Kyrgyzstan and Belarus. These countries collectively contributed 74ppts to the growth in 2022.

The surge in car exports from Georgia to EAEU can be attributed to reduced car imports from Russia to EAEU member countries. Russia was a major source market for EAEU before sanctions, exporting 100k cars each year on average, with EAEU countries accounting for c. 70% of total exports. In particular, Belarus, Kazakhstan and Kyrgyzstan



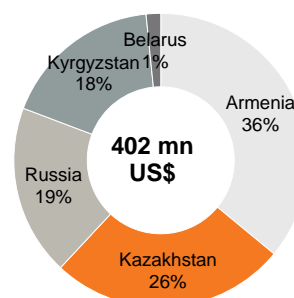
heavily rely on imports from Russia, with the latter holding 44%, 41% and 43% of their total car imports, respectively. This is due in part to the tax benefits of importing within EAEU compared to other markets. However, as Russia struggled to meet its own domestic demand, exports to these countries have become limited, leading to increased demand on alternative markets in 2022.

Figure 3: Passenger car exports by top export markets, US\$ mn



Source: Geostat

Figure 4: Passenger car exports from Georgia to EAEU, 2022



Source: Geostat

Local market for new cars

Georgia's local demand on new cars is around 6,300 units per year on average, with state and corporate sector being the major consumers. Legal entities accounted for 53.3% of total new car sales in Georgia over 2017-21. Please note that we refer 0-2 years old cars as new, as no better classification exists from official data sources. New car sales were up 68.5% y/y to 11.7k cars, partly driven by demand from migrants from Russia, Belarus and Ukraine arriving to live in Georgia since the start of the Russia-Ukraine war.

Prices for new cars increased in line with global trends, with increased transportation costs adding to the burden. Prices for new cars were up 15%-20% y/y in 2022 in Georgia, while transportation costs varied among dealers. Most of the dealers we interviewed, mentioned 50% y/y increase in transportation costs in 2022. In contrast, some dealers, with established relationships with transport companies, faced moderate growth of 10%-15% y/y in transportation costs, others faced even a 2.5x y/y increase, attributed to the limited availability of ships in the Black sea as Ukrainian ports closed. Dealers have uncertain price expectations on cars for 2023, but decrease in prices mostly not anticipated.

We expect strong demand on new cars to continue in 2023, but challenges with supply and pricing may persist. According to our interviews with Georgian new car dealers outlook is positive for 2023, with sales expected to grow 15%-20% y/y, however supply concerns still



remain. To identify impact of possible supply constraints on the market, we have conducted analysis of the production chain for the top-20 most popular car brands sold domestically and abroad. Our analysis examined the brands' ability to manage the semiconductor shortage, the macro trends affecting their production and their potential impact on pricing and supply. We grouped the brands into four categories by country of origin: European, American, Japanese and South Korean and present the results in BOX 1 below.

BOX 1: Expectations for supply and prices of top-20 most popular brands in Georgia

Most European brands are still struggling with the semiconductor shortage, which may limit supply in 2023. Our analysis of major brands such as Mercedes-Benz, BMW, Land Rover, Audi, Volkswagen, Opel, Fiat, Renault and Smart revealed that they all remain far below their 2019 operating levels. However, a few brands including Volkswagen, Mercedes-Benz and Audi managed to achieve year-over-year growth of production in 2022, suggesting some progress in addressing the semiconductor crisis for 2023.

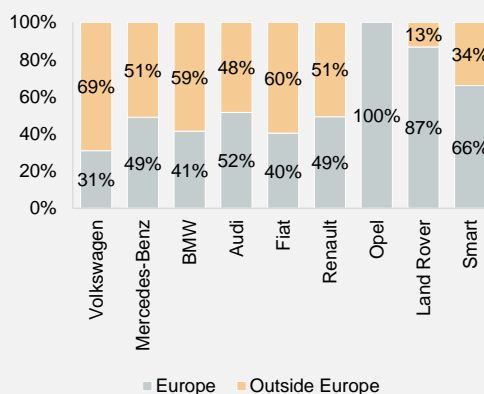
Volkswagen, Mercedes-Benz, BMW, Fiat, Audi and Renault are less vulnerable to further price increases in 2023, amid diversified production locations. The ongoing Russia-Ukraine war has added to the risks facing the European automotive industry, with rising energy and production costs, procurement challenges from Russia and Ukraine and export restrictions threatening to undermine Europe's competitiveness in pricing. However, the six above-mentioned brands may be less vulnerable to these risks due to their diversified production locations (at least half of their production falls outside of Europe). Meanwhile, Opel, Land Rover and Smart, which are almost entirely manufactured in Europe, may struggle to maintain stable prices on cars in 2023.

Table 1: 2022 production trends among European brands

Brand	% change in production vs 2021	% change in production vs 2019
Volkswagen	2% ▲	-26% ▼
Mercedes-Benz	3% ▲	-15% ▼
BMW	-2% ▼	-4% ▼
Audi	4% ▲	-11% ▼
Opel	-5% ▼	-33% ▼
Land Rover	-9% ▼	-36% ▼
Smart	-15% ▼	-63% ▼
Fiat	-7% ▼	-16% ▼
Renault	-20% ▼	-48% ▼

Source: Marklines, Galt and Taggart Research

Figure 5: Production locations of European brands 2022



Source: Marklines, Galt and Taggart Research
Note: Countries outside Europe mainly include: China, USA, Brazil, Mexico and Turkey

Japanese and South Korean brands have been most successful in managing the global semiconductor shortage, giving rise to positive supply expectations for 2023. Both countries



have a strong presence in both semiconductor manufacturing and design, and their established relationships with major semiconductor companies have allowed them to quickly adapt to changing market conditions. Toyota and Kia were the only two brands from the selected top-20 that surpassed their 2019 production levels in 2022, with Toyota's success attributed to its decision to stockpile key components in the wake of Fukushima disaster a decade ago.

Japanese brands are unlikely to face pressure to raise prices in 2023. Japanese brands have their main market focus on exports, accounting for around 85-90% of their total sales, with USA and China being the primary destinations. As a potential recession looms in USA and subsidies on EVs in China have expired from Jan-23, there should not be any demand-related pressures on prices in 2023. Additionally, Japanese brands have largely overcome the semiconductor shortage, reducing the need for price increases. Moreover, the depreciation of yen should boost the competitiveness of Japanese cars in foreign markets, resulting in a net positive effect for these manufacturers.

Table 2: 2022 production trends among Japanese and South Korean brands

Brand	% change in production vs 2021	% change in production vs 2019
Toyota	7% ▲	1% ▲
Honda	-5% ▼	-24% ▼
Nissan	-9% ▼	-34% ▼
Mazda	3% ▲	-23% ▼
Subaru	12% ▲	-16% ▼
Mitsubishi	-10% ▼	-32% ▼
Lexus	-9% ▼	-15% ▼
Hyundai	5% ▲	-15% ▼
Kia	10% ▲	4% ▲

Source: Marklines, Galt and Taggart Research

American brands like Ford, Chevrolet and Jeep are also improving production, despite operating below their 2019 levels. By entering into multi-year sourcing agreements, they are securing a stable supply of critical components. Notably, with over 60% of their sales concentrated in the USA, the narrative for American brands shifts from supply constraints to demand destruction due to rising interest rates and recessionary fears in 2023. J.P. Morgan Research expects prices to decline by 2.5% to 5% y/y for American brands in 2023.

Table 3: 2022 production trends among American brands

Brand	% change in production vs 2021	% change in production vs 2019
Ford	9% ▲	-24% ▼
Chevrolet	19% ▲	-22% ▼
Jeep	-2% ▼	-21% ▼

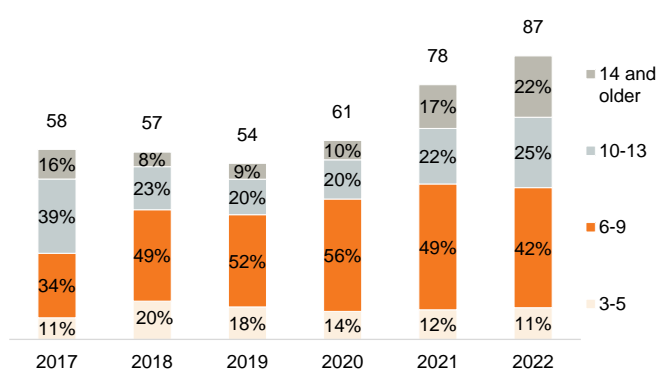
Source: Marklines, Galt and Taggart Research



Local market for used cars

Local demand for used cars averages 75k units per year, with a preference for older and fuel-efficient models. The weighted average age of passenger cars registered in Georgia ranged from 7.5 to 9.4 years over 2017-22, reflecting the tax incentives for cars in this age range (lowest excise taxes are levied on cars aging 6-9 years, other than hybrids). Furthermore, cars with 2.5L or lower engine accounted for 84.4% of total car registrations in 2017-22.

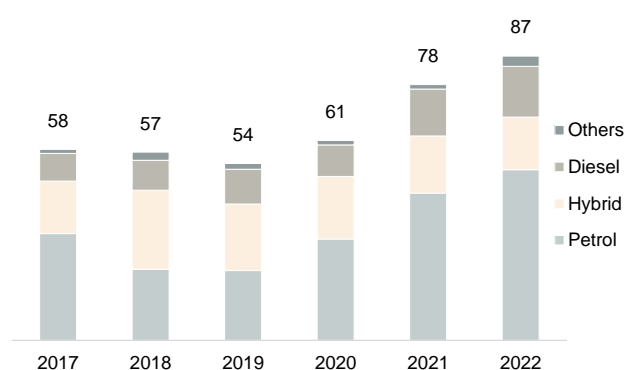
Figure 6: Passenger car clearance by age, '000 units



Source: MIA

Note: Clearance data may include cars deregistered later for re-exporting purposes, usually varying from 5 to 10% of total

Figure 7: Passenger car clearance by engine type, '000 units



Source: MIA

Note: Clearance data may include cars deregistered later for re-exporting purposes, usually varying from 5 to 10% of total

Prices for used cars in Georgia increased 47% in 2022 compared to 2019, in line with global trends. The soaring prices of used cars in USA, a major source market for Georgia have shaped the pricing trends in the country. The sharp increase in transportation costs also contributed to price hike (Transportation costs from USA range between US\$ 1,300-2,500 per car, up by US\$ 400-500 in 2022), though the strengthening of the GEL has partially mitigated the impact on consumers. Notably, the global transportation index suggests that transportation costs are normalizing to pre-pandemic levels, which is expected to ease transportation costs in 2023.

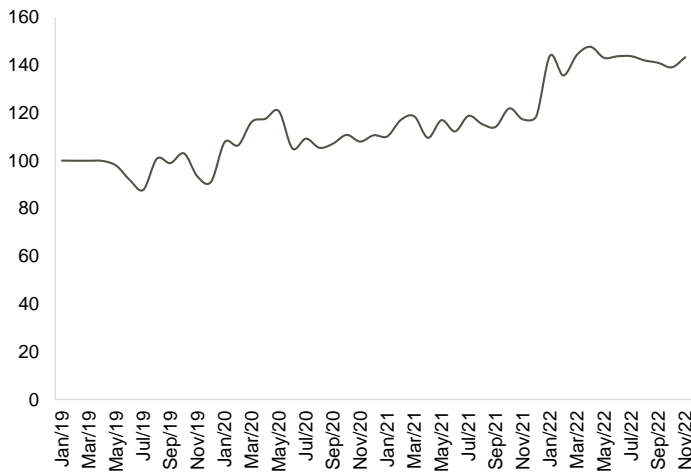
The rise in car prices shifted demand towards 10 years or older cars with petrol engine in 2021-22. The share of 10 years and older cars increased from 29.2% of total in 2019 to 46.5% in 2022. Petrol cars have taken over the share of hybrids, as hybrids are typically purchased with the intention of long-term use and purchasing a 10+ year old hybrid was not seen as a wise investment. Additionally, fuel-efficient diesel cars also regained popularity amid the rising petroleum prices in 2021-22.

The potential adoption of the Eur-5 standard on cars could result in a short-term reduction in car demand, with a shift back towards cars younger than 10 years. The government of Georgia is discussing



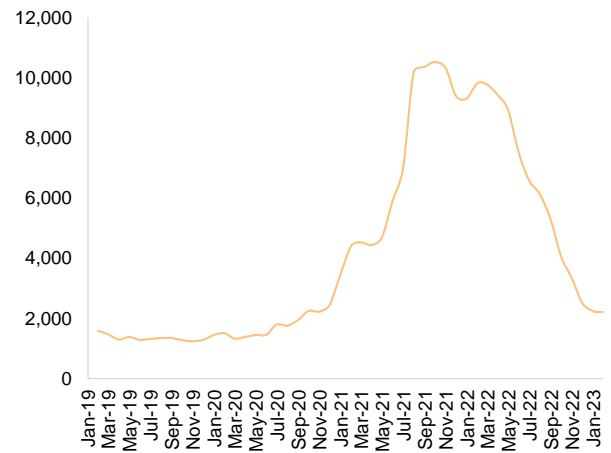
the adoption of this standard as part of its efforts to reduce carbon emissions and enhance air quality. Although the exact timing of the implementation remains uncertain, the legislation may prohibit the imports of cars manufactured before 2013. This could potentially curb the demand for cars in the short term, given the significant share of 10+ old cars in total imports. However, based on historical trends, we anticipate a gradual 8-9% increase in car demand in the medium-term.

Figure 8: Used car price index in Georgia (Jan-2019 = 100)



Source: Geostat, Galt and Taggart Research

Figure 9: Global container freight index, US\$



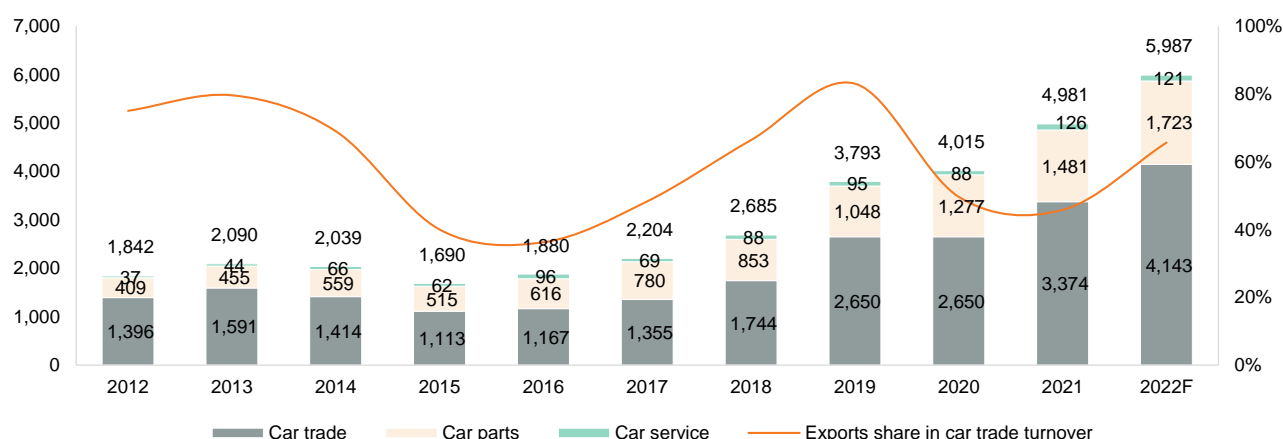
Source: Freightos



Business sector overview

The size of the formal auto business sector in Georgia was up 20.2% y/y to GEL 6.0bn in 2022, driven by car trade. The Georgian auto business combines three sub-sectors, with car trade accounting for the largest share at 69.2%, followed by trading with car parts at 28.8% and car service at 2.0% in 2022. Our estimates suggest that the formal sector makes up around 70% of the total auto business activities, considering the presence of many individual car dealers and large car parts bazaars in the country.

Figure 10: Formal auto business sector turnover, GEL mn



Source: Geostat, Galt and Taggart Research

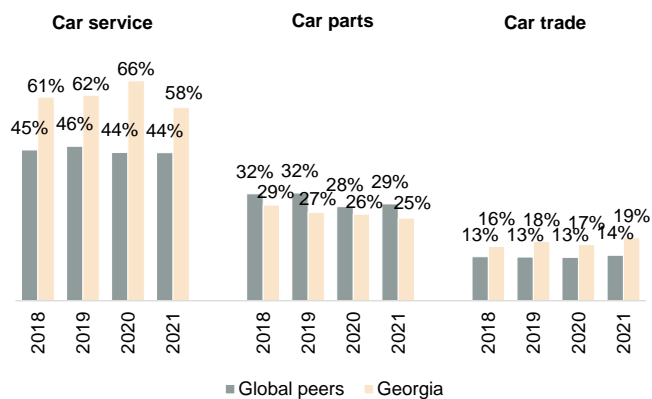
Note: Car parts turnover mostly generated from domestic market, with re-exports accounting for up to 10% of total sector revenue

Georgia's car trade sector benefits from both car exports and local sales, despite popular belief that it relies solely on exports. On average, exports account for 55%-60% of total car trade turnover, with occasional spikes due to external factors (i.e. changes in neighbouring countries tax policies such as Armenia's case in 2019 or regional geopolitical situation in 2022).

Georgian companies enjoy higher profitability compared to global peers, with average gross and EBITDA margins in all sub-sectors surpassing the global benchmarks. This is likely explained by the small market size, with companies enjoying relatively low level of competition and lower labor and other operating costs.

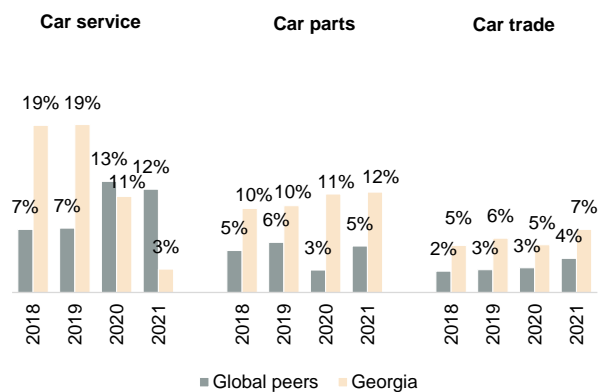


Figure 11: Average gross margins of auto business players



Source: Capital IQ, SARAS, Galt and Taggart Research
Note: Average of Capital IQ and SARAS companies

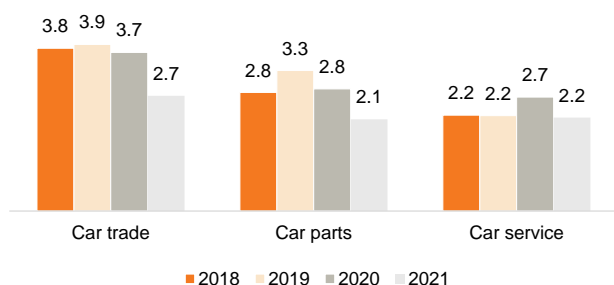
Figure 12: Average EBITDA margins of auto business players



Source: Capital IQ, SARAS, Galt and Taggart Research
Note: Average of Capital IQ and SARAS companies

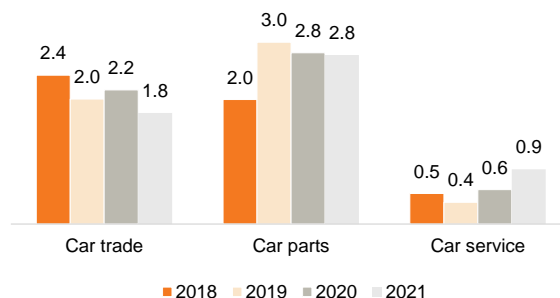
Georgian car trade and car service companies are less leveraged compared to global peers. This can be an indication of their more cautious approach to risk management, which could be a reflection of a smaller scale of the market. Additionally, most car service companies lack proper financial and accounting practices, which may limit their ability to access credit.

Figure 13: Average debt to EBITDA ratios of global auto business players



Source: Capital IQ

Figure 14: Average debt to EBITDA ratios of Georgian auto business players



Source: SARAS, Galt and Taggart Research



Future outlook and our suggestions

Outlook for 2023 is positive. New car dealers anticipate 15%-20% y/y growth in sales in 2023. The used car market's growth trajectory will largely depend on the potential adoption of Eur-5 standard on cars. In the short-term, there may be a decrease in demand, but we anticipate a steady growth of 8-9% y/y in the medium term.

Increased credit availability could stimulate the growth of the new car market in Georgia. The availability of financing options such as leasing, bank financing, dealership and manufacturer financing have largely driven the growth of the new car market in developed countries like the USA and Europe. With rough estimates, 70-85% of US and European new car sales are made through financing. This number ranges between 15%-25% of total new car sales in Georgia, based on interviews we conducted with dealers, with leasing almost non-existent due to high cost of financing.

Official car dealers have ample room for growth, given their 35%-40% share in total 0-2years old car sales in Georgia and export markets. We have selected 10 brands having official representatives in Georgia and estimated their share in sales based on car registration, de-registration and export statistics. The results of our analysis indicate that there is potential for growth in this market if more financing options become available. Alternatively, dealers can seek financing options from their brand manufacturers but the small market size limits this option due to manufacturers' lack of interest in increasing sales in small markets.

With the low level of car ownership and old car fleet, the used car market also has scope for expansion, particularly in the regions. There are views that the development of public transportation may hinder this growth, however even in the EU, where public transportation and pedestrian-friendly policies are prioritized, passenger car ownership per 1,000 people is 2.1 times higher than in Georgia, suggesting that public transportation may not necessarily limit car ownership growth. Given the heavy traffic in Tbilisi, the government may further tighten policies such as taxation, congestion pricing, parking fees etc. to manage the car growth in Tbilisi, however, regions will still provide some growth opportunities in medium-term.

Electrification of the automotive industry looks unavoidable and it is crucial for Georgia to prepare for this transition. The global EV market is currently driven by state incentives, particularly in developed nations with environmental commitments, some developing nations are also following this suit. Georgia will also have to become a part of this shift in medium-to-long term and must be prepared for this. Although Georgia's EV market is unlikely to flourish until the population's



purchasing power increases, decreasing production costs are expected to make EVs more price-competitive with ICEs in near future. This will likely encourage greater adoption of EVs in Georgia. To prepare for this, government can take several steps including developing charging infrastructure, promoting the benefits of EVs to the public etc.



Global automotive industry overview

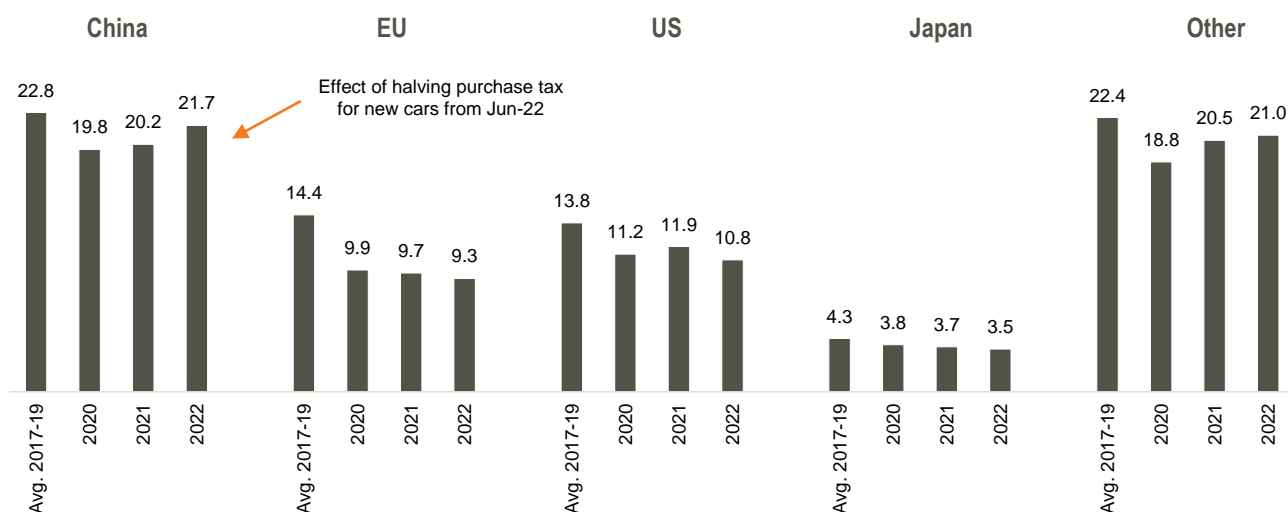
Factors affecting global demand and supply

Global demand for new cars was affected by pandemic, semiconductor shortage and geopolitical tensions in 2020-22.

Covid-19 has heavily impacted new car sales globally, leading to 15.1% y/y decline to 63.6mn units in 2020. While demand recovered in 2021, global semiconductor shortage constrained supply, resulting into a slight 3.6% y/y increase in new car sales in 2021. Rising energy prices, increased raw material and production costs, sparked by Russia-Ukraine war have caused additional stress to the industry in 2022. Global new car sales amounted to 66.2mn units in 2022, far below the pre-pandemic average of 77.6mn in 2017-19.

New car sales declined in all major markets (excluding China) albeit strong demand in 2022. China, which represents nearly a third of the global new car sales, saw a 7.6% y/y increase due to strong government backing for production and sales in 2022. US sales suffered most from the semiconductor shortage, dropping 9.2% y/y to 10.8mn units in 2022. In addition to semiconductor shortage, sales in EU were negatively impacted with demand-supply disruptions caused by the Russia-Ukraine war in 2022 (-4.6% y/y to 9.3mn units). Japan's new car sales were down 5.1% y/y to 3.5mn units in 2022.

Figure 15: Global new passenger car sales, mn units



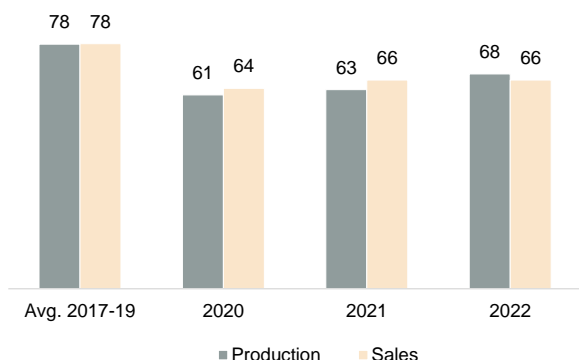
Source: ACEA



Global manufacturers had to deplete their inventories to meet demand, leaving little room for restocking. Global production averaged 62.3mn cars in 2020-21, with a 2.6mn car gap between production and sales. The surplus demand was satisfied by the existing stock. For illustration, US inventory expressed in days' supply fell below the normal level of 60 to less than 30 in Jun-21. Europe's inventory also halved in 1H21. As semiconductor shortage started to subside from 2H22, global production rebounded to 68.2mn cars in 2022, still trending far below the pre-pandemic average of 77.6mn.

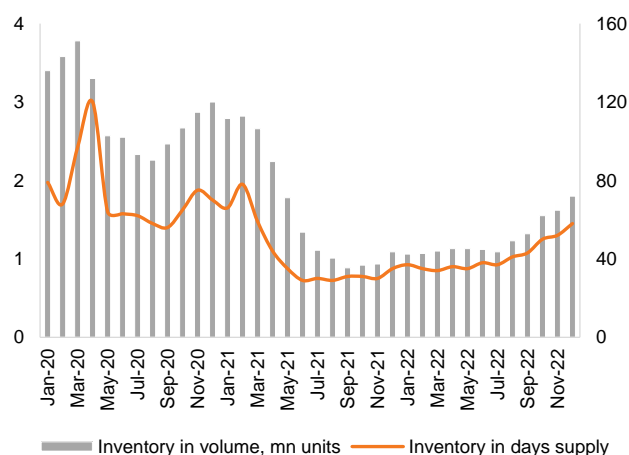
EU production was hit hardest by semiconductor shortage, Chinese affected least. EU and Germany in particular suffered most due to strong focus on premium products, which require an above-average number of chips. Meanwhile, Chinese production was least affected due to the government's prioritization of domestic production and supply chain diversification.

Figure 16: Global new passenger car sales vs production, mn units



Source: ACEA

Figure 17: New vehicle inventory in US

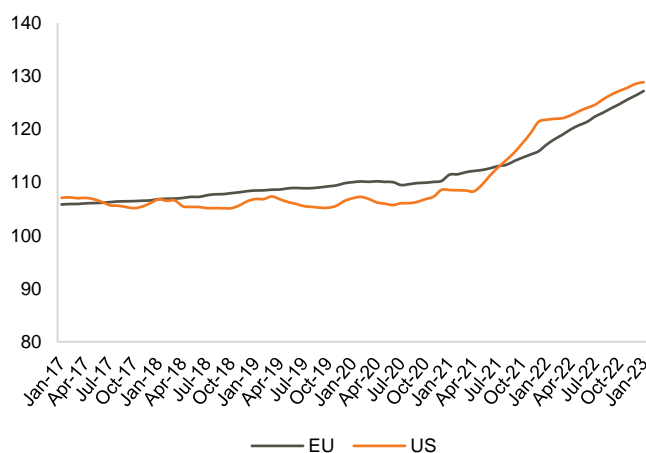


Source: Cox Automotive

New and used car prices

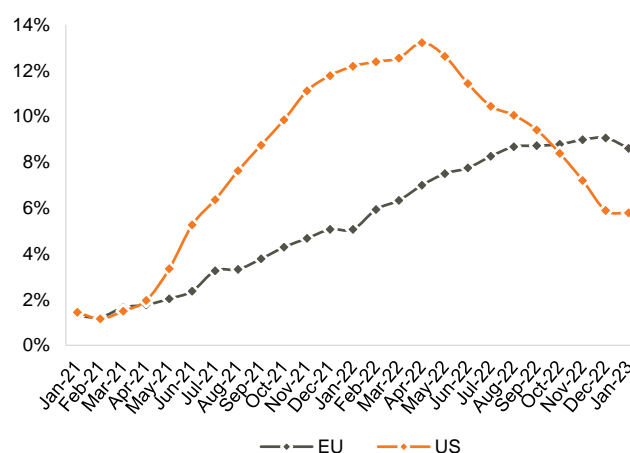
Supply-demand gap fueled new car price growth in 2020-22. Apart from semiconductor shortage, elevated raw material costs have also drove the price growth. On average, new car prices were 17% higher in the US and 12% higher in the EU in 2022 compared to 2019. Notably, new car prices in the US have already passed peak and are growing at a slower year-on-year rate, indicating a potential decline in 2023. Falling raw material costs and supply chain normalization are expected to contribute to this decline, with J.P. Morgan Research predicting a 2.5% to 5% annual reduction in new car prices in 2023. In the EU, price decline is less likely in the short-term, as Russia-Ukraine war is further exacerbating the challenges in the sector.

Figure 18: CPI on new vehicles, (Jan-2010 = 100)



Source: FRED, European Central Bank, Galt and Taggart Research

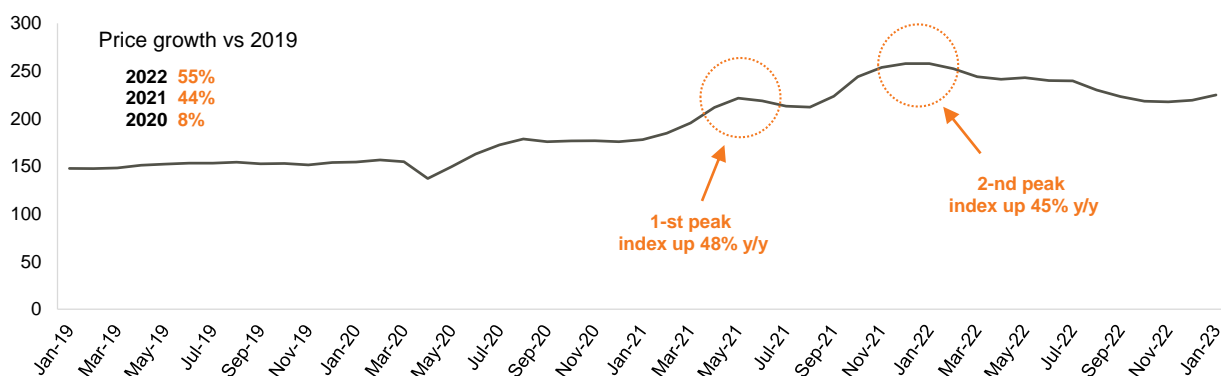
Figure 19: CPI on new vehicles, y/y % change



Source: FRED, European Central Bank, Galt and Taggart Research

Limited new vehicle supply shifted demand on used cars, driving up used car prices. Used car prices peaked in May-21, with Manheim used car price index¹ up 48% y/y. The price growth was due to a shortage in new car inventory coupled with pent-up demand, supported by COVID- related stimulus checks and low interest rates on loans in the US. The new-vehicle production problem worsened in 3Q21, leading to another record-high price hike in Jan-22 (+45.0% y/y). Used car prices were on a downward trend in 2022, amid rising interest rates and improved availability of new cars. Although a marginal growth was evidenced in Jan-23, used car prices are anticipated to decline in 2023, as demand pressure caused by the new car shortage is expected to ease. J.P. Morgan Research predicts a 10% to 20% annual drop in used car prices in 2023.

Figure 20: Manheim used car price index, (Jan-1997 = 100)



Source: Manheim, Cox Automotive

¹ Manheim used car price index measures the prices dealerships pay for used cars at auctions and is a widely recognized benchmark for tracking used car price trends globally.

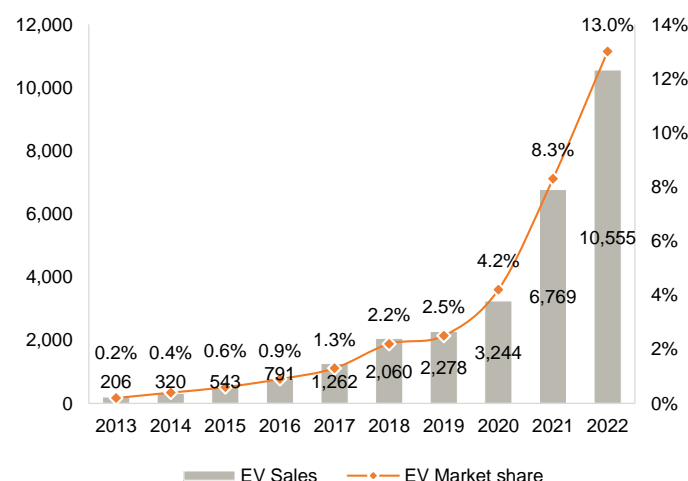


Electric vehicle market trends

Electric vehicle sales were least affected by market disruptions in 2020-22, possibly signaling stronger prospects. Despite the global automotive industry facing significant challenges, electric vehicle sales have grown at a remarkable CAGR of 66.7% over 2019-22, reaching 10.6mn units in 2022. Furthermore, EV market penetration increased from 2.5% in 2019 to 13.0% of global sales in 2022.

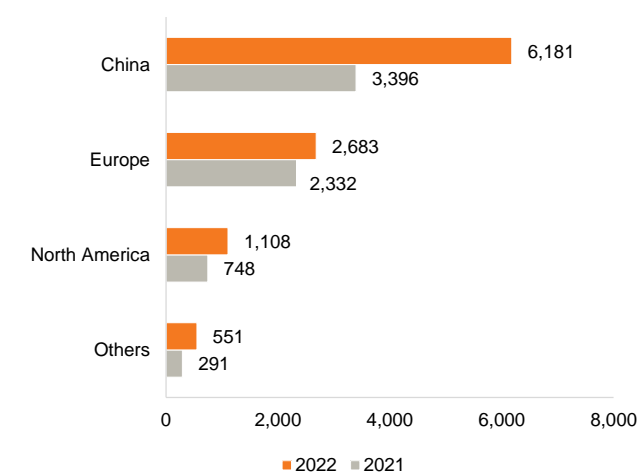
The growth in EV sales is predominantly driven by long-term environmental concerns and various government incentives. China, Europe and North America, which made up 94.8% of global EV sales in 2022, offer a variety of incentives such as subsidies, tax cuts, rebates and manufacturer grants to bolster EV sales and mitigate the impact on the environment. For instance, the US government provides up to \$7,500 per EV, most EU countries offer rebates up to €10,000, Chinese government provides varying amounts which are gradually decreasing each year. These incentives proved to be particularly effective during the challenging times in 2020-22, resulting in a 15.0% y/y EV sales growth in Europe, 48.1% y/y growth in North America and 82% y/y growth in China in 2022.

Figure 21: Global electric vehicle sales ('000 units)



Source: EV Volumes
Note: EVs include BEVs and Plug-in hybrids

Figure 22: Electric vehicle sales by market ('000 units)



Source: EV Volumes
Note: EVs include BEVs and Plug-in hybrids

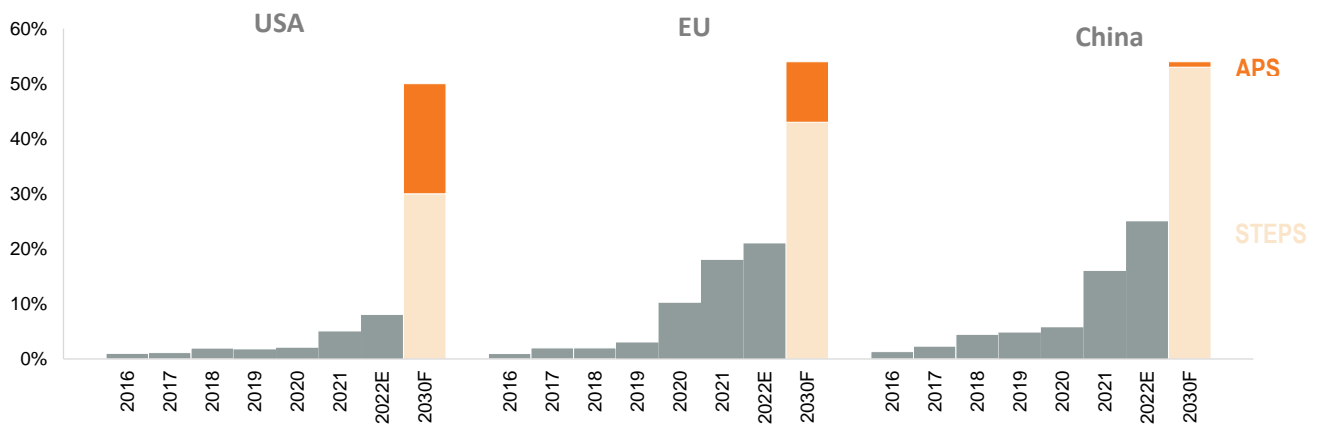
2023 is expected to reveal whether the demand for EVs can sustain itself without government subsidies. China, which accounts for over half of the global EV sales, has removed subsidies for EV buyers starting in 2023, but other measures such as tax exemptions are likely to continue incentivizing the industry. While there is uncertainty regarding whether the government will re-introduce subsidies due to pandemic and



economic pressures, maintaining the current policies will provide valuable insights into the EV market's future without subsidies.

By 2030, if countries deliver on their climate pledges, every 2nd car sold in EU, US and China should be electric, leading to increased EV resale to developing economies. The global automotive industry is at a crossroads as countries seek to reduce their carbon emissions and limit their impact on the environment, with EU, US and China being the key regions driving this transition. This shift towards EVs will also have implications for the resale market, particularly in developing economies like Georgia in medium-term.

Figure 23: IEA projections for electric car market share under two possible scenarios



Source: IEA

Note: STEPS reflects current EV-related policies and measures, as well as policy ambitions and targets that have been legislated by governments around the world. While APS assumes that all government announced EV-related ambitions, targets and other pledges, regardless of whether or not these have been anchored in legislation, are met in full and on time.



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