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CREATING OPPORTUNITIES

Telecommunication Sector in Georgia

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Content

Key findings

Mobile

Subscribers in 2022: 5.27mn

Revenue in 2022: GEL 696mn

Recent developments

- Additional 0.32mn users subscribed to mobile operators over 2022-1H23, boosted by migrants and tourism recovery. Notably, Magticom retained leading position and attracted c. 54% of new subscribers.
- Mobile revenues have been growing since 2021, driven by subscriber growth and removed tariff restrictions since Jul-21.
- Mobile data traffic is the main driver of growth, skyrocketing 7x due to growth of subscribers and data usage per user over 2019-1H23.

What to expect

- Mobile data will be the growth catalyst, fueled by increased smartphone adoption and data usage per person. No major growth expected in mobile subscribers.
- Mobile data traffic per user expected to increase 3x in Central and Eastern Europe (CEE) over 2022-28 amid introduction of 5G.

Fixed broadband

Subscribers in 2022: 1.01mn

Revenue in 2022: GEL 336mn

Recent developments

- Additional 90k users subscribed for fixed broadband over 2022-1H23, boosted by real estate sales and growing availability in the regions. Growth continued in 1H23 and reached 1.06mn (+6.4% y/y) users.
- Fixed broadband revenues have been steadily growing over 2018-22, driven by growth of subscribers and tariffs.
- Fixed broadband penetration is high in Tbilisi and large regional centers, while still remains low in rural areas.

What to expect

- Fixed broadband subscribers expected to follow real estate sales and penetration in rural parts.
- Fixed broadband subscribers will grow modestly and will be up by 18% to 1.59bn subscribers across the globe by 2030, according to Point Topic.

Pay-TV

Subscribers in 2022: 0.70mn

Revenue in 2022: GEL 136mn

Recent developments

- Unlike other segments, Pay-TV subscribers were down -0.4% y/y in 1H23, driven by Magticom abandoning satellite TV from Jan-23 and growing popularity of streaming services.
- Pay-TV segment revenues still growing moderately thanks to growing tariffs and service bundling with fixed broadband services.
- Pay-TV penetration is high in Tbilisi and regional centers and very low in rural areas.

What to expect

- Pay-TV subscriptions are expected to remain stagnant or even decrease further due to the increasing competition from digital streaming platforms like Setanta, Netflix, and others.
- On a global scale, more and more operators are discontinuing TV services in favor of either their own or third-party streaming services.

Telecom sector revenue in Georgia, 2022

Retail
GEL 937.0mn (78.5%)

Corporate segment
GEL 256.7mn (21.5%)

Telecommunication Sector Revenue
GEL 1,193.7mn

Mobile
696.2mn (58.3%)

Fixed broadband
335.9mn (28.1%)

Pay-TV
135.8mn (11.4%)

Fixed voice
25.8mn (2.2%)

Magticom **49.3%**

Silknet **34.4%**

Cellfie **16.3%**

Magticom **46.7%**

Silknet **33.7%**

Other **19.7%**

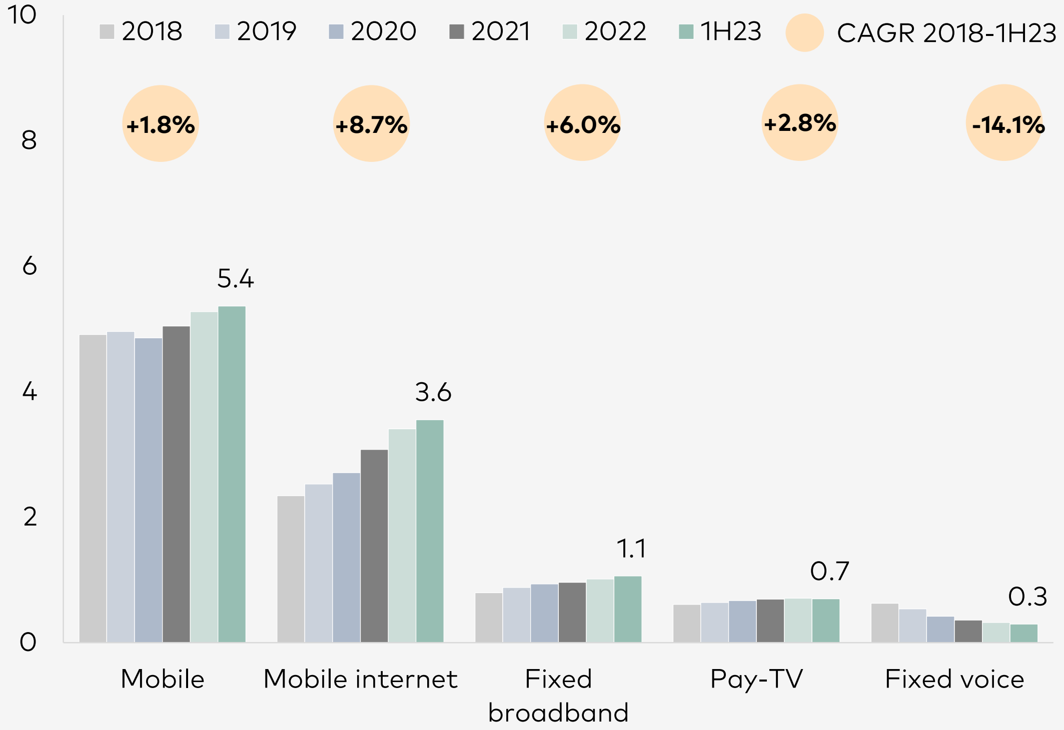
Magticom **52.5%**

Silknet **35.8%**

Source: GNCC

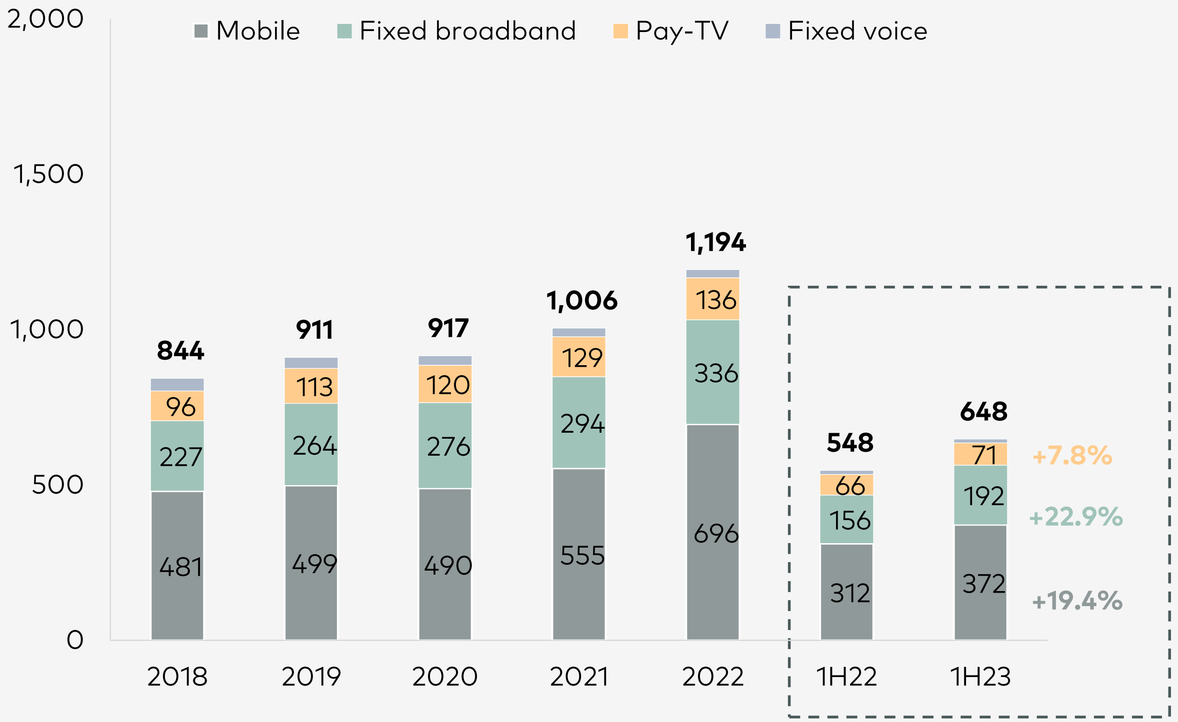
Telecom sector revenue was up 18.4% y/y to GEL 648.4mn in 1H23, mostly fueled by mobile segment

Telecom subscribers over 2018-23, mn



Source: GNCC
Note: Mobile streaming app subscribers are excluded from Pay-TV subscribers

Telecom sector revenue breakdown, GEL mn



Source: GNCC

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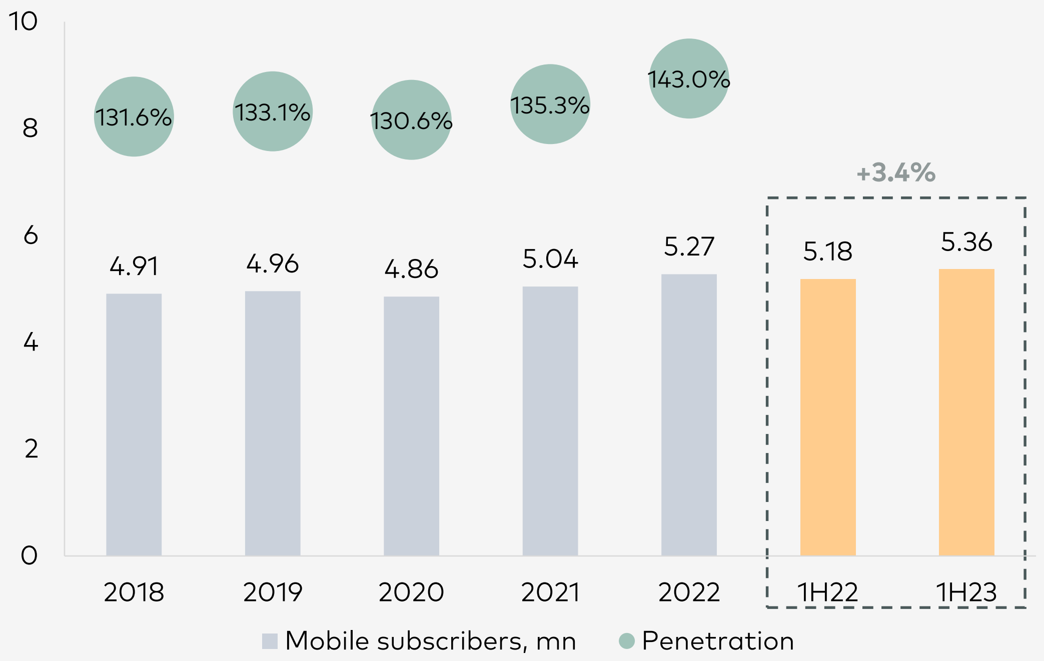
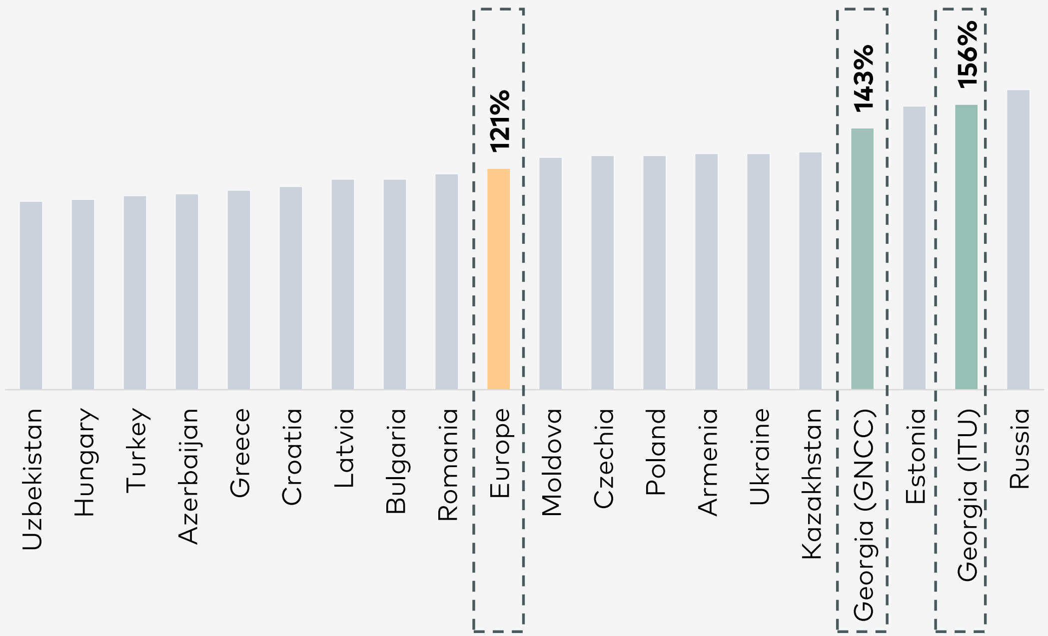
Additional 0.32mn users subscribed over 2022-1H23, boosted by migrants influx and tourism recovery

Mobile subscribers and penetration in Georgia



Source: GNCC, Geostat

Mobile subscriber penetration in peer countries, 2022



Source: ITU

Note: 2020-21 data are used for Latvia, Bulgaria, Poland, Armenia, Ukraine and Russia

The difference in penetration rates in Georgia can be explained by the methodological differences between ITU and GNCC.

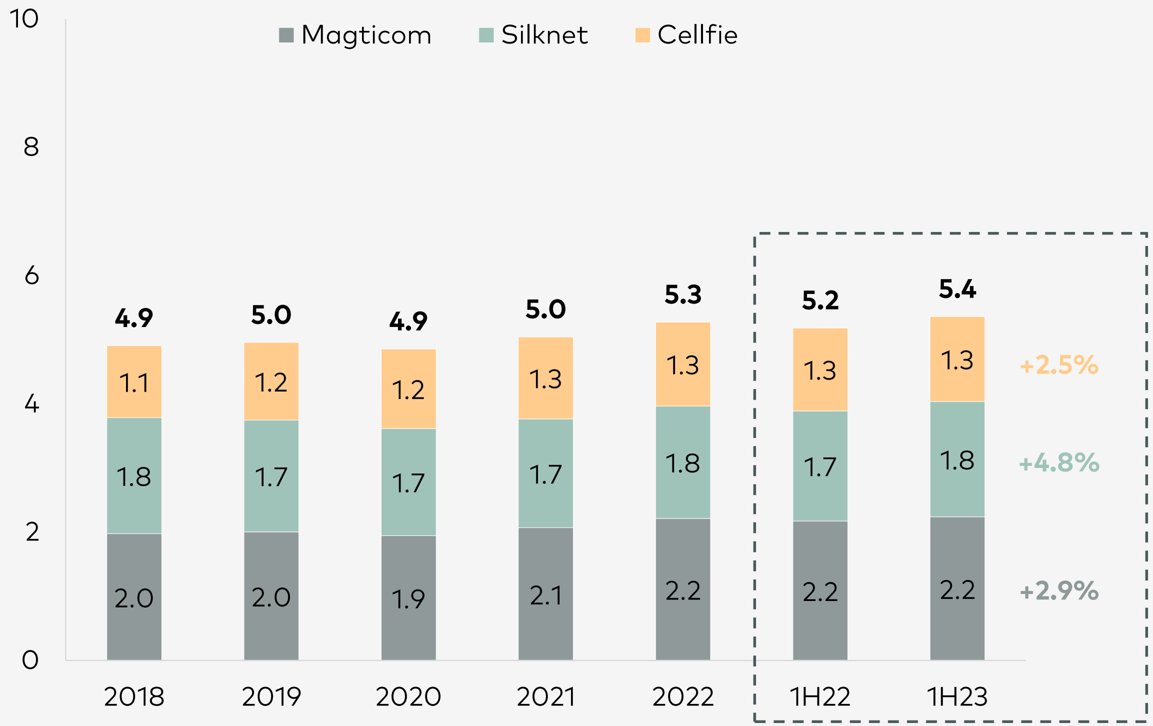
Georgian mobile operators in numbers, 2022

	MAGTI	SILKNET	ველფეი მობაილ
Mobile subscribers	**2,215k**	**1,753k**	**1,305k**
Market share	42.0%	33.2%	24.7%
Mobile revenue	**GEL 343.3mn**	**GEL 239.5mn**	**GEL 113.3mn**
Market share	49.3%	34.4%	16.3%
ARPU	**GEL 12.9**	**GEL 12.0**	**GEL 7.4**
Mobile data subscribers	**1,169k**	**1,223k**	**1,012k**
Market share	34.3%	35.9%	29.7%

Source: GNCC

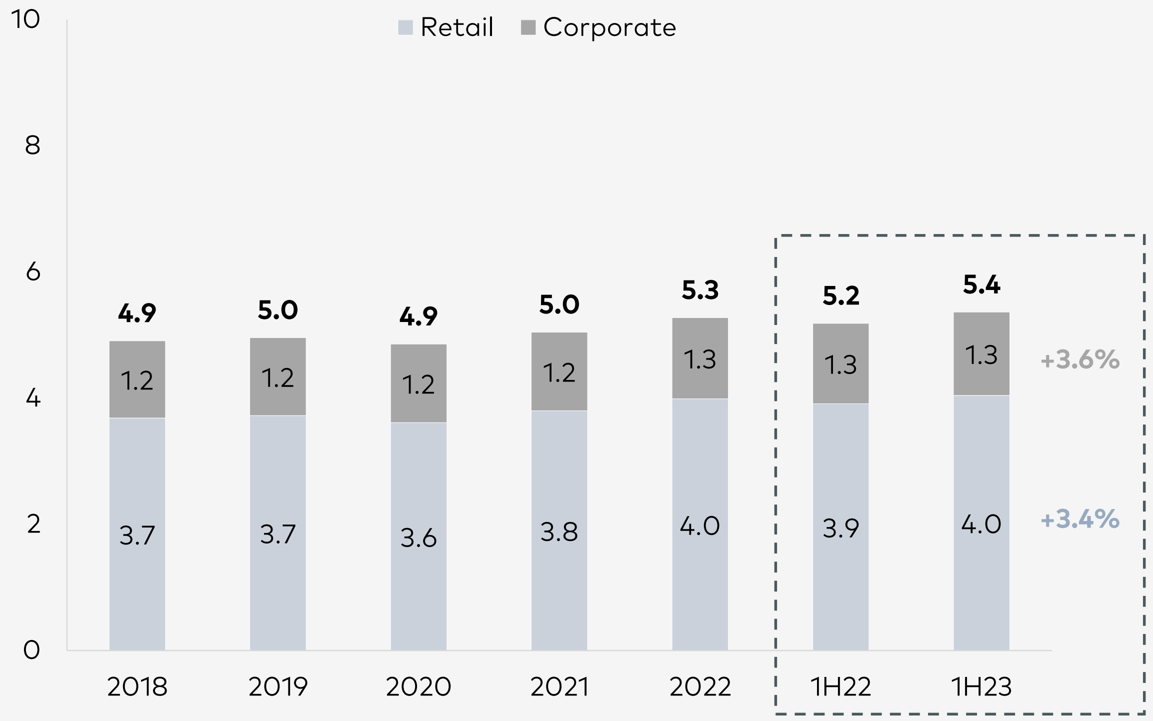
Magticom retained leading position and attracted c. 54% of new subscribers over 2022-1H23

Mobile subscribers by company, mn



Source: GNCC

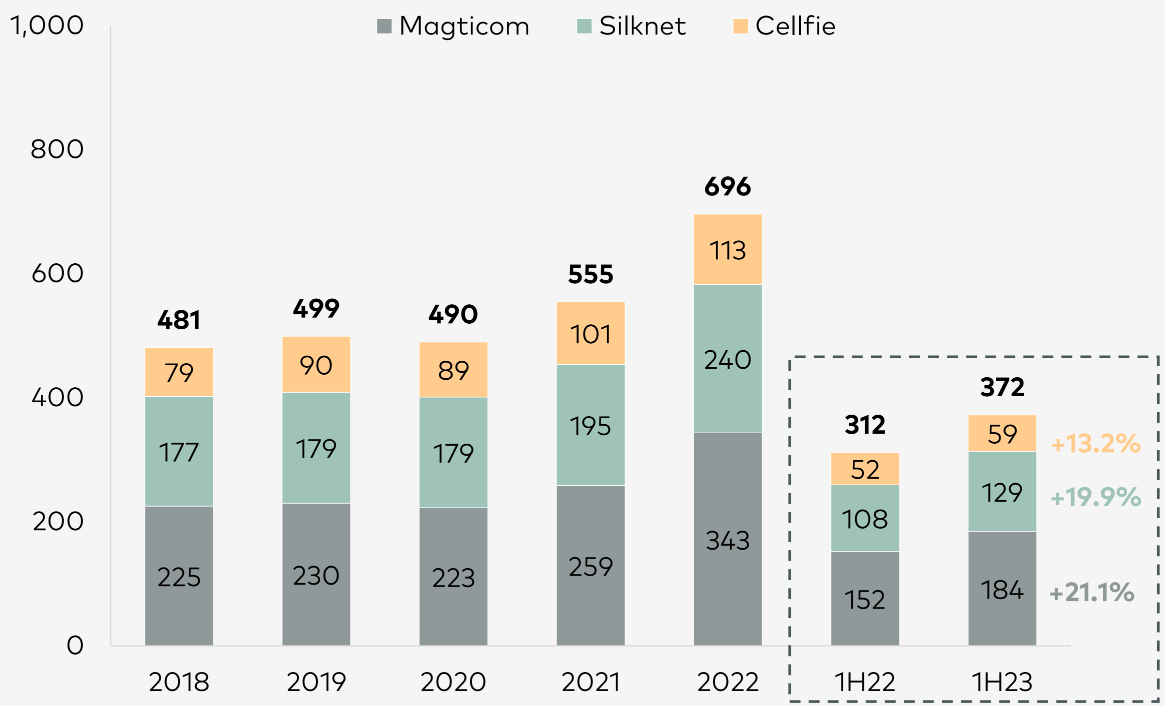
Retail & corporate subscribers, mn



Source: GNCC

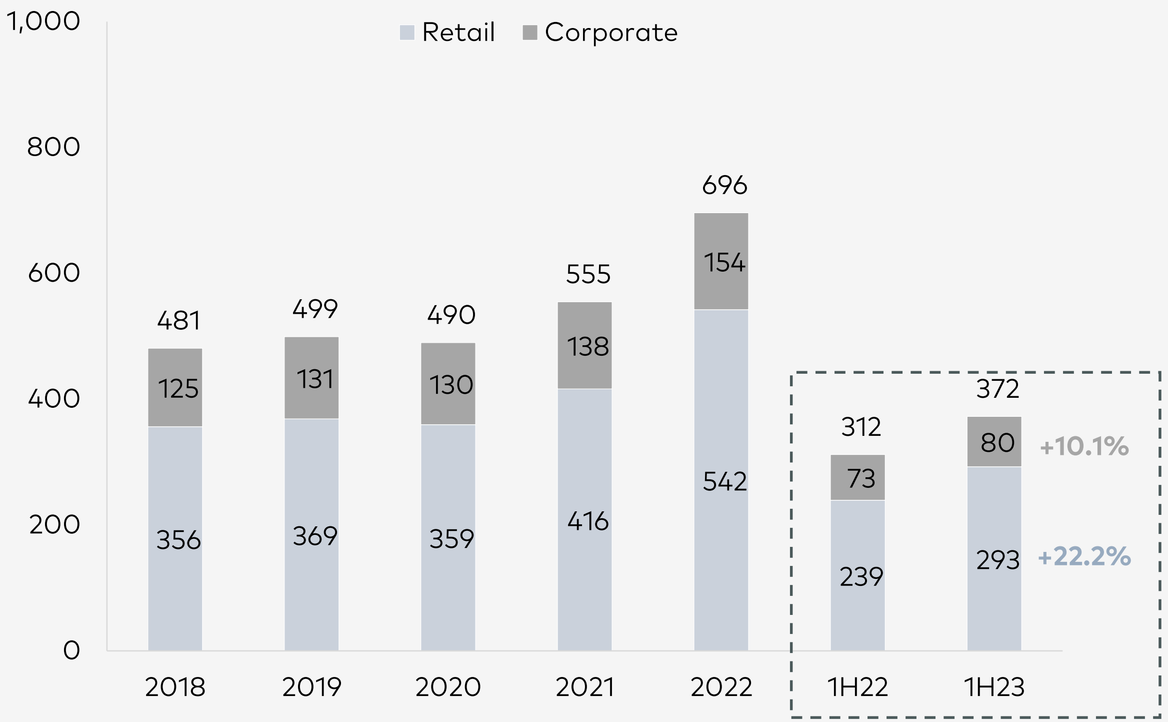
Mobile revenues have been growing since 2021 and reached GEL 372.4mn (+19.4% y/y) in 1H23

Mobile segment revenue, GEL mn



Source: GNCC

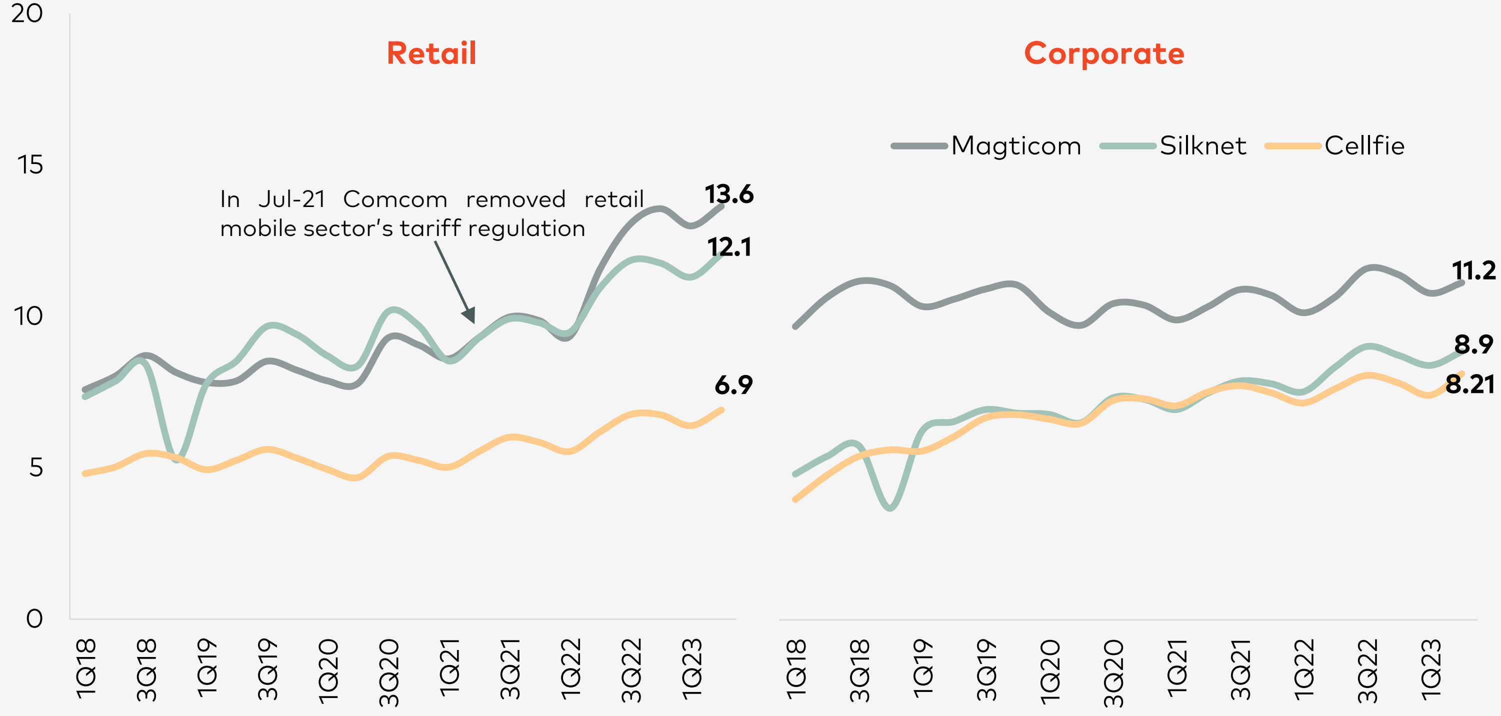
Mobile revenue by segment, GEL mn



Source: GNCC

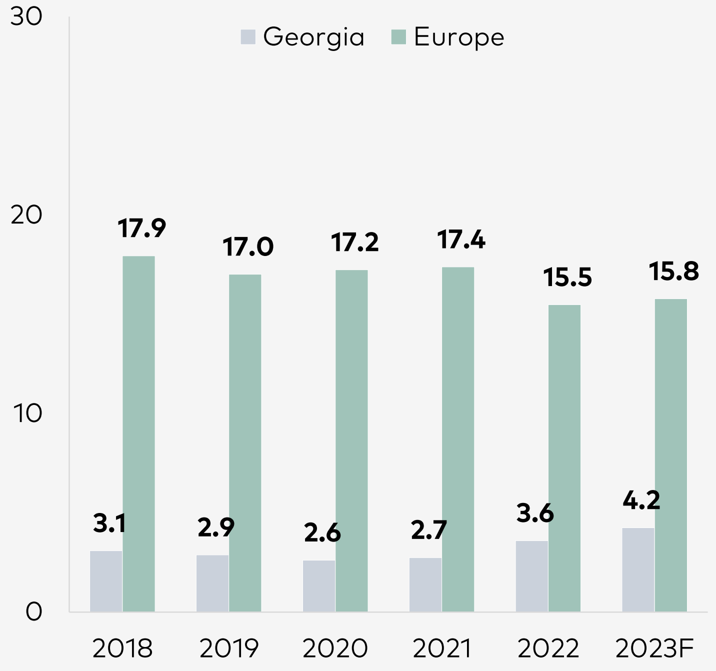
Mobile segment ARPU is rising due to removed tariff restrictions since Jul-21

Mobile ARPU, GEL



Source: GNCC

Mobile ARPUs in Georgia vs Europe, US$



Source: GNCC, ETNO

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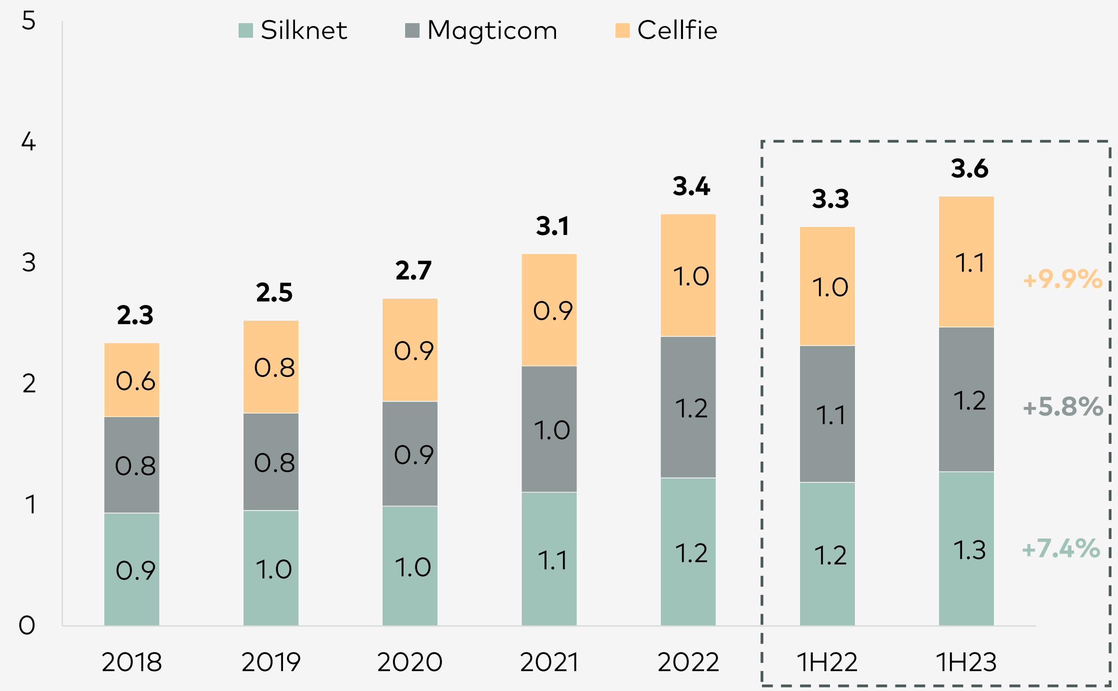
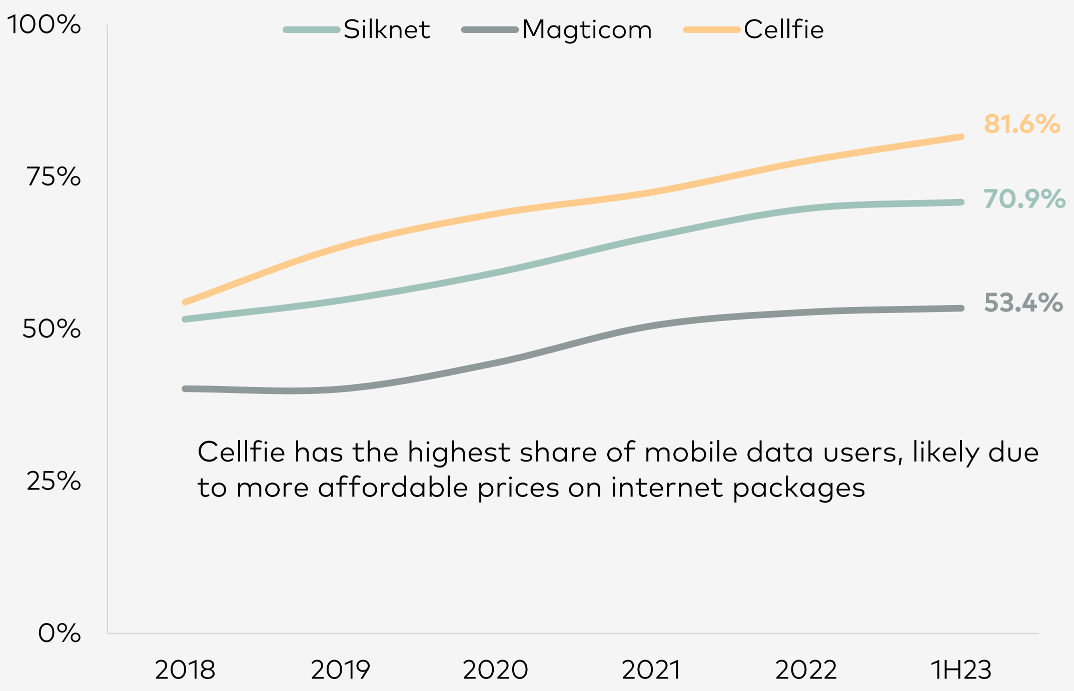
Mobile data subscribers rapidly growing, up by 0.47mn new users over 2022-1H23

Mobile data subscribers, mn



Source: GNCC

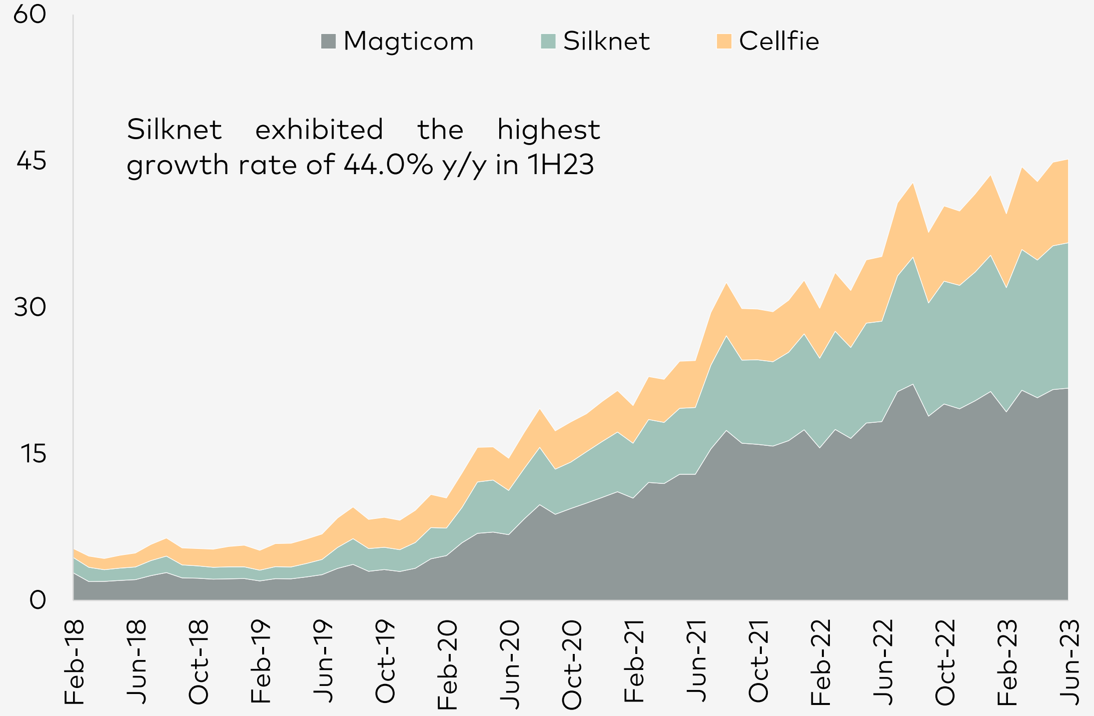
Share of mobile subscribers using mobile data



Source: GNCC

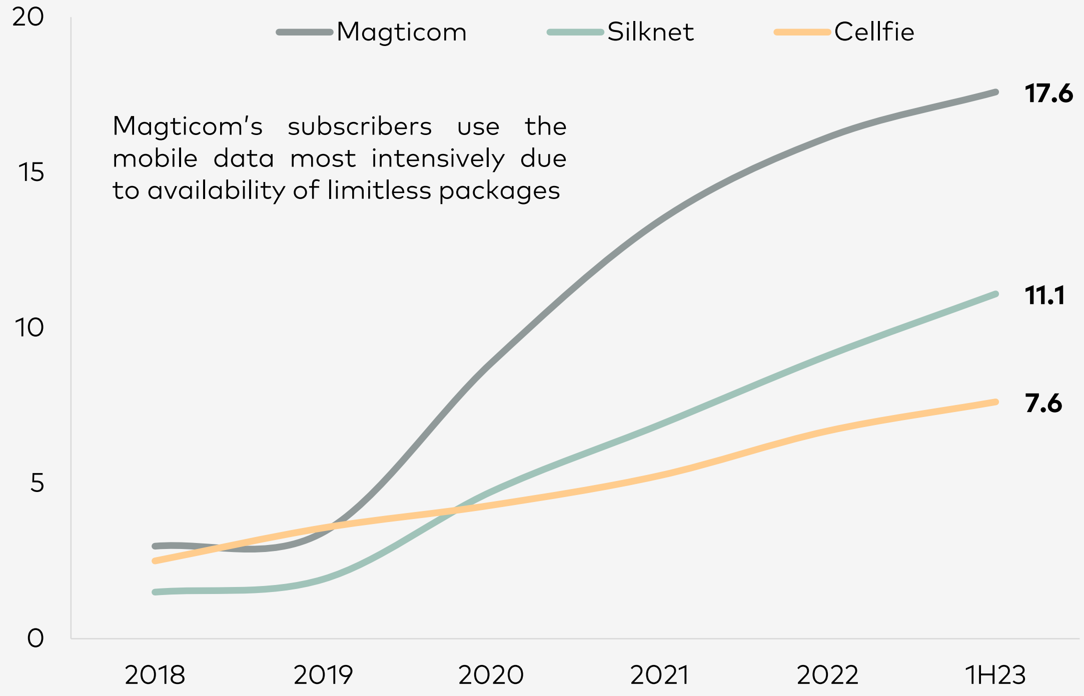
Mobile data traffic skyrocketed since pandemic due to growth of subscribers and data usage per user

Mobile data traffic, TB ('000)



Source: GNCC

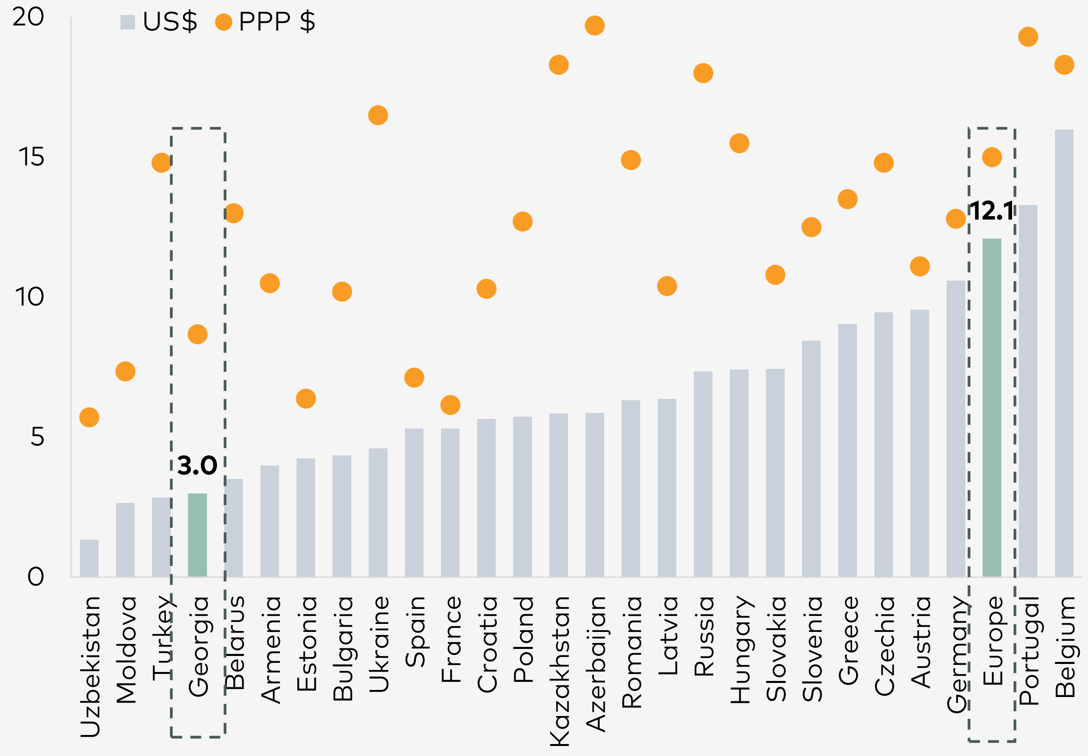
Monthly mobile data usage per user, GB/m



Source: GNCC

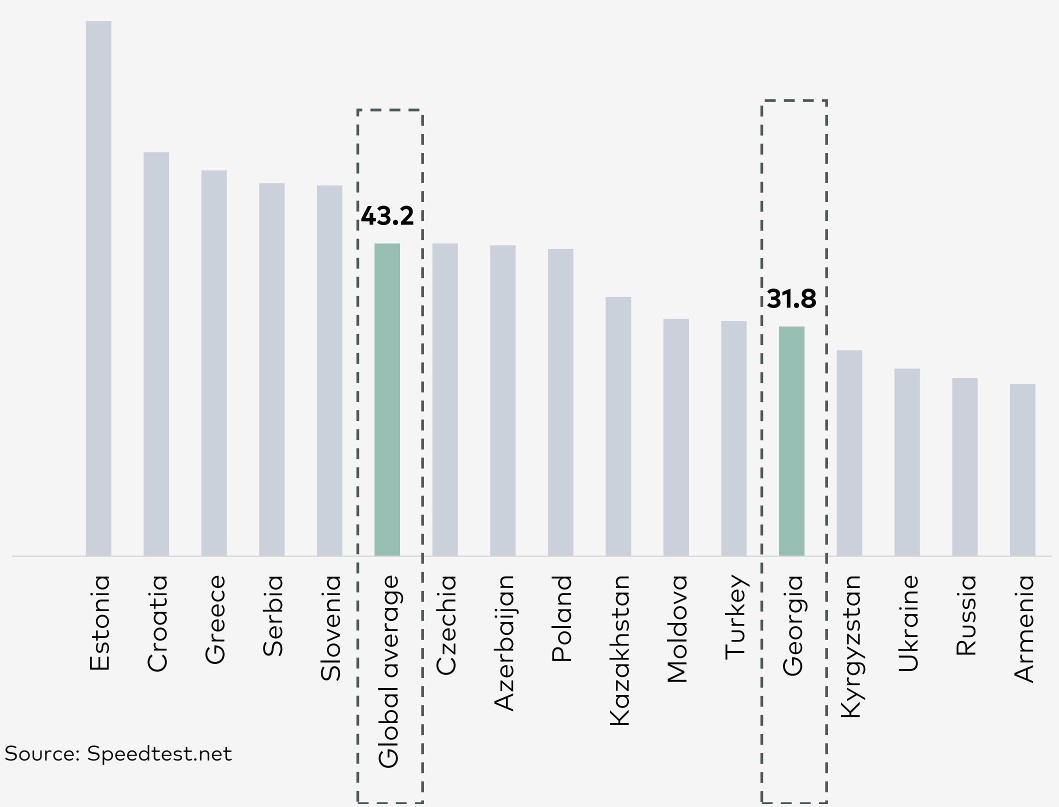
Price and speed of mobile data remains relatively lower compared to European countries

Price of 2GB mobile data, US$ and PPP, 2022



Source: ITU

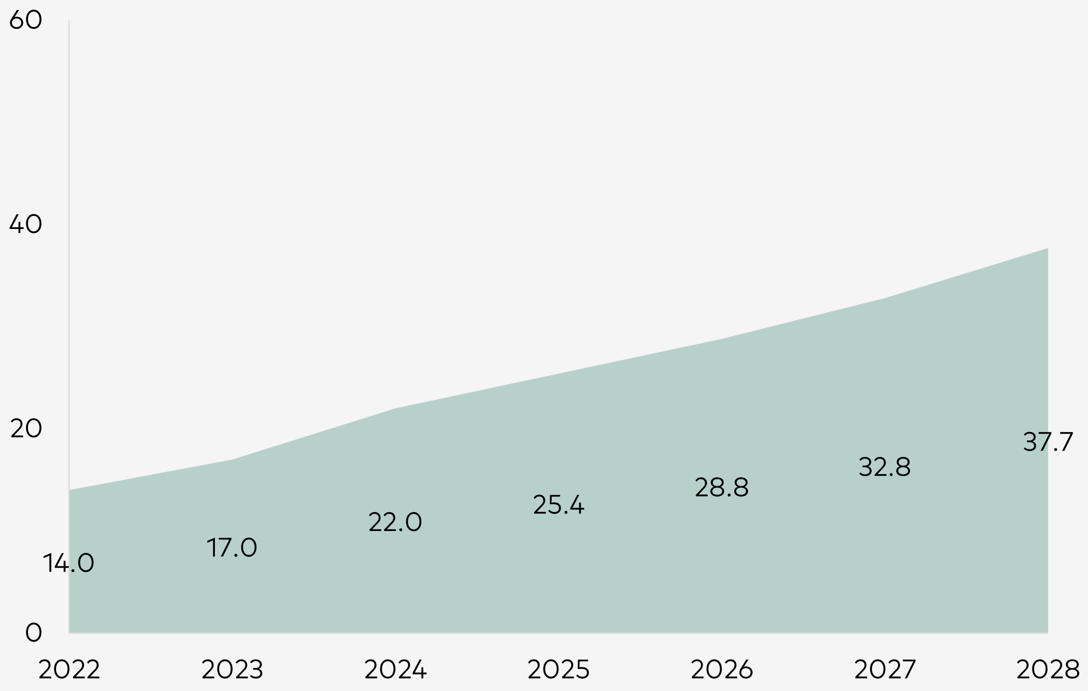
Global mobile internet speed, Aug-23, Mbps



Source: Speedtest.net

Mobile data traffic per user expected to increase 3x in CEE over 2022-28

Monthly mobile data usage projections in CEE, GB/month



Source: Ericsson mobility report

Key developments in mobile data:

The average monthly data traffic per smartphone expected to grow from 14GB to c. 37GB per month in CEE over 2022-28, based on Ericsson mobility report.

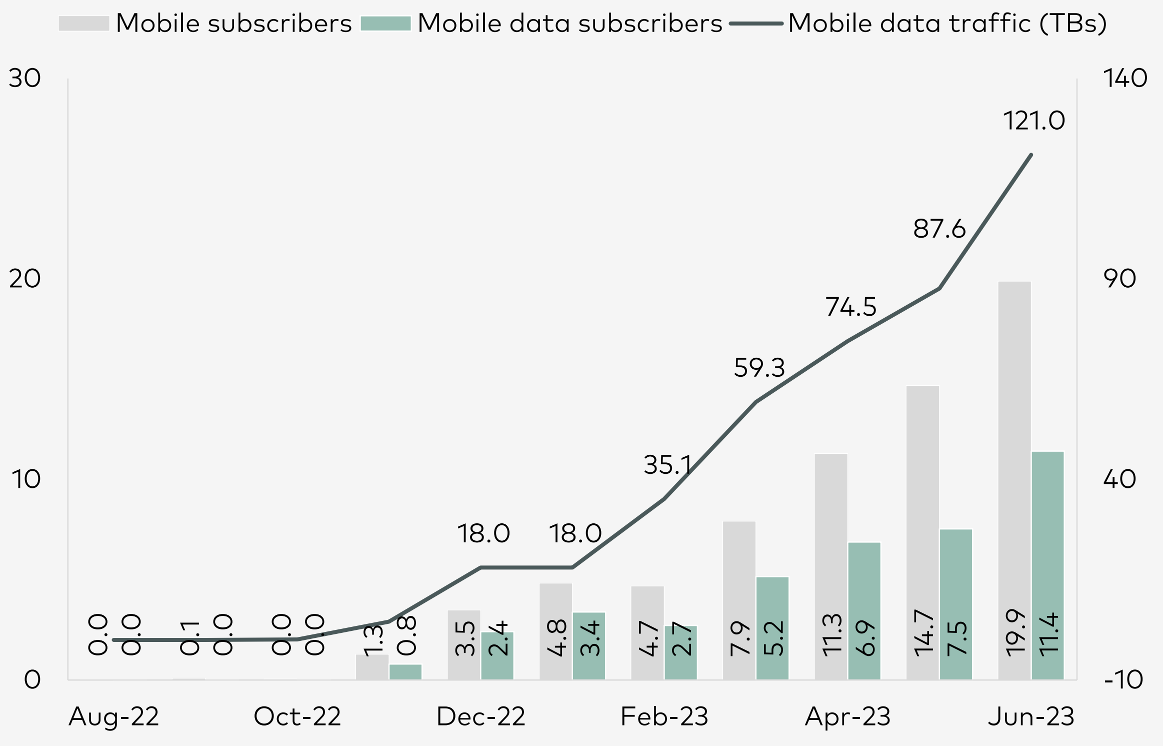
In CEE, expansion is primarily propelled by the shift to 5G, which is projected to surpass earlier generations as the dominant technology driving subscription growth.

The increase in mobile data usage per smartphone can be traced back to three primary factors:

1) enhancements in device capabilities,
2) a rise in data-heavy content,
3) an expansion in data consumption due to ongoing enhancements in network performance.

In Aug-23 Cellfie won the auction for 5G implementation conducted by GNCC, while Magticom and Silknet did not participate

MVNO subscribers and mobile data traffic



Source: GNCC

The only **Mobile Virtual Network Operator (MVNO)** currently active in Georgia is Hallo, operating since Aug-22, reaching 19.9K mobile subscribers, 11.4 mobile data subscribers and providing 121.0TB data used in Jun-23.

Silknet's and Magticom's position about not participating:

The main requirement from operators was to offer flexibility in decision-making:

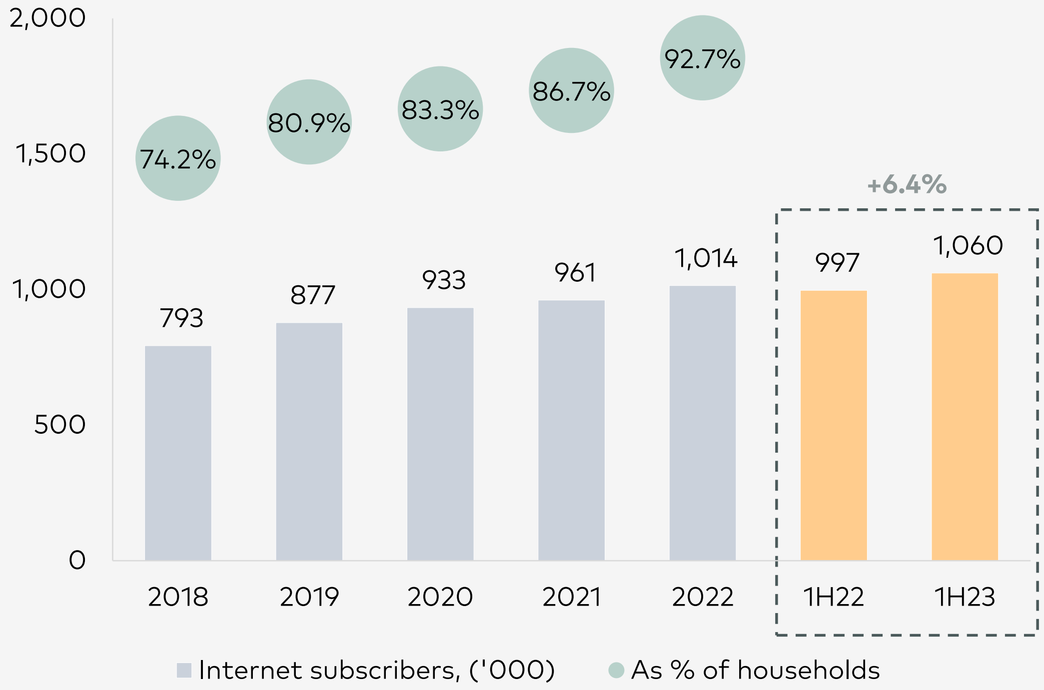
1) operators could opt for MVNO access obligations with a corresponding discount on auction fees

2) choose not to have obligations, missing any auction fee discount

Content

Fixed broadband subscribers continued growing and reached 1.1mn (+6.4% y/y) users in 1H23

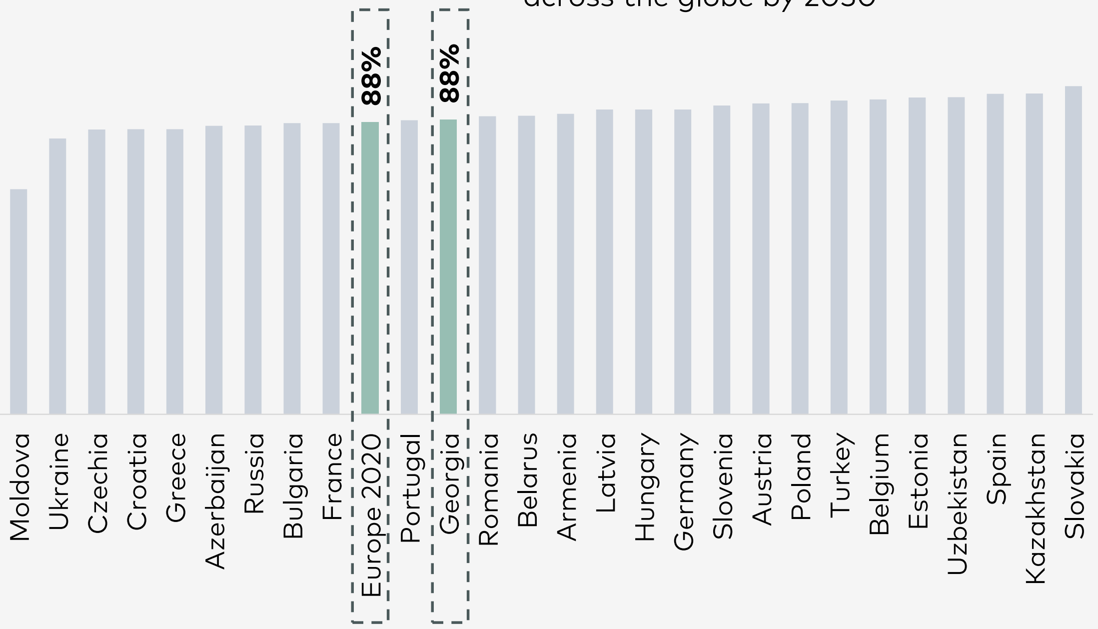
Fixed broadband subscribers and household penetration



Source: GNCC
Note: 2022 penetration is used for 1H23 as 2023 is not available

Households with internet access at home, 2022

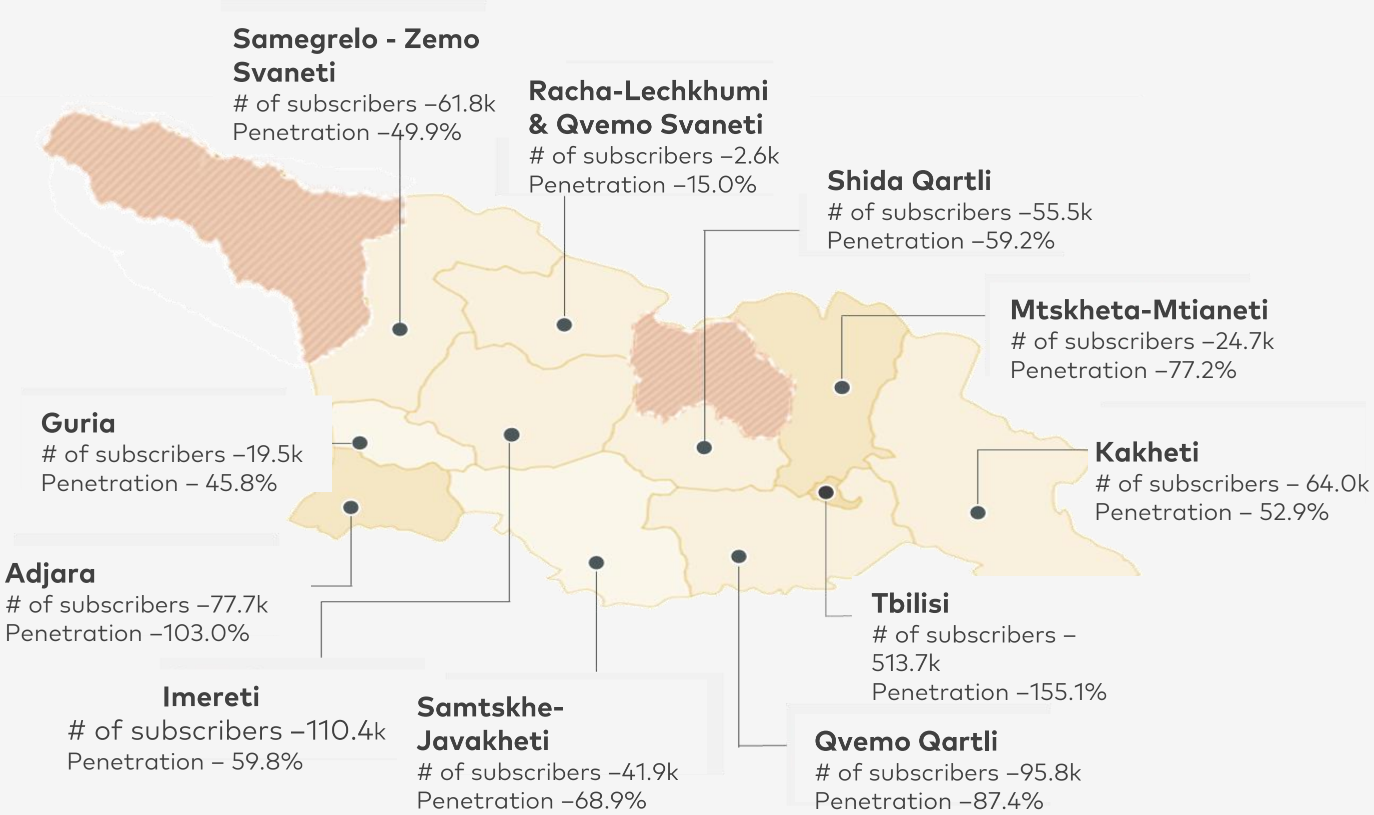
Point Topic forecasts that subscribers will be up by 18% to 1.59bn subscribers across the globe by 2030



Source: ITU
Note: Difference between penetrations in Georgia is due to different methodologies of ITU and GNCC

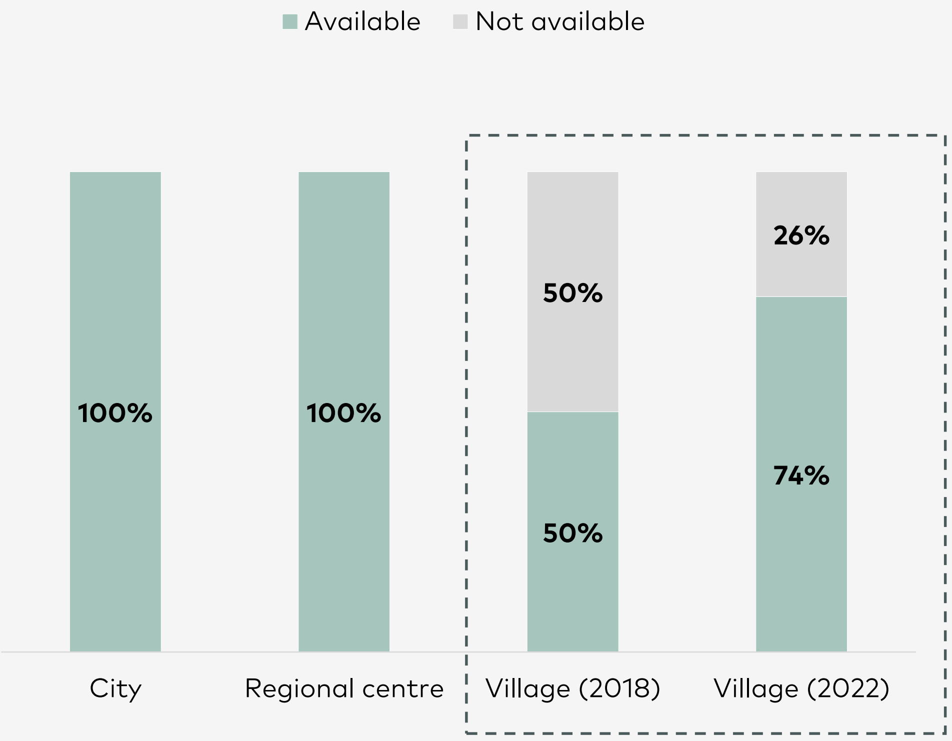
Fixed broadband subscriptions are boosted by real estate sales and by growing availability in the regions

Fixed broadband penetration by region, Jun-23



Source: GNCC

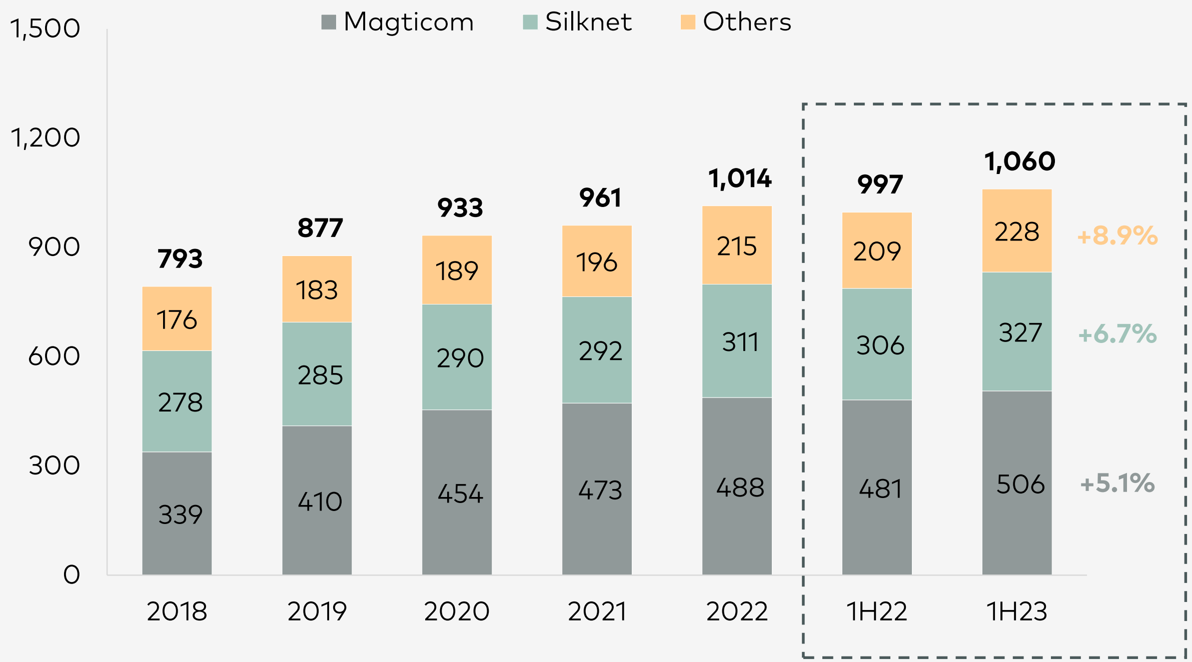
Fixed broadband availability in Georgia, 2022



Source: GNCC

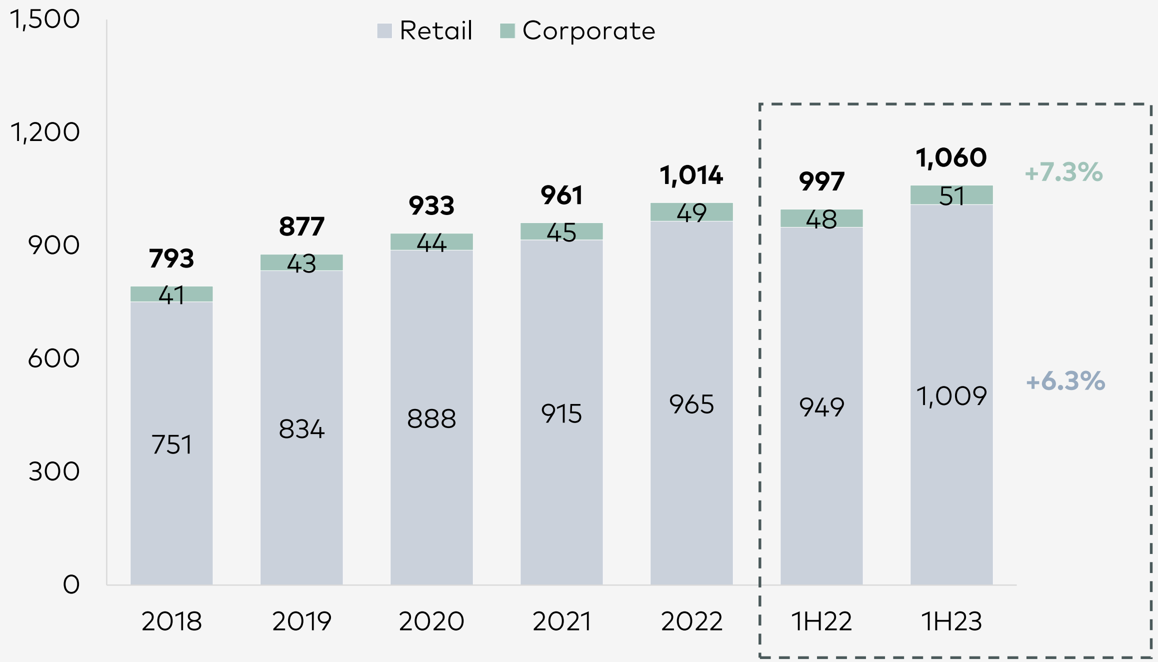
All companies increased their subscriber base

Fixed broadband subscribers by company, ('000)



Source: GNCC

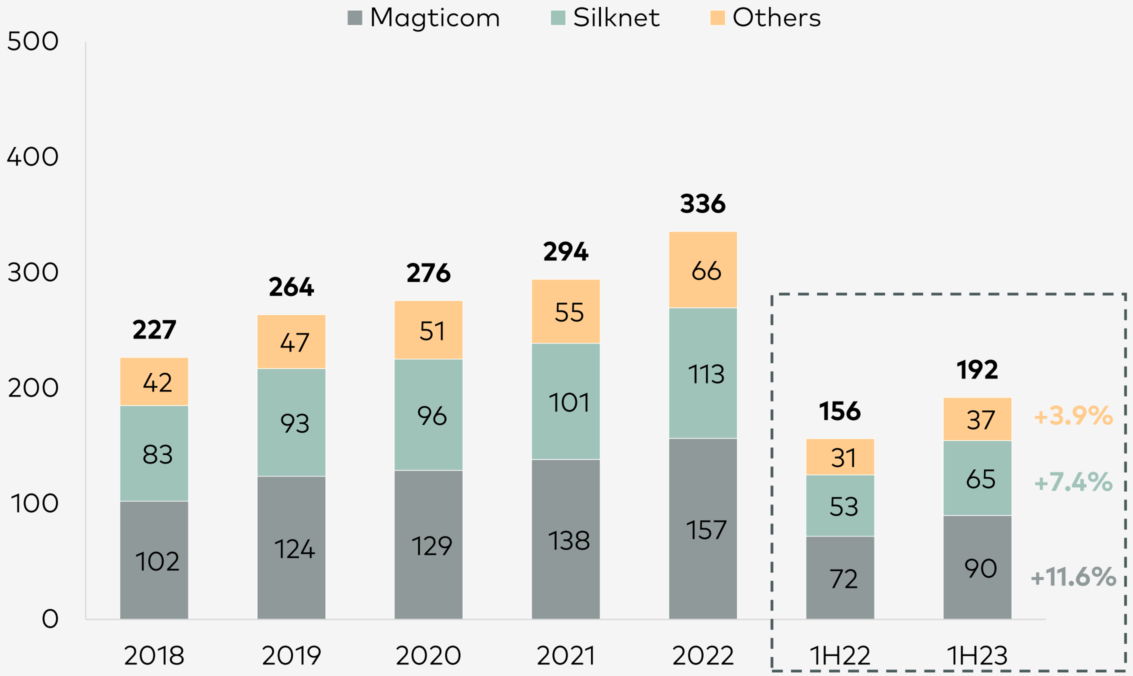
Retail & corporate subscribers, ('000)



Source: GNCC

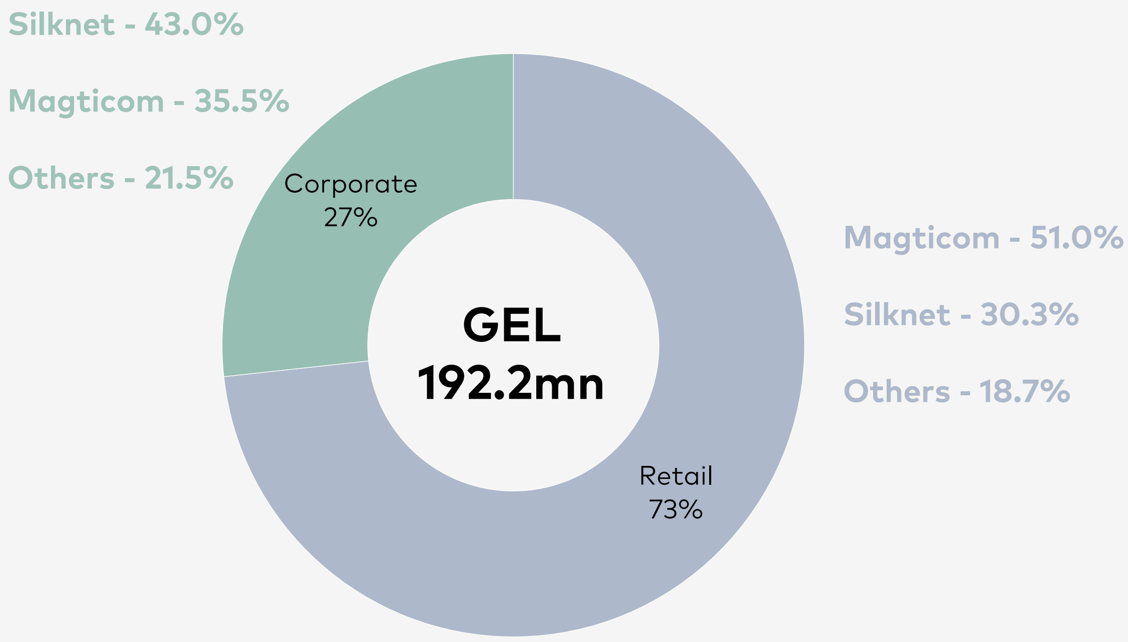
Fixed broadband segment revenue reached GEL 192.2mn (+22.9% y/y) in 1H23, driven by subscription and tariff growth

Fixed broadband revenue, GEL mn



Source: GNCC

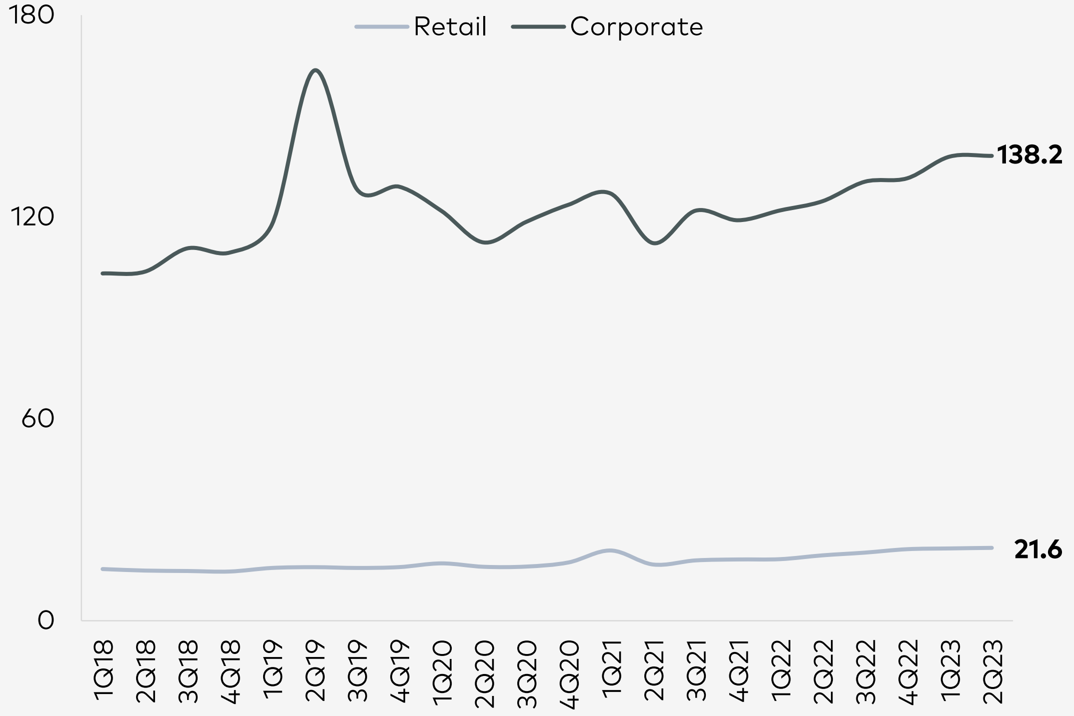
Fixed broadband revenue by retail and corporate segment, 1H23



Source: GNCC

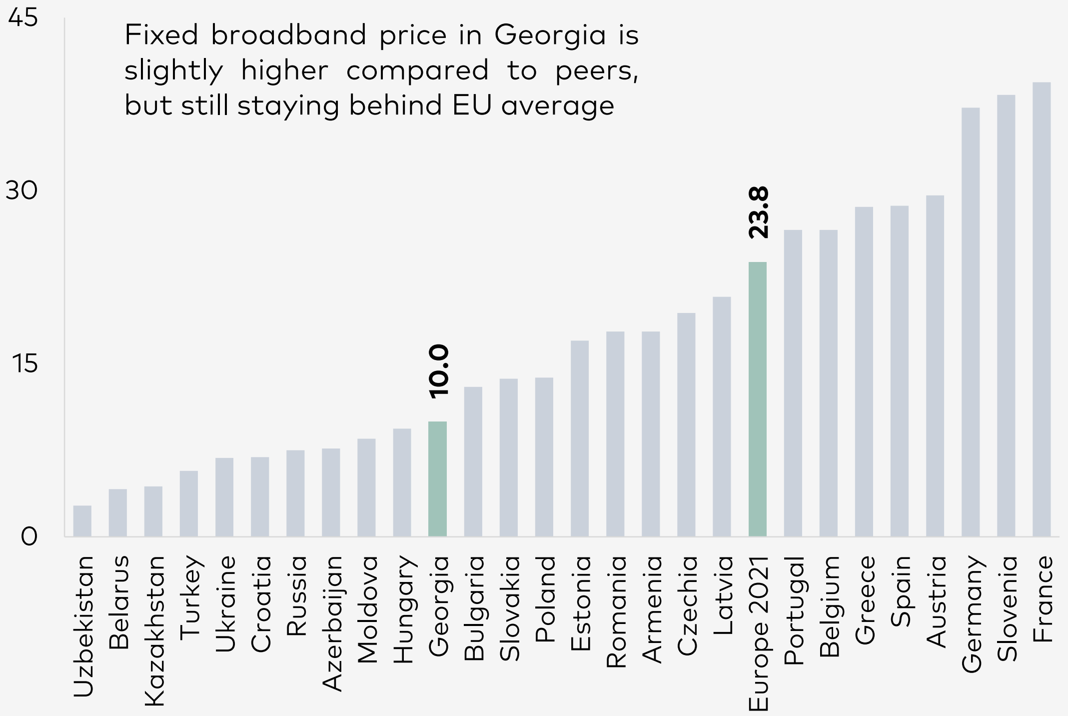
Retail ARPU remains stable, while corporate is on the rise

Fixed broadband ARPUs in retail and corporate segment, GEL



Source: GNCC

Fixed broadband prices in European countries, US$



Source: GNCC

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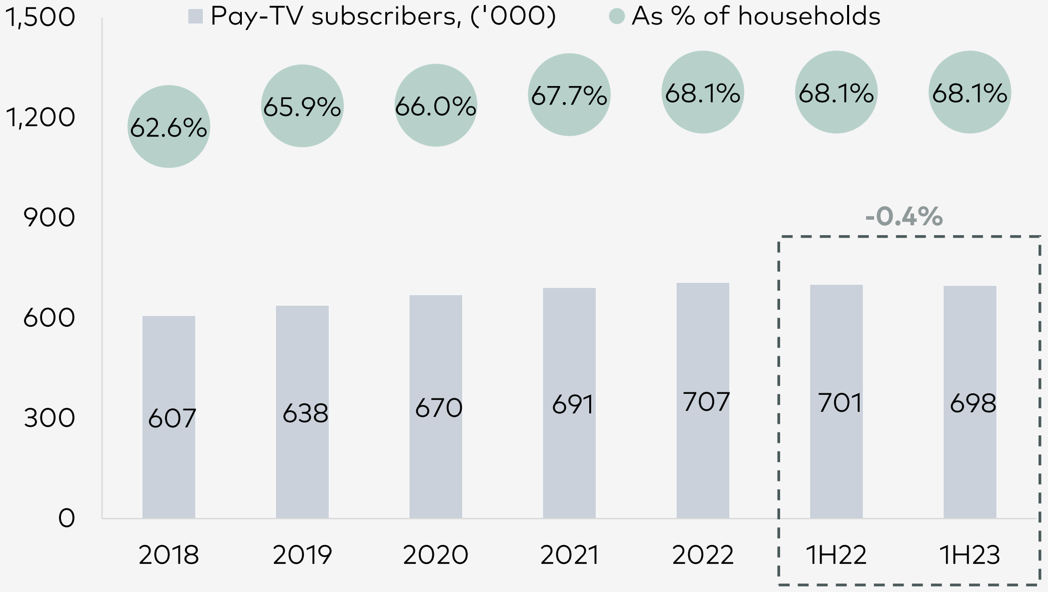
Pay-TV subscribers was down slightly 0.4% y/y to 697.9K subscribers, due to Magticom abandoning satellite TV from Jan-23

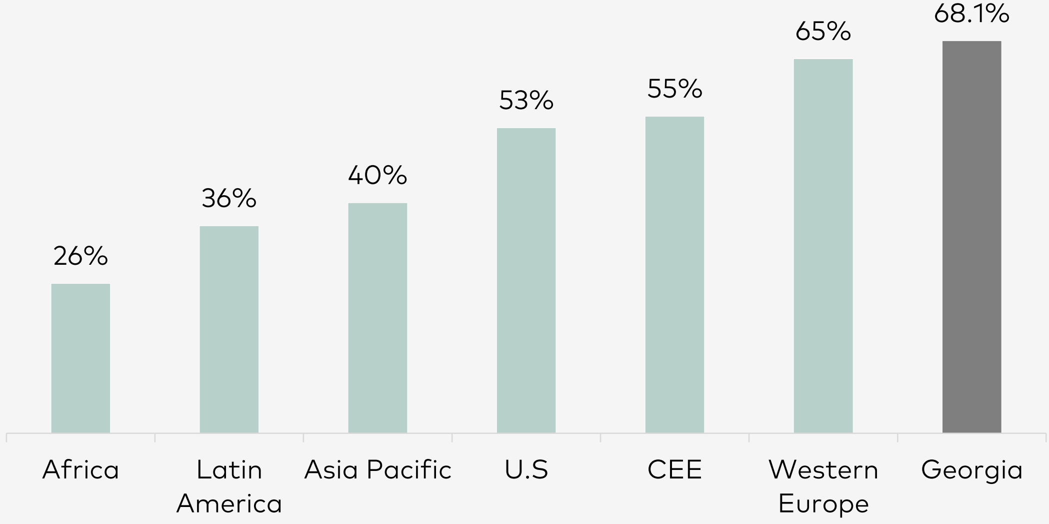
Pay-TV subscribers and household penetration



Source: GNCC
Note: Mobile streaming app subscribers are excluded from Pay-TV subscribers
2022 penetration is used for 1H23 as 2023 is not available

Pay-TV subscriber penetration by region, 2022

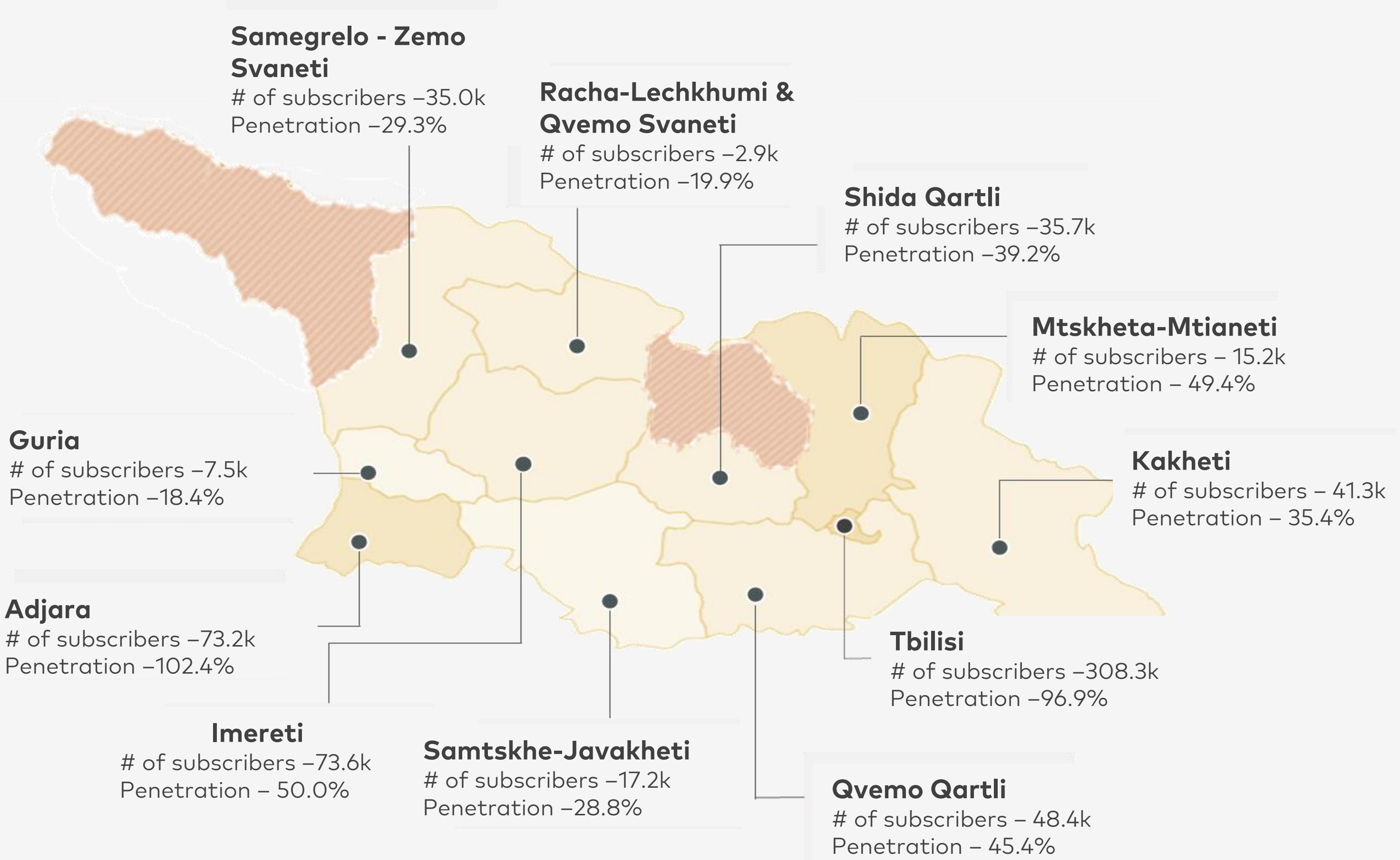
On a global scale, growing number of operators are discontinuing TV services in favor of either their own or third-party streaming services.



Source: Statista, GNCC
Note: Statista and GNCC does not specify methodologies and it could differ from each other

Pay-TV penetration is high in Tbilisi and regional centers and very low in rural areas

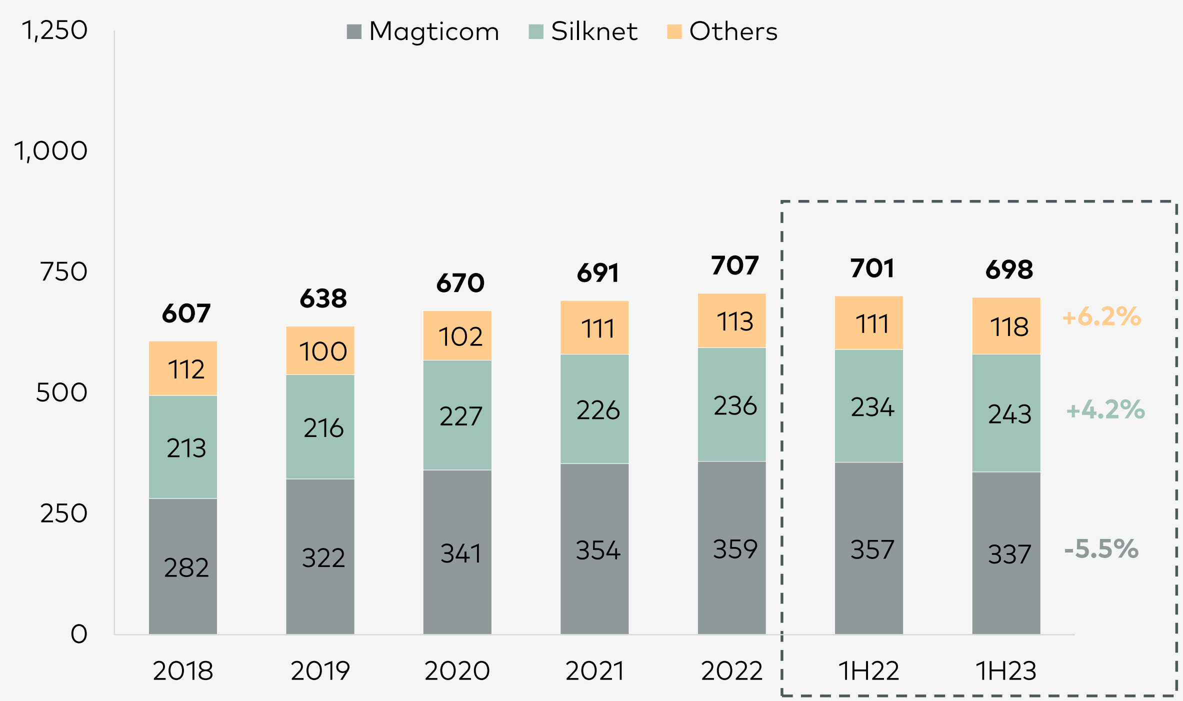
Pay-TV penetration by region, Jun-23



Source: GNCC

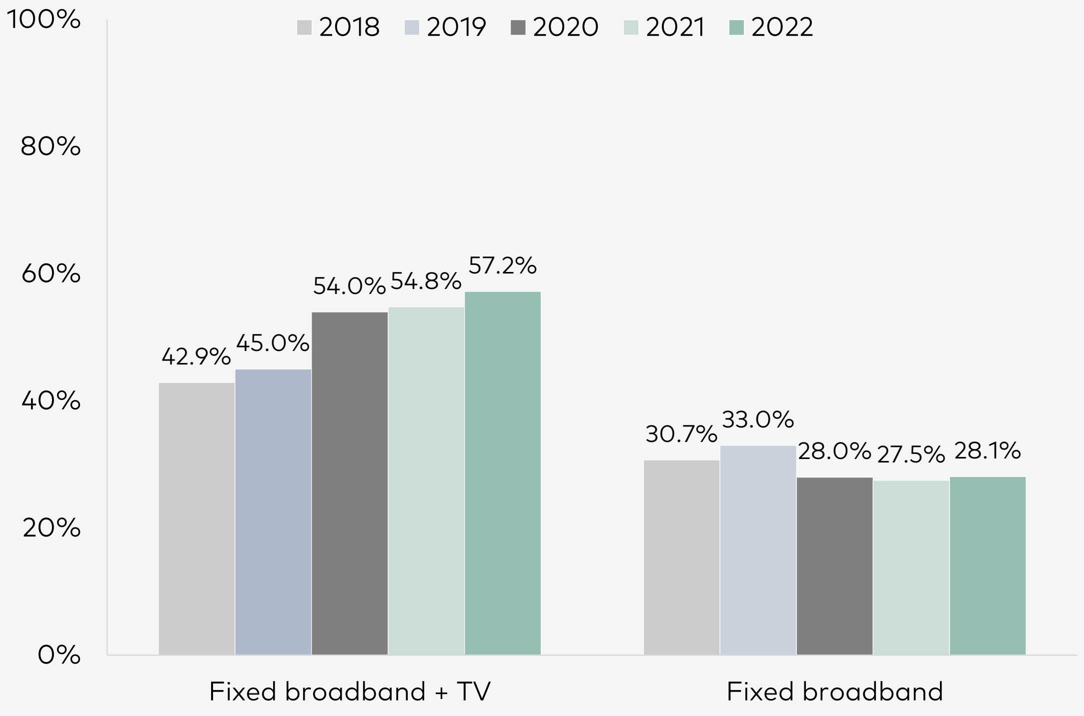
Silknet subscribers were up 4.2% y/y in 1H23, while decline in Magticom subscribers was due to the abandonment of satellite TV from Jan-23

Pay-TV subscriber breakdown by company, ('000)



Source: GNCC
Note: Mobile streaming app subscribers are excluded from Pay-TV subscribers

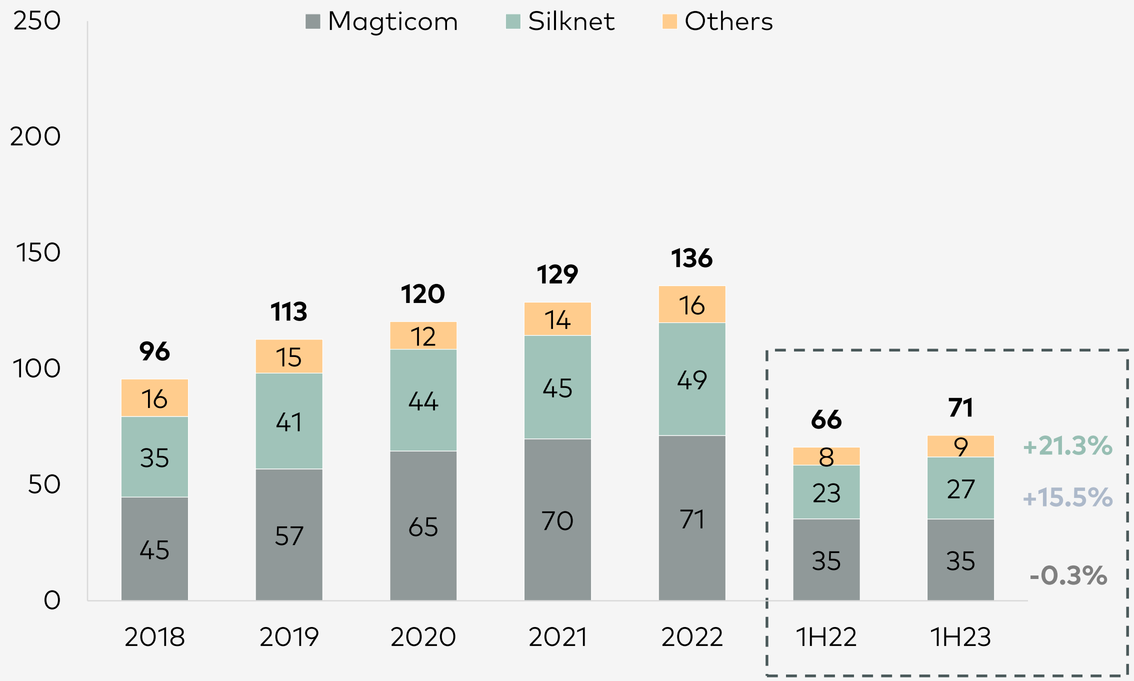
Service bundling's share in total subscribers



Source: GNCC

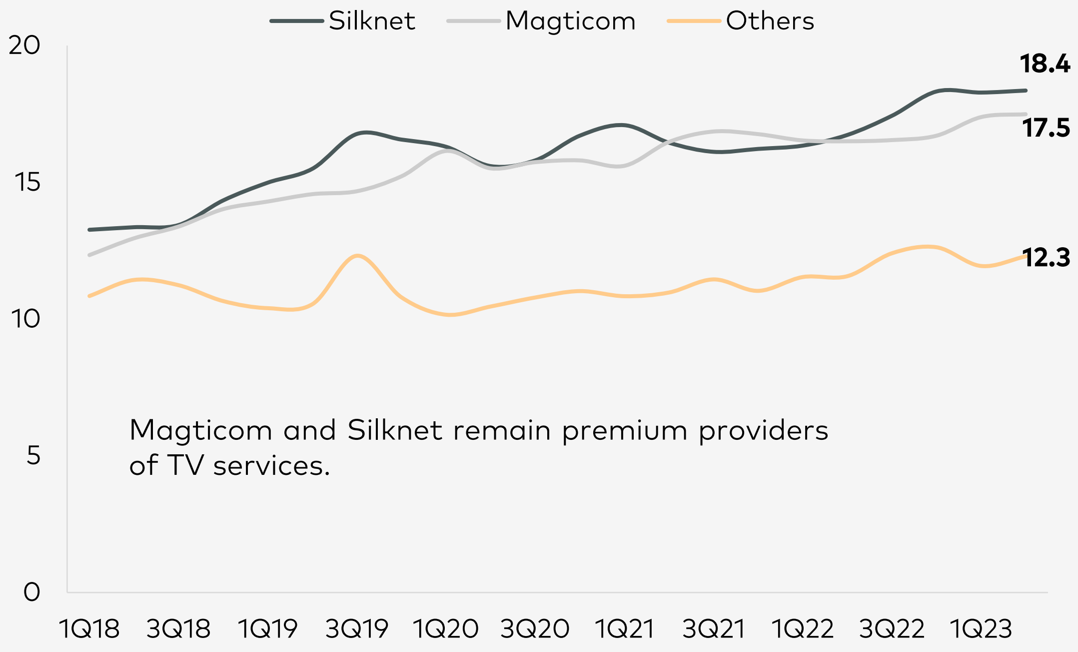
Pay-TV segment revenue was up by 7.8% y/y to GEL 71.4mn in 1H23 due to rising tariffs

Pay-TV segment revenue by company, GEL mn



Source: GNCC
Note: Mobile streaming app revenues are excluded from Pay-TV revenues

Pay-TV ARPUs by company, GEL



Source: GNCC

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