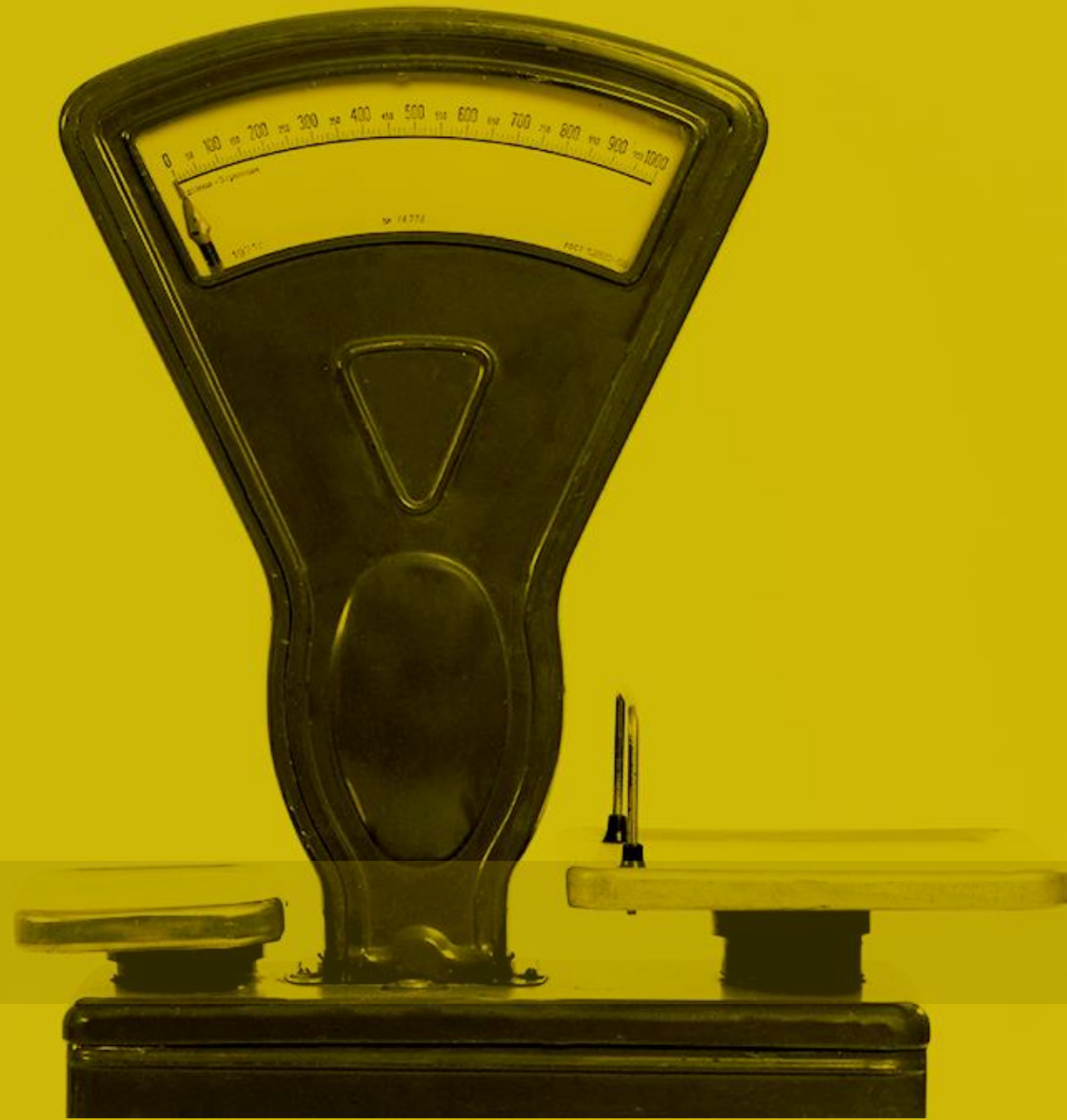


FMCG Sector in Georgia

December 2024



Content



2024 Summary

2025-28 Outlook

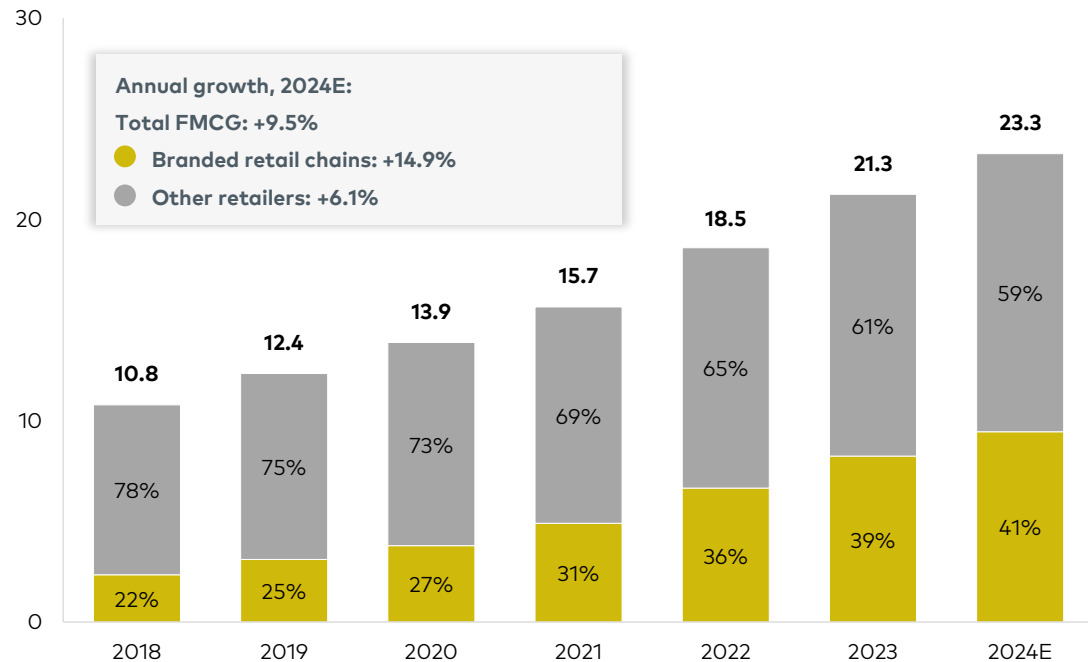
FMCG market in Georgia: sector is growing steadily

- ● ● **FMCG sector revenue is expected to reach GEL 23.3bn in 2024, reflecting a 9.5% y/y increase.** Revenue growth is primarily driven by increased demand, with minimal impact from price changes. Notably, branded retail chains are growing at a faster pace (+14.9%/y/y to GEL 9.5bn in 2024E) compared to other formats (+6.1%/y/y to GEL 13.8bn in 2024E). Branded retail chains currently hold 40.7% of the market share, up from 38.8% in 2023, with dynamic growth expected to continue.
- ● ● **Revenue of branded retail chains expected at GEL 9.5bn in 2024, up 14.9% y/y.** This growth in revenue is primarily driven by geographic expansion, with 500 new stores added in 2024, bringing the total number of branded retail chain stores to over 4,000. Notably, the number of branded retail chain stores in Tbilisi and the regions is now equal, although sales per store in Tbilisi are, on average, about 30% higher than in the regions. As a result, Tbilisi accounts for 56.7% of total branded chain revenue.
- ● ● **Daily Group has emerged as the new market leader,** capturing a 27.6% share of the branded retail chains market and a 9.8% share of the total FMCG market. In 2024, several companies merged to form Daily Group Holding, including Foodmart Ltd (with brands Spar, Ioli, and Kalata), Daily Ltd, Gvirila Retail Ltd (brand name Gvirila), and Retail Group Ltd (Magniti). As a result, Daily Group now owns over 1,600 stores out of a total of 4,000, accounting for 39% of the branded retail store market's total store count. In 10M24, Daily Group led the market with a 27.6% share of branded retail chains revenue, followed by Nikora with 17.0% and 2-Nabiji with 16.8%. Together, these top three companies account for 61.3% of the branded retail chains market revenue, with the remaining share spread across approximately 40 smaller retail chains.
- ● ● **We expect FMCG sector revenue to grow at an average rate of 8.0% over 2025-28,** primarily driven by increased purchasing power. Branded retail chains will continue to expand at a faster pace than other formats, supported by geographic expansion, assortment and format diversification, and other strategic developments. We forecast an average annual growth rate of 14.8% for branded retail chains over 2025-28 (compared to 24.5% in 2021-24), which will result in their market share increasing from 40.7% to 52.0% by 2028.

2024 Summary

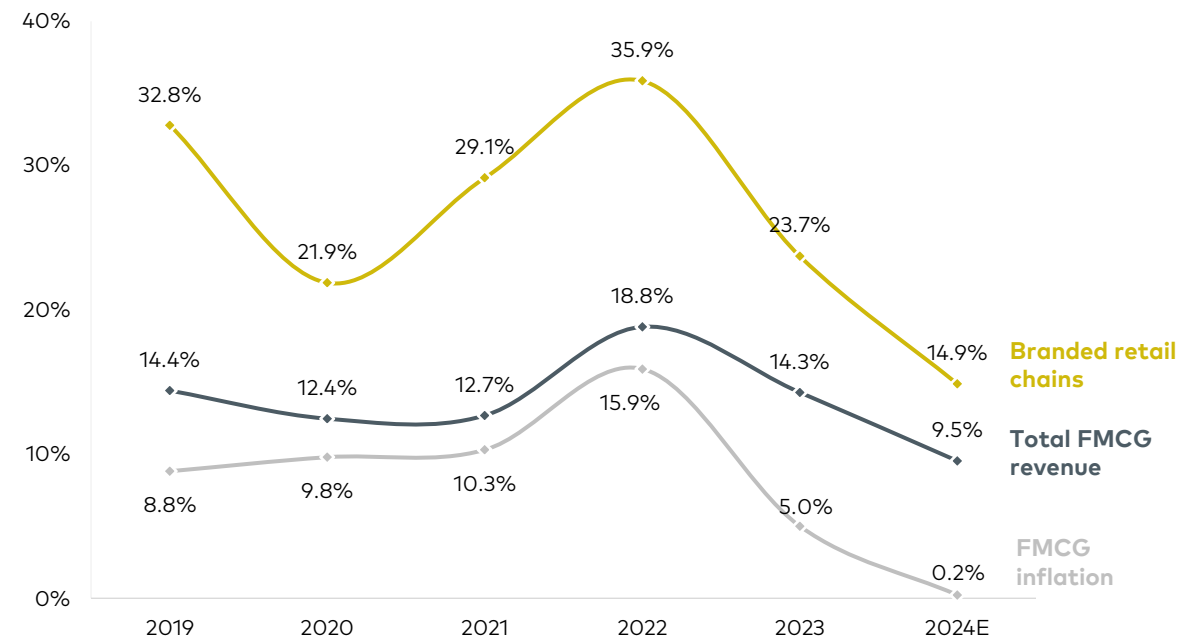
FMCG sector revenue estimated at GEL 23.3 bn in 2024, reflecting a 9.5% y/y growth

FMCG sector revenue by retailer type, GEL bn (incl. VAT)



FMCG sector's revenue is expected to reach GEL 23.3 bn, marking a 9.5% y/y increase in 2024. Branded retail chains currently hold 40.7% of the market share (up from 38.8% in 2023), with dynamic growth expected to continue.

Annual growth of FMCG revenue, revenue of branded retail chains and FMCG inflation

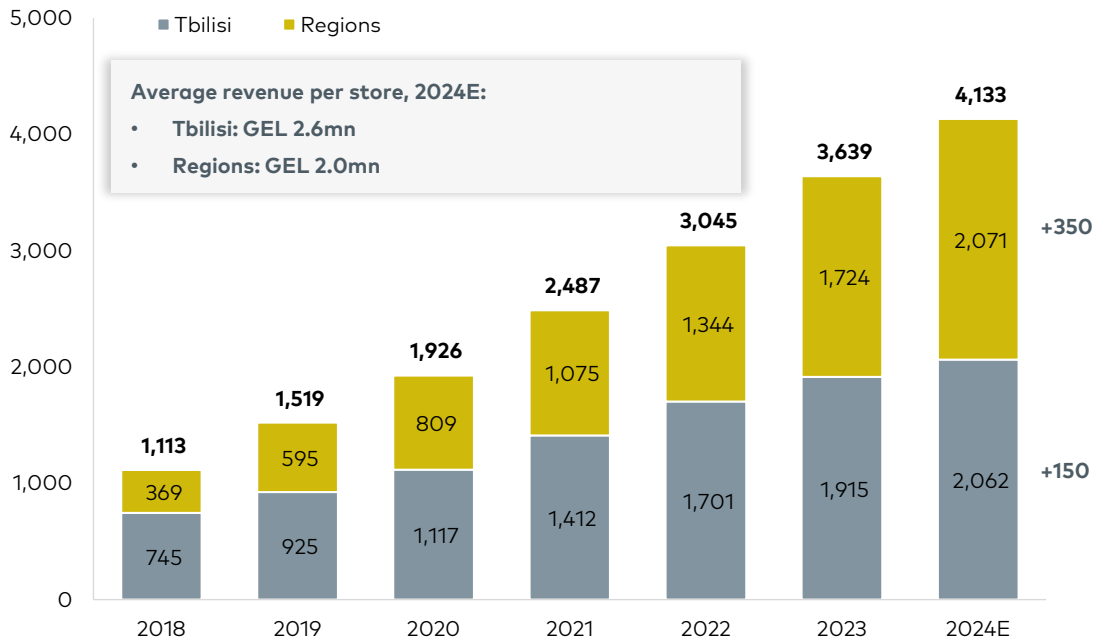


FMCG revenue growth in 2024 is primarily driven by increased demand, with minimal impact from price changes. Branded retail chains are growing at a faster pace than other formats.

2024 Summary - branded retail chains

Revenue of branded retail chains is growing faster in the regions due to geographic expansion

Number of branded stores in Tbilisi vs regions

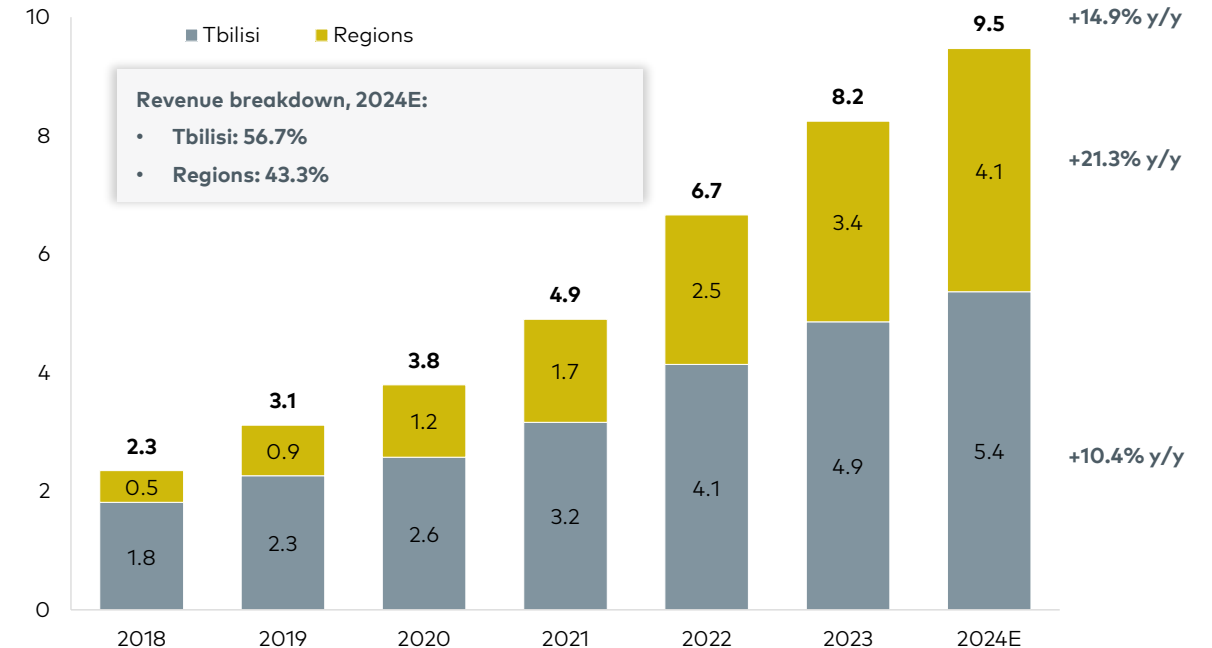


The number of branded retail stores is growing faster in the regions than in Tbilisi, although sales per store are higher in Tbilisi. This revenue disparity can be attributed to lower purchasing power, differences in consumer behavior, and a higher share of unorganized markets and self-consumption in the regions.

Source: SARAS, Company survey, Galt & Taggart

Note: 2024 data is preliminary and subject to revision

Revenue breakdown of branded retail chains, GEL bn (incl. VAT)



Revenue of branded retail chains is expected to grow by 21.3% y/y in the regions and by 10.4% y/y in Tbilisi in 2024E. As a result, the share of regions in the revenue of branded retail chains will increase from 41.1% in 2023 to 43.3% in 2024.

2024 Summary - branded retail chains

Daily Group became new market leader in 2024 following the merger of several companies

Revenue and store count growth of branded retail chains, 2024E

Revenues
+14.9%

LFL
+2.3%

Number of stores
+500

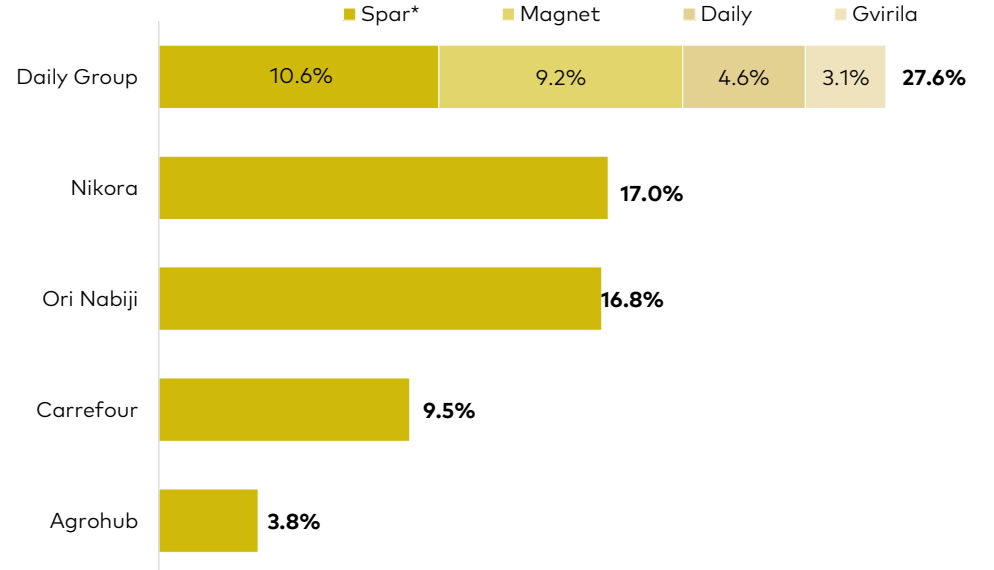
The increase in branded retail chains' revenue was largely driven by the opening of new stores in 10M24. These stores partially replaced traditional format stores and unorganized trade

Source: Company survey, Galt & Taggart

*Spar includes Foodmart and their franchises

Note: LFL (Like-for-Like) growth refers to the increase in sales from stores that were opened in the previous year.

Market share of top-5 branded retail chains by revenue, 10M24

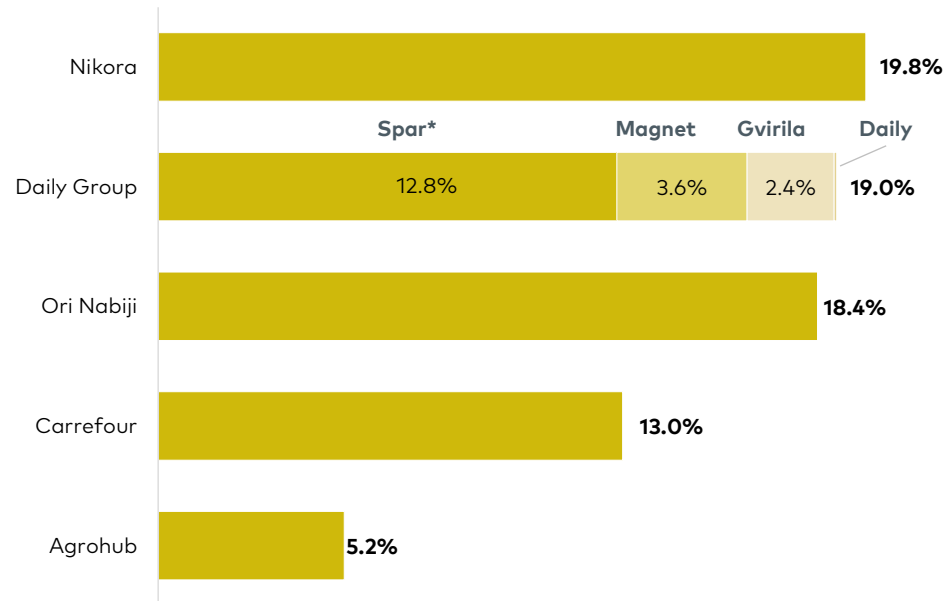


Daily Group has emerged as the new market leader. In 2024, the retail chains Daily, Gvirila, Magniti, Spar and Ioli were merged under the Daily group holding. As a result, Daily group now leads the branded retail chains market with a 27.6% share of revenue, 39% of the store count and a 9.8% share of total FMCG market revenue.

2024 Summary - market share of branded retail chains in Tbilisi and the regions

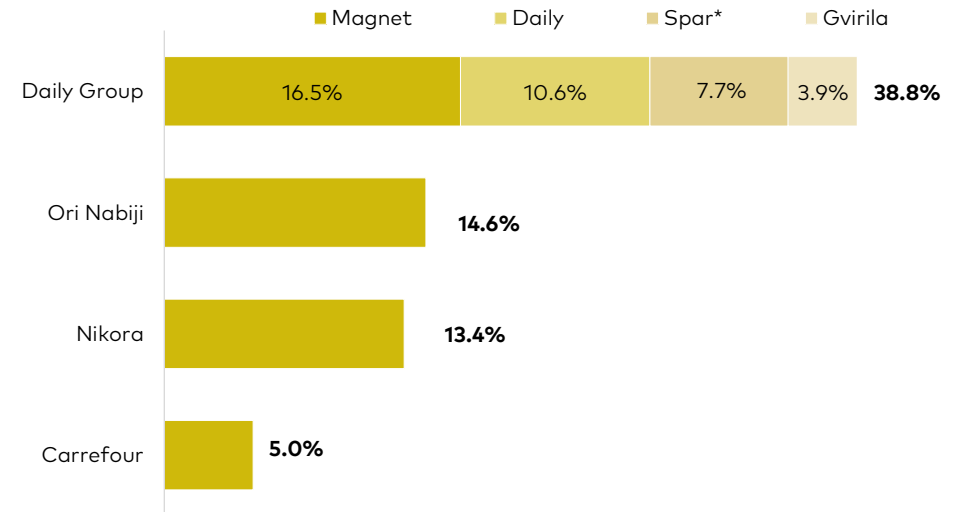
Distribution of market share is different in Tbilisi and other regions

Market share of top-5 branded retail chains by revenue in Tbilisi, 10M24



Nikora is the market leader in Tbilisi, with a 19.8% share of branded retail store sales revenue in 10M24

Market share of top-5 branded retail chains by revenue in the regions, 10M24



Daily Group is the market leader in regions, with a 38.8% % share of branded retail store sales revenue in 10M24

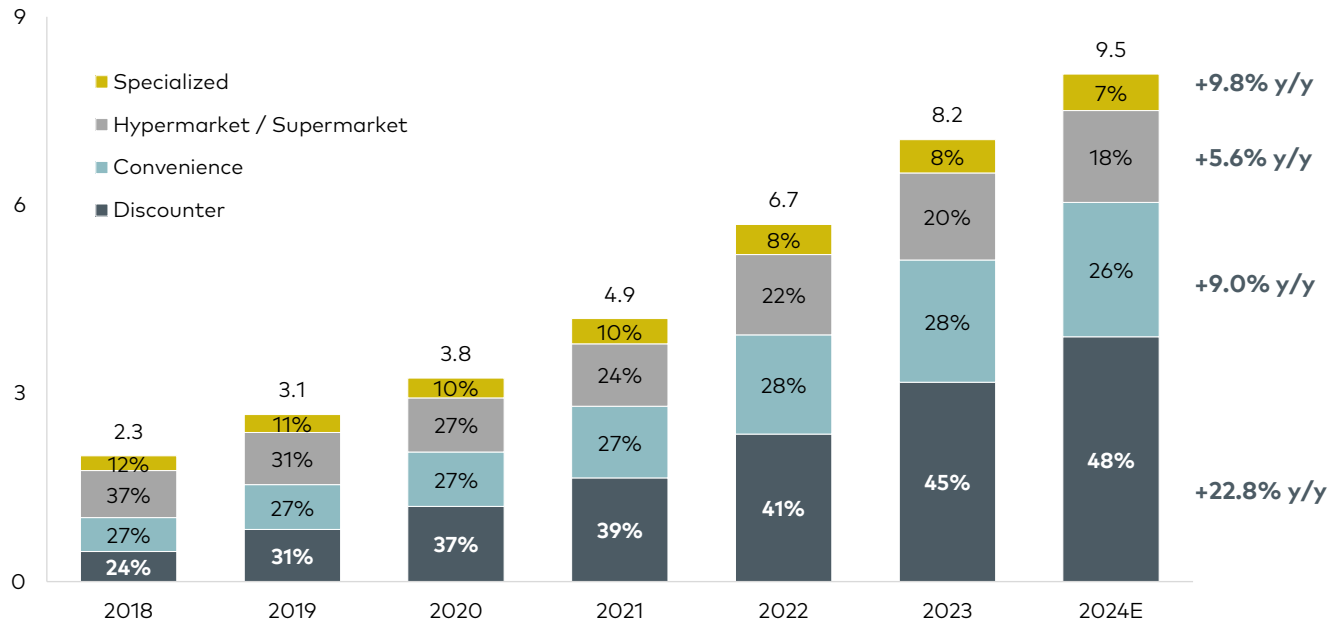
Source: Company survey, Galt & Taggart

*Spar includes Foodmart and Franchise

2024 Summary - branded retail chain store formats

The market share of discounter stores is growing the fastest, while the share of hypermarkets is decreasing

Revenue breakdown of branded retail chains by store formats, GEL bn (incl. VAT)



● ● ● Most companies operate in specific segments, while the number of multi-format chains remains limited.

● ● ● Format diversification will help attract consumers with varying preferences, which is particularly important in a market with a non-growing population.

Daily Group formats:

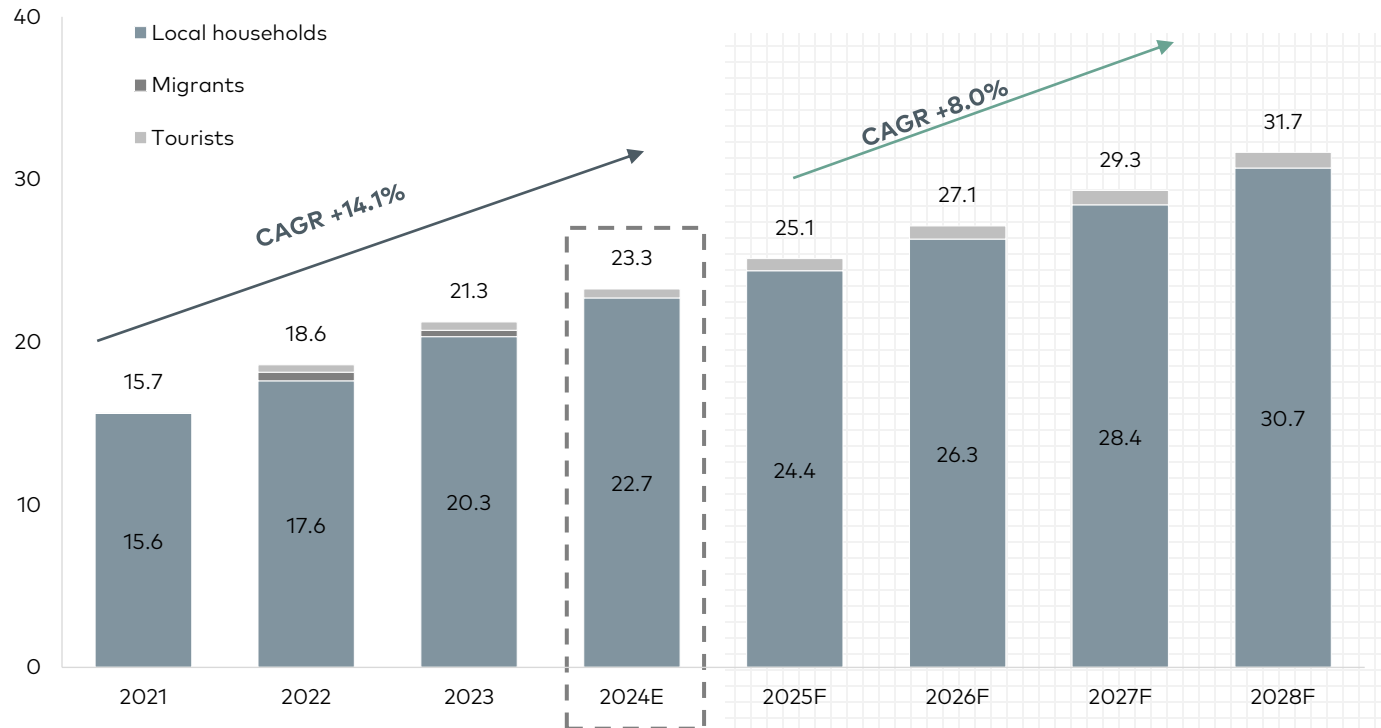
Daily Group operates across various formats. Daily and Magnet primarily serve regional markets and cater to the budget segment in the **discounter** format. Gvirila targets this segment nationwide. Spar and Ioli, along with their franchises, primarily operate as **convenience** stores.

Discounters have the highest market share, in line with global trends. The rapid growth of discounters has been further accelerated by high inflation in recent years.

Growth outlook for 2025-28

FMCG sector revenue is expected to grow at an average annual growth rate of 8.0% over 2025-28

FMCG sector revenue by consumer group, GEL bn (incl. VAT)



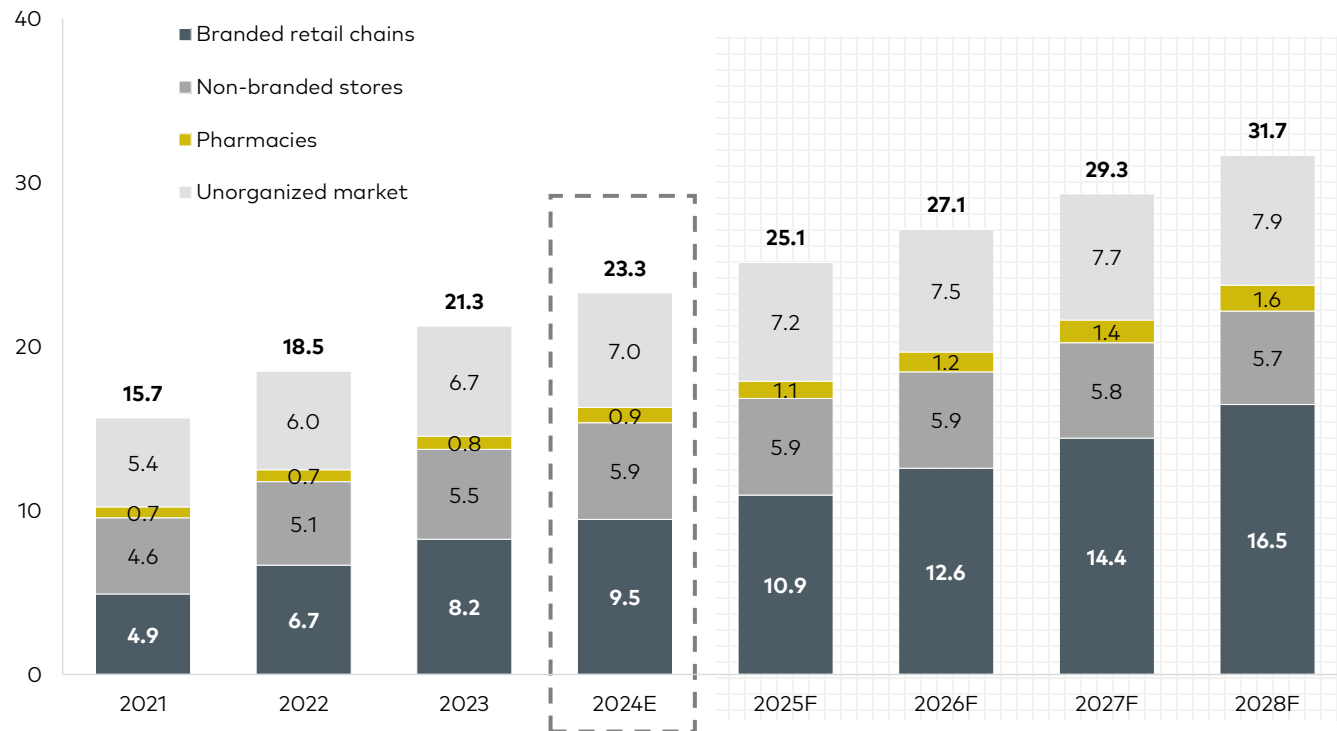
- ● ● FMCG sector revenue expected to grow at an average growth rate of 8.0% over 2025-28 and reach GEL 31.7 bn by 2028
- ● ● The main growth driver will be increase in purchasing power of the population.

The FMCG sector grew mainly due to the increased consumption of local population, although tourism recovery and migrant influx had a significant contribution in 2022-23

Growth outlook for 2025-28

Over half of FMCG market revenue is expected to come from branded retail stores by 2028

FMCG sector revenue by retailer type, GEL bn (incl. VAT)



Market share breakdown

	2021	2024E	2025F	2028F
Branded retail chains	31.3%	40.7%	43.5%	52.0%
Other retailers	68.7%	59.3%	56.5%	48.0%

The share of branded retail chains increased from 31.3% in 2021 to 40.7% in 2024E. The revenue of branded retail chains is expected to grow by 14.9% CAGR over 2025-28 due to geographic expansion and strategic development, lifting the market share to 52.0% by 2028.

Revenue growth strategy of branded retail chains for 2025-28

Regional expansion

Adjara, Kvemo Kartli and Tbilisi are most attractive for expansion.

Branded stores

2024

4,000+

2028

6,500+

For details, refer to Galt & Taggart's [January presentation](#), pages 10-15

Assortment

To gain additional market share and optimize costs, it is important to :

- Expand product assortment
- Develop private label
- Develop data analysis and personalize

For details, refer to Galt & Taggart's [January presentation](#), pages 17-18

Sales channels

For the attraction of new consumers it is important to diversify sales channels:

- Diversify formats
- Increase E-Commerce sales

For details, refer to Galt & Taggart's [January presentation](#), pages 16,21



GALT & TAGGART
CREATING OPPORTUNITIES

Head of Research

Eva Bochorishvili
evabochorishvili@gt.ge

Head of Sector

Mariam Chakhvashvili
mchakhvashvili@gt.ge

Chief Economist

Lasha Kavtaradze
lashakavtaradze@gt.ge

Address: 3 Pushkin Street, Tbilisi, 0105, Georgia

Tel: + (995) 32 2401 111

E-mail: research@gt.ge

Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Bank of Georgia group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisors or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.