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შემნით შესაძლებლობებს

# Beer sector overview December, 2023

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## Key findings

### Beer consumption

Beer consumption in Georgia increased by a CAGR 5.1% over 2016-22 and is expected to reach 133mn litres (1.2% y/y) in 2023.

Additionally, per capita beer consumption in Georgia is increasing and reached 45 litres in 2023, although it remains below the European average of 81 litres.

92% of beer consumption in Georgia is satisfied by local production, while the rest is imported, mainly from Germany, Russia and Belgium.

**Beer production** increased by a CAGR 3.0% in 2016-23, and is expected to reach 126mn litres in 2023.

**Beer export** grew by 98.7% y/y to US\$ 7.9mn in 11M23, and is estimated to reach US\$ 8.5mn for the full 2023 year, mainly as a result of increased sales in Kazakhstan and other CIS countries.

**There are 4 main beer producers in the sector** - Lomisi, Georgian Beer Company, Global Beer Georgia, and Argo. These companies also produce non-alcoholic beverages.

**Sector turnover** in 9M23 increased by 15.2% y/y to GEL 446.1mn, and according to our estimates, it will reach GEL 584.7mn for full-2023. Notably, c. 60% of total revenues are generated from beer sales and the rest from non-alcoholic beverages.

**Price influencing factors** - The price of beer in Georgia is affected by the cost of raw materials and the fluctuation of the GEL, because production is import-dependent.

**Opportunities** - The growth of the beer sector expected to be supported by the acquisition of new licenses of international brands and the increase in sales of craft beer.

## Beer consumption



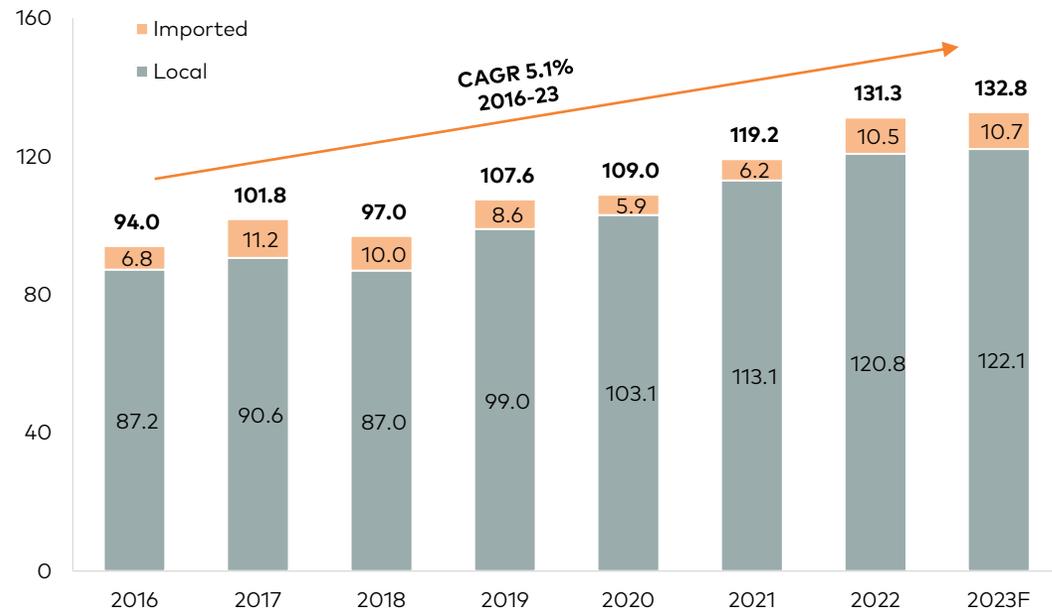
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## Beer consumption

Beer consumption in Georgia increased by CAGR 5.1% over 2016-23, however per capita consumption is half of the EU average

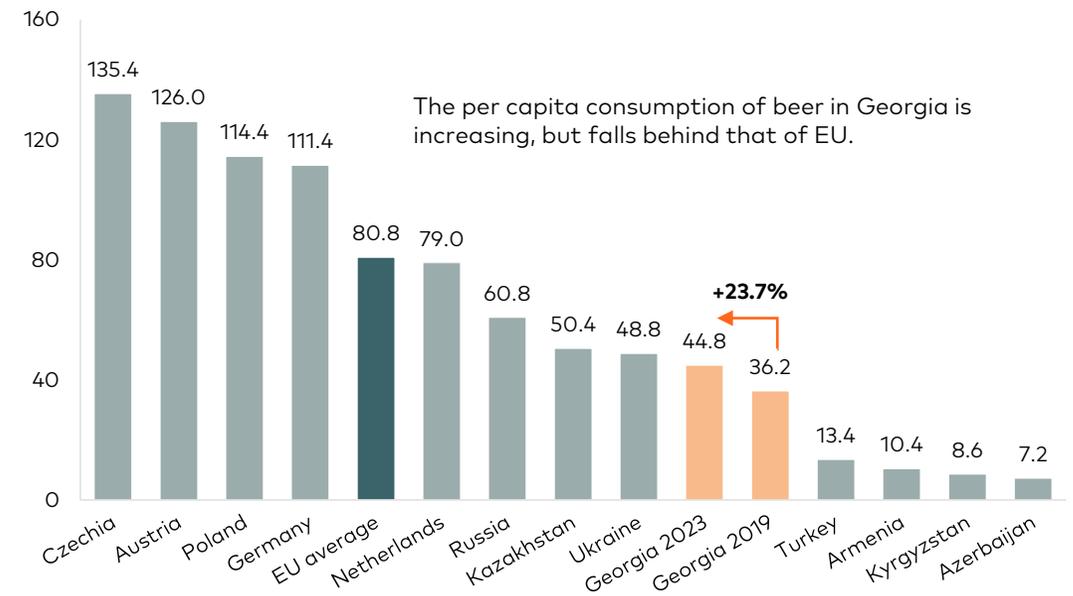
### Beer consumption in Georgia, mn litre



- Beer consumption is expected to reach 140mn litre in 2024.
- Locally produced beer accounted for 92% of total consumption in 2023 and this proportion is anticipated to persist in 2024.

Source: Revenue service, Galt & Taggart

### Per capita consumption of beer, litre, 2019



- Per capita consumption of beer in Georgia is growing and reached **45 litres** in 2023, although it is still below the EU average - **81 litres**.
- Beer consumption in Georgia is expected to increase in medium term driven by increasing consumption per capita.

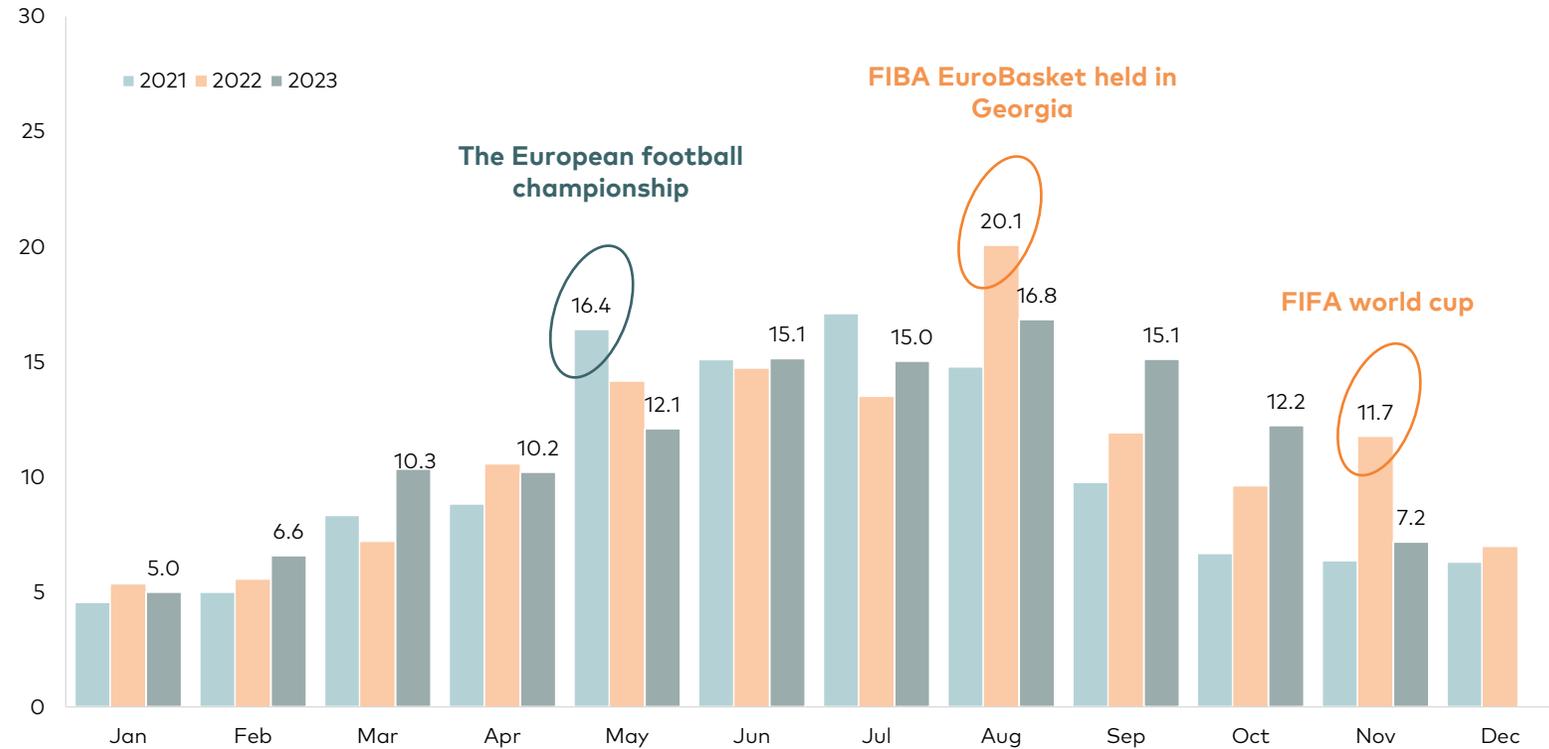
Source: WHO, Geostat, Revenue service Galt & Taggart

Note: For 15+ age population. Alcohol content in one litre of beer is assumed to be 5%.

## Beer consumption

**Beer consumption in Georgia has a strong seasonal pattern with May-Sep accounting for over 60% of consumed beer**  
**Consumption during sporting events is 25% higher than average**

### Monthly consumption of beer in Georgia, mn litre



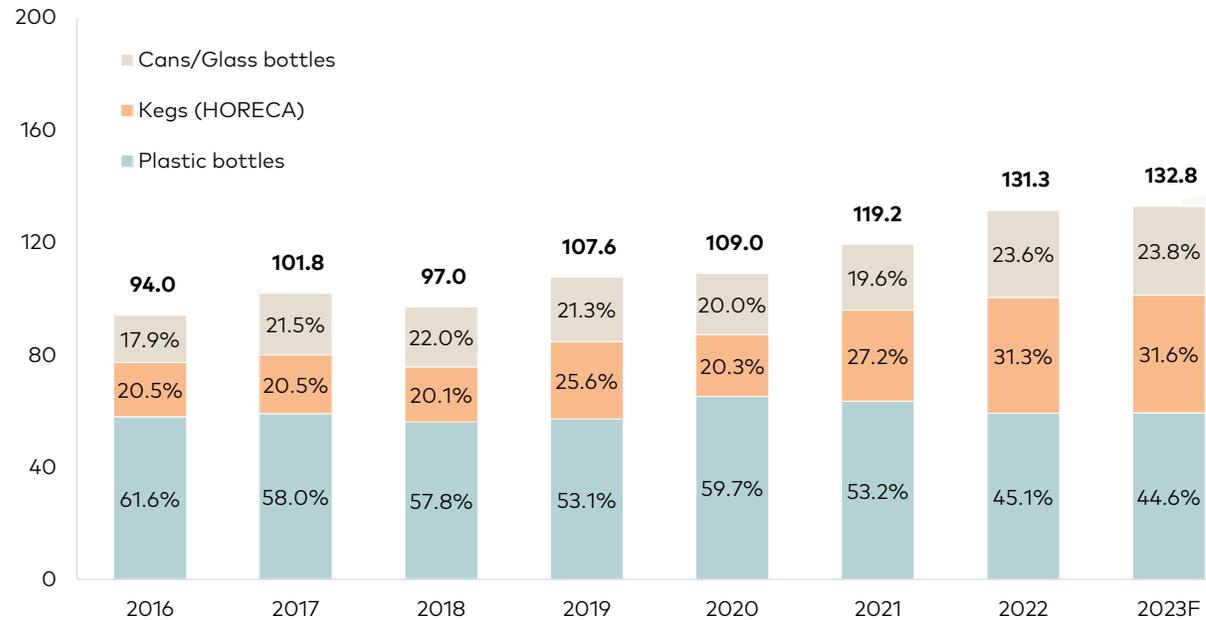
Source: Revenue service, Galt & Taggart

Note: The graph shows the month of use of the excise stamp, which is closer to the period when the product is stocked on the shelves, rather than the period of actual sales. Actual sales occur on average one month later.

## Beer consumption

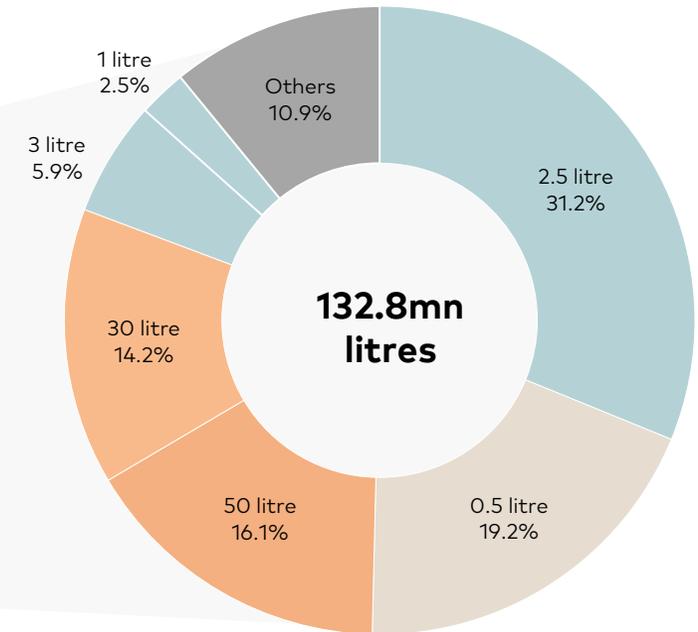
**Beer in plastic bottles makes up almost half of the consumption in Georgia**  
**Demand is increasing for cans/glass bottles and bar beer**

Volume of beer sold by package type, mn litre



- Plastic bottles are the most economical material for pouring beer, that is why **44.6%** of beer in Georgia is sold in plastic bottles.
- Notably, the share of beer consumed in plastic bottles is decreasing at the expense of the growth of other categories.

Volume of beer sold by size, 2023



- In Georgia beer is mostly consumed in 2.5L plastic bottles, followed by 0.5L cans/bottles.
- High volume (3+ litres) keg beer is mainly sold at bars, restaurants and festivals. This is the fastest growing category since the pandemic (+11.3ppts in total sales 2020-23).

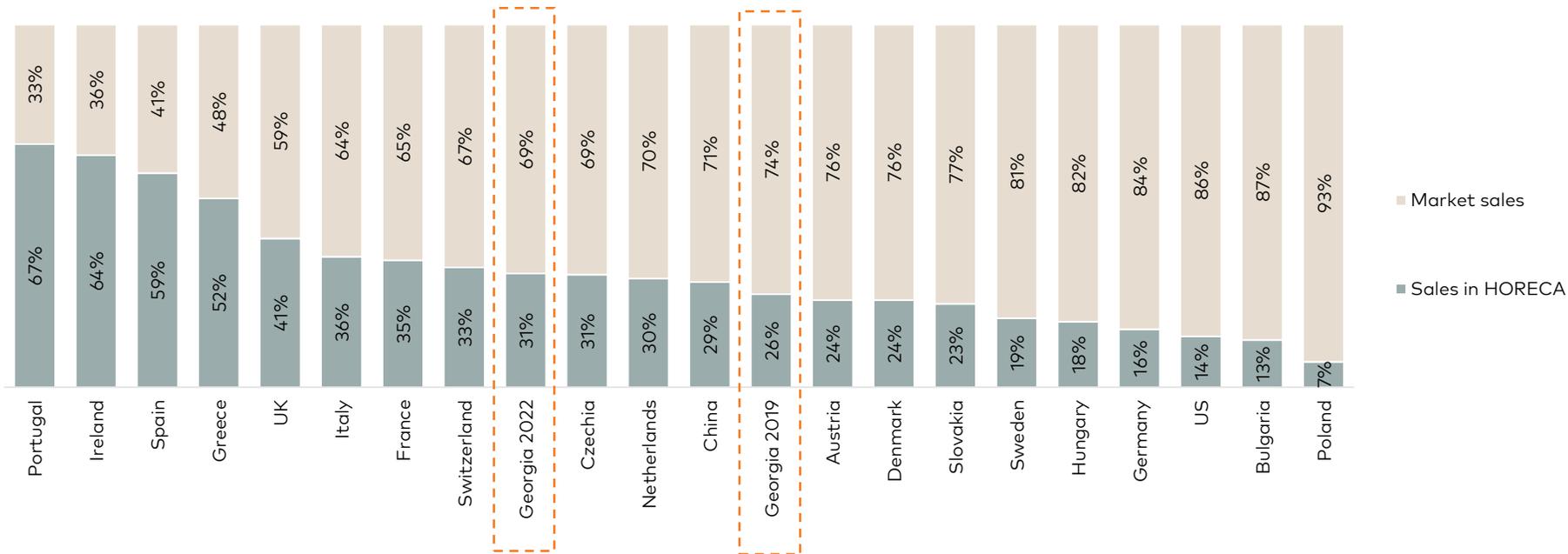
Source: Revenue service, Galt & Taggart. Note 1: See the dynamics according to the number of sold bottles in the Annex.

Note 2: Calculated according to the number of excise stamps issued; For cans/glass bottles calculated with bottles smaller than 1L, For plastic bottles - from 1 to 3 litres, for kegs - 3L+.

## Beer consumption

Beer is mostly sold in shops, like in most European countries  
Share of sales in HORECA increased from 26% to 31% in 2019-23

Beer sales in markets and in HORECA sector, % of total sales, 2022



We expect, the share of on-trade consumption (HORECA) in Georgia to increase at the expense of urbanization, income and tourism growth.

- In 2020, due to the pandemic, consumer behavior around the world and in Georgia has changed significantly, and shifted from consumption in bars, restaurants and festivals to consumption at home. From 2021, the share of consumption in the HORECA keeps growing.

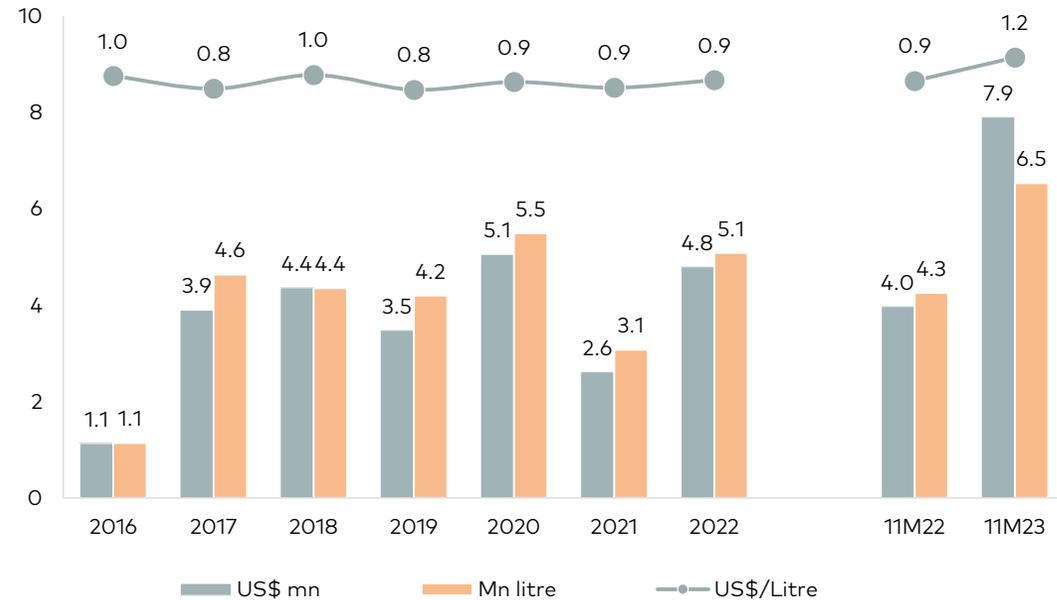
Source: The Brewers of Europe, IWSR, Revenue service, Galt & Taggart

Note: For Georgia "Sales in HORECA" is calculated based on volume of beer in packages larger than 3 litres.

## Beer consumption

Exports account for only 4% of local production, with rising demand from Kazakhstan and other CIS countries

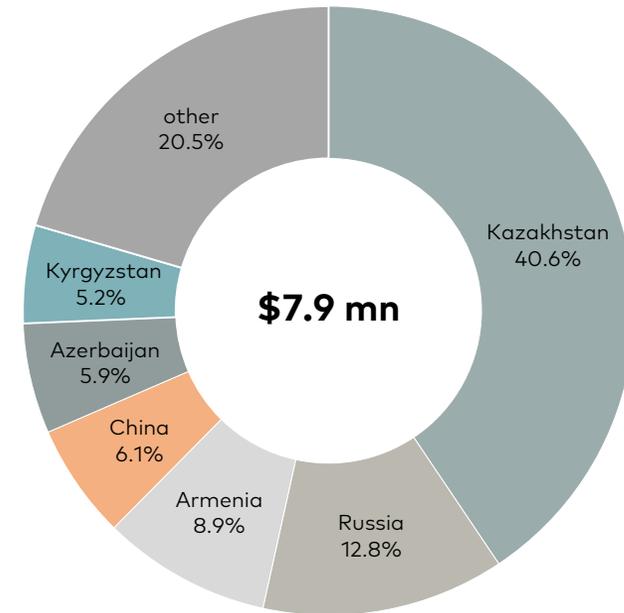
### Beer export from Georgia



- Since 4Q22, Georgia significantly increased beer export to Kazakhstan, Kyrgyzstan and other CIS countries.
- Beer in these countries was mainly imported from Russia, however, since 2022, international brands of Georgian production have replaced Russian imports.

Source: Geostat, Galt & Taggart

### Beer export by countries, US\$, 11M23



- In 2023, beer produced in Georgia was exported to **28** countries.
- Exports are expected to reach **US\$ 8.5mn** in 2023.

Source: Geostat, Galt & Taggart

## Beer production and breweries



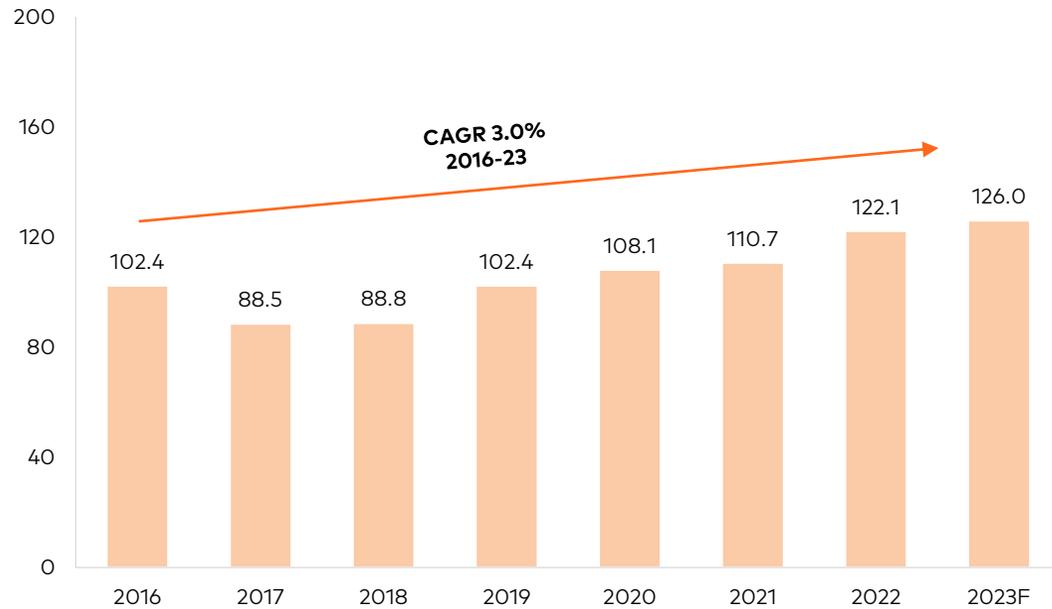
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## Beer production

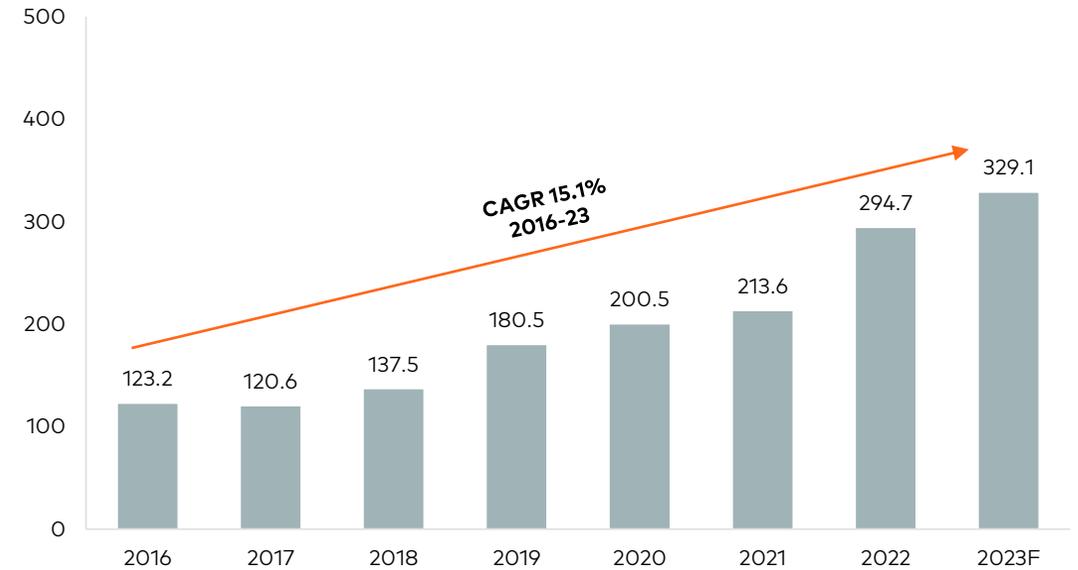
Volume of beer production in Georgia is growing at a slow pace

Production of beer in Georgia in volume, mn litre



- Beer production in Georgia is expected to reach **126.0mn** litres in 2023

Production of beer in Georgia in value, GEL mn

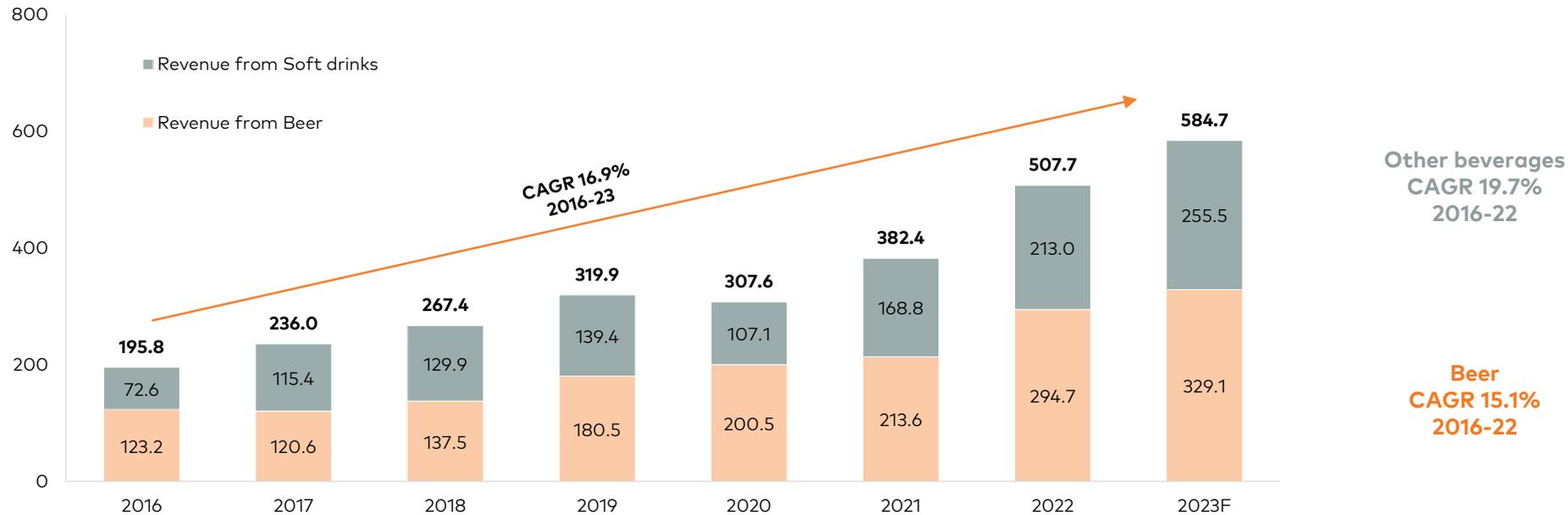


- The cost of production has increased mainly due to the increase in the price of raw materials, shift to consumption of beer in smaller packages and the increase in the production of premium brands.

## Beer production – Sector revenue

In 2023, beer sales is estimated to account for c. 60% of total revenue of beer-producing companies, while non-alcoholic beverages made up c. 40%

### Revenue of beer producers, GEL mn

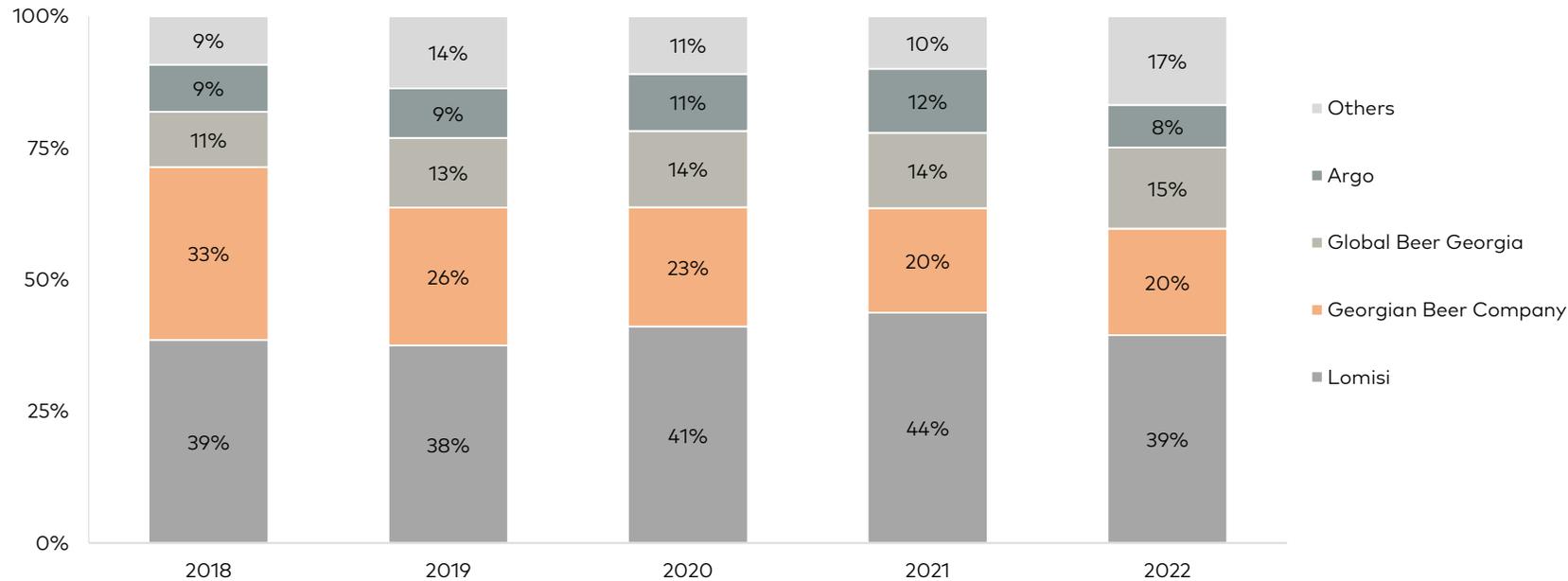


- The top producers of beer also produce non-alcoholic beverages. In 2022, the value of beer production in Georgia amounted to **GEL 294.7mn**, while additional income from non-alcoholic beverages reached **GEL 213.0mn**.
- During 2016-23, revenue from beer sales grew at a CAGR of 15.1%, while non-alcoholic beverages with CAGR of 19.7%. Thus, in the same period the proportion of beer in total revenue decreased from 62.9% to **56.3%**.
- In 9M23 turnover of the companies increased to **GEL 446mn** (15.2% y/y) and is expected to reach **GEL 585mn** by for the full 2023 year.

## Beer production - Top companies

Share of the largest beer producer companies in the sector's total revenue is volatile and significantly declined in 2022, due to increased share of smaller breweries

### Share of beer producing companies in total turnover



- In Georgia beer is produced by **4 large** and **42 small** companies.
- In addition to local brands, the largest beer producers also produce international brands of beer under license. For example, Lomisi has licenses for some brands of AB InBev and Molson Coors (Corona, Staropramen, Lowenbrau), Global Beer Georgia - Heineken, Georgian Beer Company - Carlsberg and some Molson Coors brands.

## Beer production - Brands

Georgian market offers a wide range of products

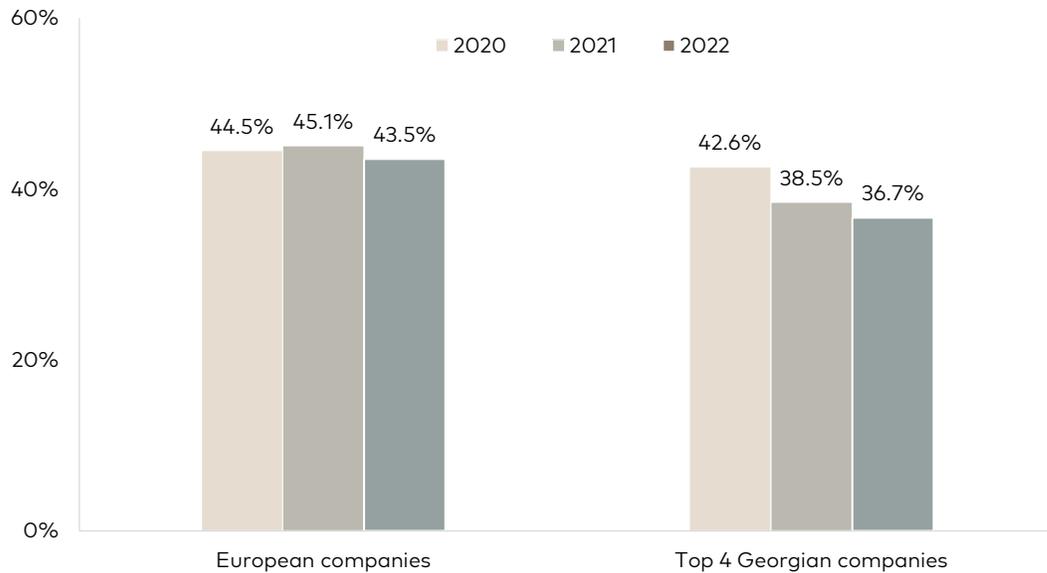
Famous brands produced by the largest Georgian companies by products

	Lomisi	Georgian Beer Company	Global Beer Georgia	Argo				
<b>Beer</b>	<ul style="list-style-type: none"> <li>Natakhtari</li> <li>Karva</li> <li>Kasris</li> </ul>	<ul style="list-style-type: none"> <li>BECK'S</li> <li>Franziskaner</li> <li>Staropramen</li> <li>Kozel</li> <li>Corona</li> <li>EFES</li> <li>Lowenbrau</li> </ul>	<ul style="list-style-type: none"> <li>Zedazeni</li> <li>Sviani</li> <li>Ravi</li> <li>AIA</li> <li>Khevsuruli</li> <li>Civ-Civi</li> </ul>	<ul style="list-style-type: none"> <li>Holsten</li> <li>Ragnar</li> <li>Harp</li> <li>Bavaria</li> </ul>	<ul style="list-style-type: none"> <li>ICY</li> <li>Aragveli</li> <li>Kazbegi</li> <li>Kayaki</li> </ul>	<ul style="list-style-type: none"> <li>Krusovice</li> <li>Heineken</li> <li>Amstel</li> </ul>	<ul style="list-style-type: none"> <li>Argo</li> <li>Germanuli</li> </ul>	<ul style="list-style-type: none"> <li>Herzog</li> <li>Hollandia</li> </ul>
<b>Other beverages</b>	<ul style="list-style-type: none"> <li>Natakhtari</li> <li>Natakhtari Zigzag</li> </ul>	<ul style="list-style-type: none"> <li>RcCola</li> <li>Wilder</li> <li>Red Rain</li> <li>Dino Energy</li> </ul>	<ul style="list-style-type: none"> <li>Guruli</li> <li>Chero</li> </ul>	<ul style="list-style-type: none"> <li>Berika</li> </ul>	<ul style="list-style-type: none"> <li>Zandukeli</li> </ul>			

## Beer production

Georgian companies have lower gross profit and higher EBITDA margins compared to European countries

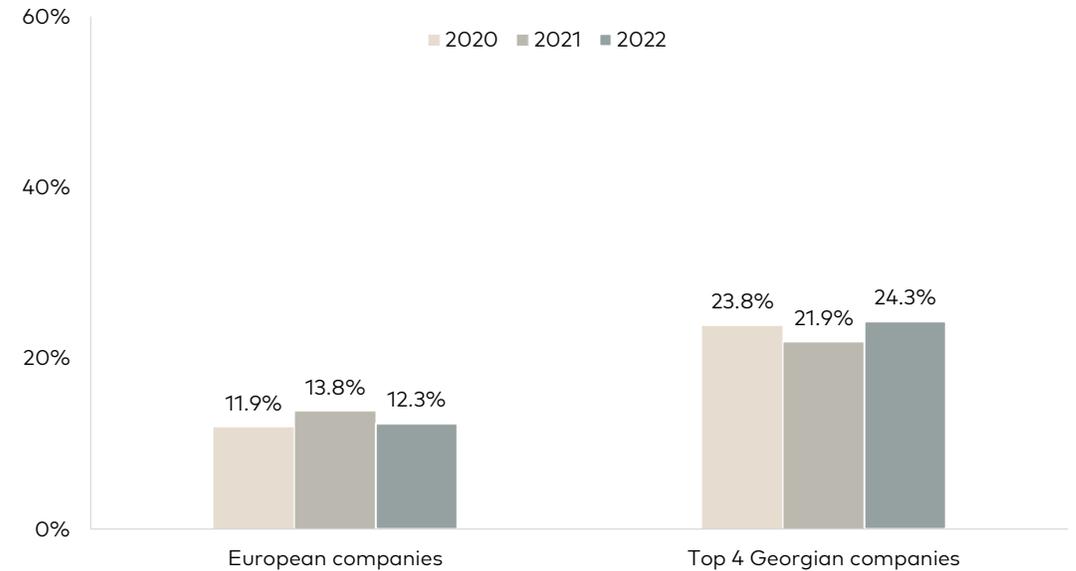
### Gross profit margin of beer producing companies



- The average gross profit margin of beer producers in Georgia has decreased over the past 2 years due to increased production costs.
- In Georgia, most of the materials are imported, unlike Europe where local production exists, resulting in a difference in the Gross profit margin.

Source: SARAS, Galt & Taggart

### EBITDA margins of beer producing companies



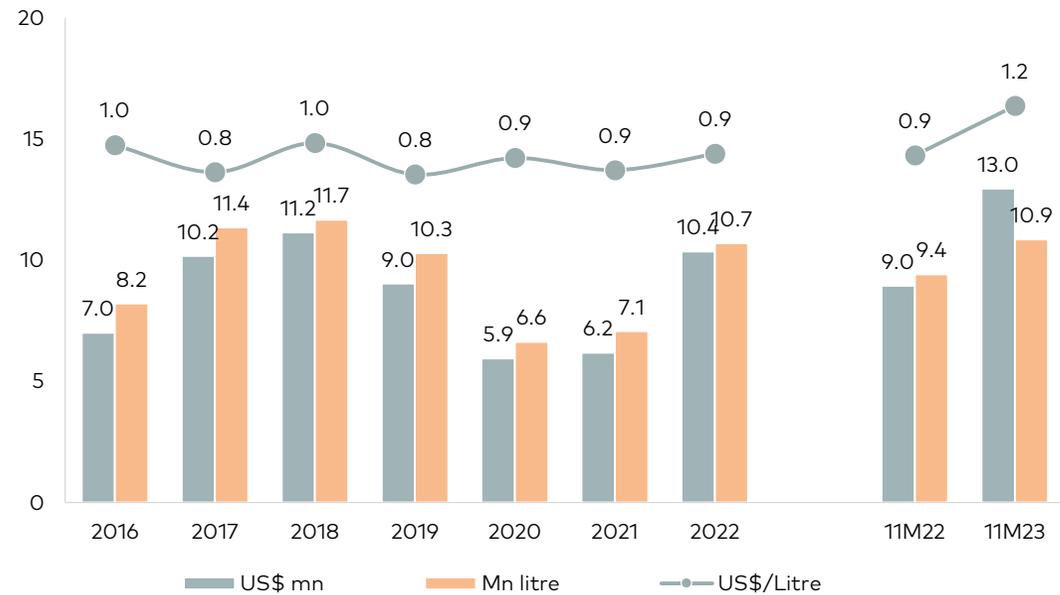
- The high EBITDA margins of Georgian beer producing companies compared to Europe can be explained by the low operational costs in Georgia.
- Among the top 4 companies in Georgia, **distribution expenses and salaries** represent the largest operating expense categories, making up **14.5%** and **9.1%** of revenue (2021-22 average).

Source: SARAS, Galt & Taggart

## Import of beer

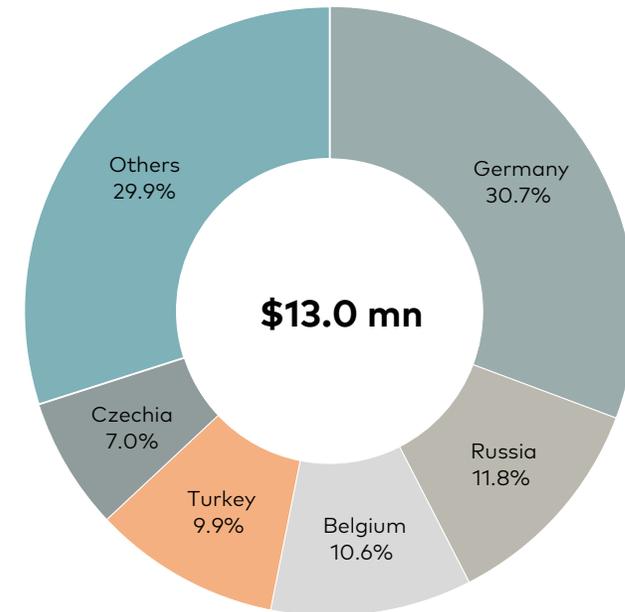
Imported beer accounts for only 8% of the total consumption

### Import of beer to Georgia



- Imported beer is mainly premium brands of 0.5L packaging.
- Beer imports expected at **US\$ 13.5mn** in 2023.

### Import of beer by country, US\$, 9M23



- Beer is imported to Georgia from 27 countries. Germany, Russia, Turkey and the Czech Republic are stable suppliers, and since 2018 Belgium entered the list of top importers for the first time in 2023.

## Price and COGS



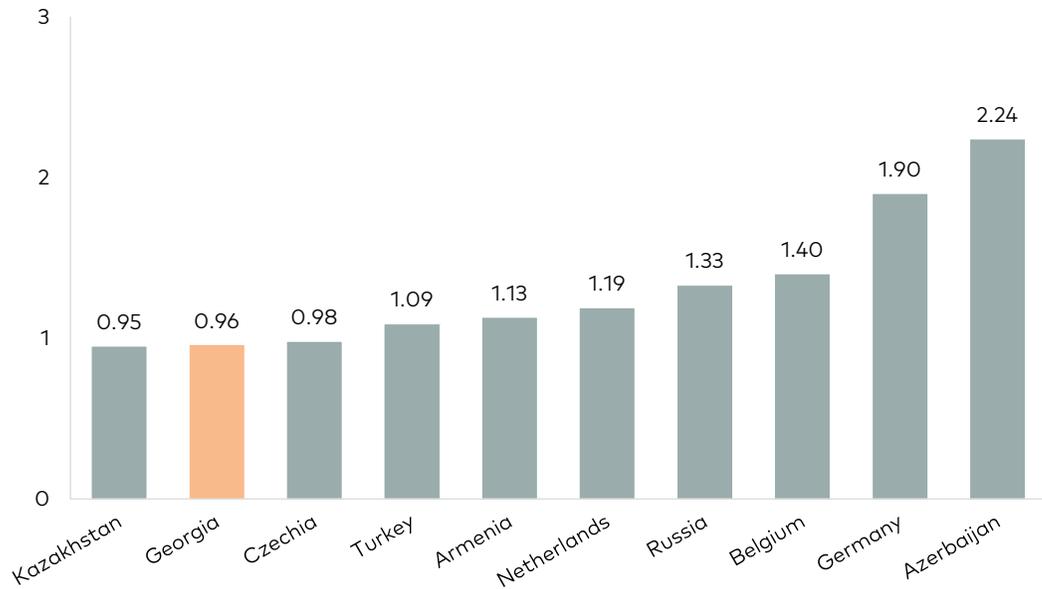
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## Price and COGS

### Beer in Georgia is cheap compared to other countries in the region

Price of beer in supermarkets, 0.33 litre package, US\$, 2021

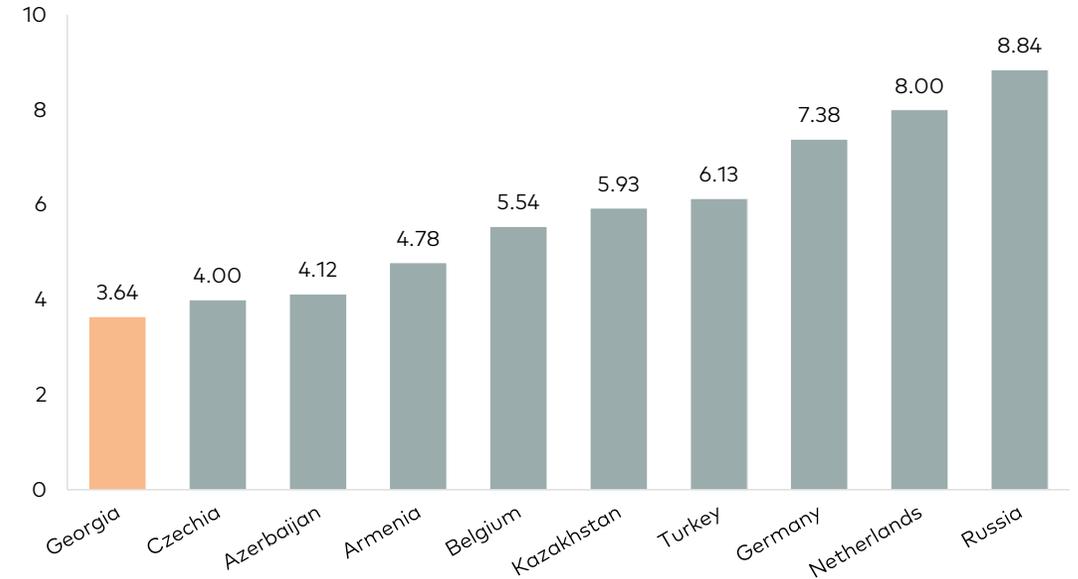


- Beer prices in Georgian supermarkets are lower than in Azerbaijan and Armenia but higher than in Poland and Kazakhstan.

Source: Statista, Galt & Taggart

Note: Prices are calculated for premium brand beer

Price of beer in the bar, 0.33 litre package, US\$, 2021



- The price of beer in a bar in Georgia is the cheapest in the region.

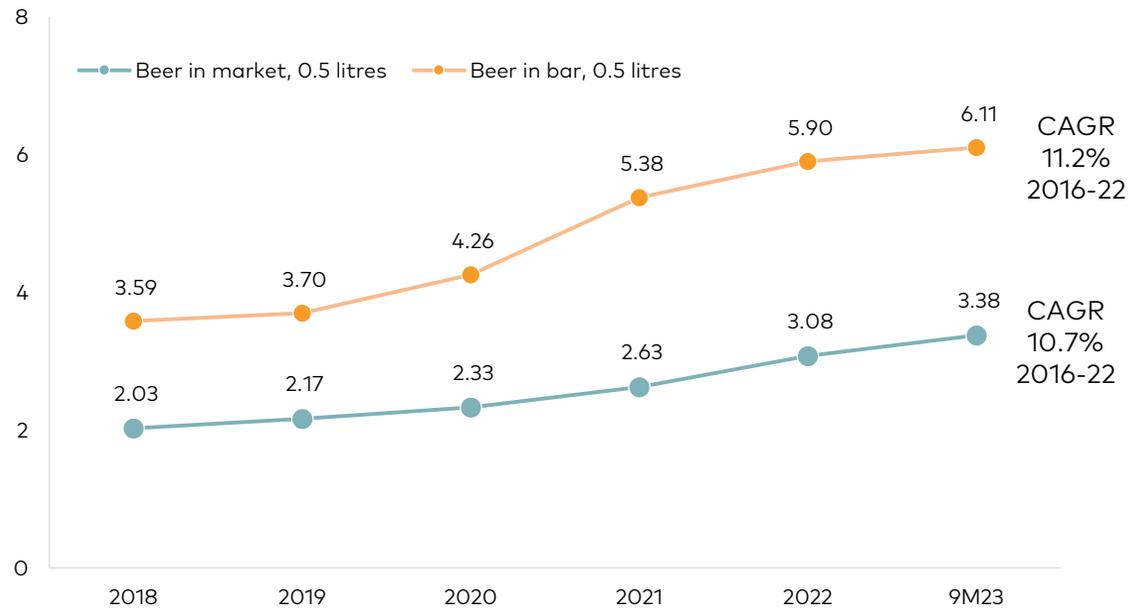
Source: Statista, Galt & Taggart

Note: Prices are calculated for premium brand beer

## Price and COGS

### Average price of beer is increasing due to the rise in the cost of materials

#### Average retail price of beer in Georgia, GEL



- The price of beer increased over 2018-23, due to the increase in COGS along with the increase in demand.

#### Main components of beer COGS

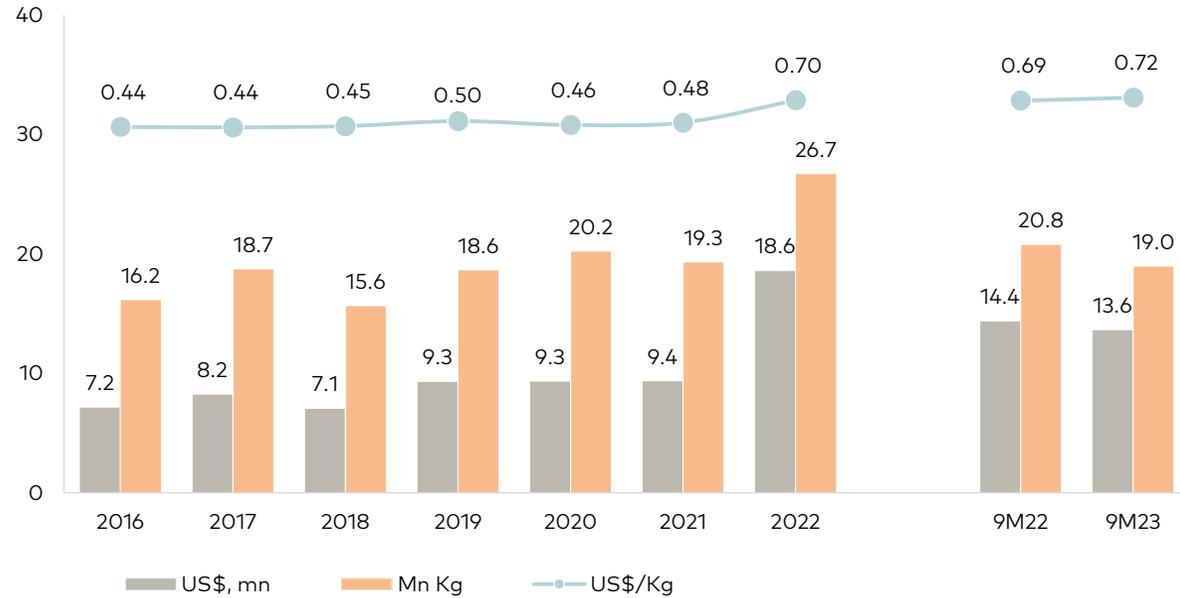
Beer production materials	Price in 2017	Price in 2023	% growth over 2017-23	Share in total COGS
Malt	1.11 GEL/Kg	2.09 GEL/Kg	88.3%	c. 40% for glass bottles c. 60% for PET
PET	GEL 0.12 per unit	GEL 0.17 per unit	41.7%	30-40%
Glass Bottle	1.13 GEL/Kg	1.54 GEL/Kg	37.1%	40-60%

- On average, 85% of the cost of beer produced in Georgia comes from imported products. Therefore, the global price dynamics of these materials significantly affects the profitability of Georgian companies.

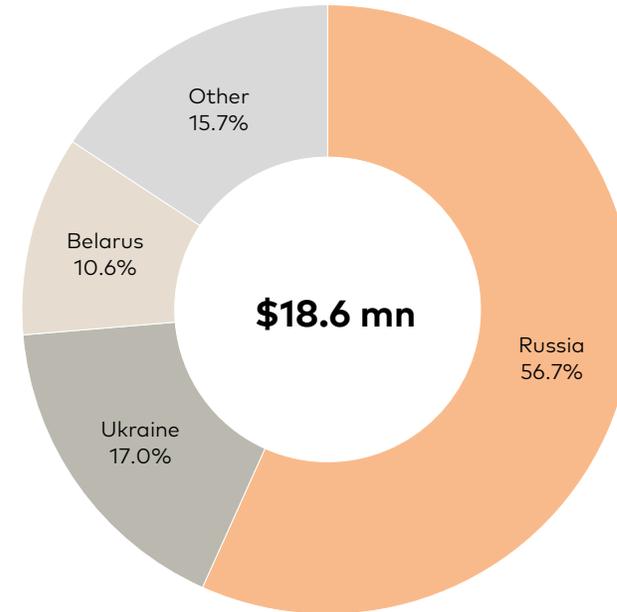
## Price and COGS

Price of malt increased significantly in 2022 and keeps slight increase in 2023

### Import of malt



### Import of malt by countries, 2022



- As malt is not produced in Georgia, the beer industry depends entirely on imported malt.
- The increase in world malt prices is explained by global trends, disruption of supply chains and increased transportation costs.

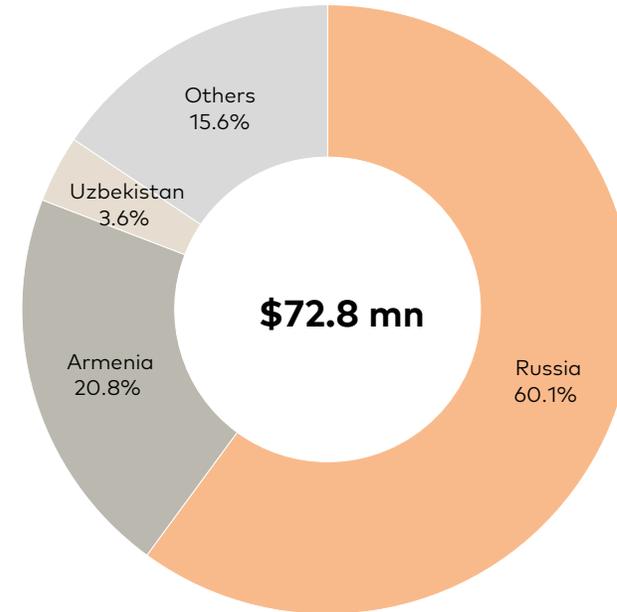
## Price and COGS

### Average price of glass bottle increased slightly in 2022-23

#### Import of glass bottles



#### Import of glass bottles by countries, 2022

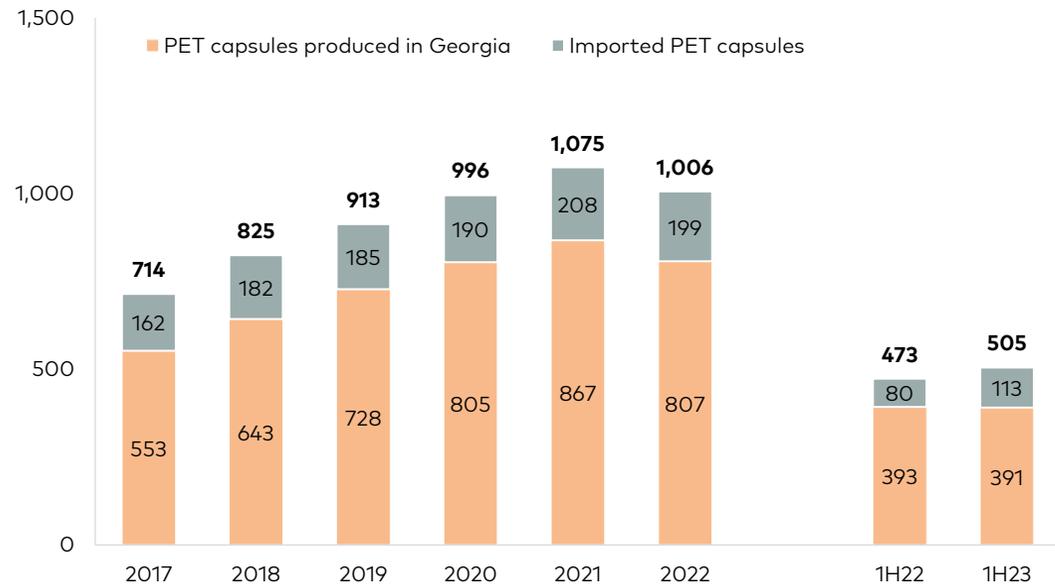


- Glass bottles are produced in Georgia by "Mina" Ltd, which mainly supplies mineral drinks producers, and the main suppliers for the beer sector are importers.
- The increase in the cost of glass bottles was caused by the increase in the price of gas in the world, which is related to the world energy crisis.

## Price and COGS

**Consumption of plastic bottles by the beer sector amounted to 26mn units in 2022**  
**Price of imported PET capsules decreased by 36.0% y/y in 2023**

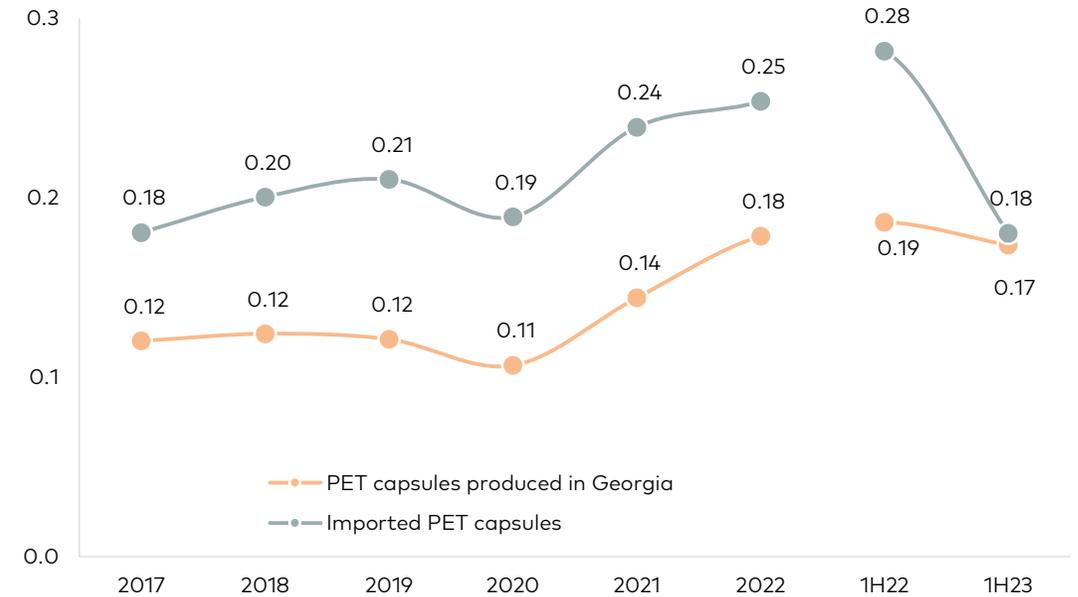
### Number of PET capsules, mn



- The total demand for PET capsules for plastic bottles in Georgia was 1.0bn units in 2022, of which 86.3% was local production, and the rest was imported.
- Water and soft drink companies are the main users of PET capsules, while the beer sector utilized approximately **25.9mn** plastic bottles in 2022.

Source: Geostat, State treasury, Galt & Taggart

### Average price of PET capsules, GEL



- The import of PET capsules reached **US\$ 17.6mn** in 2022, of which 64.8% came from Turkey.

Source: Geostat, State treasury, Galt & Taggart

**Annex**



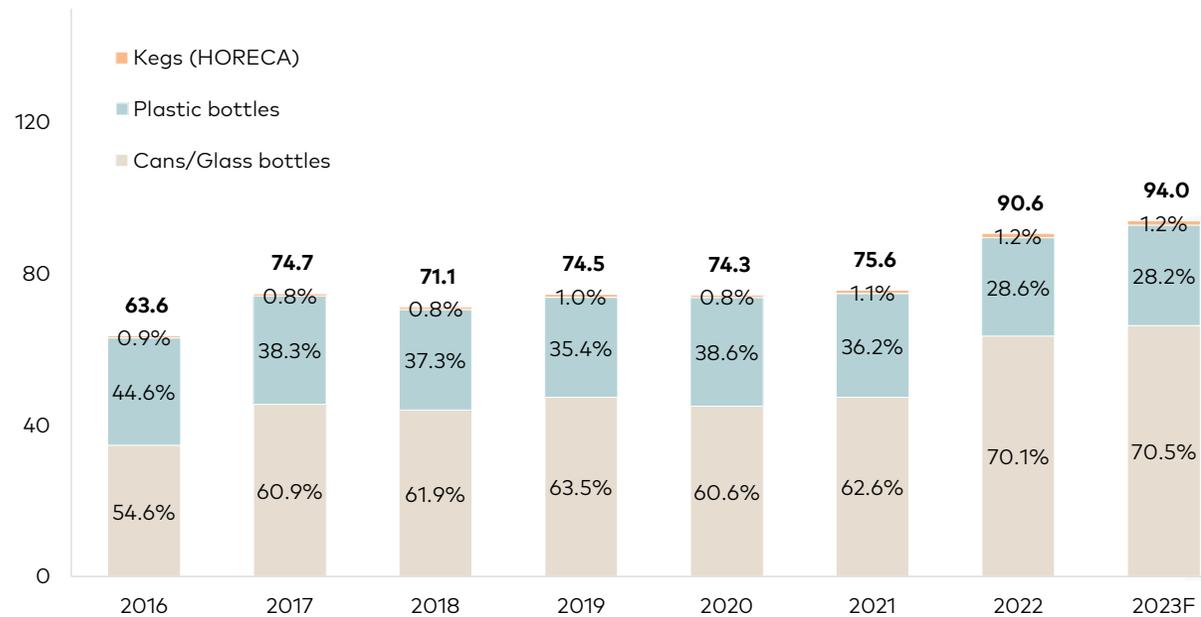
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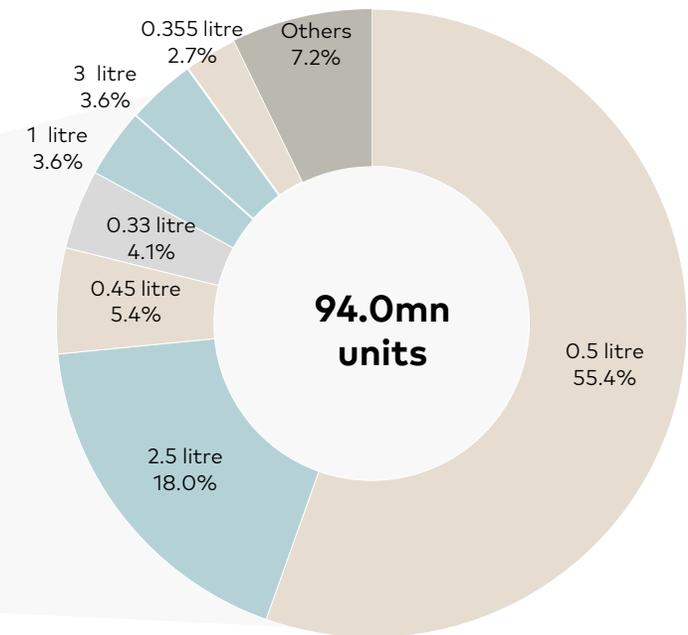
## Annex 1 – Number of sales in Georgia

Sales of bottled/canned beer have increased significantly over the past 2 years and are expected to continue to grow

The number of beer sold by bottle type, mn



The number of beer sold by size, 2023

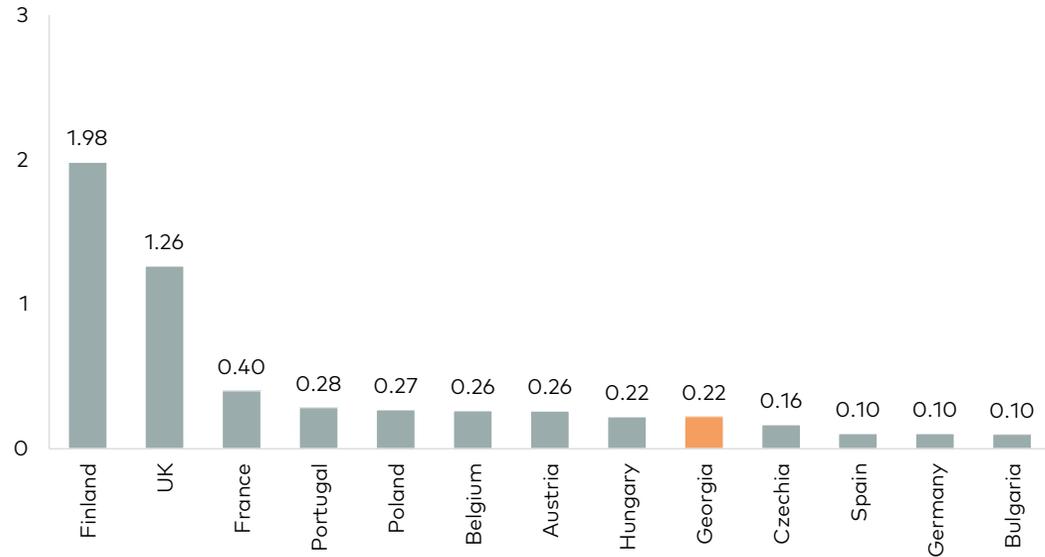


- The share of beer in single consumption packaging (with a volume of 0.5L and less) in the total amount of beer sold increased by **15.9ppts** in 2016-23.

## Annex 2 – Excise stamp on beer

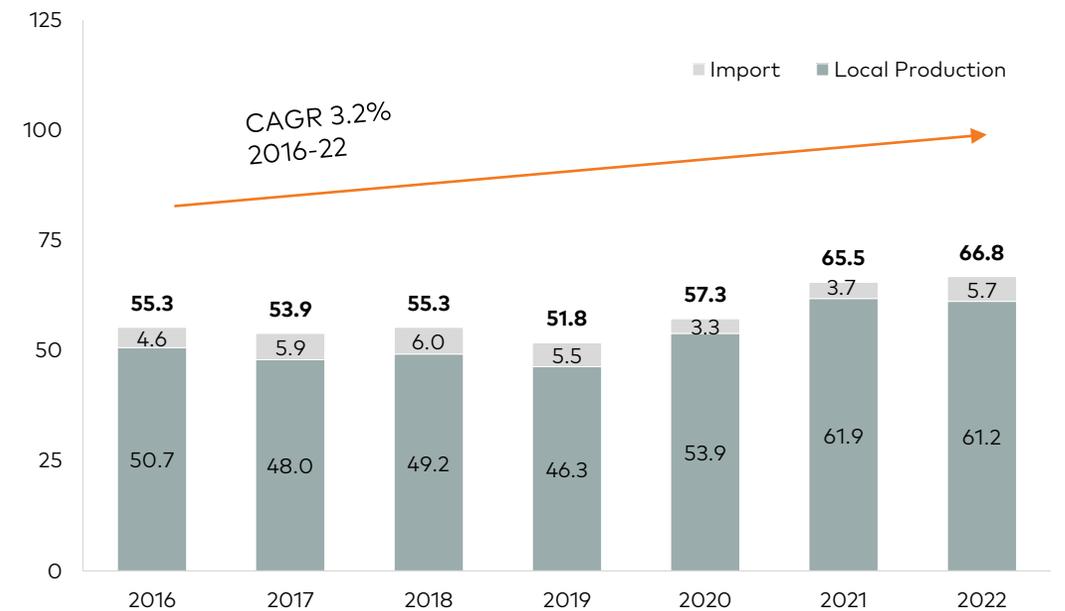
### Excise duty on beer in Georgia is high compared to the top producing countries

Excise stamp on one litre of beer, US\$, 2023



- In Georgia, the excise duty on beer has been unchanged since 2017 and amounts to **0.12 GEL** per percentage unit of pure alcohol in one litre of beer.
- Until 2017, the excise tax was fixed and amounted to 0.6 GEL per litre of beer, and 0.4 GEL before 2015.

Budget revenue from beer excise stamps, GEL mn

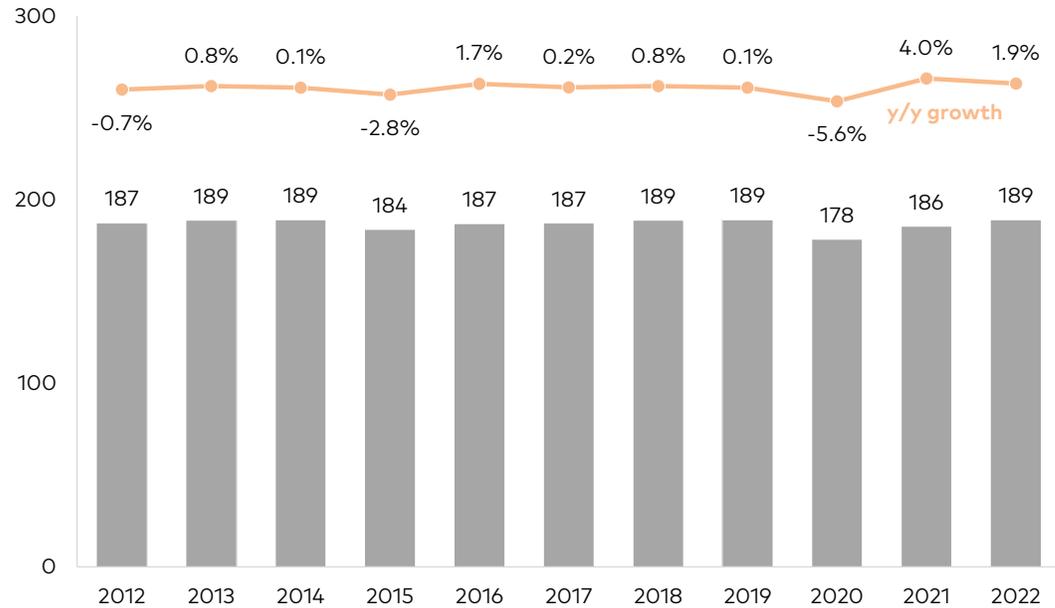


- In 2022, the income from beer excise amounted to **GEL 66.8mn**.

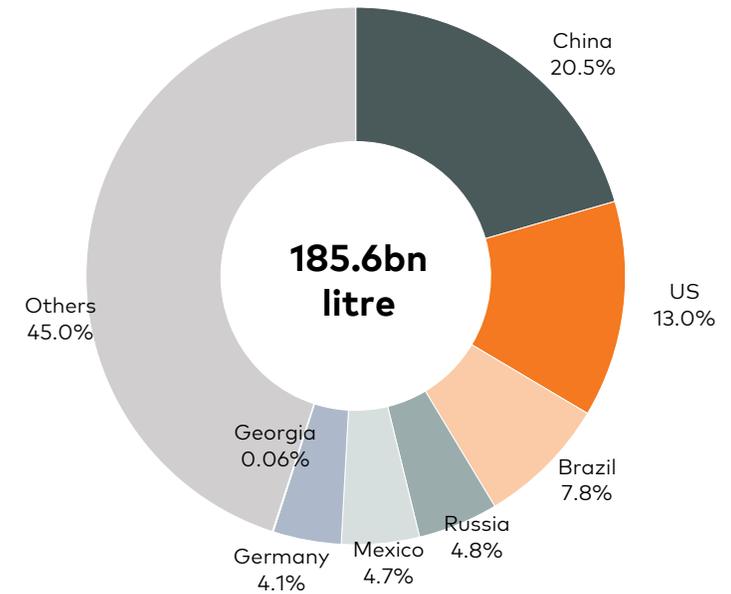
## Annex 3 – Global beer consumption

World beer consumption has been stable over the last decade

Global beer consumption, bn litre



Beer consumption by countries, 2021



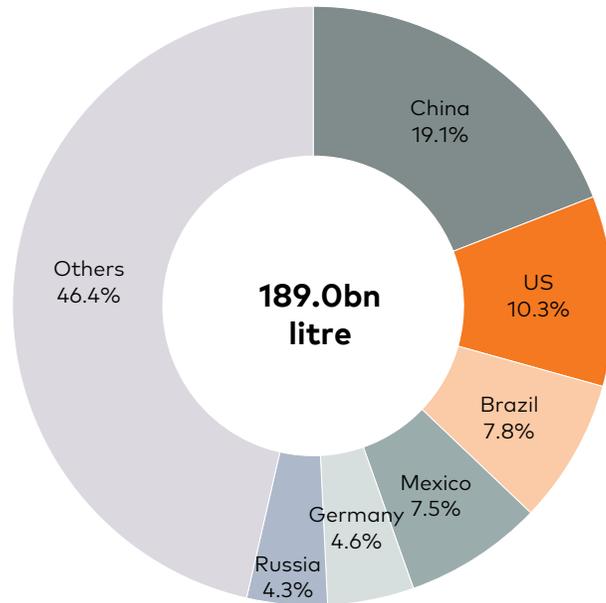
- Beer consumption globally decreased only during the pandemic and fully recovered in 2022.
- Global consumption is expected to remain stable in the coming years.

- Half of the global beer is consumed by the top 5 consumer countries.

## Annex 4 – Global beer production

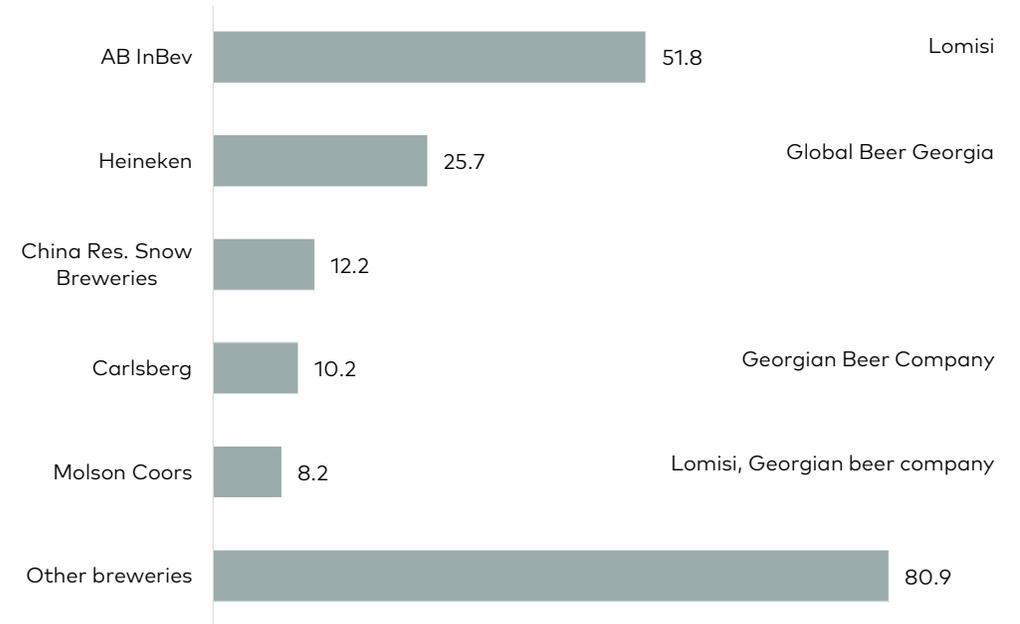
Top 5 beer producing countries account for c. half of the global beer production

Top beer producing countries, litre, 2022



- Because of beer market specifics the top consumer countries are also the top producers.

The world's top brewers, bn litre, 2022

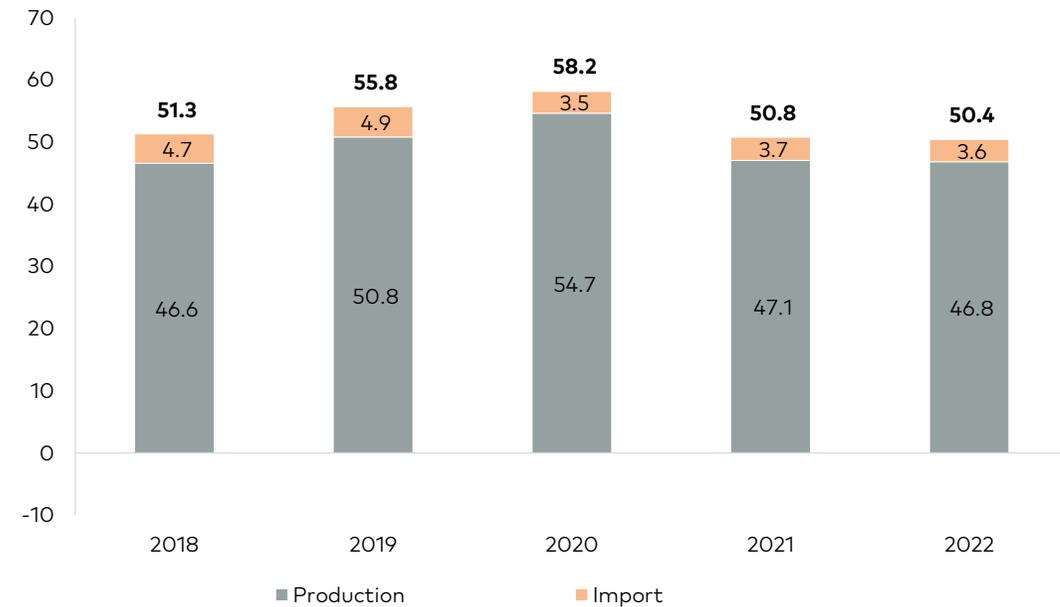


- Top 5 beer companies account for 57.2% of beer production.

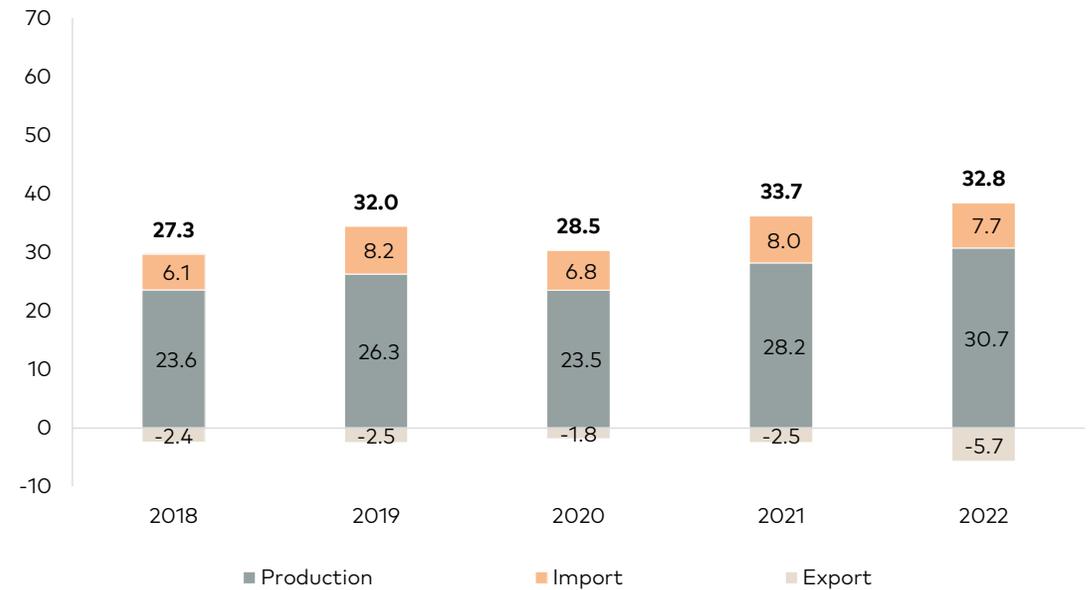
## Annex 5 – Beer consumption in Azerbaijan and Armenia

Beer consumption in Azerbaijan and Armenia are lower compared to Georgia

### Beer consumption in Azerbaijan, litre



### Beer consumption in Armenia, litre





# Disclaimer

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