



**TBC CAPITAL**

# Automotive Sector Market Watch

3Q 2020

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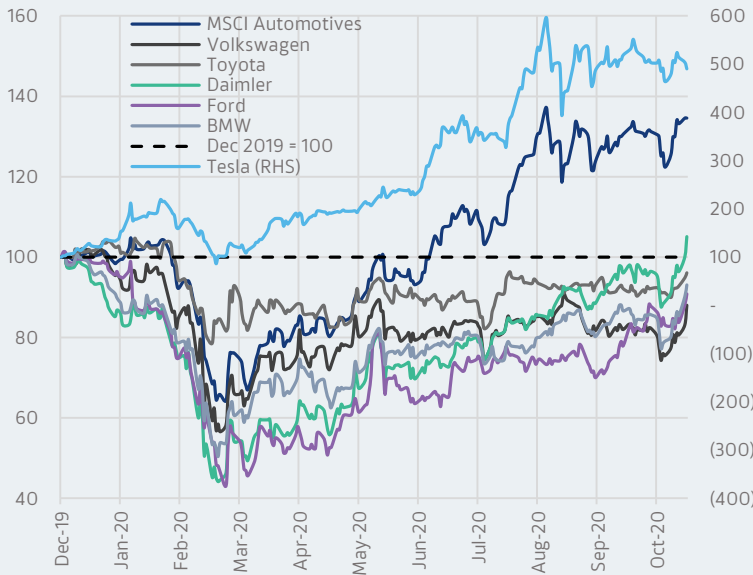
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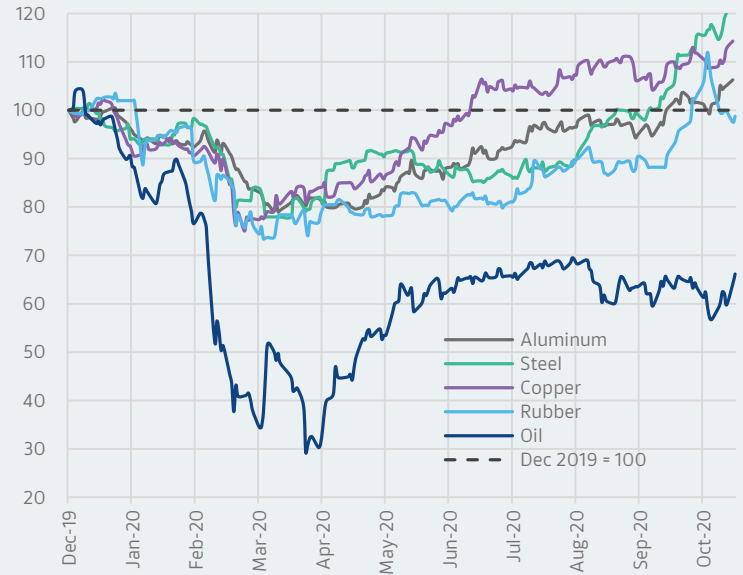
# OVERVIEW

- **KEY INTERNATIONAL TENDENCIES**
- **MAJOR TRADING PARTNERS**
- **FORMAL SECTOR TURNOVER & FINANCIALS**
- **EXTERNAL TRADE DYNAMICS**
- **DOMESTIC MARKET TENDENCIES**
  - **DRIVERS OF THE DEMAND**
  - **FLEET VS. FIRST REGISTRATIONS**
  - **FIRST REGISTRATION BREAKDOWN**
- **TRUCKS & HEAVY VEHICLES**

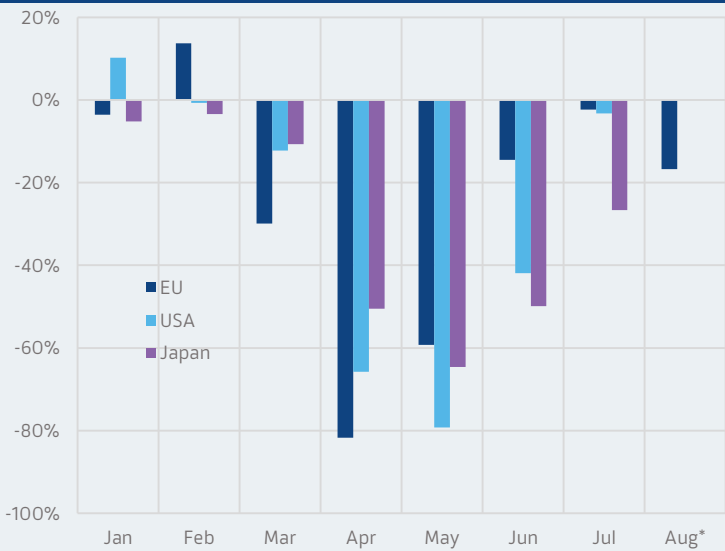
## SELECT AUTOMOTIVE PRICE DYNAMICS (DEC 2019=100)



## SELECT COMMODITY PRICE DYNAMICS (DEC 2019=100)



## LIGHT VEHICLE EXPORT DYNAMICS (YoY CHANGE %)



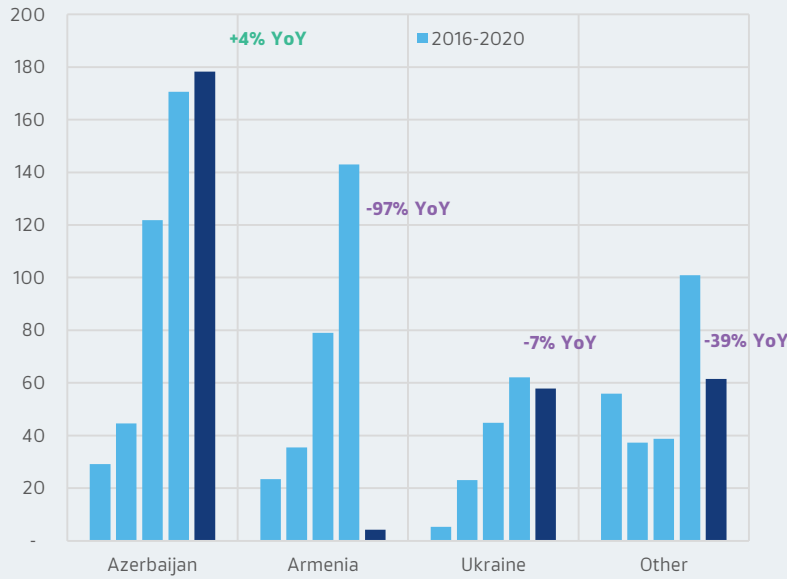
Note: USA and Japan data for August not yet available

- The major Automotive company **prices have been recovering steadily**. After the mid-September retreat with the mounting new virus cases, prices have surged again on the back of positive Pfizer Vaccine news. Tesla has been an exception, which, having grown by the factor of 5 since Dec 2019, drove the MSCI Automotive index to positive territory as early as July
- **Prices for the industry inputs** such as Aluminum, Steel, Copper and Rubber have all surpassed the pre-COVID levels as of end of October
- Worldwide **light vehicle trade has been gradually recovering** since the April's lows, with somewhat weaker exports for EU in August
- Pre-COVID, **Georgia was the 6th largest re-exporter of light vehicles** in the world

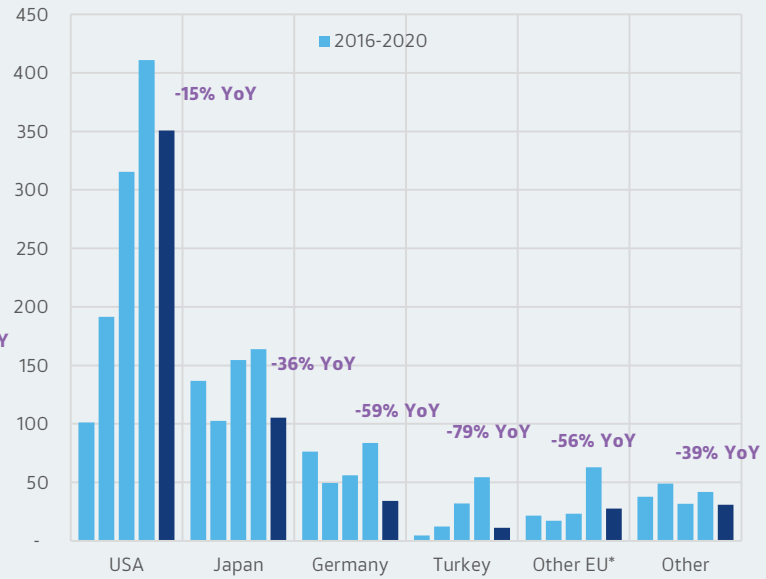
## KEY TRADING COUNTRIES IN AUTOMOTIVE INDUSTRY (2019)



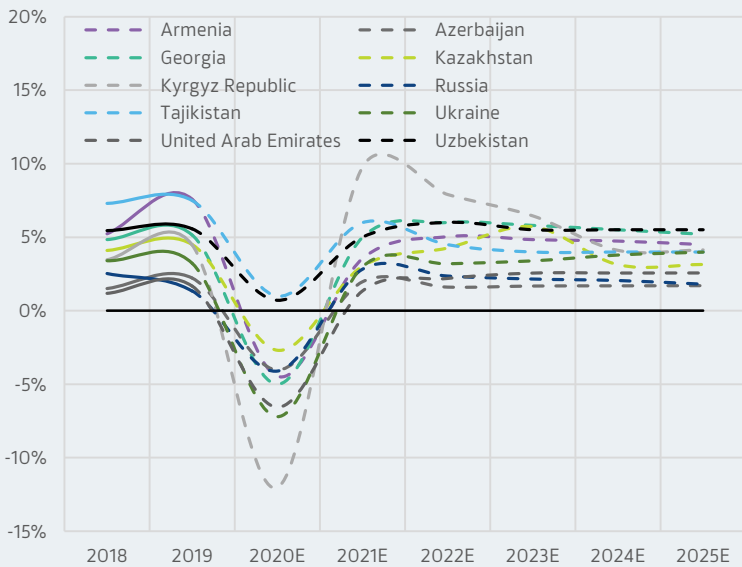
## LIGHT AUTOMOBILE EXPORTS, 9M, (USD MN)



## LIGHT AUTOMOBILE IMPORTS, 9M, (USD MN)

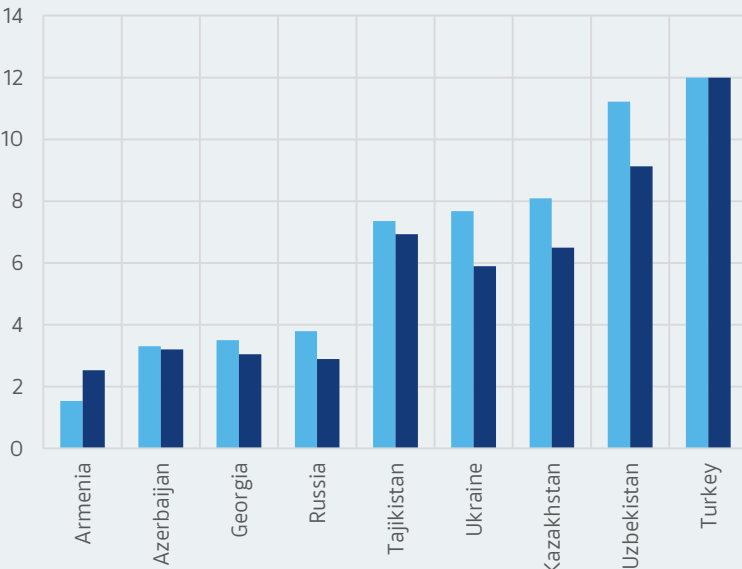


## GDP FCST IN MAJOR PARTNERS (2019-2025E)

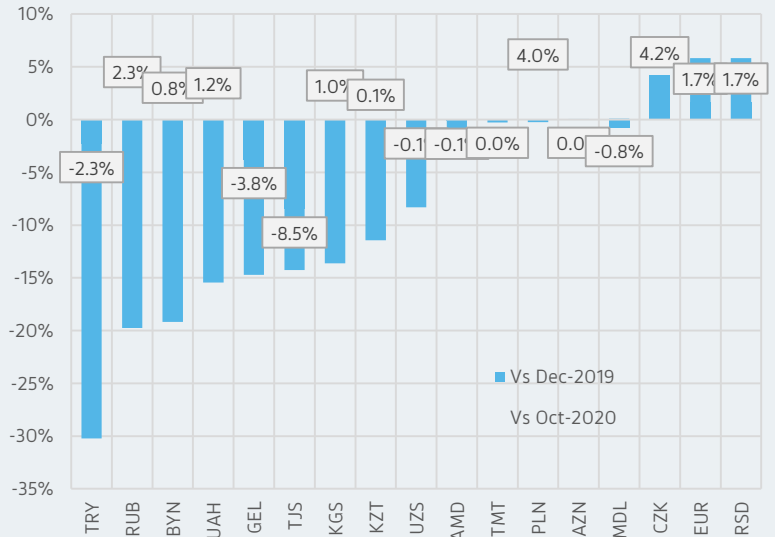


- In 9M of 2020, the **imports and exports (USD) of light vehicles in Georgia fell by 31% and 37%**, respectively
- Causing a one-time surge in demand by end-2019, the **new customs regulations in Armenia** shut down this export market for Georgia in 2020, becoming a primary reason for the drop in exports, dragging the imports down as well (100% of Georgian exports is re-export)
- The expectations for **real GDP and external trade growths** starting from 2021 are optimistic for Georgia and the extended region, offering a reason for positive outlook for the domestic automotive sector and external trade of cars, if Armenian market is timely substituted

## INFLATION FORECASTS IN MAJOR PARTNERS (2020-2021E, %)

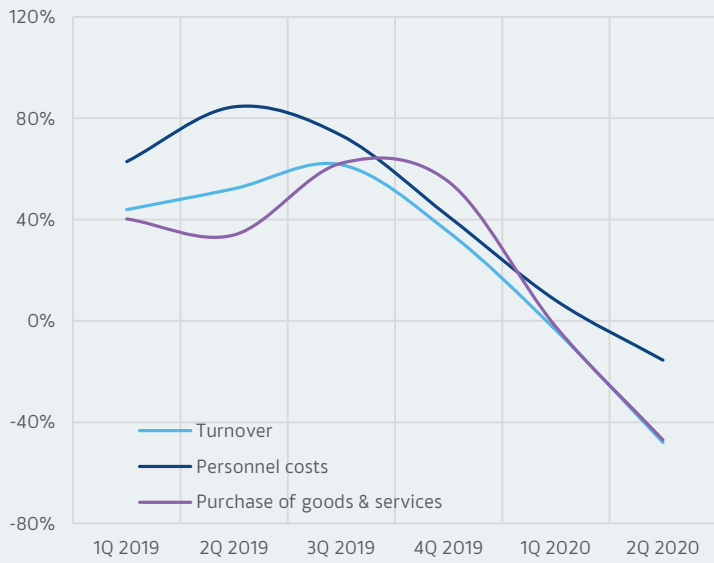


## FX CHANGES VS USD (DECREASE MEANS DEPRECIATION)

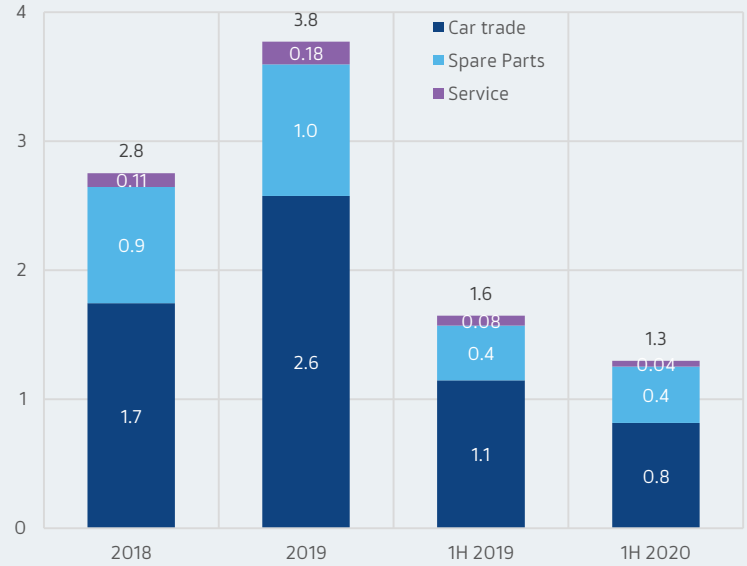


Source: Bloomberg, IMF, NBG, Respective central banks, GeoStat; Note\*: Includes UK

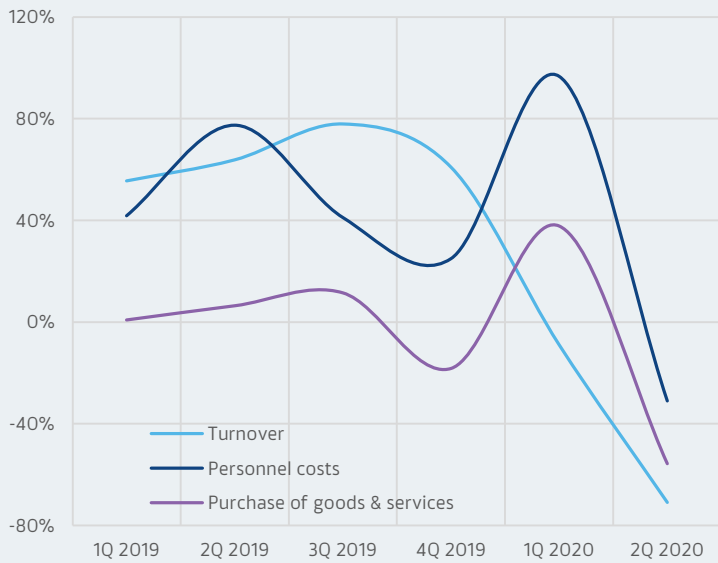
## CAR TRADE TURNOVER & OPEX TOT CHANGE %



## TURNOVER BY SUB-CATEGORIES, GEL BN

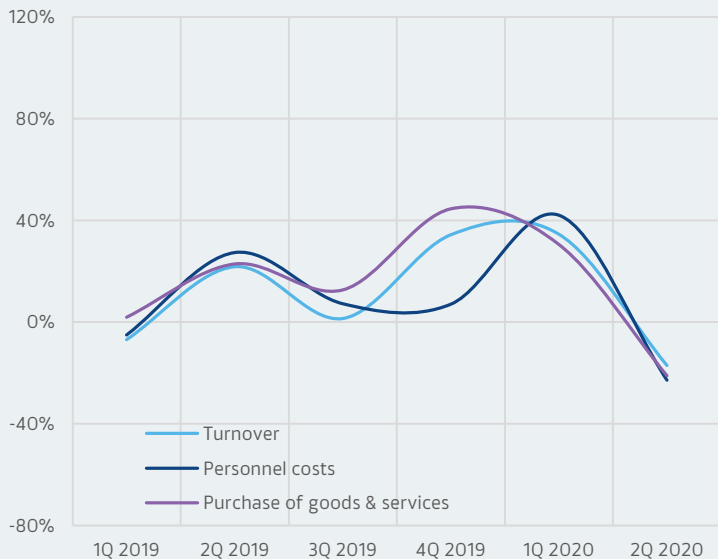


## SERVICE TURNOVER & OPEX TOT CHANGE %

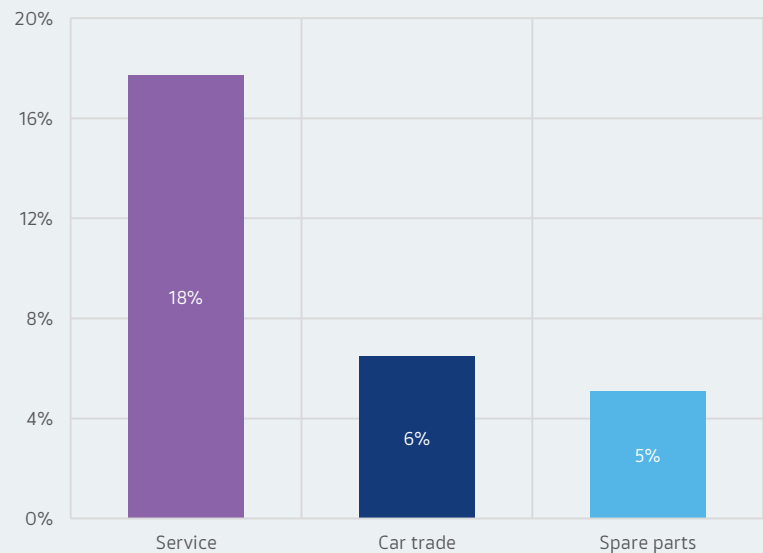


- Pre-Pandemic, 68% of Automotive industry turnover came on the car trade sub-category, 27% and 5% on spare part trade and car service, respectively
- During the pandemics, **the service sub-sector turnover** took the biggest dive falling by 71% in Q2 2020. Car trade fell by 48% in Q2, while sales of spare parts decreased by 17%
- The **major operating expenses**, personnel costs and purchase of goods and services, in all three sub-sectors decreased in line with the plunge of turnover
- **Normalized EBITDA margin** stands at 5% for the car trade sub-sector, 6% for spare parts, and 18% for service

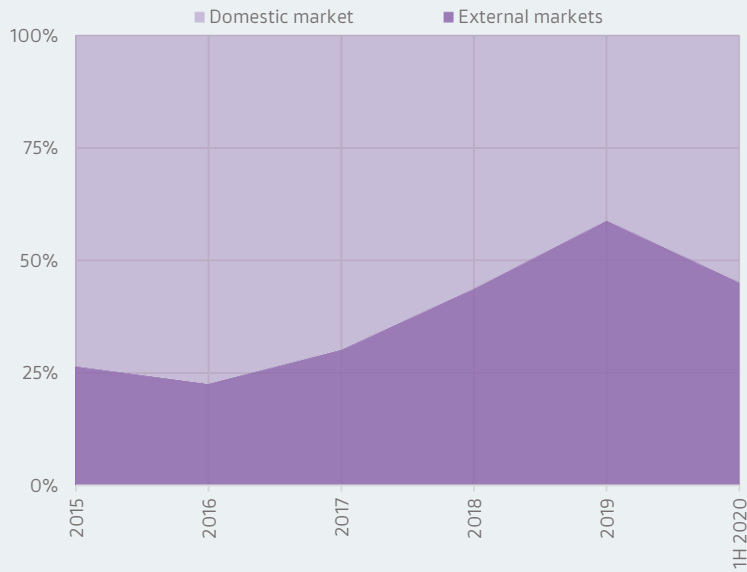
## SPARE PARTS TURNOVER & OPEX TOT CHANGE %



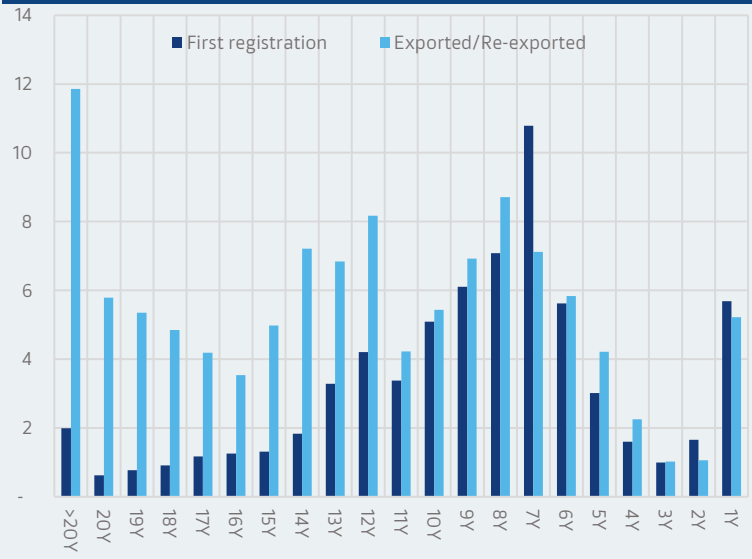
## NORMALIZED EBITDA MARGIN, %\*



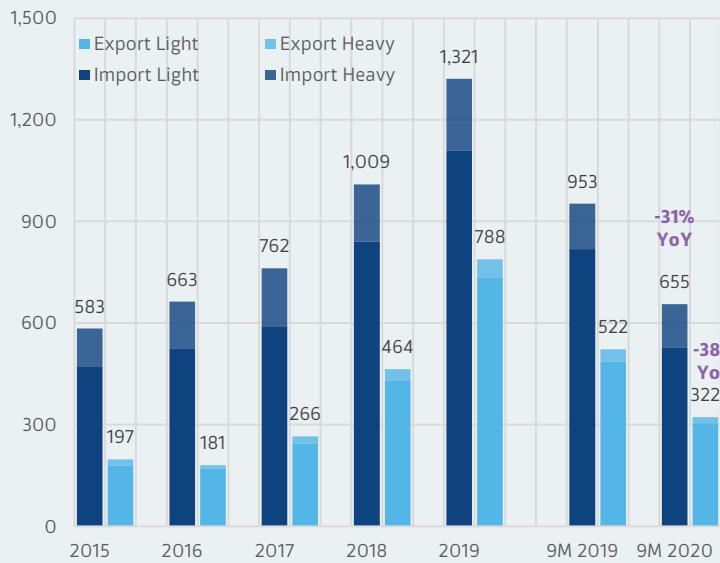
## AUTOMOTIVE TURNOVER: DOMESTIC VS EXTERNAL %



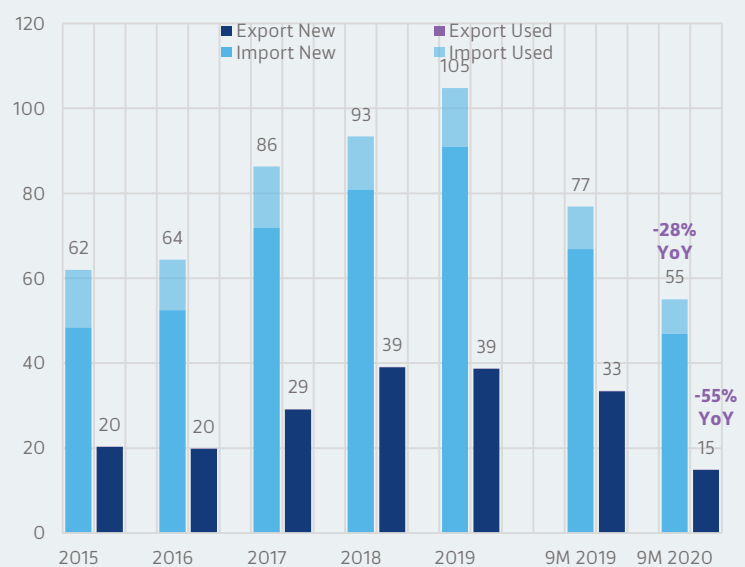
## NUMBER OF VEHICLES BY AGE, 2019 (000)



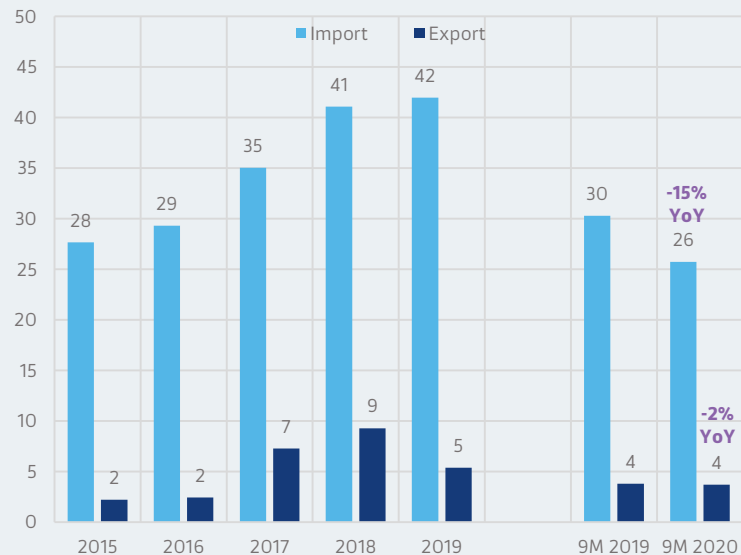
## TRADE OF LIGHT & HEAVY VEHICLES, USD MLN



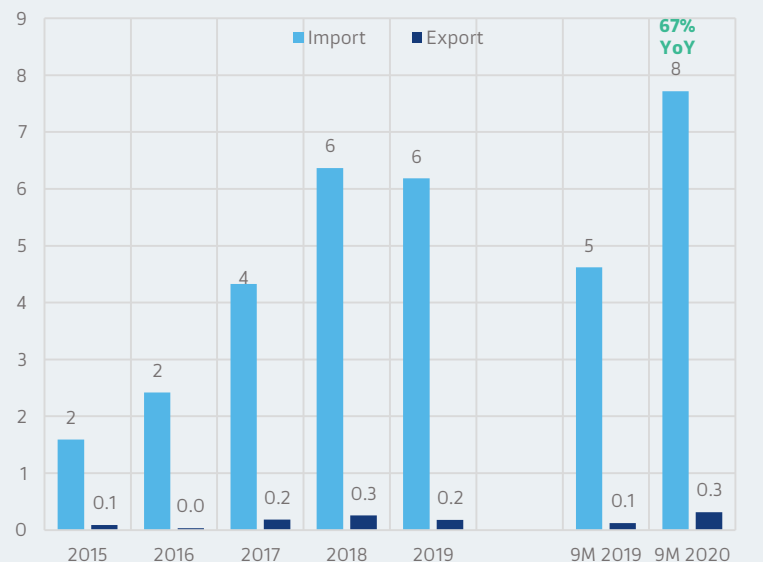
## EXTERNAL TRADE OF TIRES, USD MLN



## EXTERNAL TRADE OF SPARE PARTS, USD MLN

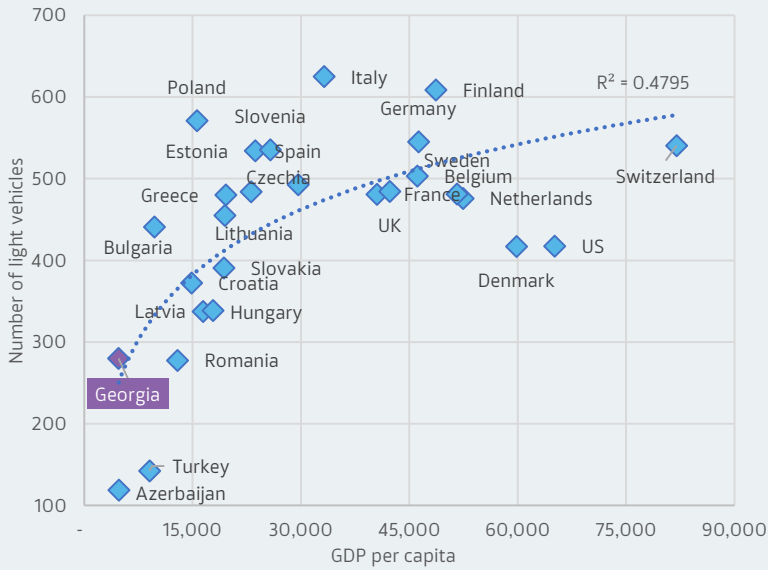


## TRADE OF MOTORCYCLES & SCOOTERS, USD MLN

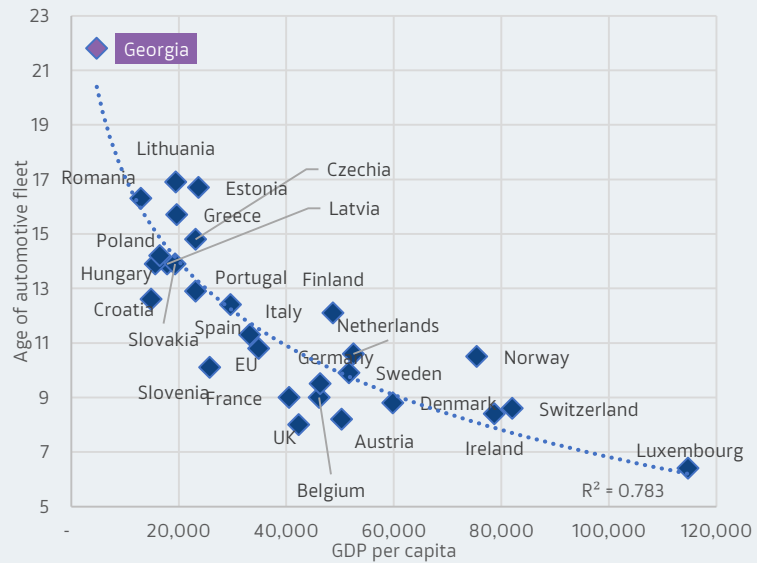


# DOMESTIC MARKET TENDENCIES I/III: DRIVERS OF THE DEMAND

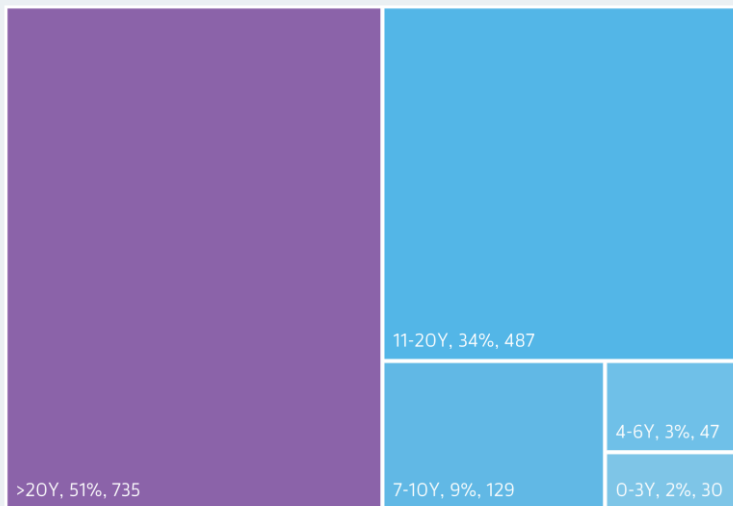
## NUMBER OF LIGHT VEHICLES PER 1,000 INHABITANTS\*



## AVERAGE AGE OF AUTOMOTIVE FLEET\*\*

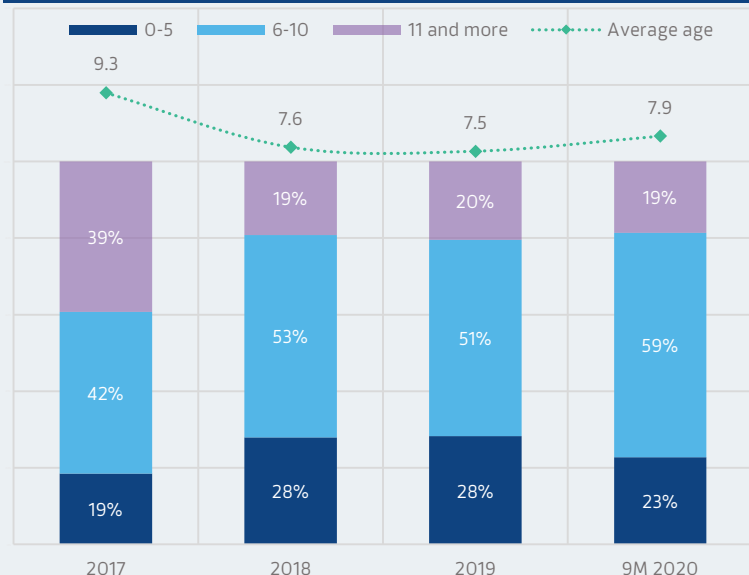


## GEORGIAN AUTOMOTIVE FLEET BY AGE, SEP 2020 ('000)

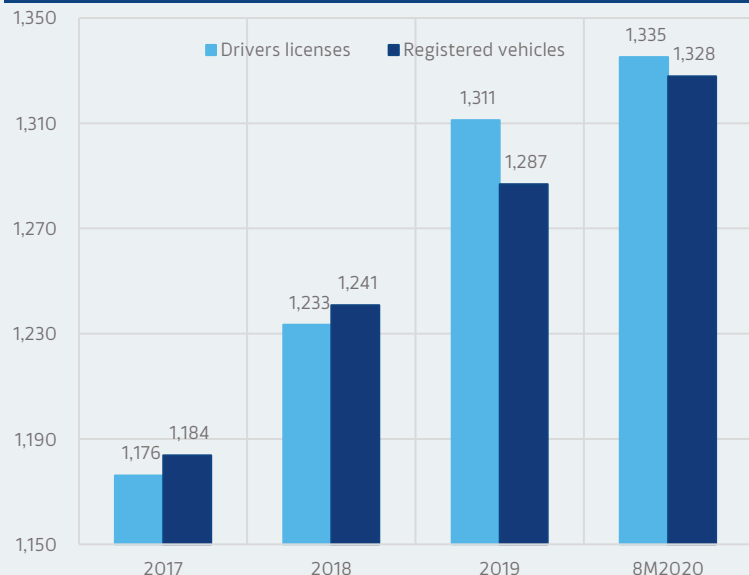


- Compared to regional countries, the **number of light vehicles per inhabitants is low in Georgia**, indicating a further penetration of the sectoral growth
- Consisting more than 87% of the cars aged >11 years **Georgia has one of the oldest car fleets in Europe**, indicating an upside through substitution
- The **average age of newly registered light vehicles has been decreasing since 2017**, as the share of newly registered light vehicles that are 10 years and younger exceeds 80%. Much like other indicators, this positive dynamics came to halt in 2020, when the average age increased to 7.9 years
- Currently the number of **active drivers license holders** exceeds the number of **active registered vehicles**, indicating an upside for local sales

## FIRST REGISTERED LIGHT VEHICLES BY AGE BRACKETS



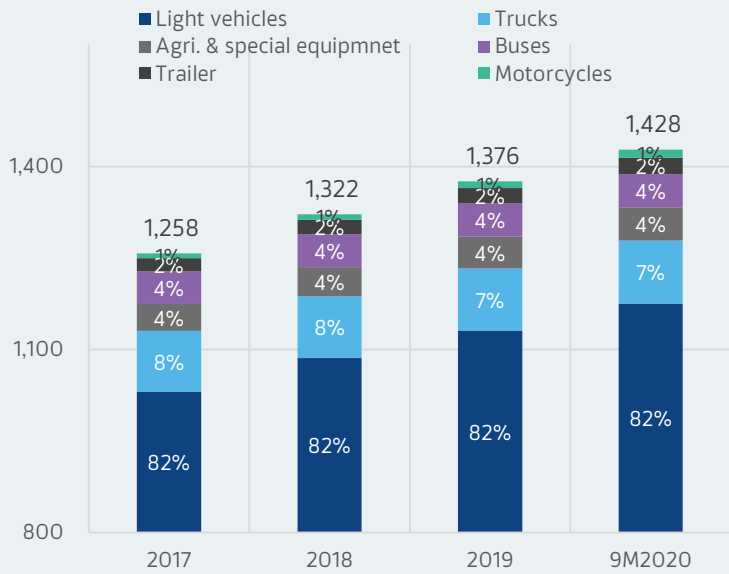
## DRIVERS LICENSES & REGISTERED VEHICLES ('000)



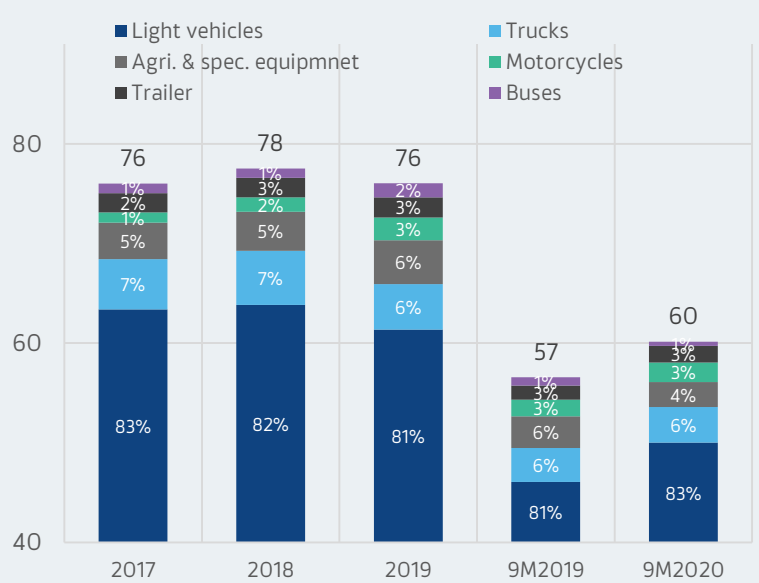
Source: MIA, ACEA, OECD; \*Data for Georgia as of 2019, the rest as of 2016; \*\*Data for Georgia as of 2019, the rest as of 2018

# DOMESTIC MARKET TENDENCIES II/III: FLEET VS. FIRST REGISTRATIONS

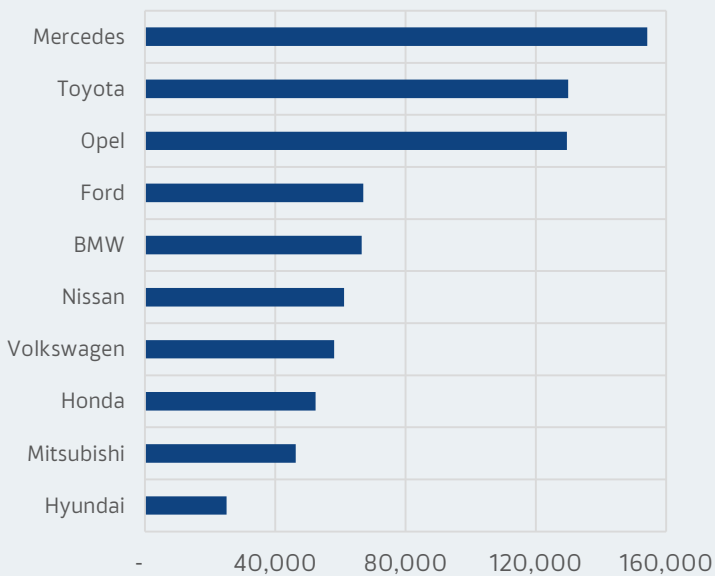
## GEORGIAN AUTOMOTIVE FLEET BY TYPE (000 UNITS)



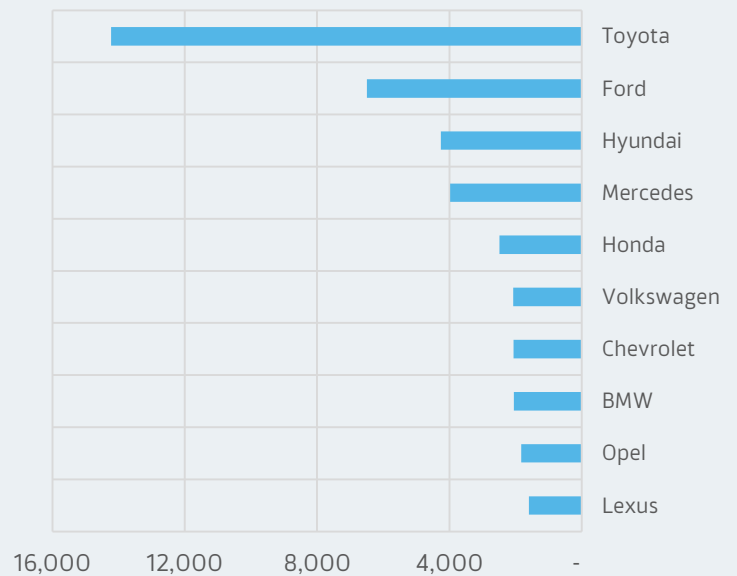
## FIRST REGISTRATIONS BY TYPE (000 UNITS)



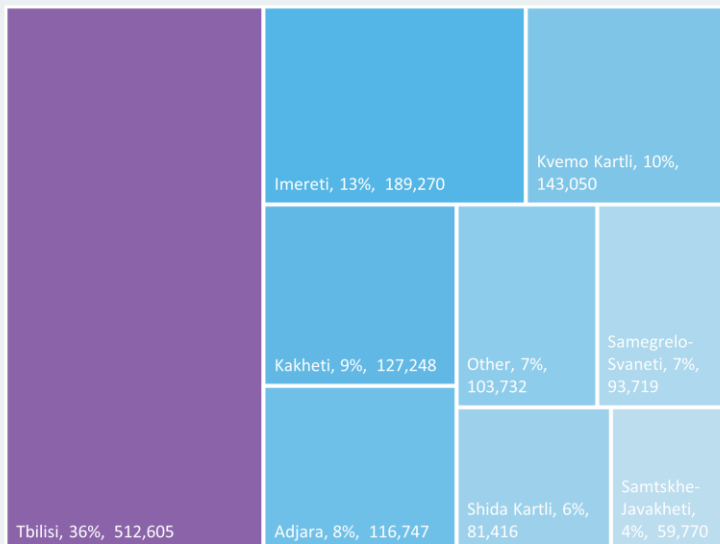
## TOP BRANDS IN GEORGIAN LIGHT VEHICLE FLEET, 2019\*



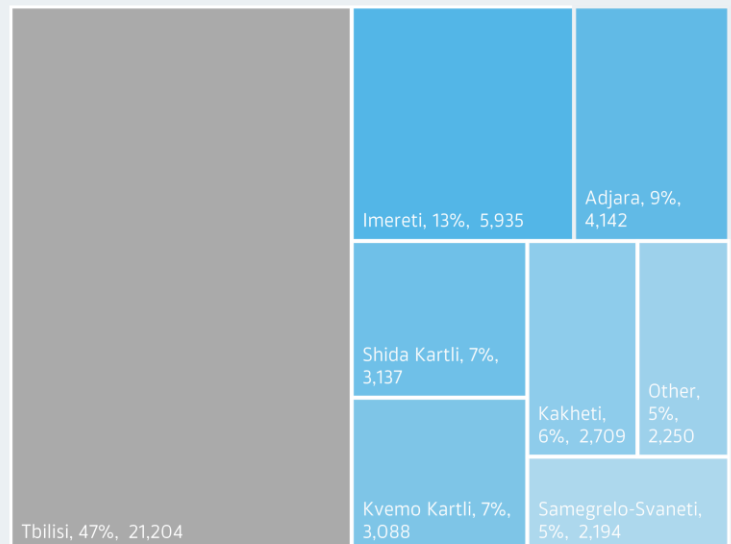
## TOP BRANDS IN FIRST REGISTERED LIGHT VEHICLES, 2019



## GEORGIAN LIGHT VEHICLES FLEET BY REGIONS, 2019



## FIRST REGISTERED LIGHT VEHICLES BY REGIONS, 2019

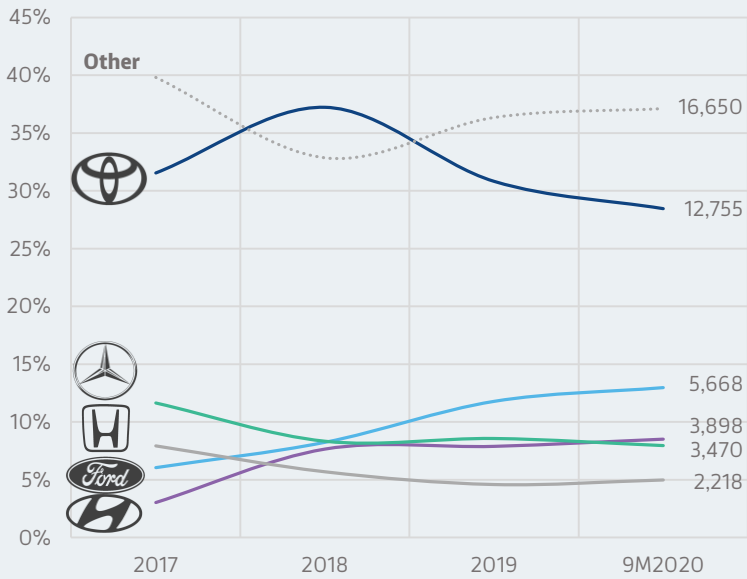


Source: MIA, TBC Capital, \*Excludes vehicles of soviet production

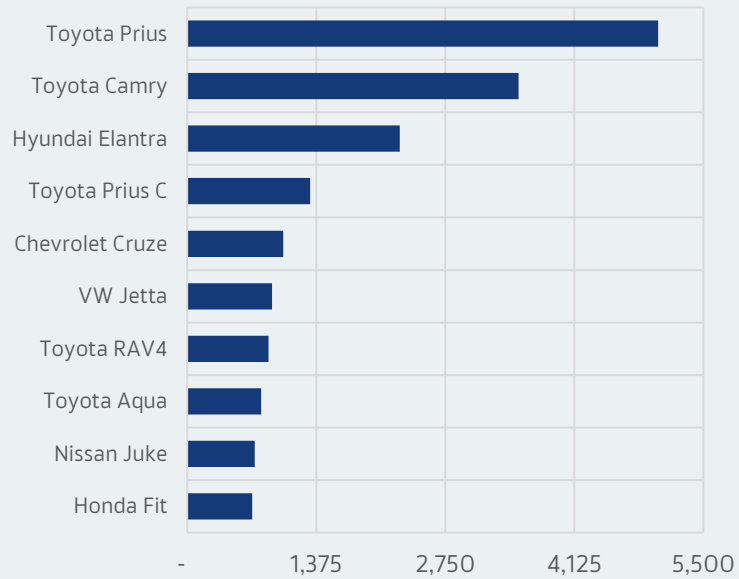


# DOMESTIC MARKET TENDENCIES III/III: FIRST REGISTRATION BREAKDOWN

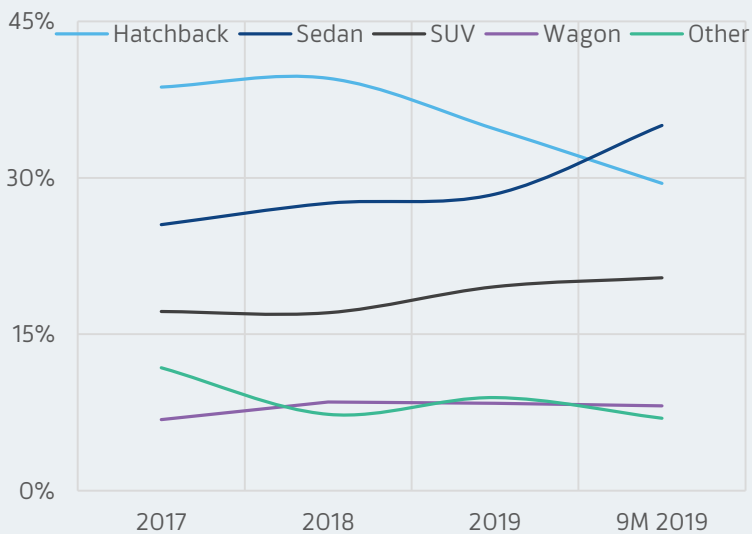
## FIRST REGISTERED LIGHT VEHICLES BY BRANDS: TOP 5



## FIRST REGISTERED LIGHT VEHICLES, 9M 2020

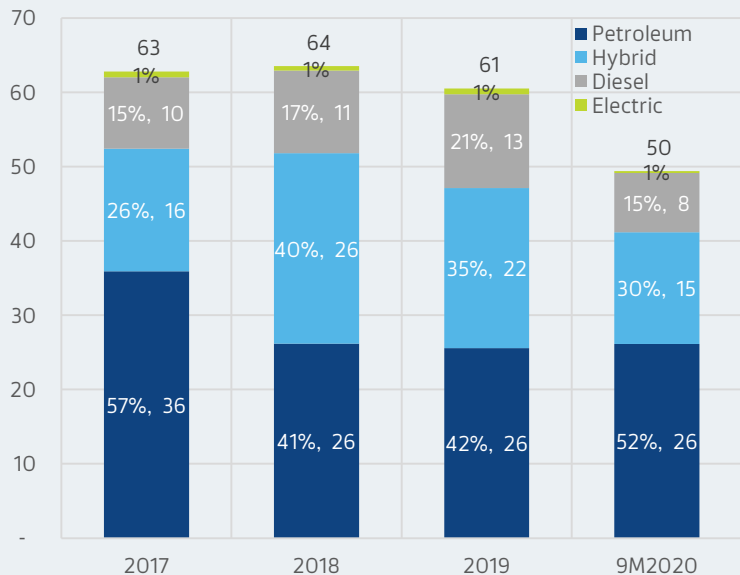


## FIRST REGISTERED LIGHT VEHICLES BY TYPE (SHARE %)

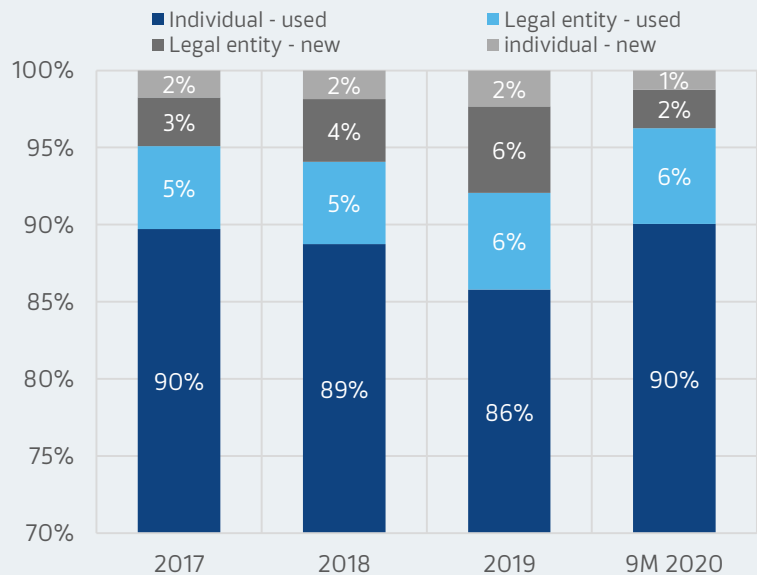


- With highly demanded Prius and Camry models, **Toyota maintains the position of the leading brand** in newly registered light vehicles. However, its decreasing share is dragging down the share of hybrid light vehicles since 2018
- Since 2018 **vehicles with petroleum engines** have been on a rise and in the first nine months of 2020 reached c. 52% of all newly registered light vehicles
- Legal entities hold a small share in total first registered vehicles, but the **ratio of new to old cars** by far outruns that in individuals

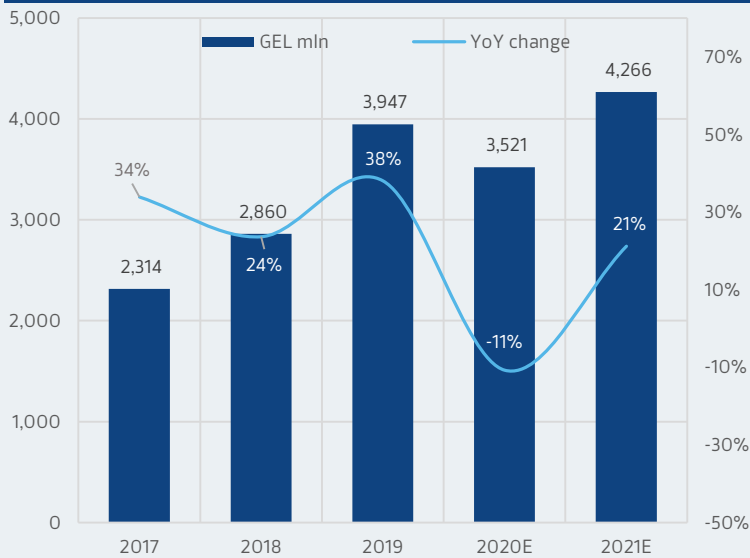
## FIRST REGISTERED LIGHT VEHICLES BY FUEL TYPE (000)



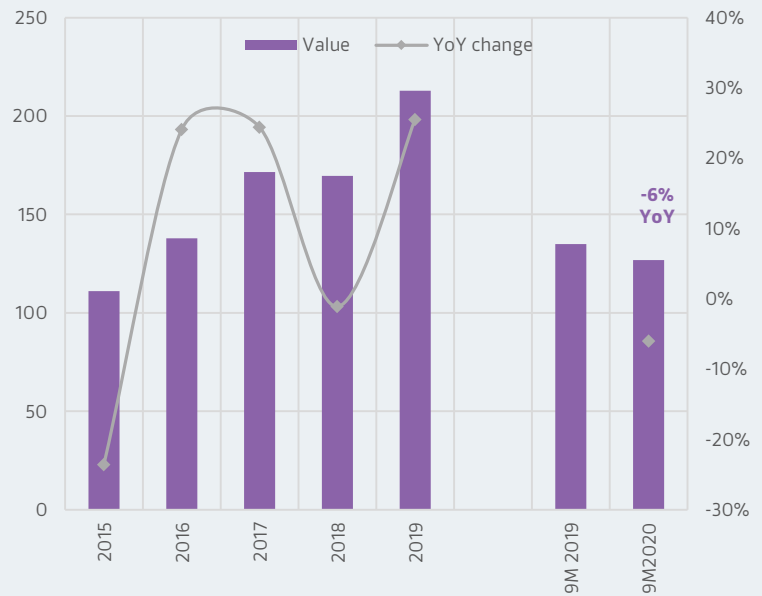
## FIRST REGISTERED LIGHT VEHICLES BY OWNERSHIP



## STATE EXPENDITURE ON INFRASTRUCTURAL PROJECTS



## IMPORT OF TRUCKS & HEAVY VEHICLES, USD MLN



- According to the preliminary 2021 state budget, the planned **infrastructural expenditure**, a 21% increase compared to the 2020 plan, is record breaking throughout the past five years. The increased infrastructural spending positively affects the automotive sector as it performs as a byproduct for trucks and special equipment

Source: MOF, GeoStat

## ACRONYMS & ABBREVIATIONS

ACEA	European Automobile Manufacturers' Association
CAGR	Compounded Annual Growth Rate
CIS	Commonwealth of Independent States
DM	Developed Markets
EM	Emerging Markets
EU	European Union
FCST	Forecast
FED	Federal Reserve System
GDP	Gross Domestic Product
GeoStat	National Statistics Office of Georgia
IMF	International Monetary Fund
MIA	Ministry of Internal Affairs
MOF	Ministry Of Finance
NBG	National Bank of Georgia
UK	United Kingdom
US	United States
Y	Year

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