



Georgian Railway – 1H24 update

Georgian Railway's revenue posted a slight 0.8% y/y decline to US\$ 116.8mn in 1H24, primarily due to reduced revenues in freight traffic, logistic services and passenger transport. In 1H24, the Georgian Railway transported 6.8mn tons of cargo, with a 2.6% y/y increase. This growth was driven by a 4.1% y/y rise in liquid cargo volumes, reaching 2.5mn tons, and a 1.7% y/y increase in dry cargo volumes, totaling 4.3mn tons.

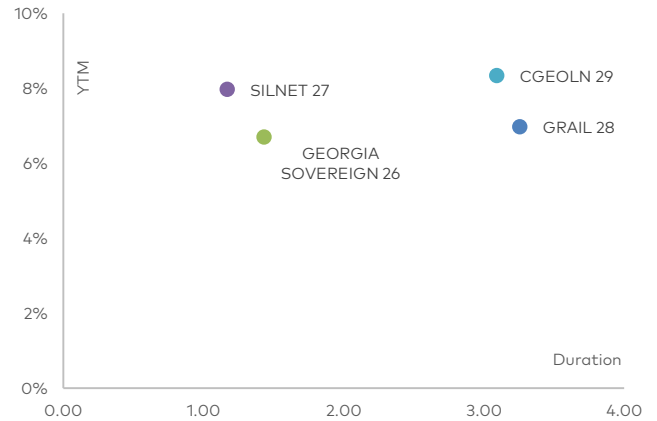
Operating expense reductions contributed to a 14.5% y/y rise in Adjusted EBITDA, reaching US\$ 40.0mn in 1H24. As a result, the Adjusted EBITDA margin strengthened to 34.2% from 29.7% in 1H23. However, net profit plummeted by 97.6% y/y to US\$ 0.8mn, mainly due to FX losses stemming from the GEL depreciation, impacting the company's US\$-denominated Eurobond. Consequently, the net profit margin declined to 0.7% in 1H24 from 28.3% in 1H23.

Financial highlights, US\$ mn

Category	1H23	1H24	% change y/y
Revenue	117.7	116.8	-0.8%
<i>of which:</i>			
Freight traffic	81.2	79.6	-1.9%
Logistic service	26.2	24.7	-5.7%
Passenger traffic	6.9	6.2	-10.7%
Freight car rental	2.3	3.9	+68.9%
Other	1.1	2.4	+112.3%
Adjusted EBITDA	34.9	40.0	+14.5%
Adjusted EBITDA margin	29.7%	34.2%	+4.6ppts
Net income	33.3	0.8	-97.6%
Net profit margin	28.3%	0.7%	-27.6ppts
Assets	929.9	900.3	-3.2%
Liabilities	598.4	590.6	-1.3%
Equity	331.5	309.7	-6.6%
Net Debt	408.1	412.7	+3.3%
Net Debt to EBITDA	4.4	6.4	

Source: Georgian Railway
Note: Net debt to EBITDA ratio calculated based on figures in GEL

Figure 1: Georgian Eurobond universe



Source: Bloomberg

Georgian Railway credit ratings



Source: Rating agencies

Eva Bochorishvili - Head of Research
| evabochorishvili@gt.ge | +995 32 2401 111 ext. 8036

Tatia Mamrikishvili - Head of Sector
| tmamrikishvili@gt.ge | +995 32 2401 111 ext. 4693

Mariam Okropiridze - Senior Analyst
| maokropiridze@gt.ge | +995 32 2401 111 ext. 2495

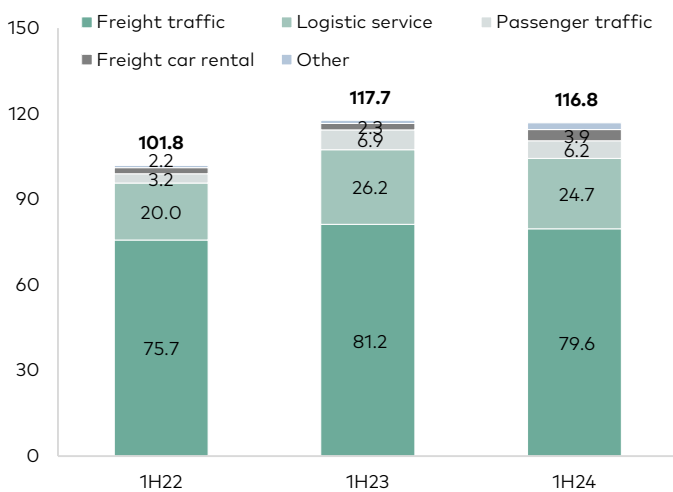


How Georgian Railway performed in 1H24

Georgian Railway's revenue was down 0.8% y/y to US\$ 116.8mn in 1H24, primarily due to decreased revenues across its core segments: freight traffic, logistic services and passenger transport. For the overview of each segment:

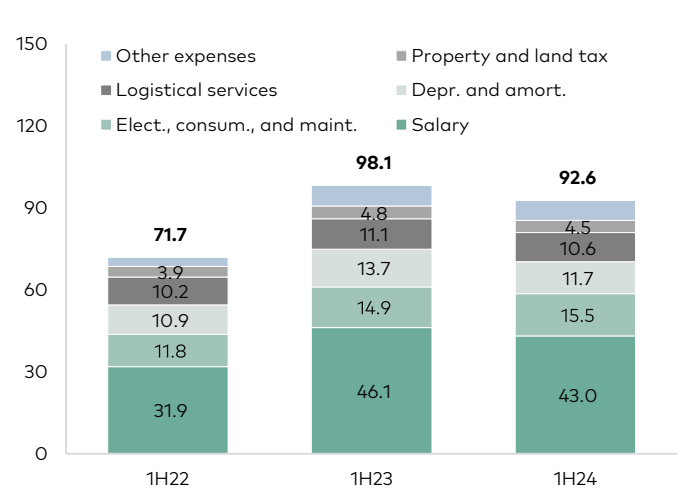
- **Freight traffic** revenue (68.2% of total) decreased by 1.9% y/y to US\$ 64.1mn in 1H24. The decline was mainly attributed to lower liquid cargo transportation revenues, as average transportation tariffs fell due to a shift in cargo mix from higher-margin routes to less profitable ones.
- **Logistic services** revenue (21.1% of the total), declined by 5.7% y/y to US\$ 24.7mn in 1H24. The decrease was largely driven by GEL depreciation, as over 80% of revenue in this segment is denominated in GEL. In local currency terms, logistic services revenue decreased by only 1.8% y/y.
- **Passenger traffic** revenue (5.3% of total), decreased by 10.7% to US\$ 6.2mn, while traffic decreased by 4.8% y/y to 1.0mn passengers in 1H24. The decline was largely attributable to reduced international traffic, the more lucrative segment, despite an uptick in domestic intra-regional transportation.
- **Freight car rental** revenue (3.3% of total) increased by 68.9% y/y, reaching US\$ 3.9mn in 1H24. The growth was driven by higher tariffs on the Azerbaijan route and increased rental revenue from a greater number of GR's wagons used by partner railways.

Figure 2: Georgian Railway's revenue, US\$ mn



Source: Georgian Railway

Figure 3: Operating expenses, US\$ mn



Source: Georgian Railway

Georgian Railway's operating expenses decreased by 5.6% y/y to US\$ 92.6mn, mostly influenced by reduced employee benefits

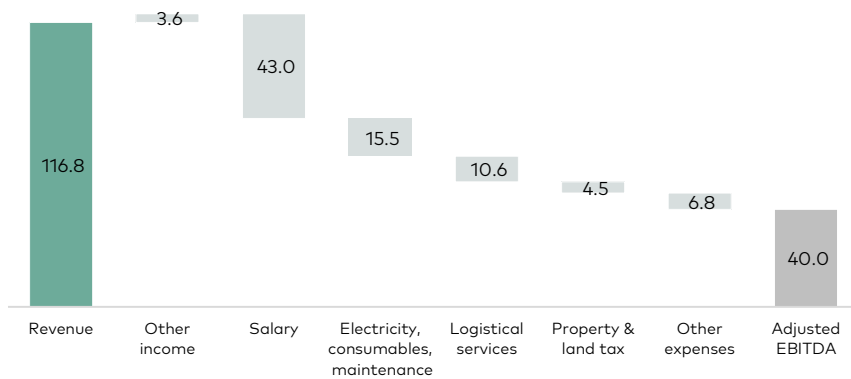


(down by 6.7% y/y to US\$ 43.0mn) attributed to decrease in number of employees (c. 270 employees) and other vocational benefits. Traditionally, salary expenses made up almost half (46.5%) of total expenses, followed by electricity, consumables and maintenance costs (16.7% of total), depreciation (12.6% of total), logistic service charges (11.5% of total), taxes (4.9% of total) and other expenses (7.8% of total) in 2023.

Operating expense reductions contributed to a 14.5% y/y rise in Adjusted EBITDA, reaching US\$ 40.0mn in 1H24. As a result, the Adjusted EBITDA margin strengthened to 34.2% in 1H24, up from 29.7% in 1H23.

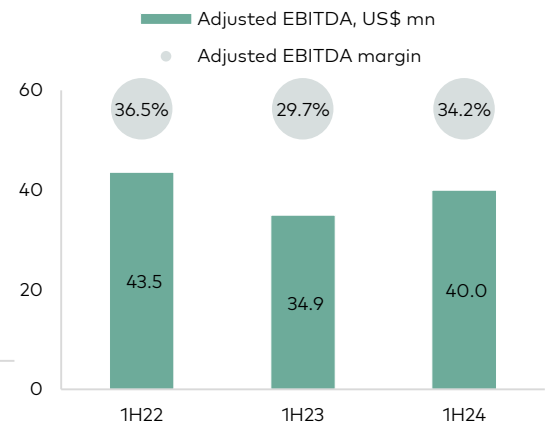
Net profit dropped sharply by 97.6% y/y to US\$ 0.8mn in 1H24, mainly due to foreign exchange losses stemming from the GEL depreciation against the US\$, impacting the company's US\$-denominated Eurobond. Consequently, the net profit margin declined to 0.7% in 1H24 from 28.3% in 1H23.

Figure 4: Georgian Railway's revenue to Adjusted EBITDA bridge, 1H24, US\$ mn



Source: Georgian Railway
Note: Other expenses exclude impairment loss (gain) on trade receivables

Figure 5: Georgian Railway's Adjusted EBITDA and Adjusted EBITDA margin



Source: Georgian Railway

Cargo transportation increasing in 1H24

The volume of transported cargo was up 2.6% y/y to 6.8mn tons in 1H24, recovering from a slight decline in 1H23. The growth was mainly attributed to increased transit transportation.

Transit (60.2% of total cargo) was up 5.7% y/y to 4.1mn tons in 1H24. This increase was largely driven by a 60.9% y/y growth in volumes from Kazakhstan, primarily in oil products and ores. However, this growth was partly offset by a 27.0% y/y decline in volumes from Azerbaijan, mainly due to reduced oil product



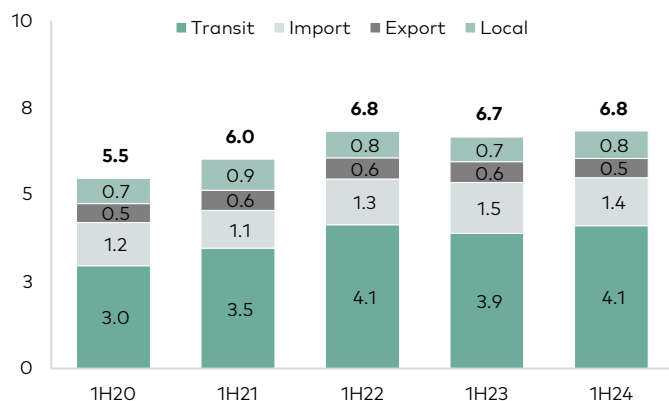
transportation. Majority of cargoes originated from Kazakhstan (35%), Azerbaijan (18%), and Turkmenistan (16%) in 1H24. In terms of cargo, petroleum products (+3.7% y/y), carbamide (+63.9% y/y), sulfur (+41.0% y/y) and methanol (+9.2% y/y) accounted for majority of transit transportation.

Import (20.2% of total cargo), was down by 5.2% y/y to 1.4mn tons in 1H24. The decline was mainly fueled by a reduction in oil product imports from Russia, due to high base of 1H23. The decline was partially offset by increase in industrial freight imports from Azerbaijan. Majority of imported cargo originated from Russia (46%), followed by Azerbaijan (26%) in 1H24. Main imported cargoes were petroleum products (+8.0% y/y) and cement clinkers (+13.2%y/y) in 1H24.

Local transportation (11.6% of total cargo) was up 10.5% y/y to 0.8mn tons in 1H24. The growth was influenced by an increase in domestic transportation of manganese ores & concentrates (+30.5% y/y), petroleum products (+35.4% y/y) and cement clinkers (+50.2% y/y) in 1H24.

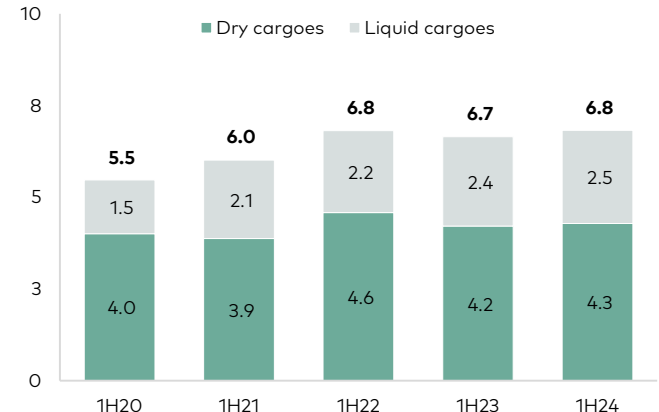
Export (8.0% of total cargo), was down 8.7% y/y to 0.5mn tons in 1H24. Decline was attributable to reduced transportation to Armenia (mainly industrial freight) and Kazakhstan (mainly ores), which was partially offset by increased volumes to China (mainly ores). Main export destinations were Russia (11%), Kazakhstan (9%) and China (7%). Primary exported cargoes are ammonium nitrate (+7.1% y/y), mineral waters (+0.6% y/y) and silicon manganese (-16.4 % y/y).

Figure 6: Cargo breakdown by destination, mn tons



Source: Georgian Railway, Geostat

Figure 7: Cargo breakdown by category, mn tons



Source: Georgian Railway

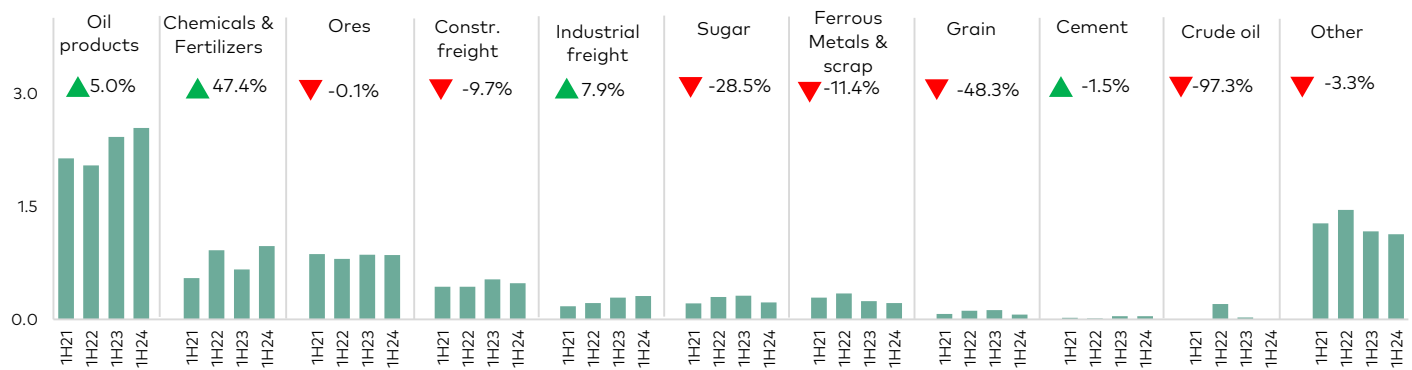
Dry cargo transportation (62.8% of total) increased by 1.7% y/y to 4.3mn tons in 1H24. The growth was predominantly attributed to increase in transportation of chemicals & fertilizers (+7.4% y/y to 1.0mn tons), however, decline in sugar (-2.1% y/y to 0.2mn tons), grain (-1.4% y/y to 0.1mn tons) and construction freight (-



1.2% y/y to 0.5mn tons) volumes contributed negatively to the growth.

Liquid cargo transportation (37.2% of total) increased by 4.0% y/y to 2.5mn tons in 1H24. Liquid cargo is almost entirely composed of oil products, which was up by 5.0% y/y to 2.5mn tons in 1H24. The growth was propelled by restored transit from Kazakhstan to Netherlands, while reduced transit from Azerbaijan to Turkiye contributed negatively.

Figure 8: Cargo transportation by volume, mn tons and % y/y change in 1H24

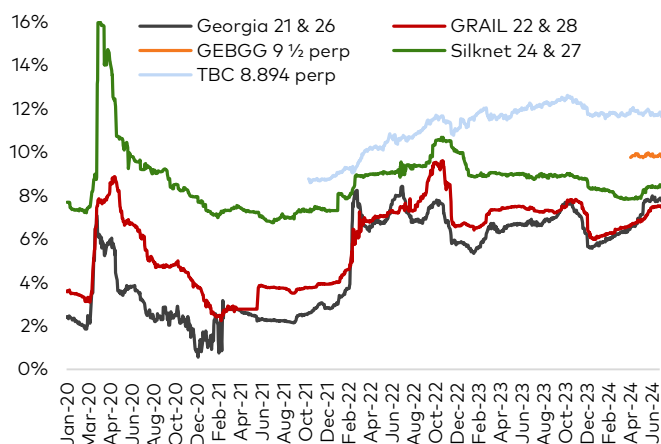


Source: Georgian Railway

Eurobond performance

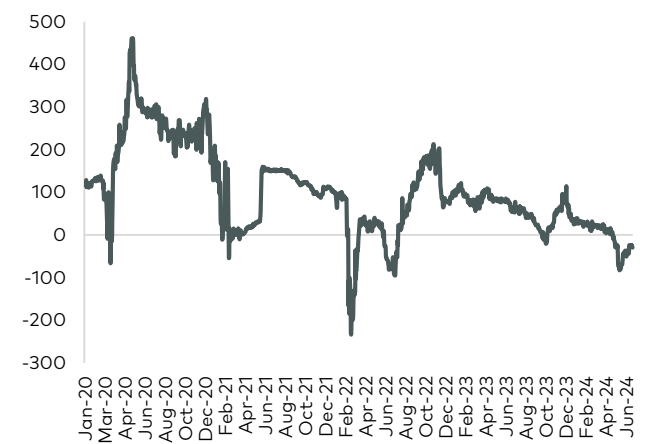
As a 100% state-owned entity, Georgian Railway's Eurobond yields have historically aligned closely with those of Georgian sovereign Eurobond. By Jul-1, 2024, the yield on GRAIL 28 stood slightly lower at 7.5% compared to 7.7% for sovereign Eurobond. Hence, the spread between GRAIL 28 and GEORGIA 26 bonds settled at -29.8 bps by Jul- 2024.

Figure 9: YTM on selected Georgian Eurobonds



Source: Bloomberg

Figure 10: GRAIL 22 & 28 spread over GEORGIA 21 & 26, bps



Source: Bloomberg



Annex

	2017	2018	2019	2020	2021	2022	2023	1H23	1H24	1H23-1H24 change
Total	10.67	10.00	10.86	11.06	12.13	14.77	13.55	6.65	6.82	+2.6%
Liquid cargoes	4.35	3.14	3.08	3.05	3.76	4.77	4.80	2.44	2.54	4.1%
Oil products	3.95	2.97	3.06	3.04	3.69	4.50	4.78	2.42	2.54	5.0%
Crude oil	0.40	0.17	0.01	0.01	0.07	0.28	0.03	0.02	0.00	-95.5%
Dry cargoes	6.33	6.86	7.78	8.02	8.37	10.00	8.75	4.21	4.28	1.7%
Ores	1.42	1.58	2.02	1.88	1.87	1.93	1.76	0.86	0.85	-0.1%
Chemicals & fertilizers	0.57	0.55	0.72	0.94	1.34	1.86	1.64	0.66	0.97	47.4%
Construction freight	1.16	1.17	1.03	0.91	0.93	1.07	1.13	0.53	0.48	-9.7%
Ferrous metals & scrap	0.53	0.55	0.52	0.53	0.58	0.62	0.51	0.24	0.21	-11.2%
Industrial freight	0.30	0.41	0.46	0.37	0.41	0.59	0.68	0.29	0.31	7.7%
Sugar	0.38	0.36	0.33	0.28	0.42	0.72	0.52	0.31	0.22	-28.5%
Grain	0.30	0.47	0.42	0.31	0.19	0.33	0.16	0.12	0.06	-48.3%
Cement	0.09	0.12	0.11	0.05	0.04	0.04	0.08	0.04	0.04	0.0%
Other	1.57	1.65	2.17	2.75	2.59	2.83	2.27	1.16	1.13	-3.3%

Source: Georgian Railway

Table 2: Transported cargo by type, mn tons

	2017	2018	2019	2020	2021	2022	2023	1H23	1H24	1H23-1H24 change
Total	10.7	10.0	10.9	11.1	12.1	14.8	13.6	6.7	6.8	2.5%
Transit	5.0	4.2	5.3	5.5	6.7	8.7	7.7	3.9	4.1	5.7%
Import	2.7	2.9	2.6	2.5	2.4	3.0	3.1	1.5	1.4	-5.2%
Local	1.9	1.8	1.7	1.9	1.8	1.9	1.6	0.7	0.8	10.6%
Export	1.1	1.2	1.3	1.1	1.2	1.3	1.2	0.6	0.5	-8.7%

Source: Georgian Railway



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Address: 3 Pushkin Street, Tbilisi 0105, Georgia

Tel: + (995) 32 2401 111

Email: research@gt.ge