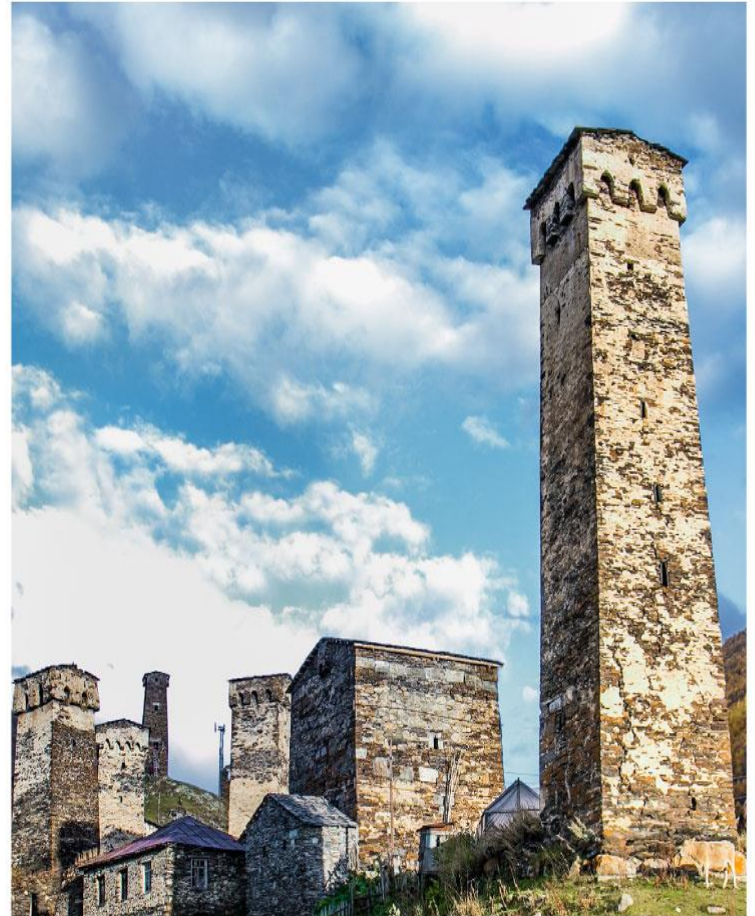




GALT & TAGGART
CREATING OPPORTUNITIES

Tourism in Georgia Monthly Market Watch

■ June 2019



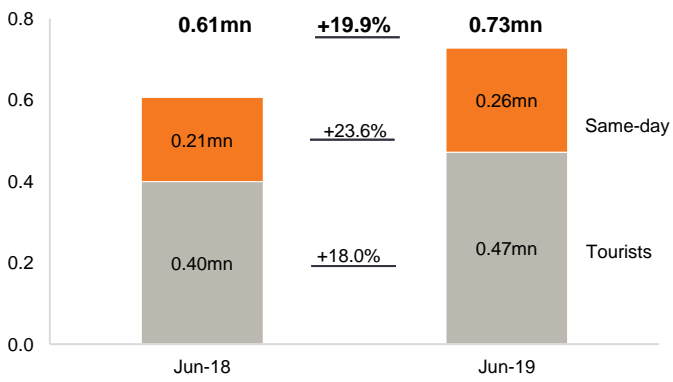
June-19: Tourist arrivals up 18.0% y/y

International visitors (tourists and same-day) by country

	Jun-18	Jun-19	Growth y/y
Russia	116,357	152,155	30.8%
Turkey	90,402	131,814	45.8%
Azerbaijan	114,652	124,780	8.8%
Armenia	96,241	105,582	9.7%
Georgia	35,936	36,445	1.4%
Israel	19,875	20,703	4.2%
Ukraine	16,278	20,311	24.8%
Iran	28,841	13,230	-54.1%
Germany	7,261	12,179	67.7%
Saudi Arabia	4,697	10,697	127.7%
Others	76,252	99,738	30.8%
Total	606,792	727,634	19.9%

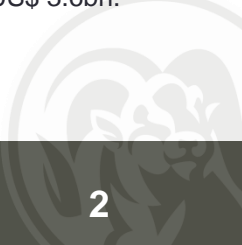
Source: GNTA

International visitors (tourists and same-day) by type



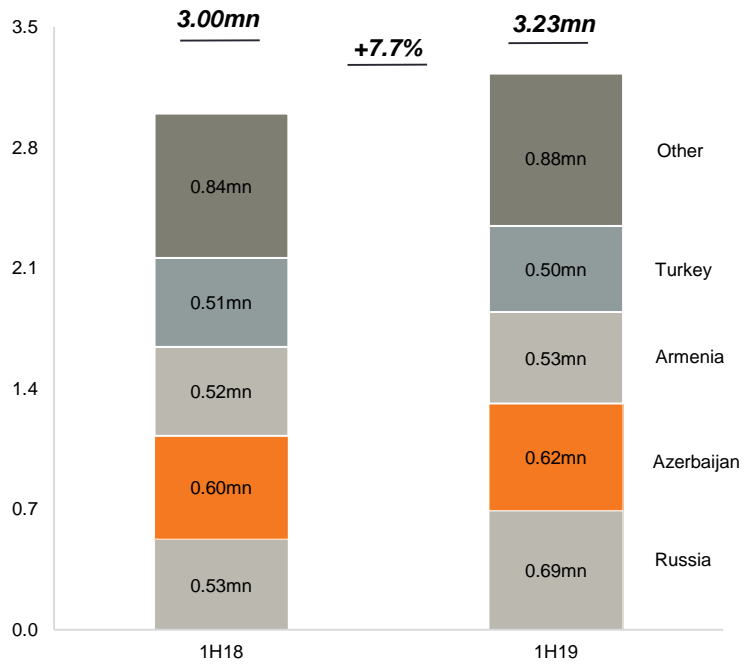
Source: GNTA

- International visitors (tourists and same-day combined) surged 19.9% y/y to 0.7mn persons in June-19 after 14.2% y/y growth in May-19.
- This growth was mostly driven by 18.0% y/y increase in tourist arrivals, while same-day arrivals also posted strong growth of 23.6% y/y.
- Turkey contributed most to total growth, as arrivals surged in June-19 (+45.8% y/y), after continued decline from Sep-18 to May-19. Turkish visitors were main reason of same-day arrival growth in June-19.
- Arrivals from Russia remained largest source market, growing 30.8% y/y – mostly reflected in tourist growth figures.
- Visitors from the EU were up 29.3% y/y to nearly 52k visitors, with Germany (+67.7% y/y) and Poland (+17.4% y/y) driving growth.
- Visitors were also pronounced from Ukraine, Saudi Arabia and Kazakhstan, while arrivals from Iran more than halved (down since Jun-18 with the exception of Nov-18).
- Tourism generated US\$ 379mn revenues in June-19 by our estimates, up 16.5% y/y bringing 1H19 revenues at US\$ 1.5bn, up 11.4% y/y.
- We revise our tourism 2019 growth projection taking into account temporary travel restrictions on flights from Russia to Georgia starting on 8 July 2019 (**for more information see our note of 25 June 2019 – Every Cloud Has a Silver Lining**).
- We expect tourism revenues to be flat y/y in 2H19 at US\$ 1.9bn as we estimate tourism revenue loss of US\$ 200mn in 2019 from reduced Russian arrivals. Therefore, we revise tourism revenues forecast for the full 2019 year at US\$ 3.4bn from our initial projection of US\$ 3.6bn.



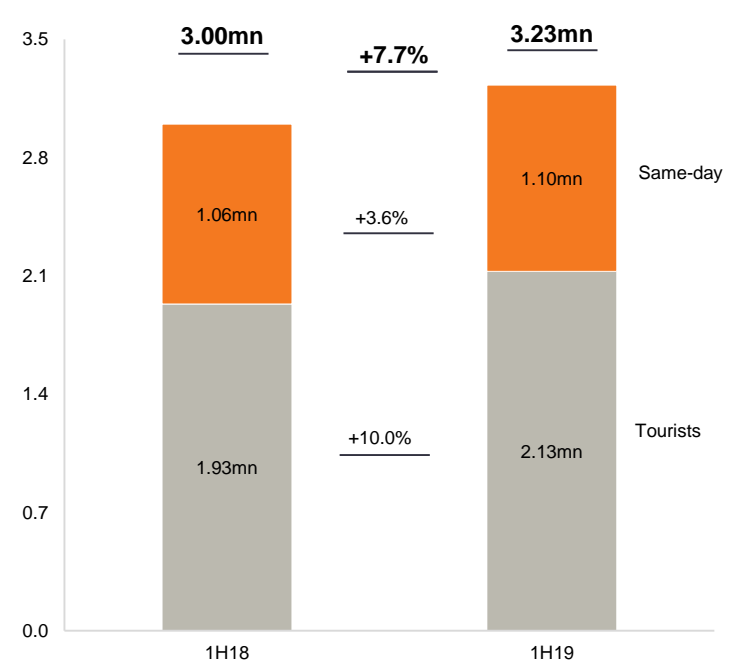
1H19: Tourist arrivals up 10.0% y/y

International visitors (tourists and same-day) by country



Source: GNTA

International visitors (tourists and same-day) by type



Source: GNTA

Total international visitors stood at 3.2 mn (+7.7% y/y) persons in 1H19:

- From top markets, Russia was the largest contributor to arrival growth, followed by Azerbaijan and Israel
- Visitors from EU increased 26.6% y/y to over 184k persons

In 1H19:

- Tourist trips increased 10.0% y/y, accounting for 65.9% of total arrivals, up 1.4ppts y/y
- Same-day arrivals up 3.6% y/y



Monthly dynamics of visitors and revenues

	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	2016	2017	2018
Total int'l visitors, '000	394	485	530	542	607	846	1,041	764	611	485	460	437	389	507	550	619	728	5,393	6,483	7,203
y/y growth	24.4%	14.6%	18.7%	9.0%	14.2%	10.7%	10.7%	5.7%	8.5%	5.8%	0.2%	-0.6%	-1.2%	4.6%	3.7%	14.2%	19.9%	2.6%	20.2%	11.1%
o/w tourists, '000	236	315	335	360	400	565	737	536	407	307	270	306	248	328	349	425	472	3,297	4,069	4,757
y/y growth	27.2%	24.5%	24.9%	16.1%	20.7%	15.0%	13.9%	9.1%	15.1%	14.0%	11.6%	5.9%	5.1%	4.3%	4.2%	18.0%	18.0%	9.5%	23.4%	16.9%
Tourism revenues, US\$ mn	162	232	239	246	325	433	443	335	254	191	206	165	169	245	277	281	379	2,111	2,704	3,222
y/y growth	30.2%	31.9%	33.3%	25.2%	27.8%	14.5%	12.4%	9.2%	17.8%	13.5%	10.5%	5.0%	4.4%	5.3%	16.1%	14.2%	16.5%	13.0%	28.1%	19.1%
Per visitor spending, US\$	411	479	451	454	536	511	426	439	416	394	448	376	434	482	504	454	521	391.4	417.2	447.3
y/y growth	4.7%	15.1%	12.3%	14.9%	11.9%	3.4%	1.6%	3.2%	8.5%	7.3%	10.2%	5.7%	5.8%	0.8%	11.9%	0.0%	-2.9%	10.1%	6.6%	7.2%

Source: GNTA, NBG, G&T research

Note: Total international visitors combine tourist (overnight stay) and same-day visits; Tourist revenue monthly statistics subject to revisions



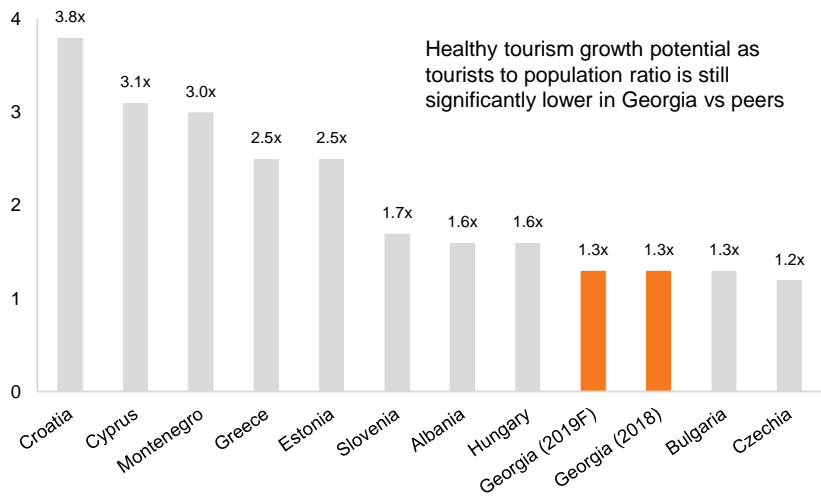
Expectations for 2019 – revised in Jun-19

- We forecast 4.9mn (+3.5% y/y) tourists to visit Georgia in 2019 vs. our initial forecast of 5.3mn (+11.4% y/y) tourists

- We forecast tourism revenues at US\$ 3.4n (+6.9% y/y) in 2019 vs. our initial forecast of US\$ 3.6bn (+12.3% y/y)

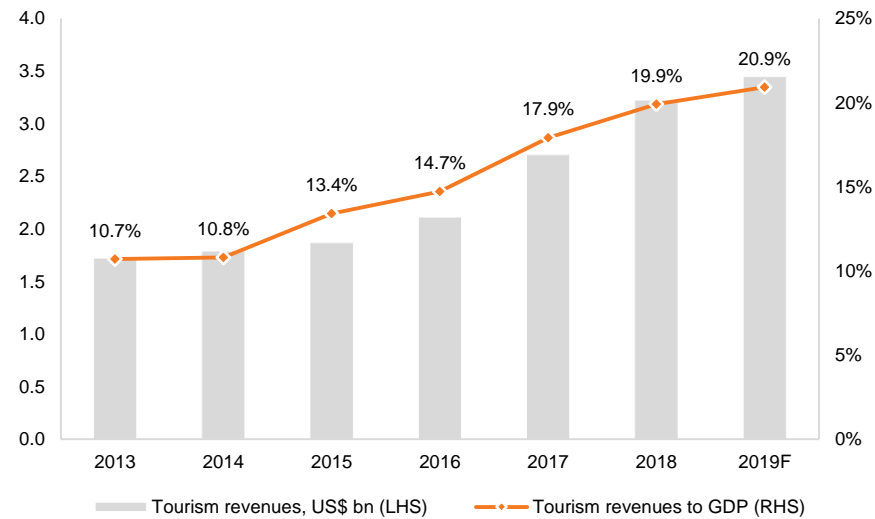
Note: Revised 2019 forecast incorporates effect of Russian ban on Flights to Georgia, with expected 47% y/y reduction in Russian arrivals to Georgia in 2H19 and growth in other international arrivals by 15% y/y in 2H19.

Tourists to population ratio, 2017



Source: UNWTO, WB, G&T Research

Tourism revenues in Georgia



Source: NBG, Geostat, G&T Research



Key figures

	2013	2014	2015	2016	2017	2018	1H19
Tourism revenues, US\$ mn	1,720	1,787	1,868	2,111	2,704	3,222	1,529
<i>As % of GDP</i>	10.7%	10.8%	13.4%	14.7%	17.9%	19.9%	
International visitors, persons	4,954,448	5,004,331	5,255,999	5,392,816	6,482,830	7,203,350	3,229,604
<i>by type*:</i>							
Tourists	2,884,295	2,938,892	3,011,663	3,297,275	4,069,354	4,756,820	2,127,142
Same-day	2,070,153	2,065,439	2,244,336	2,095,541	2,413,476	2,446,530	1,102,462
<i>by country:</i>							
Russia	606,668	651,282	763,019	849,265	1,135,057	1,404,757	691,587
Azerbaijan	940,129	1,103,408	1,156,183	1,075,820	1,301,556	1,424,610	622,717
Armenia	1,049,911	1,065,970	1,191,777	1,152,234	1,287,168	1,268,886	530,994
Turkey	1,292,275	1,136,703	1,074,065	988,312	1,007,276	1,098,555	499,632
Georgia (Nonresident)	499,132	482,038	441,260	429,343	456,132	476,389	229,776
Ukraine	115,281	131,951	127,344	151,630	169,862	177,058	82,811
Israel	36,683	38,646	55,439	85,398	115,040	156,922	77,125
Iran	67,944	33,803	22,019	129,933	282,549	291,070	61,347
Other	346,425	360,530	424,893	530,881	728,190	905,103	433,615
Airport arrivals	584,601	639,919	737,660	998,762	1,439,689	1,788,417	881,234
<i>of which:</i>							
Tbilisi	460,587	489,803	597,907	786,094	1,133,811	1,402,157	697,148
Kutaisi	67,983	82,693	60,853	91,905	112,179	147,009	100,393
Batumi	56,031	67,423	78,900	120,763	193,699	239,251	83,693
Accommodation units	875	1004	1,383	1,727	1,963	2,390	2,401
Accommodation rooms	14,491	16,547	21,511	24,640	27,907	34,608	35,571
Accommodation beds	34,194	39,055	51,517	59,236	67,660	85,314	87,144

Source: GNTA, GCAA, NBG, G&T research

*A visitor is classified as a tourist if his/her trip includes an overnight stay, while a same-day visitor (or excursionist) trip does not include an overnight stay

Note: Tourism revenues in 2019 subject to monthly revisions

Georgia's tourism sector at a glance

#5yearschallenge



2018

7.2 mn
INTERNATIONAL VISITORS

4.8 mn
TOURISTS

\$3.2 bn
REVENUES

19.9%
REVENUES to GDP

↑
+2.2mn

↑
+1.9mn

↑
+1.4bn

↑
+9.1ppts

2014

5.0 mn
INTERNATIONAL VISITORS

2.9 mn
TOURISTS

\$1.8 bn
REVENUES

10.8%
REVENUES to GDP

Source: GNTA, NBG, Geostat, G&T research



Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of JSC Bank of Georgia group ("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, advisers 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.

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

Kakha Samkurashvili
Senior Analyst | ksamkurashvili@gt.ge | +995 32 2401 111 ext. 4298

