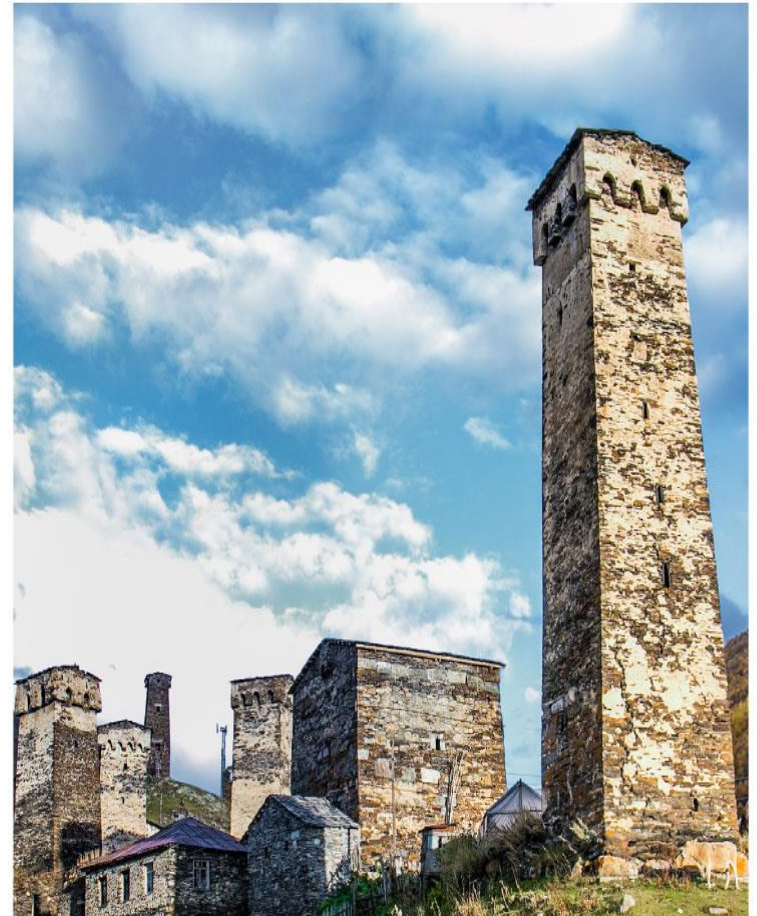




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Tourism in Georgia Monthly Market Watch

■ January 2020 & 2019 full year overview



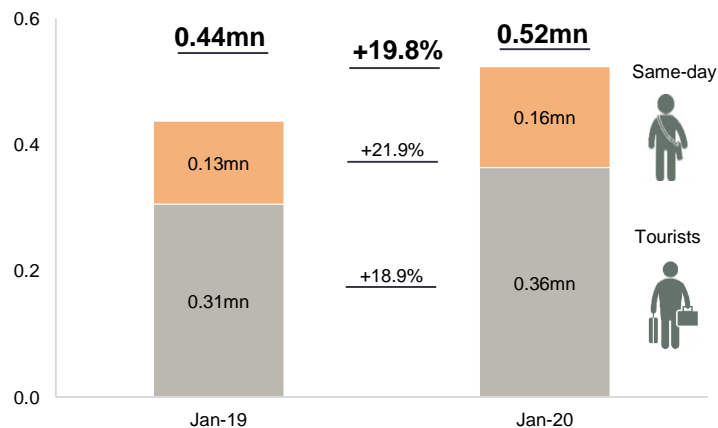
Jan-20: Good start of the year with total arrivals up 19.8% y/y

International visitors (tourists and same-day) by country

| Country | Jan-19 | Jan-20 | Growth y/y |
|-----------------------|----------------|----------------|--------------|
| Azerbaijan | 92,341 | 124,534 | 34.9% |
| Armenia | 77,968 | 91,580 | 17.5% |
| Russia | 85,922 | 86,884 | 1.1% |
| Turkey | 64,349 | 75,012 | 16.6% |
| Georgia (Nonresident) | 44,541 | 50,522 | 13.4% |
| Ukraine | 10,453 | 12,799 | 22.4% |
| Israel | 7,217 | 11,351 | 57.3% |
| Iran | 8,424 | 9,467 | 12.4% |
| Kazakhstan | 3,157 | 4,570 | 44.8% |
| Others | 42,846 | 56,970 | 33.0% |
| Total | 437,218 | 523,689 | 19.8% |

Source: GNTA

International visitors (tourists and same-day) by type



Source: GNTA

Key takeaways of January 2020

- Total international visitor (tourists and same-day combined) growth accelerated to 19.8% y/y in Jan-20 after growing 16.3% y/y in Dec-19. Out of total 0.52mn visitors, Georgia hosted 0.36mn tourists (up 18.9% y/y) and 0.16mn same-day visitors (up 21.9% y/y) in Jan-20.
- Tourist arrival growth in Jan-20 was supported by strong arrival growth from neighbors (Azerbaijan, Armenia and Turkey) as well as notable increase of visitors from Israel, Kazakhstan, Ukraine and EU countries, with Poland and Italy driving growth.
- Meanwhile, arrivals from Russia continued growing for the second consecutive month up 1.1% y/y in Jan-20, after 5 consecutive monthly declines since direct flight ban of Jul-19.
- Georgia suspended flights to and from China till Apr-2020 to prevent the spread of the coronavirus. Notably, Georgia's dependence on tourism from China is very limited with just 48K (0.6% of total visitors) Chinese traveling to Georgia in 2019. So direct hit from weaker Chinese tourism on Georgia will be minimal (Chinese spent US\$ 3.8mn in 1Q19 or 0.7% of total revenues), and expected arrival growth from other countries will fully compensate this shortfall. Expectations can change if virus is not contained and willingness to travel globally weakens or many avoid Asia and start traveling to other countries.
- We estimate tourism revenue growth of 14.0% y/y to US\$ 187.5mn in Jan 2020.



Monthly dynamics of visitors and revenues

| | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | | 2017 | 2018 | 2019 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--|-------|-------|-------|
| Total int'l visitors, '000 | 437 | 389 | 507 | 550 | 619 | 728 | 882 | 1,087 | 784 | 665 | 543 | 535 | 524 | | 6,483 | 7,203 | 7,726 |
| y/y growth | -0.6% | -1.2% | 4.6% | 3.7% | 14.2% | 19.9% | 4.3% | 4.4% | 2.7% | 8.8% | 11.9% | 16.3% | 19.8% | | 20.2% | 11.1% | 7.3% |
| o/w tourists, '000 | 306 | 248 | 328 | 349 | 425 | 472 | 570 | 754 | 539 | 438 | 339 | 312 | 364 | | 4,069 | 4,757 | 5,080 |
| y/y growth | 5.9% | 5.1% | 4.3% | 4.2% | 18.0% | 18.0% | 1.0% | 2.3% | 0.6% | 7.8% | 10.3% | 15.5% | 18.9% | | 23.4% | 16.9% | 6.8% |
| Tourism revenues, US\$ mn | 165 | 169 | 245 | 267 | 270 | 340 | 395 | 413 | 319 | 267 | 206 | 217 | 188 | | 2,704 | 3,222 | 3,268 |
| y/y growth | 5.0% | 4.4% | 5.3% | 11.8% | 10.1% | 4.5% | -8.6% | -6.8% | -4.9% | 5.1% | 7.7% | 5.4% | 14.0% | | 28.1% | 19.1% | 1.4% |

Source: GNTA, NBG, Galt & Taggart

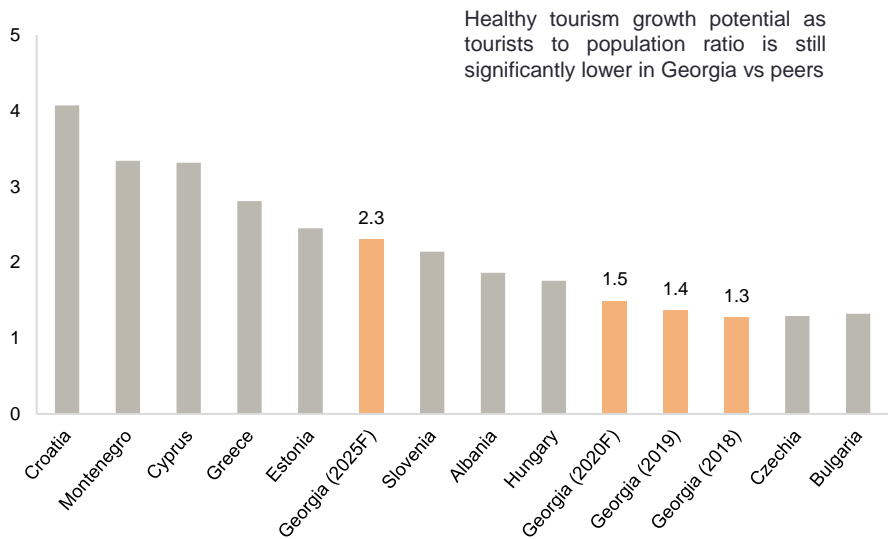
Note 1: Total international visitors combine tourist (overnight stay) and same-day visits; Tourist revenue monthly statistics subject to revisions by NBG



Expectations for 2020

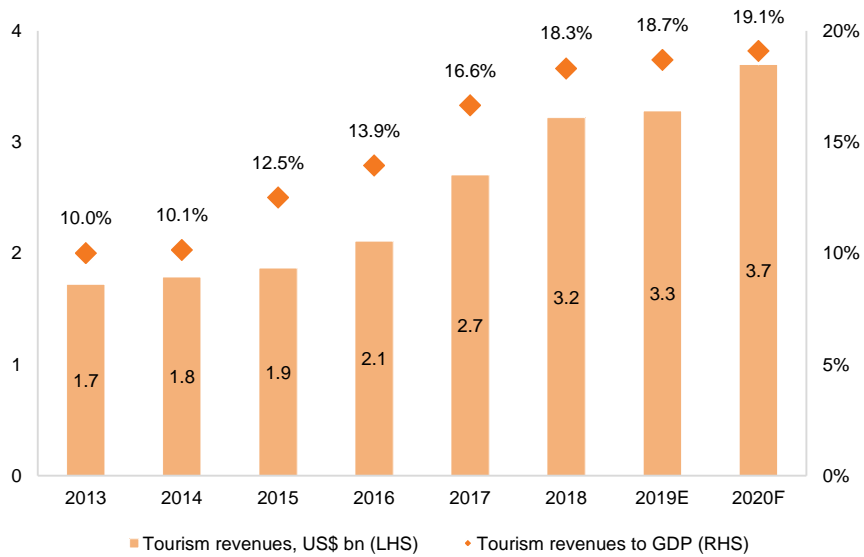
- We forecast 5.6mn tourists to visit Georgia in 2020, growth of 10.5% y/y
- We forecast US\$ 3.7bn tourism revenues in 2020, growth of 12.3% y/y

Tourists to population ratio, 2018



Source: UNWTO, WB, G&T Research

Tourism revenues in Georgia



Source: NBG, Geostat, G&T Research

Georgia's tourism sector in 2019

#1yearchallenge



2019

7.7 mn
INTERNATIONAL VISITORS

↑
+0.5mn



5.1 mn
TOURISTS

↑
+0.3mn



\$3.3 bn
REVENUES

↑
+0.1bn



18.7%
REVENUES to GDP

↑
+0.4ppts

2018

7.2 mn
INTERNATIONAL VISITORS

4.8 mn
TOURISTS

\$3.2 bn
REVENUES

18.3%
REVENUES to GDP

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



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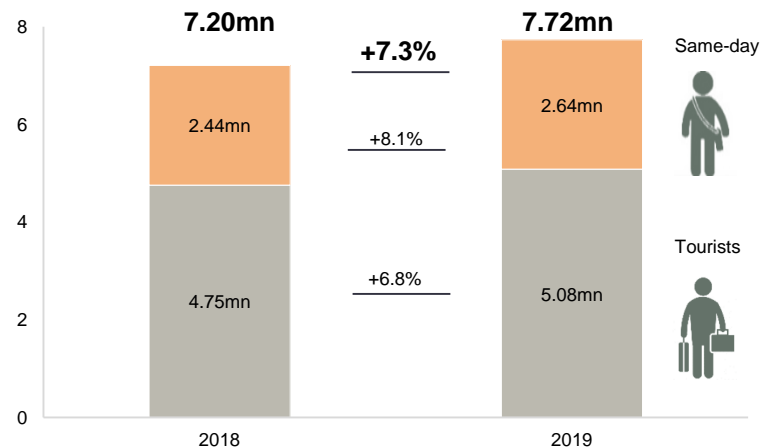
In 2019 tourists increased 6.8% y/y despite Russia's flight ban

International visitors (tourists and same-day) by country



Source: GNTA

International visitors (tourists and same-day) by type



Source: GNTA

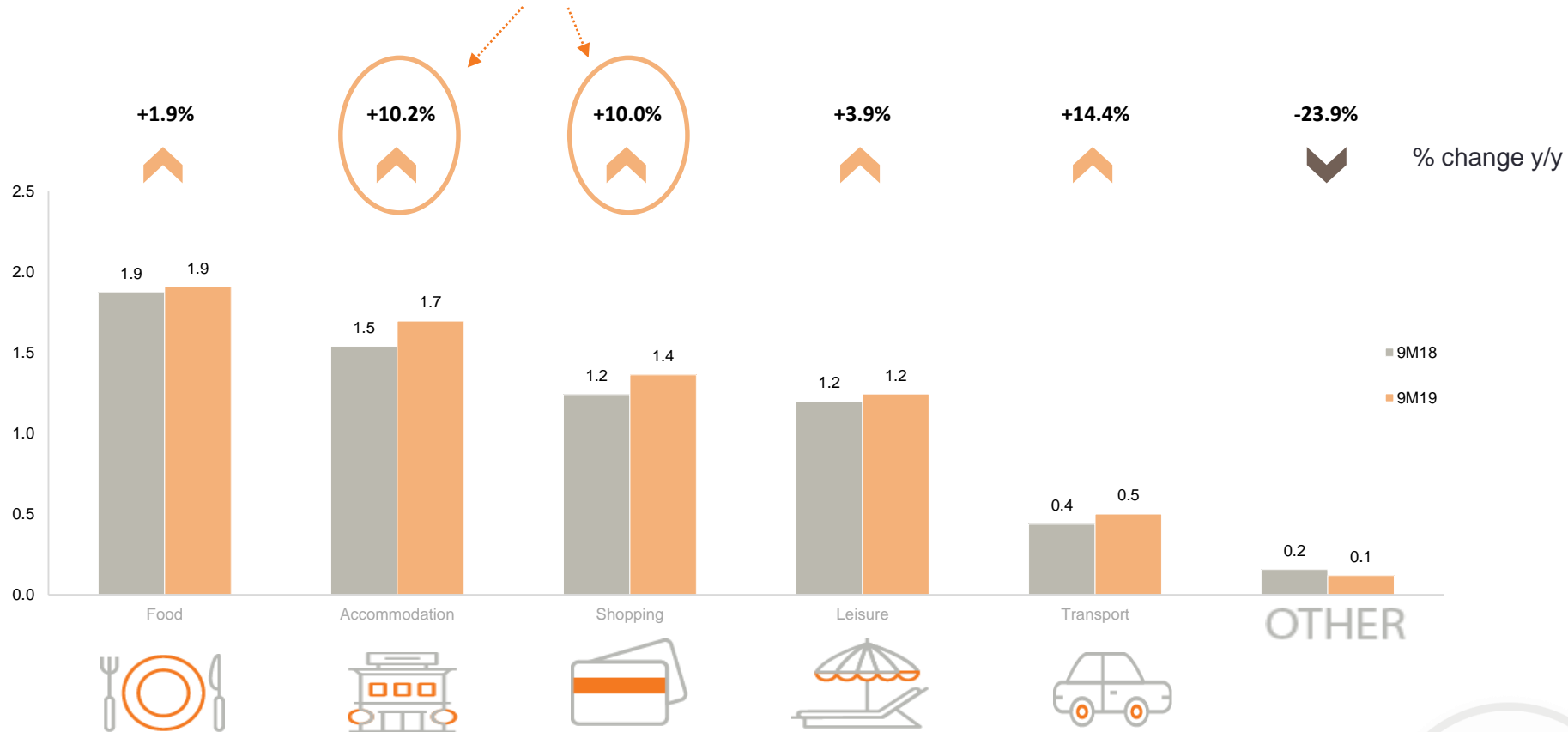
Key takeaways of 2019

- 2019 was a bumpy year for Georgia's tourism industry - started with seasonal flu fears with modest 1.1% y/y visitor growth in 1Q19. However, visitor growth accelerated in 2Q19 (+13.0% y/y) as Russian visitors surged (+37.5% y/y). Russia's direct flight ban since Jul-19 slowed overall visitor growth (+3.9% y/y) in 3Q19, before visitors rebounded strongly in 4Q19 (+12.0% y/y).
- Overall, total international arrivals (tourists and same-day) stood at 7.7mn (+7.3% y/y) in 2019. Notably, tourists reached 5.1mn, up 6.8% y/y, higher than expected after flight ban.
- Importantly, strong growth of arrivals from Kazakhstan, Israel, Ukraine, EU and neighbors (Armenia, Azerbaijan, Turkey) fully compensated reduced Russian visitors in 2H19 (Russian arrivals fell 11.1% y/y and other arrivals increased 11.7% y/y in 2H, bringing total arrival growth at 6.9% y/y in 2H19).
- The share of EU visitors in total arrivals increased to 6.3% in 2019 (+1.0ppts y/y).
- Tourism revenues reached US\$ 3.3bn in 2019 (up 1.4% y/y).

Visitors spend most on food, but other categories are driving spending growth – 9M19 survey results

Visitors' spending in 9M19, GEL bn

Visitor spending was up 6.0% y/y to GEL 6.8bn in 9M19 with spending on accommodation and shopping growing most.



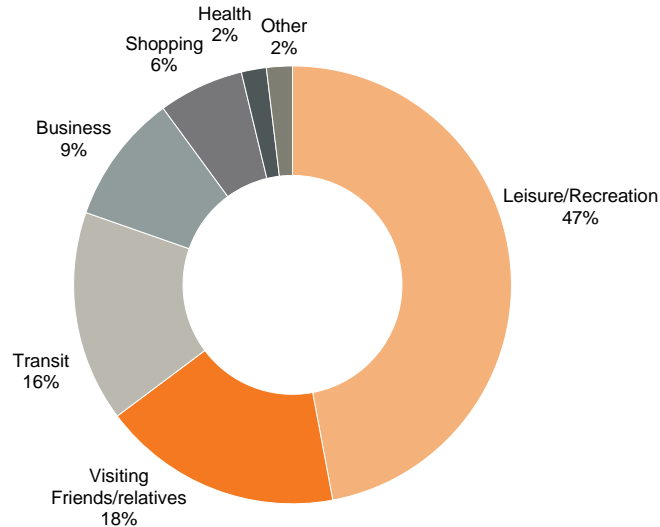
Source: Geostat Visitor Survey



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Georgia becoming holiday destination – survey results

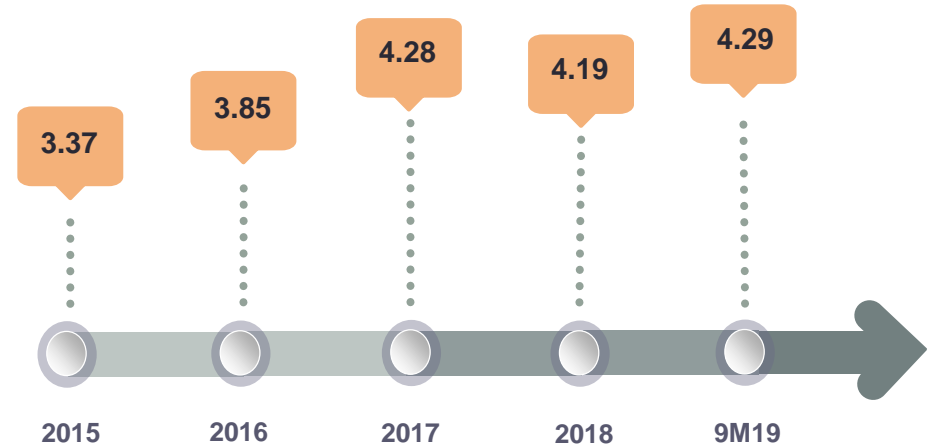
Visitors by the purpose of visit, 9M19



Source: Geostat Visitor Survey

- Almost half of visitors (47.1% of total) traveled for leisure/recreation in 9M19 up from 33.4% of total since records started in 9M15

Average length of stay, nights

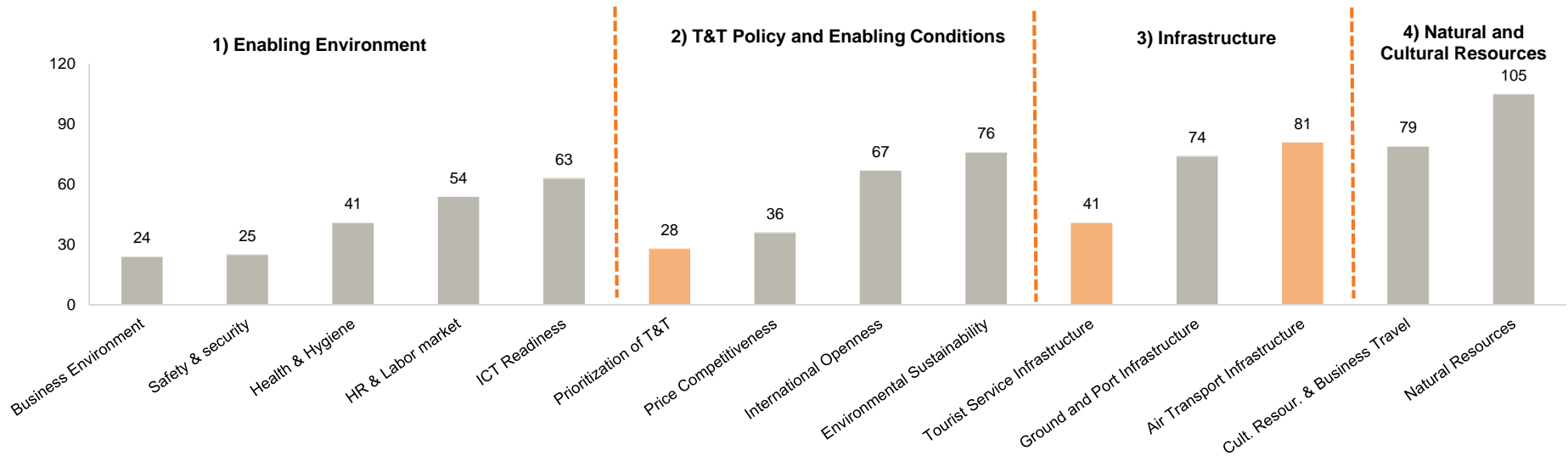


Source: Geostat Visitor Survey

- Average length of stay increased to 4.29 in 9M19 from 3.55 nights since records started in 9M15, as tourists from non-traditional markets spend more days in Georgia

Georgia ranks 68 out of 140 countries in TTCI 2019

Ranking of Georgia in travel and tourism competitiveness index (TTCI) by sub-pillar



Source: World Economic Forum
Note: Lower rank is the better

Georgia ranks 68th out of 140 countries in the Travel & Tourism Competitiveness Index (TTCI) 2019. In the previous edition of 2017, Georgia ranked 70th among 136 countries.

Georgia's most notable improvement compared to the 2017 edition was moving up in:

- 1. Prioritization of Travel & Tourism component (up by 13 positions)** – driven by improved country brand strategy and effectiveness of marketing
- 2. Tourist Service Infrastructure (up by 29 positions)** – driven by improved quality of tourism infrastructure and increased presence of major car rental companies
- 3. Air transport infrastructure (up by 9 positions)** – driven by improved quality of infrastructure and increased number of airlines operating in Georgi



Key figures

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Tourism revenues, US\$ mn | 1,720 | 1,787 | 1,868 | 2,111 | 2,704 | 3,222 | 3,268 |
| <i>As % of GDP</i> | <i>10.0%</i> | <i>10.1%</i> | <i>12.5%</i> | <i>13.9%</i> | <i>16.6%</i> | <i>18.3%</i> | <i>18.7%</i> |
| International visitors, persons | 4,954,448 | 5,004,331 | 5,255,999 | 5,392,816 | 6,482,830 | 7,203,350 | 7,725,774 |
| <i>by type*:</i> | | | | | | | |
| Tourists | 2,884,295 | 2,938,892 | 3,011,663 | 3,297,275 | 4,069,354 | 4,756,820 | 5,080,478 |
| Same-day | 2,070,153 | 2,065,439 | 2,244,336 | 2,095,541 | 2,413,476 | 2,446,530 | 2,645,296 |
| <i>by country:</i> | | | | | | | |
| Azerbaijan | 940,129 | 1,103,408 | 1,156,183 | 1,075,820 | 1,301,556 | 1,424,610 | 1,526,619 |
| Russia | 606,668 | 651,282 | 763,019 | 849,265 | 1,135,057 | 1,404,757 | 1,471,558 |
| Armenia | 1,049,911 | 1,065,970 | 1,191,777 | 1,152,234 | 1,287,168 | 1,268,886 | 1,365,048 |
| Turkey | 1,292,275 | 1,136,703 | 1,074,065 | 988,312 | 1,007,276 | 1,098,555 | 1,156,513 |
| Georgia (Nonresident) | 499,132 | 482,038 | 441,260 | 429,343 | 456,132 | 476,389 | 488,841 |
| Ukraine | 115,281 | 131,951 | 127,344 | 151,630 | 169,862 | 177,058 | 207,667 |
| Israel | 36,683 | 38,646 | 55,439 | 85,398 | 115,040 | 156,922 | 205,051 |
| Iran | 67,944 | 33,803 | 22,019 | 129,933 | 282,549 | 291,070 | 141,997 |
| Other | 346,425 | 360,530 | 424,893 | 530,881 | 728,190 | 905,103 | 1,162,480 |
| Airport arrivals | 584,601 | 639,919 | 737,660 | 998,762 | 1,439,689 | 1,788,417 | 1,829,341 |
| <i>of which:</i> | | | | | | | |
| Tbilisi | 460,587 | 489,803 | 597,907 | 786,094 | 1,133,811 | 1,402,157 | 1,355,626 |
| Batumi | 56,031 | 67,423 | 78,900 | 120,763 | 193,699 | 239,251 | 258,159 |
| Kutaisi | 67,983 | 82,693 | 60,853 | 91,905 | 112,179 | 147,009 | 215,556 |
| Accommodation units | 875 | 1004 | 1,383 | 1,727 | 1,963 | 2,390 | 2,474 |
| Accommodation rooms | 14,491 | 16,547 | 21,511 | 24,640 | 27,907 | 34,608 | 36,613 |
| Accommodation beds | 34,194 | 39,055 | 51,517 | 59,236 | 67,660 | 85,314 | 89,481 |

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

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