



SECTORAL

FINANCIAL MARKETS

# Georgian Railway

1H 2021 UPDATE

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Andro Tvaliashvili  
Senior Research Associate

[www.tbccapital.ge](http://www.tbccapital.ge)



Fitch Ratings affirmed its BB- long-term issuer credit rating for Georgian Railway in August 2021 but revised the Negative Outlook to Stable, mainly due to the revision of Georgia's sovereign outlook.

Georgian Railway posted a 13.2% YoY increase in its revenues in 1H 2021 in GEL terms (+3.3% YoY in USD terms due to the GEL depreciation).

The net finance loss improved by 9.5% YoY, resulting in a net loss of GEL 32.0mln in 1H 2021, a 51.3% YoY improvement.

Georgian Railway's overall freight transportation tariff decreased by 7.2% in 1H 2021 in USD terms.

Georgian Railway's containerized cargo throughput saw a 4.8% YoY decrease.

The decline in containerized cargo can be explained by a 225% increase in global transportation prices. The recent decline in World Container Index provides positive outlook for future railway containerized cargo.

## Georgian Railway key financial figures

	1H 2020	1H 2021	YoY change
Revenue ('000 GEL)	245,332	277,627	+13.2%
Revenue ('000 USD)	80,937	83,616	+3.3%
EBITDA	114,171	128,699	+12.7%
Assets ('000 GEL)	2,366,502	2,187,337	-7.6%
Equity ('000 GEL)	492,015	327,252	-33.5%
Total liabilities ('000 GEL)	1,874,487	1,860,085	-0.8%
Net debt ('000 GEL)	1,320,604	1,402,914	+6.2%
Net debt/EBITDA	5.92	6.01	+0.09 pp

## Georgian Railway key operating figures

	1H 2020	1H 2021	YoY change
Transported cargo (mln tons)	5.46	6.01	+10.1%
Transported passengers ('000)	581	239	-58.9%
Freight revenue per ton-km (GEL)	0.1080	0.1098	+1.7%
Freight revenue per ton-km (USD)	0.0356	0.0331	-7.2%

## Georgian Railway issuer credit rating

**FitchRatings**

**BB-**  
**Stable**

Last action: Aug-2021

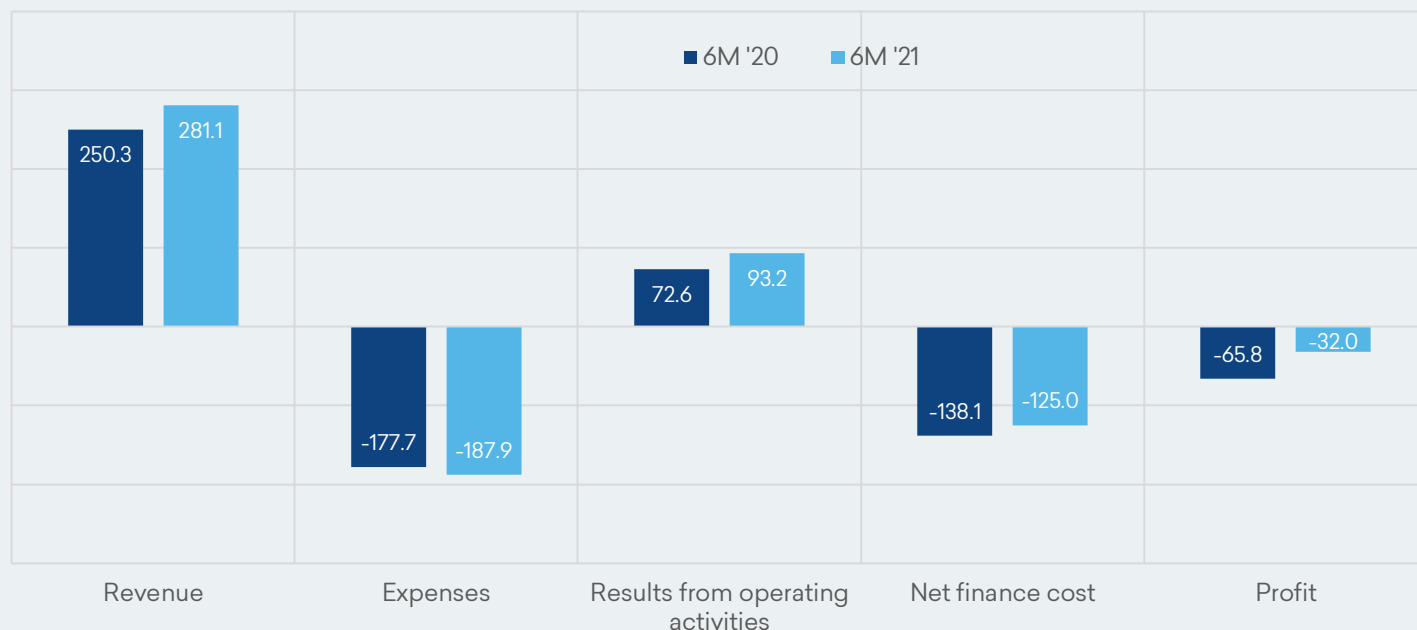
**S&P Global**

**B+**  
**Negative**

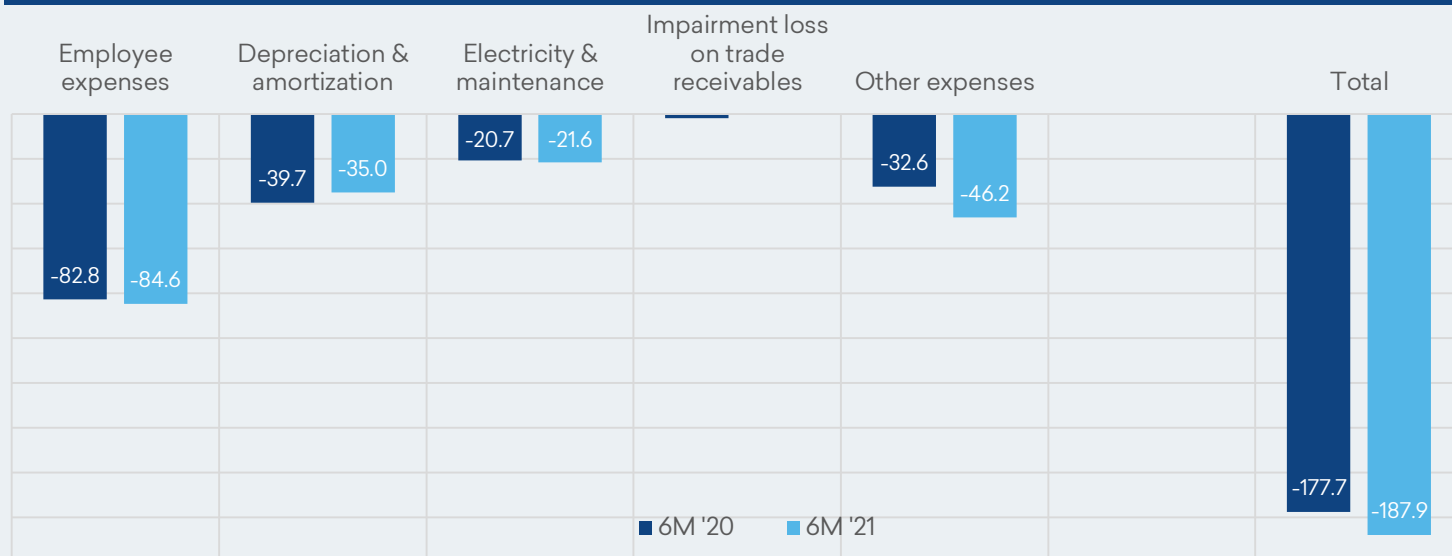
Last action: Jun-2021

**A 12.3% YoY stronger half year in terms of revenues (+2.6% in USD terms) 3**

### Profit and loss highlights (GEL mln)



### Operating expenses (GEL mln)



Georgian Railway posted a 12.3% YoY increase in its revenues in 1H 2021 in GEL terms (+2.6% YoY in USD terms due to the GEL depreciation).

Due to the GEL fluctuations against foreign currencies, the net finance loss improved by 9.5% YoY in the same period, resulting in a net loss of GEL 32.0mln in 1H 2021, a 51.3% annual improvement.

Georgian Railway's operating performance saw a 28.4% YoY increase, with EBITDA standing at GEL 128.7mln in 1H 2021.

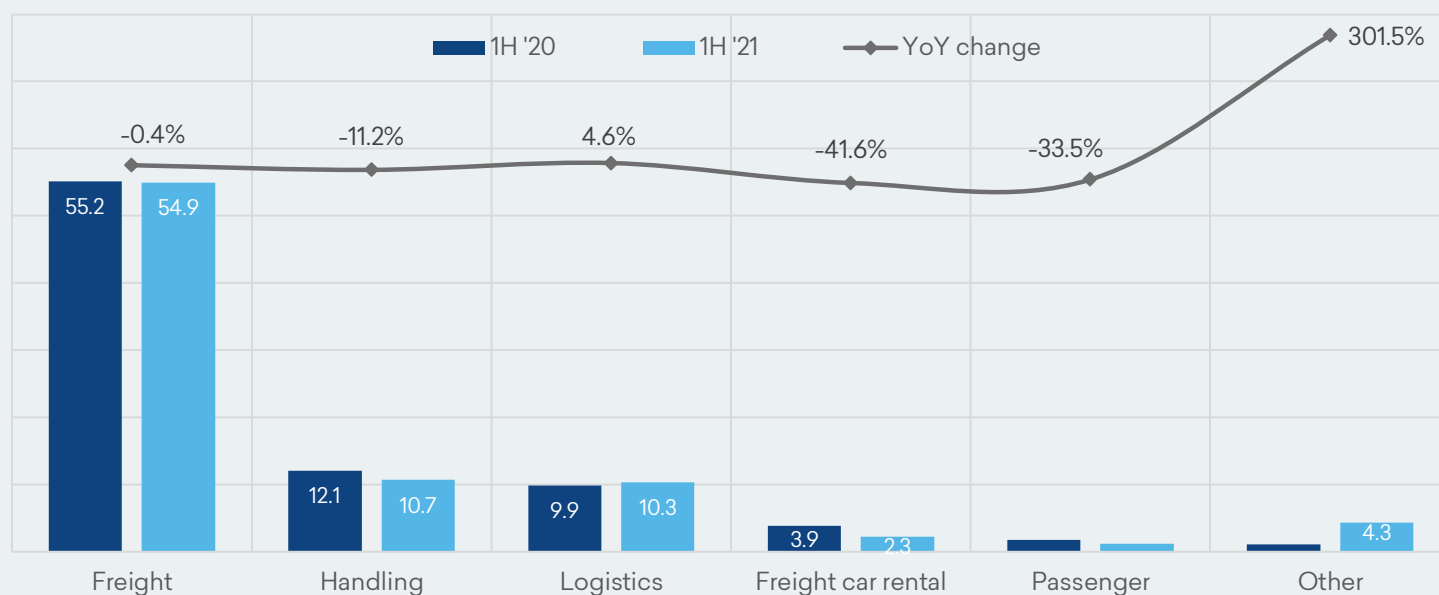
While the largest operating expense category, employee benefits expenses, remained relatively unchanged in Q1 2021, posting a minor, 2% YoY increase, other expenses posted noticeable annual increase in the same period (+42% YoY), resulting in a 6% YoY increase in Georgian Railway's operating expenses.



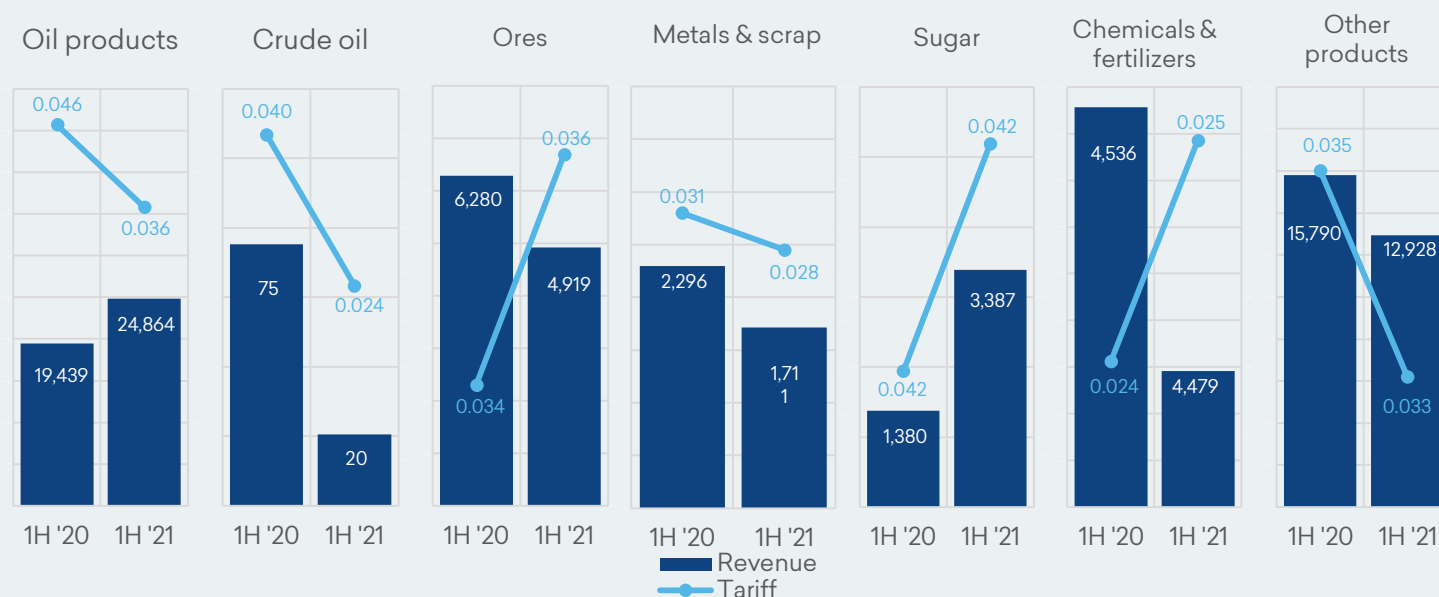
# Shifts in product direction mix and category mix positively affected 1H 2021 freight revenue

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## Revenue breakdown by service categories (USD mln)



## Freight revenues by product categories (USD '000) and respective tariffs (USD)



Freight transportation remains the largest share holder in Georgian Railway's revenues in 1H 2021 and in USD terms it saw a 3% YoY increase.

Despite the COVID-19 related mobility restrictions in Q1 2021, the largest decline was observed in the freight car rental category at -40% YoY in 1H 2021.

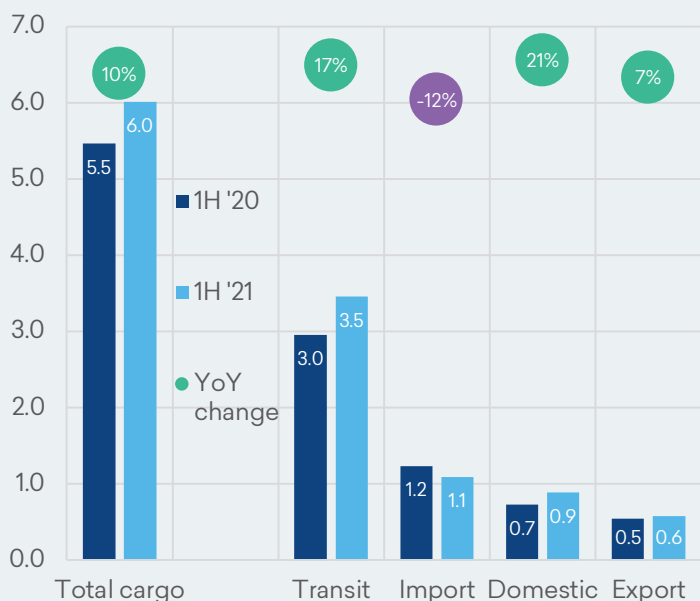
Despite a 7.2% YoY decline in Georgian Railway's overall freight transportation tariff in USD terms, a noticeable increase in total transported cargo (+10.1% YoY) resulted in a 3.3% YoY increase in revenues in USD terms.

Regardless a significant 21.7% decrease in tariff, transportation of oil products, the largest revenue generating category in freight transportation, posted a 27.9% YoY increase in 1H 2020 in USD terms.

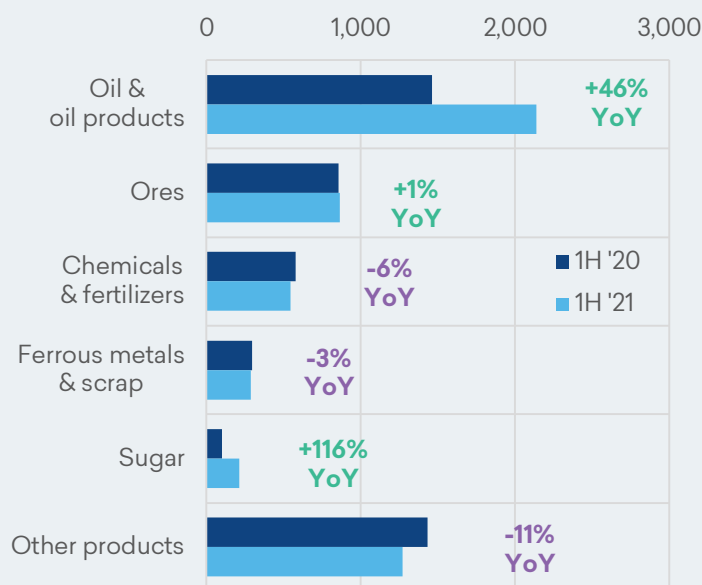
# Positive outlook for railway containerized cargo as the World Container Index starts inching down

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## Transported rail cargo volumes by destination (mln tons; YoY change)



## Transported rail cargo volumes by product categories ('000 tons)

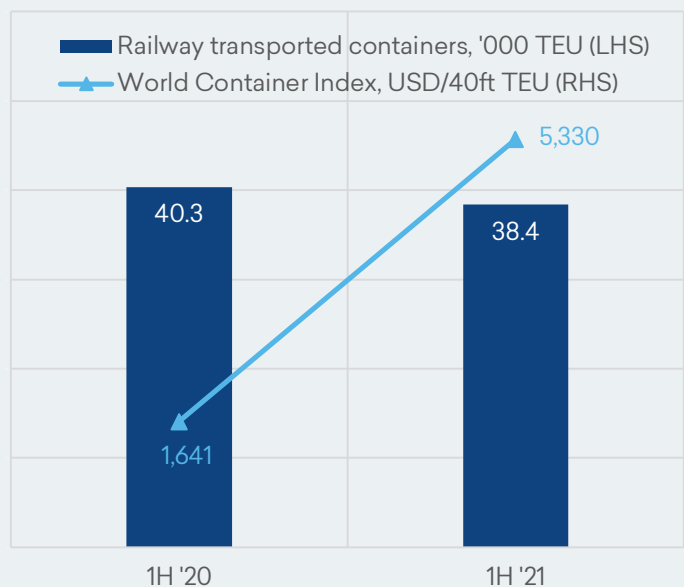


Georgian Railway's cargo transportation posted a 10.1% YoY growth in 1H 2021 in tons, attributable to a 46.3% YoY increase in oil & oil products, outweighing the declines in most other major product categories.

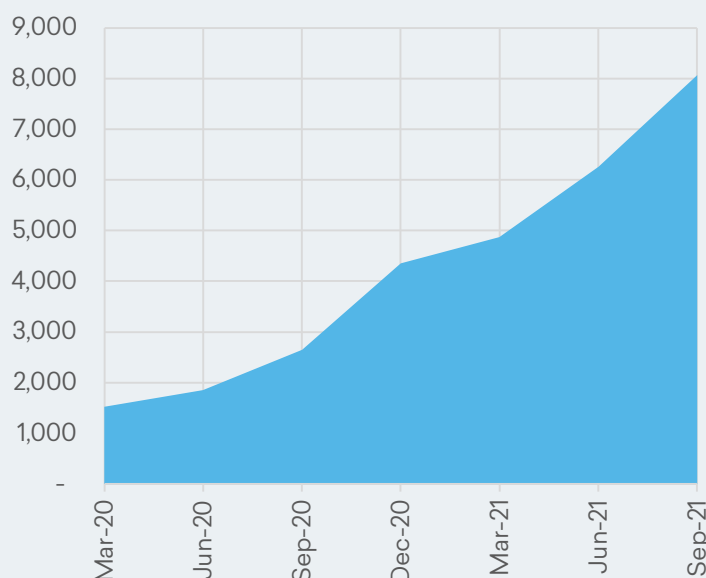
In terms of destinations, all categories have posted growths in 1H 2021 with the exception of import, the second largest destination category, posting a 12.0% YoY decline in the same period.

Georgian Railway decreased its containerized cargo throughput by -4.8% YoY, which, compared to the 225% increase in the Composite World Container Index over the same period is a better than expected result.. A slight downward trend observed in the first week of September in the container index provides positive outlook for further containerized cargo.

## Container throughput and maritime container index ('000 TEUs; USD)



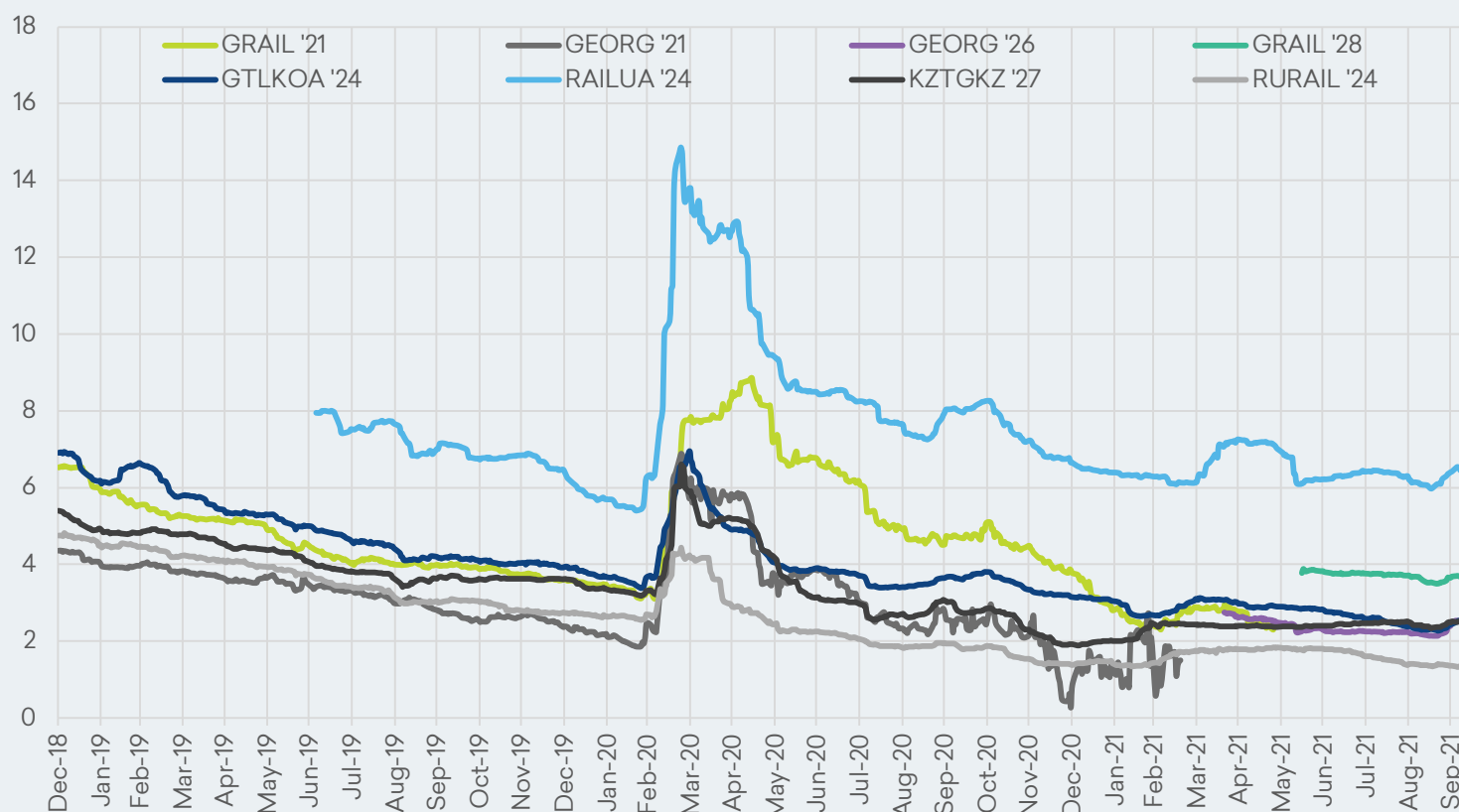
## Composite World Container Index (USD per 40ft container)



## Georgian Railway Eurobond details

Issuer	Georgian Railway JSC
Issuer Ratings (Standard & Poor's/Fitch)	B+/BB-
Rank	Senior Unsecured
Series	REGS
Issued Amount	USD 500mln
Settlement Date	17-Jun-2021
Maturity Date	17-Jun-2028
Coupon/Frequency	4.000%/Semi-annual
Price at issue	100.0000
Use of proceeds	Green Bond/Loan
Index	iBoxx Global Green, Social and Sustainability Bond Index
Book runner	Citi, JP Morgan, Renaissance Capital, TBC Capital

## Georgian Railway and selected peer Eurobonds' yield to maturity (%)



## Profit and loss highlights ('000 GEL)

	H1 2020	H1 2021
<b>Revenue</b>	<b>245,332</b>	<b>277,627</b>
Other Income	4,922	3,495
Employee benefits expense	(82,810)	(84,626)
Depreciation and amortization expenses	(39,667)	(34,999)
Electricity, inventory and repair work	(20,720)	(21,644)
Impairment loss on trade receivables	(1,902)	(485)
Other Expenses	(32,553)	(46,153)
<b>Operating activities</b>	<b>72,602</b>	<b>93,215</b>
Finance income	8,893	11,600
Finance cost	(147,084)	(136,550)
Profit before income tax	(65,499)	(31,736)
Income tax expense	(337)	(298)
<b>Profit and total comprehensive income</b>	<b>(65,836)</b>	<b>(32,034)</b>
<b>EBITDA</b>	<b>114,171</b>	<b>128,699</b>
EBITDA margin	46.54%	46.36%
Adjusted EBITDA	111,971	126,782
<b>Adjusted EBITDA margin</b>	<b>45.64%</b>	<b>45.67%</b>

## Balance sheet highlights ('000 GEL)

	H1 2020	H1 2021
Total Non-current assets	1,974,005	1,939,253
Total current assets	392,497	248,084
<b>Total assets</b>	<b>2,366,502</b>	<b>2,187,337</b>
<b>Total equity</b>	<b>492,015</b>	<b>327,252</b>
Total non-current liabilities	1,639,978	1,723,364
Total current liabilities	234,509	136,721
<b>Total liabilities</b>	<b>1,874,487</b>	<b>1,860,085</b>
<b>Total equity and liabilities</b>	<b>2,366,502</b>	<b>2,187,337</b>

## Cash flow highlights ('000 GEL)

	H1 2020	H1 2021
Cash flows from operations before income taxes and interest paid	97,316	126,552
<b>Net cash from operating activities</b>	<b>97,316</b>	<b>126,552</b>
Net cash used in investing activities	(21,716)	(6,628)
Net cash (used in)/from financing activities	(64,197)	(242,640)
Net change in cash and cash equivalents	11,403	(122,716)
<b>Cash and cash equivalents</b>	<b>279,101</b>	<b>184,270</b>



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**Mary Chachanidze, CFA**  
Managing Director

**Irine Kvakhadze**  
Head of Research

**Andro Tvaliashvili**  
Senior Research Associate

**Giorgi Mzhavanadze**  
Senior Researcher

**Revaz Maisuradze**  
Research Analyst

**Mariam Surmava**  
Research Analyst

**Maka Koridze**  
Junior Research Analyst

**Otar Nadaraia**  
Chief Economist, TBC Group

**Ana Mzhavanadze**  
Acting Head of Macro-Financial Analysis Division, TBC Bank

**Juli Avlokhashvili**  
Analyst

**Levan Mikeladze**  
Analyst





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