



Weekly Market Watch

Weekly Market Watch | Georgia
August 5, 2019

Economy

Real GDP growth was 5.0% y/y in June 2019

Georgia's economy grew by 5.0% y/y in June 2019 after growing 4.7% y/y in previous month, according to Geostat's rapid estimates. In June 2019, the growth base was diversified with manufacturing, real estate operations, construction, trade, transport and hotels and restaurants sectors posting increases. Overall, real GDP growth was 4.9% y/y in 1H19. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

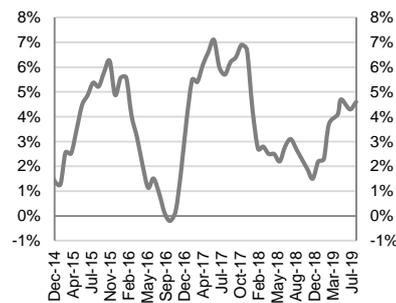
Inflation was 4.6% y/y in July 2019

Annual CPI inflation was 4.6% in July 2019 up from 4.3% in June 2019, according to Geostat. Core inflation (non-food, non-energy, non-tobacco) was 1.9% in July 2019 up from 1.4% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+7.9% y/y, +2.33ppts), alcoholic beverages and tobacco (+13.7% y/y, +0.92ppts) and transport (+3.9% y/y, +0.48ppts) categories. Meanwhile, prices were down in clothing and footwear (-7.1% y/y) and communication (-2.4% y/y) categories.

NBG sold US\$ 32.8mn

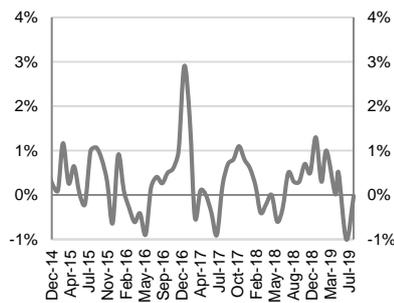
On 1 August 2019, the NBG intervened on the FX market and sold US\$ 32.8mn out of offered US\$ 40mn to support the national currency. This intervention followed the central bank's statement that despite positive foreign and domestic macroeconomic dynamics, the GEL's recent excessive depreciation related to tourism shock and negative expectations, created risks to price stability. NBG also noted that it will again intervene on the currency market in the coming days and use other monetary policy tools to support the currency if needed. Importantly, the GEL's REER and NEER hint to substantial undervaluation of the currency. As a result of this intervention the GEL quickly strengthened 2.9% against US\$ from 2.97 to 2.89 during 1-2 August.

Annual CPI inflation (% change, y/y)



Source: Geostat

Monthly CPI inflation (% change, m/m)

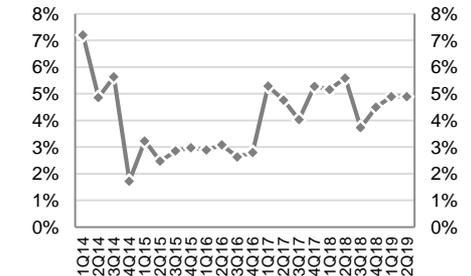


Key macro indicators

	2016	2017	2018
GDP (% change)	2.8%	4.8%	4.7%
GDP per capita (ppp)	9,991	10,679	11,485
GDP per capita (US\$)	3,857	4,047	4,346
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.8%	6.7%	1.5%
Gross reserves (US\$ bn)	2.8	3.0	3.3
CAD (% of GDP)	13.1%	8.8%	7.7%
Fiscal deficit (% of GDP)	3.0%	2.9%	2.5%
Total public debt (% of GDP)	44.4%	44.8%	45.0%

Source: Official data, IMF, G&T

Real GDP growth, %



Source: Geostat

International ranking, 2018-19

- Ease of Doing Business # 6 (Top 10)
- Economic Freedom Index # 16 (mostly free)
- Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Positive Affirmed Apr-2019	 Ba2 Stable Affirmed Mar-2019	 BB Stable Upgraded Feb-2019
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Source: Rating agencies



Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1.5bn (US\$ 487.9mn).

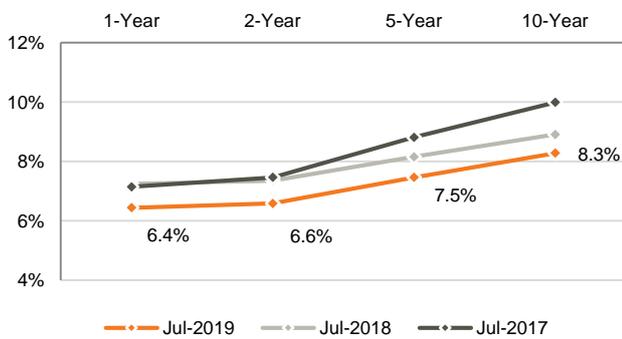
There were no treasury securities auction last week. The nearest treasury securities auction is scheduled for August 6, 2019, where GEL 40.0mn nominal value 1-year T-bills will be sold.

T-bills / T-notes, Aug-19 emission calendar

Date	Volume, GEL mn	Maturity
6-Aug-19	40	1 year
13-Aug-19	20	6 month
13-Aug-19	60	2 year
27-Aug-19	50	5 year

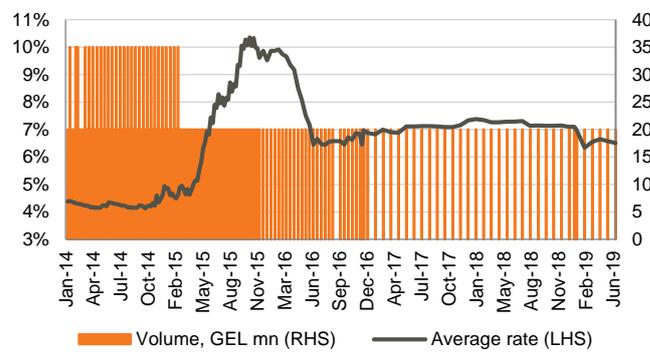
Source: MoF

T-bills / T-notes, yield curve



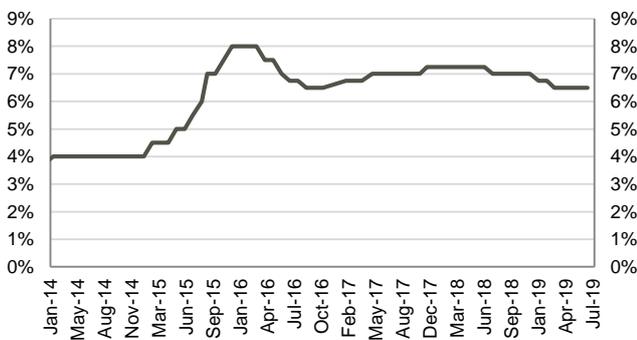
Source: NBG

Certificates of Deposits (weighted average rate)



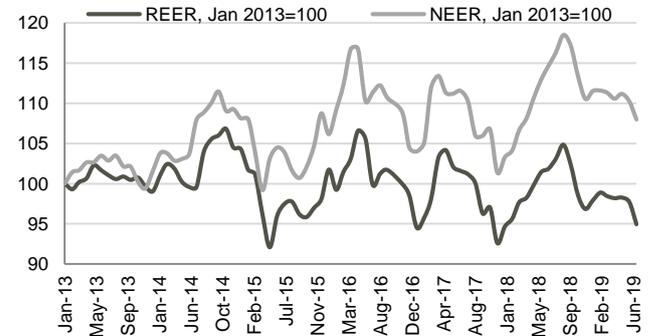
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

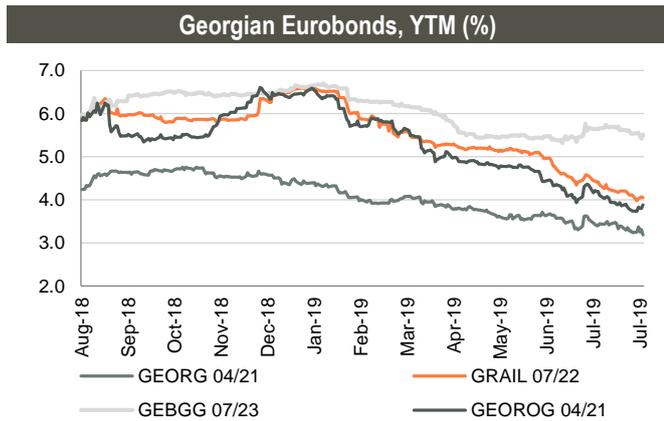


Fixed income

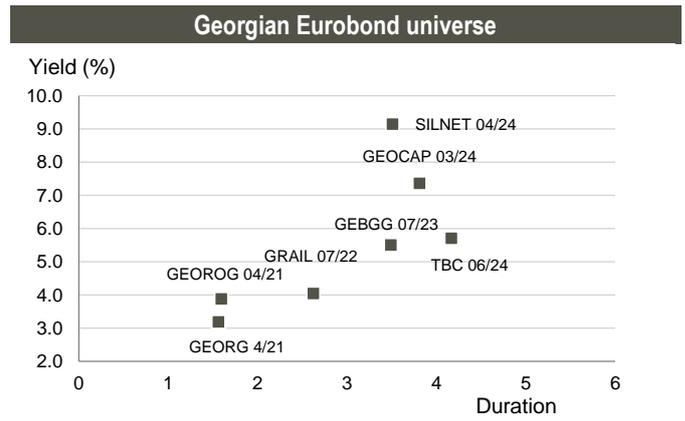
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.51% yield, trading at 101.71 (+0.06% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.24 (+0.15% w/w), yielding 7.36%.

GOGC Eurobonds (GEOROG) were trading at 104.73 (-0.26% w/w), yielding 3.88%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.11 (+0.11% w/w), yielding 4.05%.

Georgian Sovereign Eurobonds (GEORG) closed at 105.99 (+0.02% w/w) at 3.19% yield to maturity.



Source: Bloomberg



Source: Bloomberg

Georgian bonds performance

Georgian Eurobonds performance									
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps	
Georgia	US\$	500	6.875%	Apr-21	BB/BB-/Ba2	105.99	3.19	151.94	
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	110.11	4.05	244.39	
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/B+/-	104.73	3.88	211.95	
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B+/-	n/a	n/a	n/a	
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B+/-	101.71	5.51	397.62	
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	104.14	10.16	844.77	
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	95.24	7.36	580.68	
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	106.89	9.14	755.55	
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+/-	100.16	5.71	411.98	
TBC PERP	US\$	125	10.775%	n/a	B-/-	102.66	10.42	852.89	
Georgian local bonds performance									
GWP 12/21	GEL	30	10.00%	Dec-21	BB-/B+/-	n/a	n/a	n/a	
M2RE 10/19	US\$	25	7.50%	Oct-19	-/-/-	100.31	5.50	n/a	
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.09	7.00	n/a	
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	99.99	7.00	n/a	
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	98.48	7.38	n/a	
CRYSTAL 12/19	GEL	10	11.00%	Dec-19	B-/-	100.10	10.75	n/a	
CRYSTAL 02/21	GEL	15	10.50%	Feb-21	B-/-	99.66	10.75	n/a	
Nikora Trade 08/21	GEL	25	10.50%	Aug-21	-/-/B+	n/a	n/a	n/a	
SILKNET 08/22	GEL	34	10.00%	Aug-22	B+/-/B1/-	n/a	n/a	n/a	
Geo. Beer Company	GEL	25	10.50%	Dec-23	-/-/BB-	n/a	n/a	n/a	
Lisi Lake Development	US\$	12	8.00%	Dec-21	-/-/B+	n/a	n/a	n/a	
Tegeta 04/22	GEL	30	10.75%	Apr-22	-/-/BB-	n/a	n/a	n/a	
Swiss Capital 09/21	GEL	10	12.75%	Sep-21	B-/-	100.00	13.00	n/a	

Source: Bloomberg



Fixed income, continued

Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	Apr-21	BB/BB-/Ba2	105.99	3.19	151.94
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	102.98	3.33	154.80
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.22	3.21	152.05
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	106.49	4.87	331.11
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	105.95	2.64	110.14
Russia	US\$	3,500	5.000%	Apr-20	BBB-/BBB-/Baa3	101.98	2.25	17.68
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.02	4.34	263.00
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	104.69	5.33	367.43

Source: Bloomberg

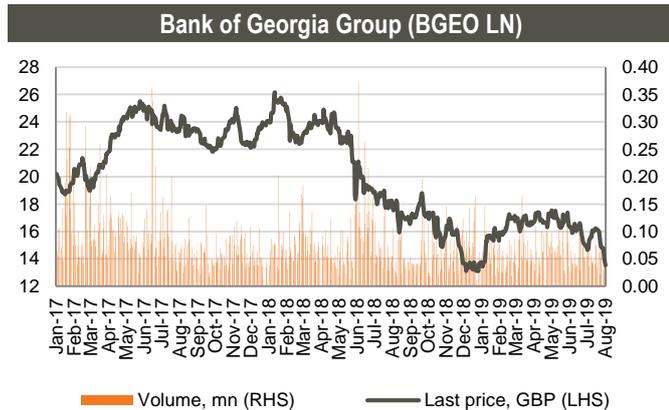
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 13.52/share (-9.14% w/w and -7.71% m/m). More than 217k shares traded in the range of GBP 13.50 - 15.05/share. Average daily traded volume was 51k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 3.05% w/w and 2.07% m/m. The volume of BGEO shares traded was at 0.44% of its capitalization.

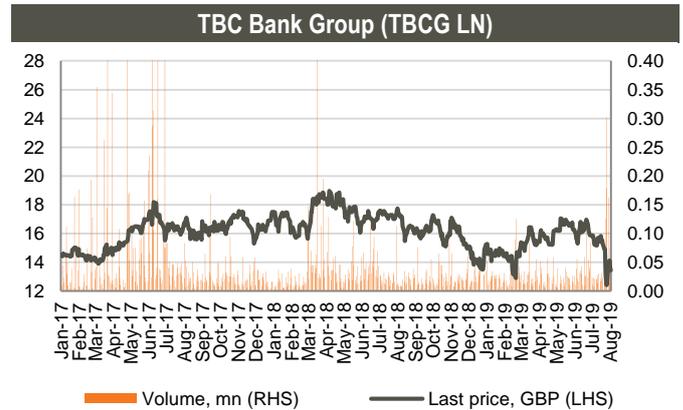
Georgia Capital (CGEO LN) shares closed at GBP 9.88/share (+0.61% w/w and -7.84% m/m). More than 139k shares traded in the range of GBP 9.54 - 9.96/share. Average daily traded volume was 96k in the last 4 weeks. The volume of CGEO shares traded was at 0.37% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 13.44/share (+8.21% w/w and -15.37% m/m). More than 378k shares changed hands in the range of GBP 12.68 - 14.28/share. Average daily traded volume was 63k in the last 4 weeks. The volume of TBCG shares traded was at 0.70% of its capitalization.

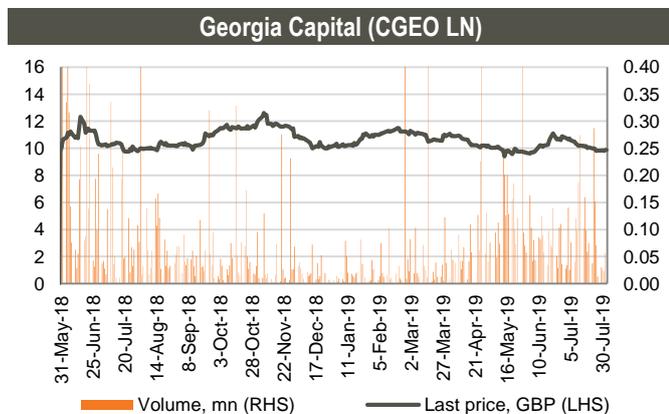
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.55/share (+13.11% w/w and +6.04% m/m). More than 24k shares were traded in the range of GBP 2.24 - 2.55/share. Average daily traded volume was 10k in the last 4 weeks. The volume of GHG shares traded was at 0.02% of its capitalization.



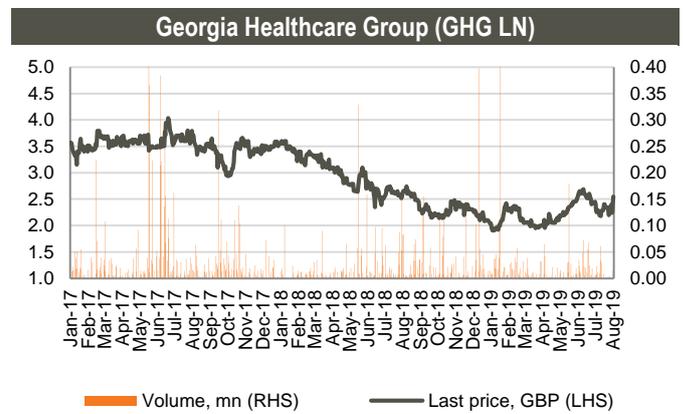
Source: Bloomberg



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Source: Bloomberg



Equities, continued

Eastern European banks

Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B		
							2019F	2020F	2019F	2020F	
Bank of Georgia	BGEO	GBP	13.52	665	-15.2%	-23.5%	-1.8%	5.66x	4.87x	1.13x	0.95x
TBC	TBC	GBP	13.44	729	-7.4%	-23.3%	-11.7%	5.33x	4.86x	0.99x	0.86x
Halyk Bank	HSBK	US\$	13.75	4,040	26.7%	18.0%	32.9%	5.34x	4.99x	1.19x	1.06x
VTB Bank	VTBR	US\$	1.27	8,230	-2.1%	-18.4%	14.6%	4.03x	3.21x	0.51x	0.46x
Akbank	AKBNK	TRY	7.27	37,804	5.7%	25.7%	23.5%	6.47x	5.07x	0.73x	0.66x
Garanti	GARAN	TRY	9.60	40,320	6.3%	41.2%	20.6%	5.52x	4.64x	0.75x	0.67x
Isbank	ISCTR	TRY	6.03	27,135	3.3%	23.1%	33.1%	4.54x	3.69x	0.50x	0.45x
PKO	PKO	PLN	39.20	49,000	-1.5%	-6.3%	-0.7%	11.52x	10.91x	1.18x	1.12x
PEKAO	PEO	PLN	100.35	26,339	-10.2%	-9.6%	-7.9%	11.53x	9.88x	1.13x	0.99x
Millennium	MIL	PLN	7.47	9,062	-16.3%	-17.1%	-15.8%	11.05x	9.08x	1.00x	0.92x
Mbank	MBK	PLN	338.60	14,335	-25.3%	-18.7%	-20.2%	11.84x	10.21x	0.87x	0.83x
BRD	BRD	RON	13.40	9,338	32.7%	-0.3%	17.5%	8.49x	8.77x	1.19x	1.20x
Banca Transilvania	TLV	RON	2.38	11,436	58.8%	12.8%	28.3%	8.18x	8.73x	1.48x	1.41x
OTP	OTPD	USD	21.20	11,872	3.9%	19.8%	8.2%	9.99x	9.53x	0.80x	0.71x
Komercni	KOMB	CZK	867.50	164,868	-5.2%	-7.9%	2.4%	11.19x	11.26x	1.57x	1.46x
Mean								8.05x	7.31x	1.00x	0.92x
Median								8.18x	8.73x	1.00x	0.92x

Source: Bloomberg, S&P Capital IQ

Investment management companies

Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		P/B		
							2019F	2020F	2019F	2020F	
Georgia Capital	CGEO	GBP	9.88	375	-10.2%	-1.2%	-3.2%	13.65x	10.70x	0.75x	0.81x
Tinc Comm	TINC	EUR	12.75	348	6.7%	4.1%	8.1%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.60	19,588	5.1%	21.5%	27.7%	4.80x	3.90x	0.60x	0.51x
Deutsche Beteiligungs	DBAN	EUR	31.00	466	-9.2%	-13.8%	-7.6%	23.33x	11.20x	1.04x	0.98x
Eurazeo	RF	EUR	59.60	4,562	-4.0%	-3.1%	1.3%	12.41x	11.03x	0.84x	0.80x
Carlyle Group	CG	USD	22.95	2,500	18.4%	-5.4%	45.7%	6.14x	3.44x	2.67x	1.78x
Mean								12.07x	8.06x	1.18x	0.98x
Median								12.41x	10.70x	0.84x	0.81x

Source: Bloomberg, S&P Capital IQ

Healthcare sector companies

Ticker	Currency	Share price	Mcap, mn	6M chg	y/y chg	YTD chg	P/E		EV/EBITDA		
							2019F	2020F	2019F	2020F	
GHG	GHG	GBP	2.55	335	11.6%	-4.0%	24.8%	22.85x	15.35x	9.53x	7.61x
Mouwasset	MOUWASAT	SAR	86.00	8,600	13.9%	-4.4%	6.8%	21.95x	18.91x	15.41x	13.86x
Fortis	FORH	INR	117.95	89,047	-12.8%	-17.5%	-16.0%	1.51x	1.39x	6.67x	6.67x
Raffles	RFMD	SGD	1.02	1,833	-8.1%	-8.9%	-7.3%	30.92x	30.14x	19.74x	18.43x
IHH	IHH	MYR	5.73	50,248	2.3%	-2.9%	6.3%	47.83x	38.31x	17.63x	15.18x
Bangkok Chain	BCH	THB	15.40	38,404	-4.9%	-6.1%	-7.8%	30.84x	27.68x	17.00x	15.45x
Netcare	NTC	ZAR	17.03	24,729	-31.3%	-38.6%	-35.6%	11.19x	10.85x	6.91x	6.64x
Life Healthcare	LHC	ZAR	23.33	34,233	-14.4%	-3.8%	-11.6%	18.84x	14.70x	8.03x	7.26x
Mediclinic	MDC	GBP	3.21	2,369	1.6%	-35.2%	-0.4%	11.21x	12.37x	7.98x	7.85x
Apollo Hospitals	APHS	INR	1,310.20	182,281	-2.3%	36.4%	4.1%	65.84x	46.74x	20.62x	17.03x
KPJ Healthcare	KPJ	MYR	0.93	3,991	-14.4%	-15.9%	-11.1%	21.11x	19.60x	10.24x	9.86x
NMC	NMC	GBP	24.02	5,001	-6.9%	-36.7%	-12.2%	18.71x	14.80x	11.49x	9.78x
Mean								25.23x	20.90x	12.60x	11.30x
Median								21.53x	17.13x	10.86x	9.82x

Source: Bloomberg, S&P Capital IQ



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