



Weekly Market Watch

Weekly Market Watch | Georgia
July 20, 2020

Economy

Trade deficit down 27.7% y/y in June 2020

In June 2020, exports decreased by 14.0% y/y to US\$ 266.9mn, after falling 31.3% in previous month and imports fell by 22.0% y/y to US\$ 576.3mn after a 36.8% y/y drop in previous month. As the result, trade deficit narrowed by 27.7% y/y to US\$ 309.4mn according to Geostat's preliminary figures. In 1H20, trade deficit was down 21.3% y/y to US\$ 2.0bn as exports decreased by 16.0% y/y and imports were down 19.1% y/y. Detailed foreign trade statistics will be available on July 20, 2020.

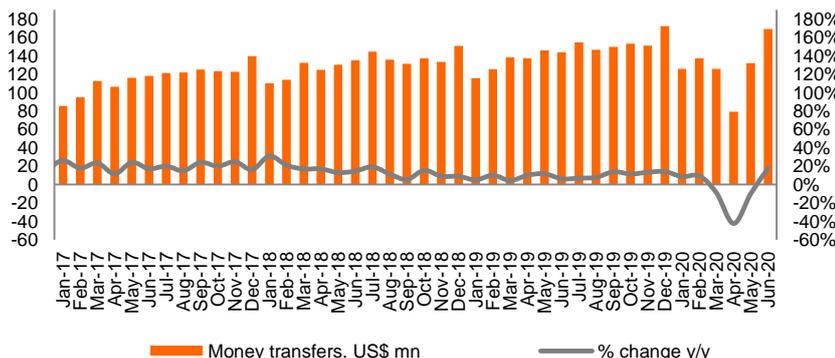
Money transfers up 17.8% y/y in June 2020

In June 2020, money transfers rebounded strongly, increasing by 17.8% y/y to US\$ 169.2mn, after a 9.6% y/y drop in previous month, according to NBG. From major countries, money transfers were up from Italy (+38.8% y/y, 15.8% of total), USA (+31.1% y/y, 11.8% of total), Greece (+16.5% y/y, 11.8% of total) and Israel (+3.6% y/y, 8.2% of total). Meanwhile remittances were down from Russia (-6.4% y/y, 19.2% of total). Overall, in 1H20 money transfers were down 4.6% y/y to US\$ 769.0mn.

International arrivals decreased by 94.8% y/y in June 2020

Total international arrivals (tourists and same-day arrivals) to Georgia continued falling in June 2020 (down 94.8% y/y to c.38k persons) according to GNTA, as borders remained closed for international travel. This fall reflected both reduced same-day arrivals (-96.5% y/y) and tourist arrivals (-93.9% y/y, 76.3% of total). In June 2020, international visitors were down from all neighboring countries: Turkey (-88.0%), Armenia (-92.5% y/y), Azerbaijan (-97.1% y/y) and Russia (-97.7% y/y). Visitors from the EU were down 98.6% y/y to 714 visitors, with Germany, Poland and UK contributing most to the decline. In 1H20, total international arrivals stood at 1.2mn (-61.9% y/y), of which tourist arrivals reached 0.85mn (-60.2% y/y) persons. Meanwhile, based on NBG, tourism revenues stood at US\$ 456.5mn (-68.6% y/y) in 1H20.

Money transfers



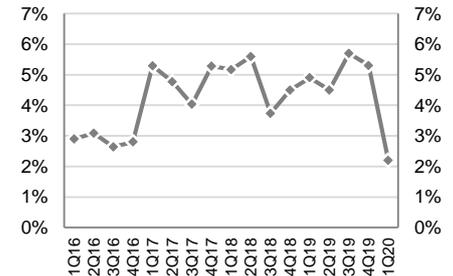
Source: NBG

Key macro indicators

| | 2017 | 2018 | 2019 |
|------------------------------|--------|--------|--------|
| GDP (% change) | 4.8% | 4.8% | 5.1% |
| GDP per capita (ppp) | 11,485 | 12,417 | 13,559 |
| GDP per capita (US\$) | 4,359 | 4,722 | 4,763 |
| Population (mn) | 3.7 | 3.7 | 3.7 |
| Inflation (eop) | 6.7% | 1.5% | 7.0% |
| Gross reserves (US\$ bn) | 3.0 | 3.3 | 3.5 |
| CAD (% of GDP) | 8.1% | 6.8% | 5.1% |
| Fiscal deficit (% of GDP) | 2.7% | 2.3% | 2.0% |
| Total public debt (% of GDP) | 39.4% | 38.9% | 39.8% |

Source: Official data, Galt & Taggart

Real GDP growth, %



Source: Geostat

International ranking, 2019-20

- Ease of Doing Business # 7 (Top 10)
- Economic Freedom Index # 16 (mostly free)
- Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

| | | |
|---|--|---|
| BB Stable Upgraded Oct-2019 | Ba2 Stable Affirmed Mar-2020 | BB Negative Affirmed Apr-2020 |
|---|--|---|

Source: Rating agencies

Money market

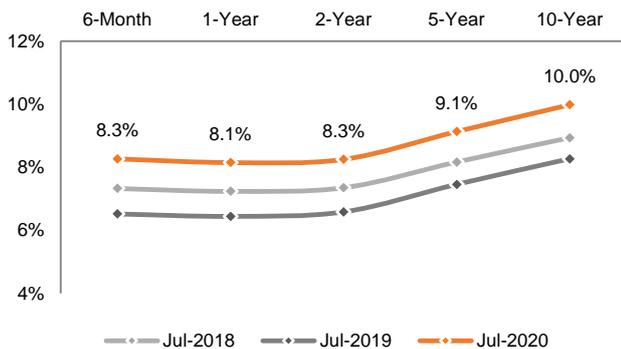
Ministry of Finance T-Bills: 1-year GEL 50.0mn (US\$ 16.3mn) T-Bills were sold at the auction held at NBG on July 14, 2020. Total demand was 1.9x higher and the weighted average yield was fixed at 8.295%, down 0.40ppts from previous auction held on June 2020. The nearest treasury security auction is scheduled for July 21, 2020, where GEL 40.0mn nominal value 10-year Benchmark Bonds will be sold.

T-bills / T-notes in 2020

| Maturity | YTD placements, GEL mn | Remaining placements, GEL mn | Outstanding amount, GEL mn* |
|--------------|------------------------|------------------------------|-----------------------------|
| 6-month | 250 | 100 | 230 |
| 1-year | 410 | 250 | 660 |
| 2-year | 490 | 350 | 1,350 |
| 5-year | 480 | 480 | 1,823 |
| 10-year | 70 | 80 | 959 |
| Total | 1,700 | 1,260 | 5,021 |

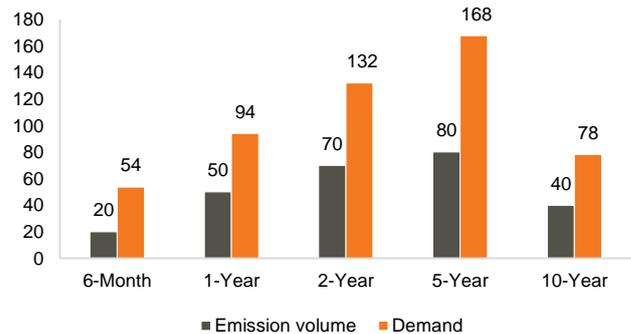
Source: MoF
Note: * As of 30 June 2020

T-bills / T-notes, yield curve



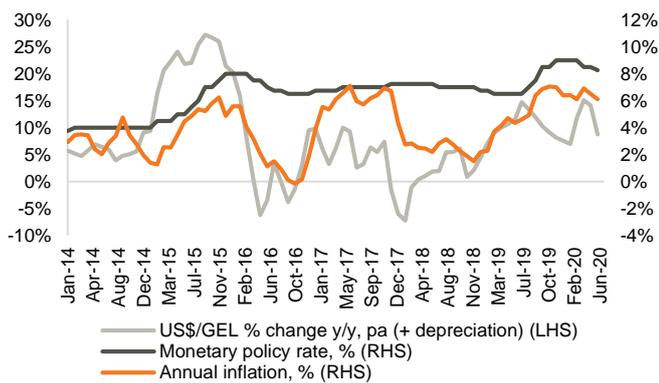
Source: NBG

Emission volume vs. demand on latest T-bill/T-notes auctions, GEL mn



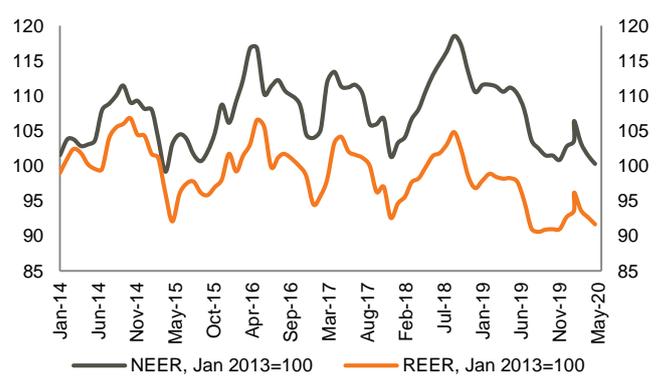
Source: NBG

Monetary policy rate, inflation and FX 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

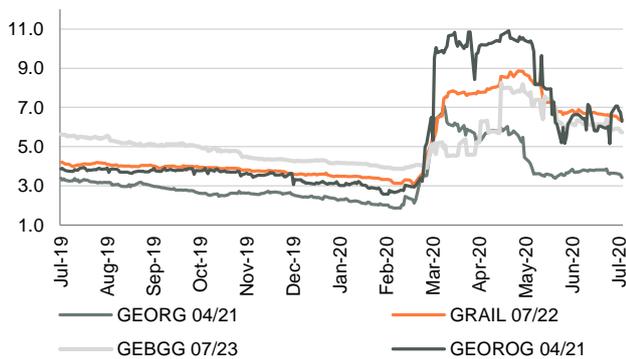
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.73% yield, trading at 100.75 (+0.30% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 93.05 (+0.27% w/w), yielding 8.38%.

GOGC Eurobonds (GEOROG) were trading at 100.32 (+0.30% w/w), yielding 6.30%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 102.48 (+0.32% w/w), yielding 6.39%.

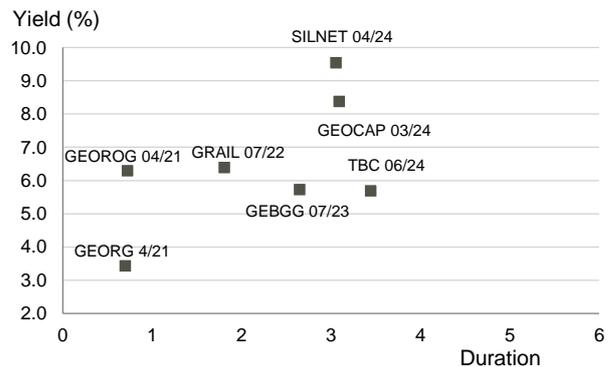
Georgian Sovereign Eurobonds (GEORG) closed at 102.44 (+0.10% w/w) at 3.43% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



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 | 102.44 | 3.43 | 315.35 |
| GRAIL 07/22 | US\$ | 500 | 7.750% | Jul-22 | BB-/B+/- | 102.48 | 6.39 | 616.64 |
| GEORG 04/21 | US\$ | 250 | 6.750% | Apr-21 | BB-/BB-/- | 100.32 | 6.30 | 602.30 |
| GEBGG 07/23 | US\$ | 350 | 6.000% | Jul-23 | BB-/-/Ba2 | 100.75 | 5.73 | 549.14 |
| GEBGG 11 1/8 PERP | US\$ | 100 | 11.125% | n/a | B-/-/- | 98.66 | 9.83 | 1,129.17 |
| GEOCAP 03/24 | US\$ | 300 | 6.125% | Mar-24 | -/B/B2 | 93.05 | 8.38 | 812.56 |
| SILKNET 04/24 | US\$ | 200 | 11.000% | Apr-24 | B+/-/B1 | 104.42 | 9.54 | 928.80 |
| TBC 06/24 | US\$ | 300 | 5.750% | Jun-24 | BB-/-/Ba2 | 100.21 | 5.69 | 542.29 |
| TBC PERP | US\$ | 125 | 10.775% | n/a | B-/-/- | 96.03 | 10.30 | 1,171.97 |

Georgian local bonds performance

| | | | | | | | | |
|-----------------------|------|----|--------|--------|-----------|--------|-------|-----|
| GWP 12/21 | GEL | 30 | 12.50% | Dec-21 | BB-/-/-/- | n/a | n/a | n/a |
| M2CA 12/21 | US\$ | 30 | 7.50% | Dec-21 | -/-/-/- | 99.32 | 8.00 | n/a |
| M2RE 10/22 | US\$ | 35 | 7.50% | Oct-22 | -/-/-/- | 97.50 | 8.50 | n/a |
| GLC 08/20 | US\$ | 10 | 7.00% | Aug-20 | -/-/-/- | 100.22 | 5.00 | n/a |
| GLC 06/21 | US\$ | 5 | 6.50% | Jun-21 | -/-/-/- | 98.67 | 8.00 | n/a |
| GLC 08/21 | US\$ | 10 | 7.50% | Aug-21 | -/-/-/- | 99.50 | 8.00 | n/a |
| CRYSTAL 02/21 | GEL | 15 | 13.00% | Feb-21 | B/-/-/- | 100.00 | 12.50 | n/a |
| Nikora Trade 08/21 | GEL | 25 | 9.00% | Aug-21 | -/-/-/B+ | n/a | n/a | n/a |
| SILKNET 04/24 | GEL | 34 | 12.50% | Apr-24 | B+/-/B1/- | n/a | n/a | n/a |
| Geo. Beer Company | GEL | 25 | 13.00% | 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 | 13.25% | Sep-21 | B-/-/-/- | 100.00 | 14.50 | n/a |
| EVEX 11/24 | GEL | 50 | 12.10% | Nov-24 | -/-/-/BB | n/a | n/a | 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 | 102.44 | 3.43 | 315.35 |
| Armenia | US\$ | 500 | 6.000% | Sep-20 | BB-/Ba3 | 99.91 | 6.39 | 616.69 |
| Azerbaijan | US\$ | 174 | 2.820% | Sep-21 | BB+/-/Ba2 | 100.76 | 2.12 | 187.27 |
| Belarus | US\$ | 800 | 6.875% | Feb-23 | B/B/B3 | 100.02 | 6.86 | 663.13 |
| Kazakhstan | US\$ | 1,500 | 3.875% | Oct-24 | BBB/BBB-/Baa3 | 109.56 | 1.53 | 125.24 |
| Turkey | US\$ | 2,000 | 5.625% | Mar-21 | BB-/B1 | 101.50 | 3.40 | 312.48 |
| Ukraine | US\$ | 1,409 | 7.750% | Sep-21 | B/B/Caa1 | 102.80 | 5.12 | 486.72 |

Source: Bloomberg

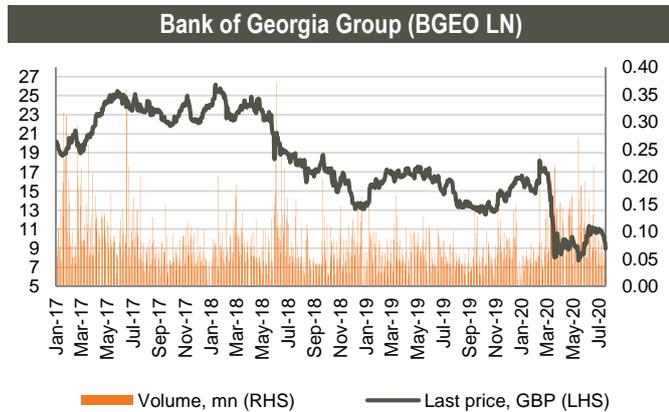
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 8.96/share (-14.18% w/w and -18.55% m/m). More than 377k shares traded in the range of GBP 8.81 - 10.66/share. Average daily traded volume was 71k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.98% w/w and lost 1.33% m/m. The volume of BGEO shares traded was at 0.77% of its capitalization.

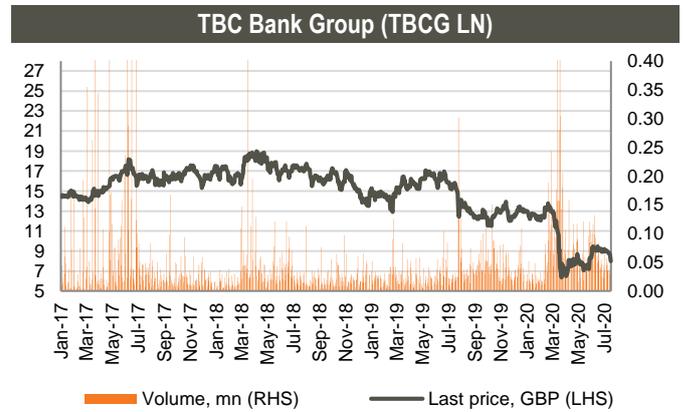
Georgia Capital (CGEO LN) shares closed at GBP 4.10/share (-6.83% w/w and -13.79% m/m). More than 261k shares traded in the range of GBP 4.01 - 4.43/share. Average daily traded volume was 48k in the last 4 weeks. The volume of CGEO shares traded was at 0.71% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 8.00/share (-9.71% w/w and -12.66% m/m). More than 220k shares changed hands in the range of GBP 7.71 - 9.12/share. Average daily traded volume was 43k in the last 4 weeks. The volume of TBCG shares traded was at 0.40% of its capitalization.

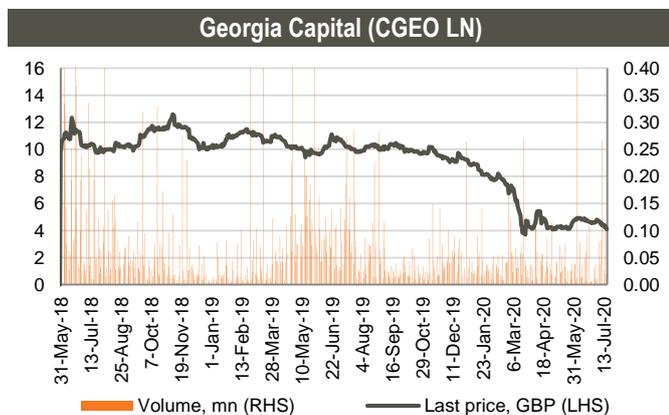
Georgia Healthcare Group (GHG LN) shares closed at GBP 0.88/share (-9.28% w/w and -2.22% m/m). More than 152k shares were traded in the range of GBP 0.84 - 0.99/share. Average daily traded volume was 36k in the last 4 weeks. The volume of GHG shares traded was at 0.12% of its capitalization.



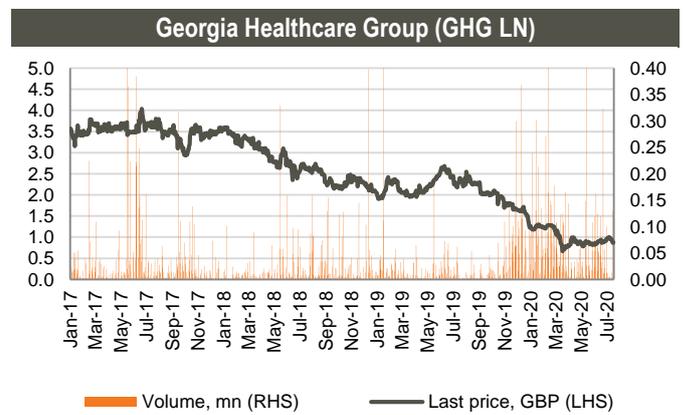
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Equities, continued

Eastern European banks

| Ticker | Currency | Share price | Mcap, mn | 6M chg | y/y chg | YTD chg | P/E | | P/B | | |
|--------------------|----------|-------------|----------|---------|---------|---------|--------|--------------|---------------|--------------|--------------|
| | | | | | | | 2019 | 2020F | 2019 | 2020F | |
| Bank of Georgia | BGEO | GBP | 8.96 | 441 | -43.3% | -44.6% | -44.9% | 3.48x | 7.18x | 0.76x | 0.71x |
| TBC | TBC | GBP | 8.00 | 440 | -37.0% | -48.1% | -38.5% | 3.14x | 7.31x | 0.61x | 0.59x |
| Halyk Bank | HSBK | US\$ | 11.85 | 3,482 | -19.7% | -12.5% | -11.2% | 4.15x | 4.93x | 0.99x | 0.95x |
| VTB Bank | VTBR | US\$ | 0.92 | 5,936 | -40.8% | -32.1% | -37.4% | 2.26x | 4.75x | 0.34x | 0.33x |
| Akbank | AKBNK | TRY | 5.82 | 30,264 | -34.0% | -21.2% | -28.2% | 4.86x | 4.94x | 0.50x | 0.51x |
| Garanti | GARAN | TRY | 7.93 | 33,306 | -35.0% | -16.8% | -28.8% | 4.46x | 4.61x | 0.53x | 0.54x |
| Isbank | ISCTR | TRY | 5.32 | 23,940 | -25.1% | -15.7% | -17.0% | 3.56x | 4.11x | 0.37x | 0.38x |
| PKO | PKO | PLN | 23.40 | 29,250 | -33.1% | -43.9% | -32.1% | 6.68x | 13.06x | 0.68x | 0.67x |
| PEKAO | PEO | PLN | 55.38 | 14,536 | -46.5% | -47.1% | -44.9% | 6.39x | 14.00x | 0.60x | 0.60x |
| Millennium | MIL | PLN | 3.04 | 3,683 | -50.6% | -63.6% | -48.1% | 4.80x | 18.04x | 0.39x | 0.41x |
| Mbank | MBK | PLN | 212.60 | 9,001 | -44.8% | -46.0% | -45.4% | 6.99x | 19.25x | 0.53x | 0.54x |
| BRD | BRD | RON | 11.60 | 8,084 | -27.3% | -14.3% | -26.8% | 5.27x | 10.34x | 1.02x | 0.92x |
| Banca Transilvania | TLV | RON | 2.10 | 10,927 | -20.2% | -10.3% | -19.3% | 5.95x | 13.41x | 1.23x | 1.54x |
| OTP | OTPD | USD | 22.80 | 12,768 | 7.5% | 7.5% | 7.5% | 9.60x | 17.21x | 0.82x | 0.77x |
| Komercni | KOMB | CZK | 575.00 | 109,278 | -29.3% | -35.8% | -30.7% | 7.03x | 13.78x | 1.00x | 0.95x |
| Mean | | | | | | | | 5.24x | 10.46x | 0.69x | 0.69x |
| Median | | | | | | | | 4.86x | 10.34x | 0.61x | 0.60x |

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 | | |
|-----------------------|----------|-------------|----------|--------|---------|---------|--------|---------------|---------------|--------------|--------------|
| | | | | | | | 2019 | 2020F | 2019 | 2020F | |
| Georgia Capital | CGEO | GBP | 4.10 | 150 | -51.8% | -59.7% | -55.6% | 5.53x | n/a | 0.39x | n/a |
| Tinc Comm | TINC | EUR | 13.55 | 370 | -0.4% | 9.2% | 1.5% | n/a | n/a | n/a | n/a |
| Sabancı Holding | SAHOL | TRY | 9.45 | 19,282 | -10.3% | 4.0% | -0.9% | 4.39x | 3.95x | 0.51x | 0.51x |
| Deutsche Beteiligungs | DBAN | EUR | 29.00 | 436 | -29.6% | -8.1% | -26.5% | 10.93x | n/mf | 0.98x | 1.14x |
| Eurazeo | RF | EUR | 46.76 | 3,683 | -24.7% | -22.8% | -23.3% | 11.64x | 27.17x | 0.70x | 0.67x |
| Carlyle Group | CG | USD | 28.85 | 3,193 | -13.3% | 21.9% | -10.1% | 16.65x | 5.80x | 1.78x | 4.96x |
| Mean | | | | | | | | 9.83x | 12.31x | 0.87x | 1.82x |
| Median | | | | | | | | 10.93x | 5.80x | 0.70x | 0.90x |

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 | | |
|------------------|----------|-------------|----------|---------|---------|---------|--------|---------------|---------------|---------------|---------------|
| | | | | | | | 2019 | 2020F | 2019 | 2020F | |
| GHG | GHG | GBP | 0.88 | 116 | -31.3% | -63.3% | -28.5% | 9.18x | 7.09x | 4.64x | 4.69x |
| Mouwasset | MOUWASAT | SAR | 99.50 | 9,950 | 16.1% | 10.7% | 13.1% | 25.56x | 23.46x | 17.44x | 16.85x |
| Fortis | FORH | INR | 128.55 | 97,050 | -9.2% | -1.4% | -2.5% | 1.52x | 1.44x | 6.46x | 6.68x |
| Raffles | RFMD | SGD | 0.93 | 1,700 | -9.7% | -10.6% | -7.0% | 27.90x | 34.26x | 17.78x | 19.88x |
| IHH | IHH | MYR | 5.33 | 46,765 | -5.3% | -7.6% | -2.6% | 50.54x | 69.95x | 14.75x | 17.81x |
| Bangkok Chain | BCH | THB | 14.70 | 36,658 | -7.5% | -1.3% | -14.0% | 29.27x | 31.36x | 16.28x | 16.87x |
| Netcare | NTC | ZAR | 14.25 | 20,689 | -32.0% | -17.4% | -26.8% | 8.57x | 18.28x | 5.63x | 9.39x |
| Life Healthcare | LHC | ZAR | 19.07 | 27,982 | -24.3% | -16.1% | -22.6% | 14.61x | 40.89x | 6.51x | 9.18x |
| Mediclinic | MDC | GBP | 2.63 | 1,942 | -35.8% | -21.8% | -36.0% | 9.49x | 10.57x | 7.29x | 7.17x |
| Apollo Hospitals | APHS | INR | 1,499.20 | 208,576 | -7.4% | 8.3% | 4.0% | 69.89x | 62.76x | 21.71x | 15.56x |
| KPJ Healthcare | KPJ | MYR | 0.80 | 3,428 | -16.2% | -18.4% | -15.3% | 17.72x | 21.83x | 8.77x | 10.13x |
| NMC | NMC | GBP | 9.38 | 1,959 | -39.7% | -59.0% | -46.9% | n/a | n/a | n/a | n/a |
| Mean | | | | | | | | 24.02x | 29.26x | 11.57x | 12.20x |
| Median | | | | | | | | 17.72x | 23.46x | 8.77x | 10.13x |

Source: Bloomberg, S&P Capital IQ



Disclaimer

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

Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge