



Weekly Market Watch

Weekly Market Watch | Georgia
July 22, 2019

Economy

Trade deficit decreased by 19.2% y/y in June 2019

In June 2019, exports were flat y/y at US\$ 307.2mn, imports decreased by 11.7% y/y to US\$ 688.0mn and the trade deficit narrowed 19.2% y/y to US\$ 380.7mn, according to Geostat. In June 2019, cars (+32.3% y/y), copper (-23.8% y/y), ferro-alloys (+24.2% y/y), wine (-1.0% y/y) and pharmaceuticals (+17.7% y/y) were the top 5 exported commodities. A 21.4% of exports were directed to the EU (-9.0% y/y), 54.1% to the CIS (+22.2% y/y) and 24.5% to other countries (-24.4% y/y).

In June 2019, petroleum (-11.1% y/y), cars (-13.7% y/y), copper (-34.4% y/y), pharmaceuticals (-3.9% y/y) and phones (+29.5% y/y) represented the top 5 imported commodities.

Overall, in 1H19, the trade deficit was down 14.2% y/y to US\$ 2.4bn as exports were up 11.5% y/y to US\$ 1.8bn and imports fell 4.9% y/y to US\$ 4.2bn.

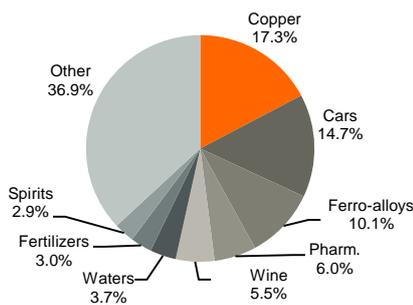
Money transfers up 6.3% y/y in June 2019

In June 2019, money transfers increased 6.3% y/y to US\$ 143.6mn, after growing 11.8% y/y in the previous month, according to NBG. From major remitting countries, money transfers were up from Italy (+24.0% y/y, 13.4% of total), Greece (+23.1% y/y, 11.9% of total), USA (+7.5% y/y, 10.6% of total) and Israel (+0.7% y/y, 9.3% of total). Meanwhile remittances continued to decline from Russia (-11.3% y/y, 24.2% of total) and Turkey (-23.3% y/y, 5.3% of total). Overall, in 1H19 money transfers were up 8.0% y/y to US\$ 806.1mn.

Producer price index up 6.4% y/y in June 2019

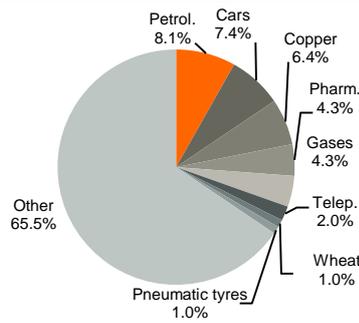
Annual PPI for industrial goods was up 6.4% in June 2019, according to Geostat. Price changes in manufacturing (+8.8% y/y) and supply of electricity, gas and water (-8.6% y/y) contributed the most to the overall index change.

Exports by commodities, 1H19



Source: Geostat

Imports by commodities, 1H19

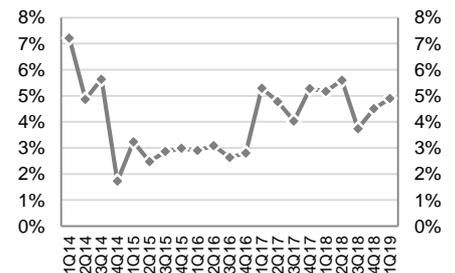


Key macro indicators

	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 1.6bn (US\$ 543.8mn).

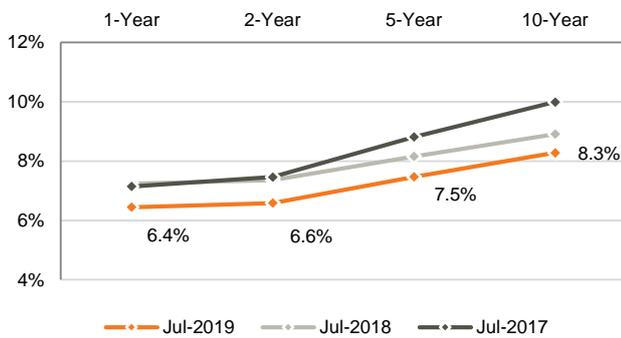
Ministry of Finance Benchmark Bonds: 10-year GEL 30.0mn (US\$ 21.0mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on July 16, 2019. The weighted average yield was fixed at 8.422%. The nearest treasury securities auction is scheduled for July 23, 2019, where GEL 50.0mn nominal value 5-year Benchmark Bonds will be sold.

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

Date	Volume, GEL mn	Maturity
23-July-19	50	5 year

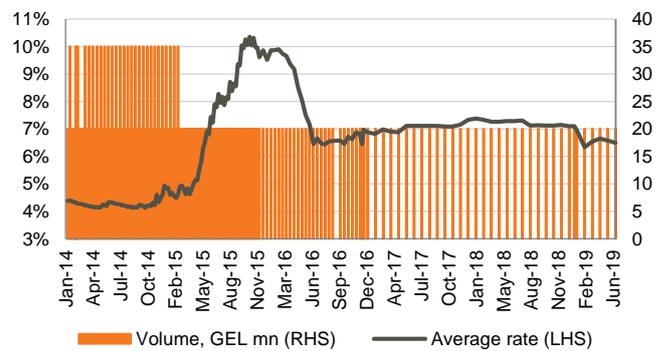
Source: MoF

T-bills / T-notes, yield curve



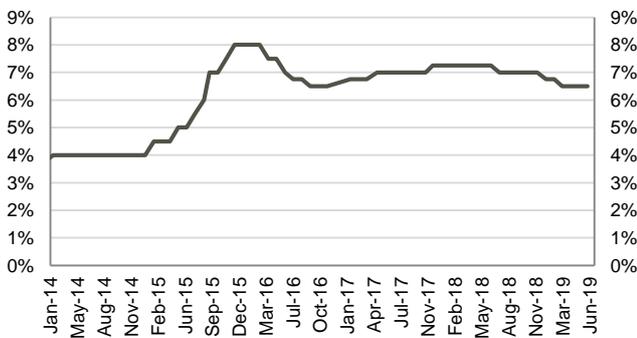
Source: NBG

Certificates of Deposits (weighted average rate)



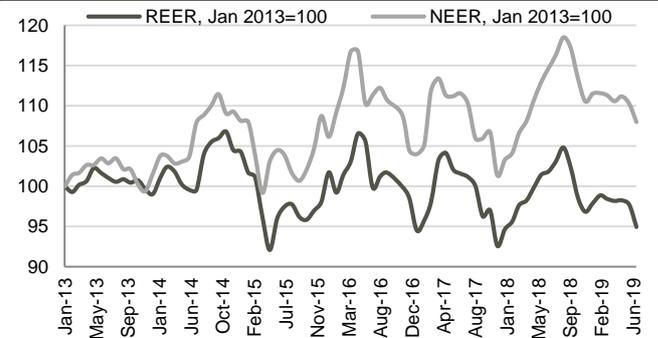
Source: NBG

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

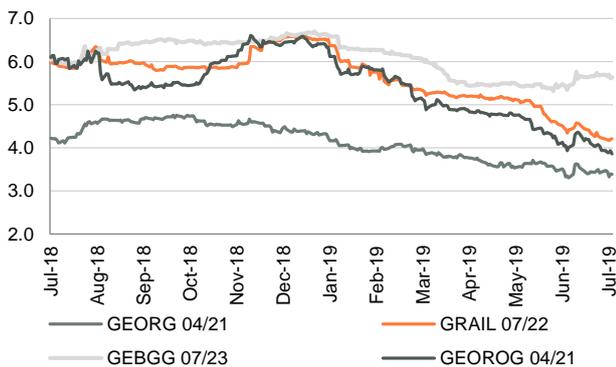
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.63% yield, trading at 101.30 (+0.20% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.00 (+0.13% w/w), yielding 7.42%.

GOGC Eurobonds (GEOROG) were trading at 104.85 (+0.08% w/w), yielding 3.86%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.78 (+0.01% w/w), yielding 4.21%.

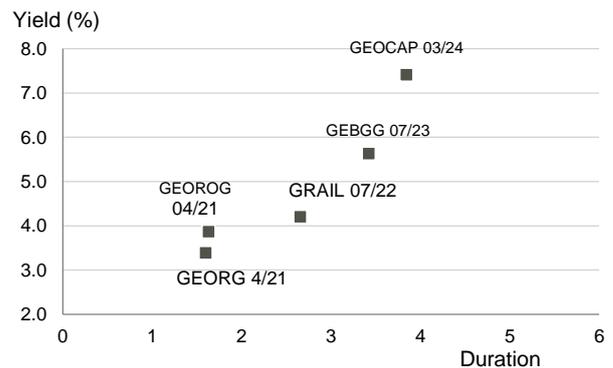
Georgian Sovereign Eurobonds (GEORG) closed at 105.77 (+0.02% w/w) at 3.39% yield to maturity.

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	105.77	3.39	138.43
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.78	4.21	234.01
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.85	3.86	199.91
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+/-	101.30	5.63	382.84
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	103.89	10.34	825.80
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	95.00	7.42	561.44
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	106.50	9.25	742.04
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+/-	100.07	5.73	393.54
TBC PERP	US\$	125	10.775%	n/a	Be/-/-	101.40	10.70	858.50

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	-/-/-	100.41	5.50	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.12	7.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	99.59	7.38	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	98.45	7.38	n/a
CRYSTAL 12/19	GEL	10	11.00%	Dec-19	B/-/-	100.11	10.75	n/a
CRYSTAL 02/21	GEL	15	10.50%	Feb-21	B/-/-	99.65	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	105.77	3.39	138.43
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	103.18	3.24	116.47
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.07	3.28	142.70
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	106.98	4.74	292.76
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	105.84	2.67	85.14
Russia	US\$	3,500	5.000%	Apr-20	BBB-/BBB-/Baa3	101.96	2.40	29.80
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	101.39	4.75	286.72
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	104.51	5.45	360.34

Source: Bloomberg



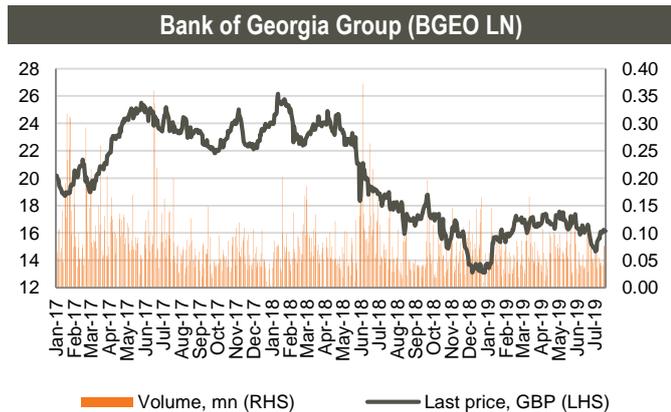
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.13/share (+0.81% w/w and -2.83% m/m). More than 271k shares traded in the range of GBP 15.93 - 16.39/share. Average daily traded volume was 56k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.36% w/w and 1.95% m/m. The volume of BGEO shares traded was at 0.55% of its capitalization.

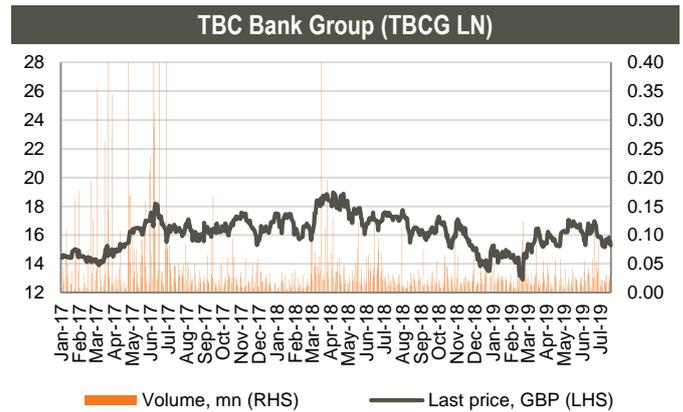
Georgia Capital (CGEO LN) shares closed at GBP 10.06/share (-1.37% w/w and -6.68% m/m). More than 495k shares traded in the range of GBP 9.98 - 10.50/share. Average daily traded volume was 93k in the last 4 weeks. The volume of CGEO shares traded was at 1.30% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.28/share (-1.67% w/w and -7.39% m/m). More than 113k shares changed hands in the range of GBP 15.12 - 16.00/share. Average daily traded volume was 28k in the last 4 weeks. The volume of TBCG shares traded was at 0.21% of its capitalization.

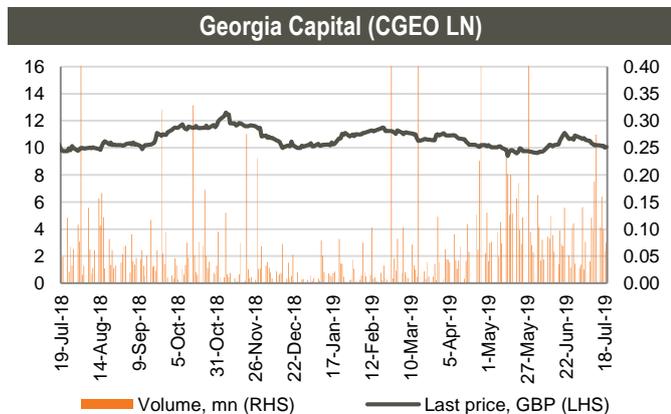
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.35/share (+2.85% w/w and -6.94% m/m). More than 10k shares were traded in the range of GBP 2.22 - 2.44/share. Average daily traded volume was 12k in the last 4 weeks. The volume of GHG shares traded was at 0.01% of its capitalization.



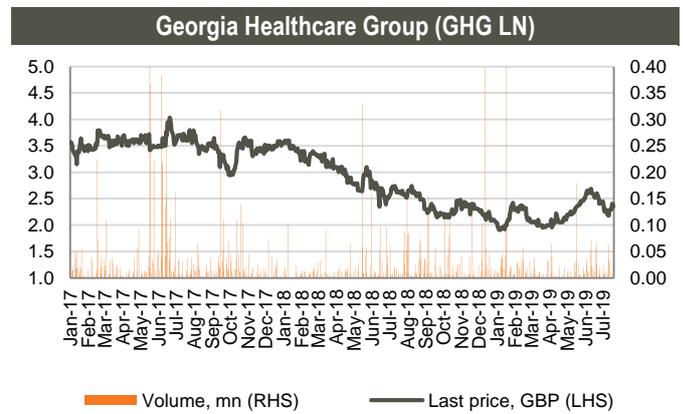
Source: Bloomberg



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	16.13	793	4.1%	-10.4%	17.1%	6.93x	5.82x	1.35x	1.13x
TBC	TBC	GBP	15.28	829	4.5%	-11.6%	0.4%	6.23x	5.54x	1.12x	0.99x
Halyk Bank	HSBK	US\$	13.65	4,011	35.1%	14.2%	31.9%	5.30x	4.95x	1.18x	1.05x
VTB Bank	VTBR	US\$	1.34	8,690	7.4%	-10.6%	21.0%	4.10x	3.26x	0.52x	0.47x
Akbank	AKBNK	TRY	7.55	39,260	15.3%	34.0%	28.3%	7.35x	5.34x	0.75x	0.68x
Garanti	GARAN	TRY	9.60	40,320	4.9%	42.6%	20.6%	6.33x	4.65x	0.76x	0.67x
Isbank	ISCTR	TRY	6.41	28,845	25.7%	34.4%	41.5%	4.83x	3.90x	0.53x	0.47x
PKO	PKO	PLN	42.65	53,313	5.1%	13.1%	8.1%	12.54x	11.93x	1.28x	1.22x
PEKAO	PEO	PLN	106.40	27,927	-8.0%	3.9%	-2.4%	12.12x	10.45x	1.20x	1.15x
Millennium	MIL	PLN	8.20	9,947	-12.3%	6.9%	-7.6%	12.41x	10.09x	1.10x	1.01x
Mbank	MBK	PLN	380.00	16,088	-16.7%	-4.2%	-10.4%	13.18x	11.61x	0.99x	0.93x
BRD	BRD	RON	13.44	9,366	24.4%	0.3%	17.9%	7.56x	9.28x	1.21x	1.21x
Banca Transilvania	TLV	RON	2.53	12,182	42.0%	13.1%	26.2%	8.45x	9.30x	1.47x	1.39x
OTP	OTPD	USD	21.20	11,872	1.0%	19.8%	8.2%	9.83x	9.38x	0.78x	0.69x
Komercni	KOMB	CZK	908.00	172,565	2.0%	-3.9%	7.2%	11.78x	11.75x	1.62x	1.52x
Mean								8.60x	7.82x	1.06x	0.97x
Median								7.56x	9.28x	1.12x	1.01x

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	10.06	382	-2.3%	2.5%	-1.5%	14.01x	10.98x	0.77x	0.83x
Tinc Comm	TINC	EUR	12.75	348	7.1%	5.4%	8.1%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.30	18,976	10.1%	13.7%	23.7%	4.63x	3.76x	0.58x	0.49x
Deutsche Beteiligungs	DBAN	EUR	31.60	475	-4.2%	-11.0%	-5.8%	25.71x	11.20x	1.04x	0.99x
Eurazeo	RF	EUR	59.95	4,589	-3.0%	-8.1%	1.9%	15.93x	11.10x	0.86x	0.80x
Carlyle Group	CG	USD	23.03	2,509	22.0%	-3.6%	46.2%	9.83x	4.14x	2.51x	1.56x
Mean								14.02x	8.24x	1.15x	0.93x
Median								14.01x	10.98x	0.86x	0.83x

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	2.35	309	14.4%	-10.3%	15.0%	21.16x	14.22x	9.00x	7.15x
Mouwasset	MOUWASAT	SAR	89.40	8,940	14.8%	-6.9%	11.1%	22.82x	19.66x	15.98x	14.37x
Fortis	FORH	INR	129.60	97,842	-4.4%	-5.6%	-7.8%	1.64x	1.53x	6.80x	6.69x
Raffles	RFMD	SGD	1.03	1,851	-9.6%	-6.4%	-6.4%	30.72x	30.25x	19.70x	18.51x
IHH	IHH	MYR	5.78	50,687	1.4%	-3.7%	7.2%	47.02x	38.31x	17.56x	15.14x
Bangkok Chain	BCH	THB	15.40	38,404	1.3%	-3.8%	-7.8%	30.77x	27.65x	16.94x	15.45x
Netcare	NTC	ZAR	17.02	24,714	-35.7%	-36.8%	-35.6%	11.20x	10.87x	6.88x	6.62x
Life Healthcare	LHC	ZAR	22.98	33,720	-17.5%	-4.5%	-13.0%	18.55x	14.31x	7.94x	7.16x
Mediclinic	MDC	GBP	3.35	2,468	2.0%	-35.5%	3.8%	12.01x	12.85x	8.30x	8.04x
Apollo Hospitals	APHS	INR	1,373.45	191,081	0.5%	44.0%	9.2%	69.81x	48.85x	21.69x	17.72x
KPJ Healthcare	KPJ	MYR	0.97	4,163	-7.2%	-7.2%	-7.2%	21.95x	20.35x	10.51x	10.21x
NMC	NMC	GBP	23.00	4,789	-16.6%	-39.0%	-15.9%	18.46x	14.59x	11.35x	9.65x
Mean								25.51x	21.12x	12.72x	11.39x
Median								21.55x	17.12x	10.93x	9.93x

Source: Bloomberg, S&P Capital IQ

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