



Weekly Market Watch

Weekly Market Watch | Georgia
December 9, 2019

Economy

Inflation was 7.0% y/y and 0.9% m/m in November 2019

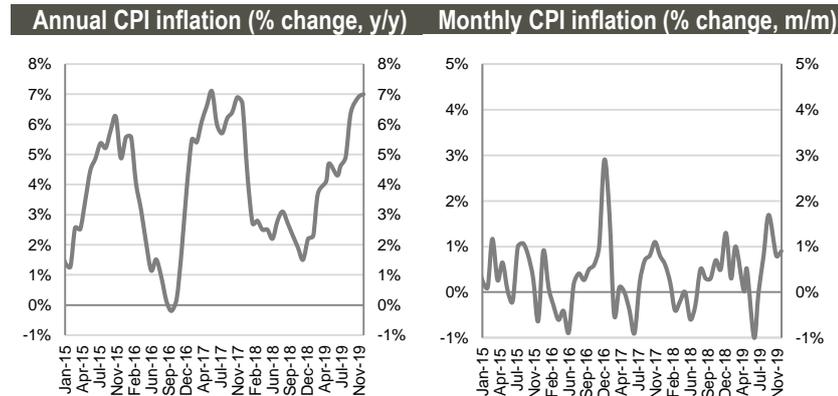
Annual CPI inflation was 7.0% in November 2019 slightly up from 6.9% in previous month, according to Geostat. Core inflation (non-food, non-energy, non-tobacco) came in at 3.5%, up from 3.4% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+13.4% y/y, +4.02ppts), alcoholic beverages and tobacco (+15.4% y/y, +1.03ppts), recreation and culture (+7.0% y/y, +0.40ppts) and transport (+3.1% y/y, +0.37ppts) categories, while prices were down in clothing and footwear (-4.4% y/y, -0.15ppts). On a monthly basis, there was 0.9% inflation in November 2019. Price increases in food and non-alcoholic beverages (+1.2% m/m, +0.41ppts), alcoholic beverages and tobacco (+2.0% m/m, +0.14ppts) and recreation and culture (+1.7% m/m, +0.10ppts) categories were the major drivers of monthly inflation dynamics.

International arrivals up 11.9% y/y in November 2019

Total international arrivals (tourists and same-day arrivals) to Georgia increased by 11.9% y/y to 0.54mn persons in November 2019, according to GNTA. This growth was mostly driven by tourist arrivals (+10.3% y/y, 62.4% of total). Same-day arrivals also increased strongly (+14.8% y/y). Out of top countries, in November 2019, international visitors increased from Armenia (+18.1% y/y), Azerbaijan (+8.1%), Turkey (+25.3% y/y), Israel (+36.3% y/y) and Ukraine (+15.9%). Meanwhile, visitors continued to decline from Russia (-10.9% y/y, slower reduction compared to July-October figures) and Iran (-33.8% y/y). Visitors from the EU were up 38.5% y/y to over 26,000 visitors, with Poland, Germany, Ireland and Estonia driving the growth. In 11M19, total international visitors stood at 7.2mn (+6.6% y/y), of which tourist arrivals reached 4.8mn (+6.3% y/y) persons. Meanwhile, we estimate tourism revenues at US\$ 3.1bn (+1.3% y/y) in 11M19.

International reserves stood at US\$ 3.3bn in November 2019

Gross international reserves were up 7.7% y/y to US\$ 3.3bn in November 2019, according to NBG. On a monthly basis, reserves were down 1.8% (-US\$ 60mn). The monthly decline in reserves was attributed to US\$ 20mn sale by NBG on FX auction in November. Other changes in reserves were related to government and banking sector FX operations and/or asset revaluation.



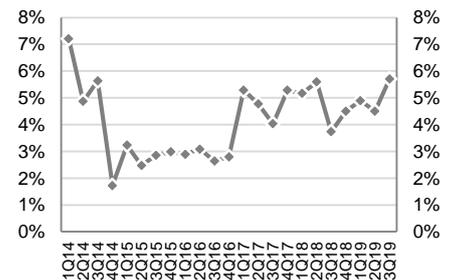
Source: Geostat

Key macro indicators

	2016	2017	2018
GDP (% change)	2.9%	4.8%	4.8%
GDP per capita (ppp)	10,511	11,485	12,417
GDP per capita (US\$)	4,062	4,359	4,722
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)	12.4%	8.1%	6.8%
Fiscal deficit (% of GDP)	2.9%	2.7%	2.3%
Total public debt (% of GDP)	40.3%	39.4%	38.9%

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

<p>BB Stable Upgraded Oct-2019</p>	<p>Ba2 Stable Affirmed Sep-2019</p>	<p>BB Stable Affirmed Aug-2019</p>
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Source: Rating agencies



Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.2bn (US\$ 740.5mn).

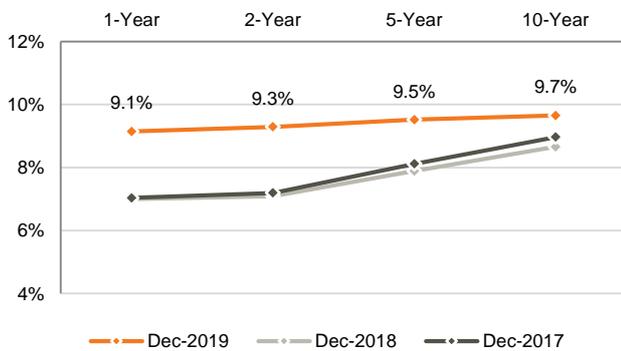
Ministry of Finance T-Bills: 1-year GEL 60.0mn (US\$ 20.3mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on December 3, 2019. The weighted average yield was fixed at 9.165%. The nearest treasury security auction is scheduled for December 10, 2019, where GEL 70.0mn nominal value 2-year Benchmark Bonds and GEL 70.0mn nominal value 6-month T-Bills will be sold.

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

Date	Volume, GEL mn	Maturity
10-Dec-19	70	6 month
10-Dec-19	70	2 year
17-Dec-19	30	10 year
24-Dec-19	70	5 year

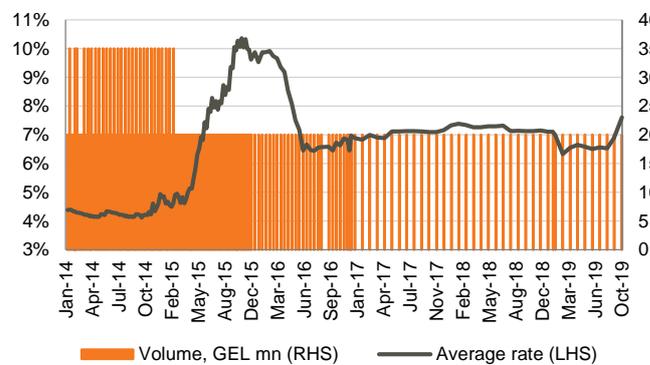
Source: MoF

T-bills / T-notes, yield curve



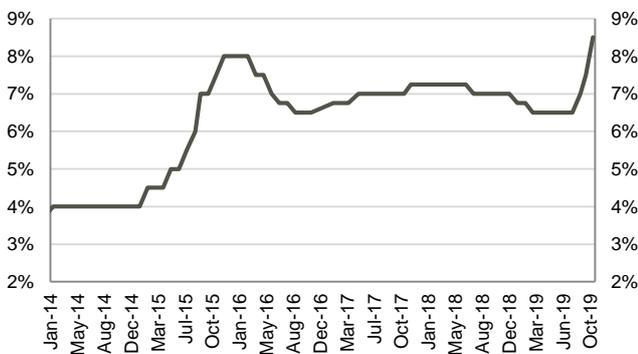
Source: NBG

Certificates of Deposits (weighted average rate)



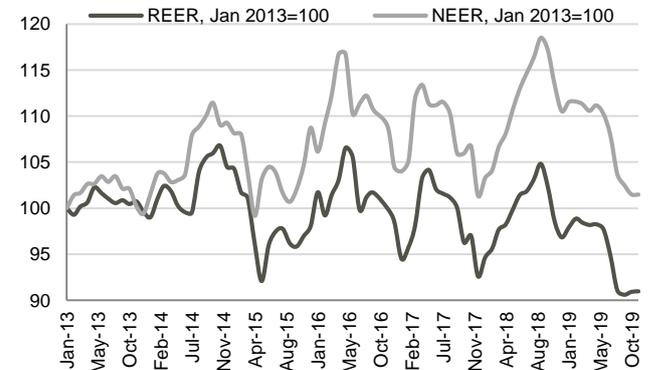
Source: NBG

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

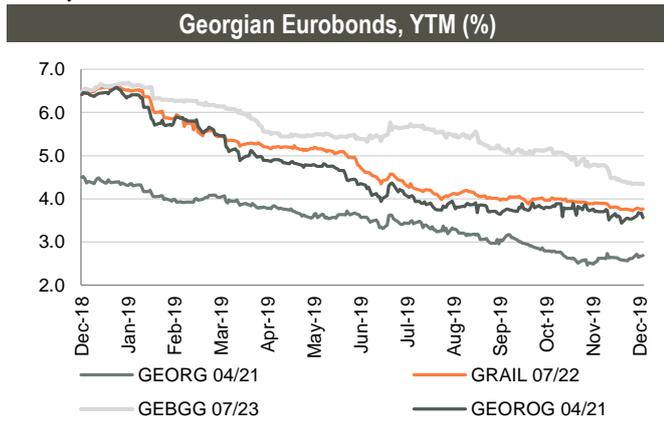


Fixed income

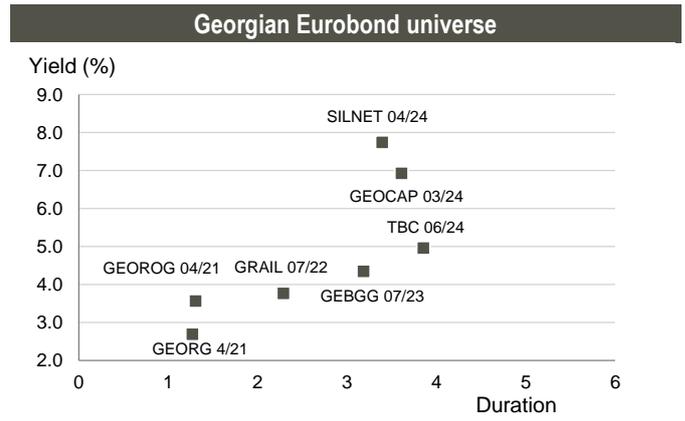
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.34% yield, trading at 105.51 (-0.03% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 97.10 (+0.45% w/w), yielding 6.92%.

GOGC Eurobonds (GEOROG) were trading at 104.25 (-0.09% w/w), yielding 3.56%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.73 (-0.15% w/w), yielding 3.77%.

Georgian Sovereign Eurobonds (GEORG) closed at 105.46 (-0.16% w/w) at 2.69% 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	105.46	2.69	100.85	
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.73	3.77	214.79	
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/B+/-	104.25	3.56	181.69	
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B+2	n/a	n/a	n/a	
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B+2	105.51	4.34	272.67	
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	104.59	10.16	822.95	
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B+/B2	97.10	6.92	533.23	
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-B1	111.73	7.74	597.90	
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+2	103.17	4.96	333.47	
TBC PERP	US\$	125	10.775%	n/a	B-/-	102.23	10.52	855.00	

Georgian local bonds performance									
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps	
GWP 12/21	GEL	30	11.00%	Dec-21	BB-/B+/-	n/a	n/a	n/a	
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.96	7.00	n/a	
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.00	7.50	n/a	
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	101.41	5.00	n/a	
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	99.28	7.00	n/a	
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	102.42	6.50	n/a	
CRYSTAL 12/19	GEL	10	12.00%	Dec-19	B-/-	100.07	11.75	n/a	
CRYSTAL 02/21	GEL	15	11.50%	Feb-21	B-/-	100.80	11.75	n/a	
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a	
SILKNET 04/24	GEL	34	11.00%	Apr-24	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	14.00%	Sep-21	B-/-/-	101.52	14.00	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	105.46	2.69	100.85
Armenia	US\$	500	6.000%	Sep-20	B+/-/Ba3	102.53	2.79	79.70
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.74	2.97	131.68
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	106.44	4.69	311.27
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	107.01	2.34	71.64
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.20	1.86	-3.51
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.99	3.26	158.34
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	104.75	4.84	316.15

Source: Bloomberg

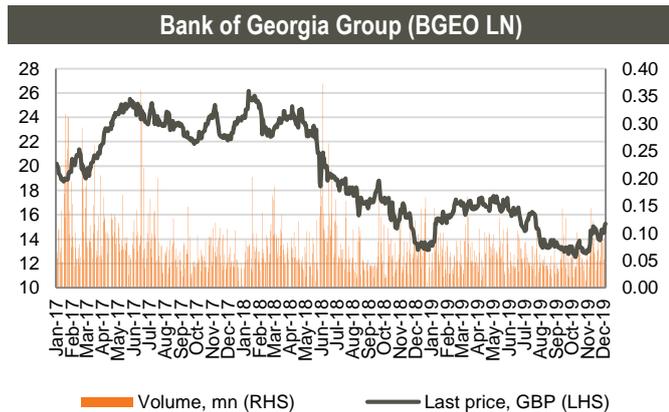
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 15.25/share (+3.04% w/w and +12.80% m/m). More than 362k shares traded in the range of GBP 14.39 - 15.30/share. Average daily traded volume was 73k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.58% w/w and 3.54% m/m. The volume of BGEO shares traded was at 0.74% of its capitalization.

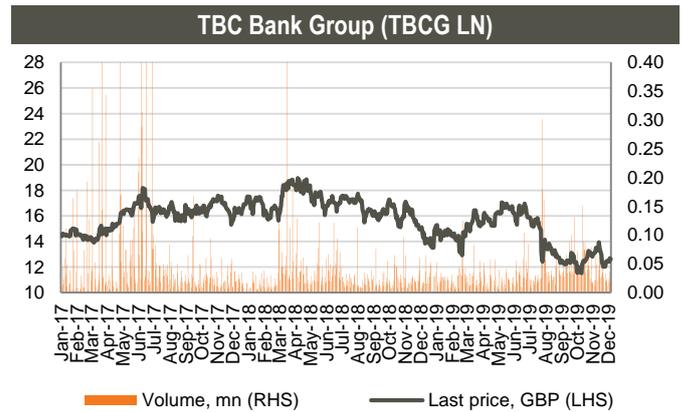
Georgia Capital (CGEO LN) shares closed at GBP 9.06/share (-4.03% w/w and -7.93% m/m). More than 271k shares traded in the range of GBP 9.04 - 9.50/share. Average daily traded volume was 49k in the last 4 weeks. The volume of CGEO shares traded was at 0.74% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 12.60/share (+1.61% w/w and -4.40% m/m). More than 139k shares changed hands in the range of GBP 12.26 - 13.00/share. Average daily traded volume was 33k in the last 4 weeks. The volume of TBCG shares traded was at 0.25% of its capitalization.

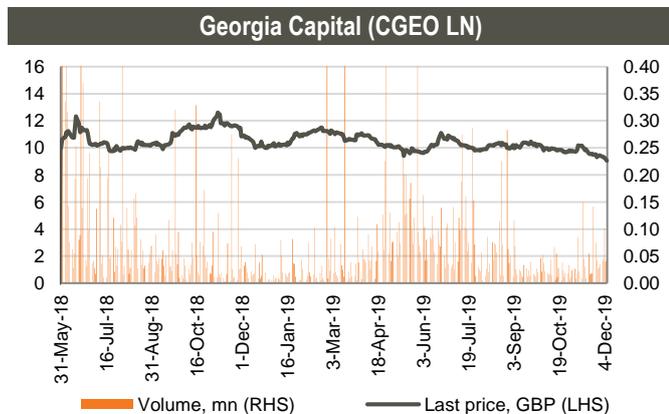
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.62/share (-1.67% w/w and -10.00% m/m). More than 354k shares were traded in the range of GBP 1.60 - 1.68/share. Average daily traded volume was 78k in the last 4 weeks. The volume of GHG shares traded was at 0.27% of its capitalization.



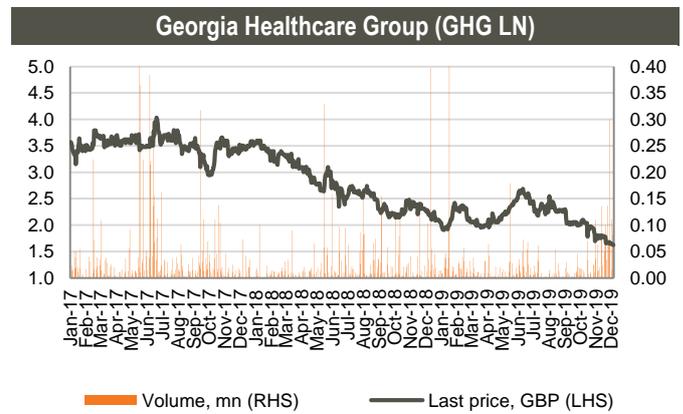
Source: Bloomberg



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		
							2019F	2020F	2019F	2020F	
Bank of Georgia	BGEO	GBP	15.25	750	-4.0%	16.4%	10.7%	6.13x	5.87x	1.43x	1.14x
TBC	TBC	GBP	12.60	693	-17.6%	-11.8%	-17.2%	5.47x	5.09x	1.01x	0.89x
Halyk Bank	HSBK	US\$	13.40	3,938	17.5%	21.8%	29.5%	5.07x	4.92x	1.18x	1.05x
VTB Bank	VTBR	US\$	1.39	8,988	12.2%	14.0%	25.2%	3.67x	3.49x	0.56x	0.42x
Akbank	AKBNK	TRY	7.77	40,404	30.8%	36.2%	32.0%	7.38x	5.08x	0.78x	0.68x
Garanti	GARAN	TRY	10.36	43,512	31.0%	33.3%	30.2%	6.91x	4.70x	0.80x	0.71x
Isbank	ISCTR	TRY	6.20	27,900	25.8%	52.0%	36.9%	4.89x	3.96x	0.50x	0.45x
PKO	PKO	PLN	34.03	42,538	-18.0%	-16.2%	-13.8%	9.60x	9.23x	1.02x	0.99x
PEKAO	PEO	PLN	95.52	25,071	-13.6%	-12.0%	-12.4%	11.17x	9.56x	1.07x	1.03x
Millennium	MIL	PLN	5.68	6,884	-40.7%	-37.4%	-36.0%	8.88x	7.71x	0.76x	0.70x
Mbank	MBK	PLN	353.40	14,962	-16.0%	-17.6%	-16.7%	12.07x	10.81x	0.91x	0.86x
BRD	BRD	RON	15.72	10,955	33.2%	11.5%	37.9%	7.09x	9.27x	1.37x	1.40x
Banca Transilvania	TLV	RON	2.59	13,509	25.0%	15.2%	39.9%	7.23x	9.00x	1.51x	1.51x
OTP	OTPD	USD	21.20	11,872	0.0%	8.2%	8.2%	9.15x	8.95x	0.79x	0.69x
Komercni	KOMB	CZK	802.50	152,515	-10.0%	-10.7%	-5.3%	10.09x	10.77x	1.44x	1.39x
Mean								7.65x	7.23x	1.01x	0.93x
Median								7.23x	7.71x	1.01x	0.89x

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	9.06	333	-6.7%	-15.5%	-11.3%	13.20x	10.35x	0.92x	0.86x
Tinc Comm	TINC	EUR	13.60	371	14.7%	23.5%	23.0%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.32	19,017	20.7%	26.6%	23.9%	5.05x	4.13x	0.55x	0.49x
Deutsche Beteiligungs	DBAN	EUR	40.50	609	24.6%	29.2%	20.7%	14.76x	16.20x	1.32x	1.24x
Eurazeo	RF	EUR	61.55	4,848	-2.6%	1.9%	4.6%	13.66x	11.50x	0.88x	0.83x
Carlyle Group	CG	USD	29.49	3,264	40.9%	65.8%	87.2%	16.88x	5.50x	3.18x	1.97x
Mean								12.71x	9.53x	1.37x	1.08x
Median								13.66x	10.35x	0.92x	0.86x

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	1.62	213	-37.7%	-28.3%	-20.6%	17.07x	12.32x	7.20x	6.20x
Mouwasset	MOUWASAT	SAR	82.50	8,250	-3.2%	6.2%	2.5%	20.56x	18.59x	14.46x	13.19x
Fortis	FORH	INR	137.25	103,618	12.4%	-6.9%	-2.3%	1.74x	1.55x	6.49x	6.57x
Raffles	RFMD	SGD	0.99	1,810	-2.9%	-16.8%	-10.0%	30.31x	30.07x	19.28x	18.46x
IHH	IHH	MYR	5.27	46,239	-2.9%	-1.7%	-2.2%	52.32x	39.76x	15.15x	13.64x
Bangkok Chain	BCH	THB	17.20	42,892	3.0%	-9.0%	3.0%	35.43x	31.42x	19.21x	17.50x
Netcare	NTC	ZAR	19.92	28,921	6.2%	-21.6%	-23.5%	13.61x	12.62x	8.08x	7.70x
Life Healthcare	LHC	ZAR	23.91	35,084	0.2%	-10.0%	-9.4%	20.88x	15.96x	8.42x	7.43x
Mediclinic	MDC	GBP	3.94	2,905	25.5%	18.2%	22.2%	14.85x	14.87x	9.44x	8.92x
Apollo Hospitals	APHS	INR	1,465.00	203,818	9.2%	23.2%	16.4%	71.96x	56.15x	22.26x	16.09x
KPJ Healthcare	KPJ	MYR	0.93	3,963	0.0%	-11.1%	-11.1%	21.11x	19.54x	9.88x	9.66x
NMC	NMC	GBP	25.30	5,282	15.0%	-18.9%	-7.5%	21.86x	16.86x	13.76x	11.71x
Mean								26.81x	22.47x	12.80x	11.42x
Median								21.00x	17.72x	11.82x	10.68x

Source: Bloomberg, S&P Capital IQ

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