



# Weekly Market Watch

Weekly Market Watch | Georgia  
Mar 18, 2019

## Economy

### Exports up 19.1% y/y in February 2019

In February 2019, exports increased by 19.1% y/y to US\$ 266.3mn, imports were up 0.6% y/y to US\$ 642.7mn and the trade deficit decreased by 9.3% y/y to US\$ 376.5mn according to Geostat's preliminary figures. In 2M19, trade deficit was down 7.3% to US\$ 729.7mn as exports increased by 13.2% y/y and imports were flat. Detailed foreign trade statistics will be available on March 19, 2019.

### Money transfers up 10.2% y/y in February 2019

In February 2019, money transfers increased 10.2% y/y to US\$ 125.5mn after growing 5.1% y/y in previous month, according to NBG. Money transfers were up from Italy (+23.7% y/y, 13.9% of total), Greece (+5.5% y/y, 11.3% of total), Israel (+8.5% y/y, 10.2% of total) and USA (+54.4% y/y, 10.1% of total). Meanwhile remittances were down from Russia (-5.1% y/y, 25.2% of total) and Turkey (-22.4% y/y, 6.1% of total). In 2M19, money transfers were up 7.7% y/y to US\$ 241.2mn.

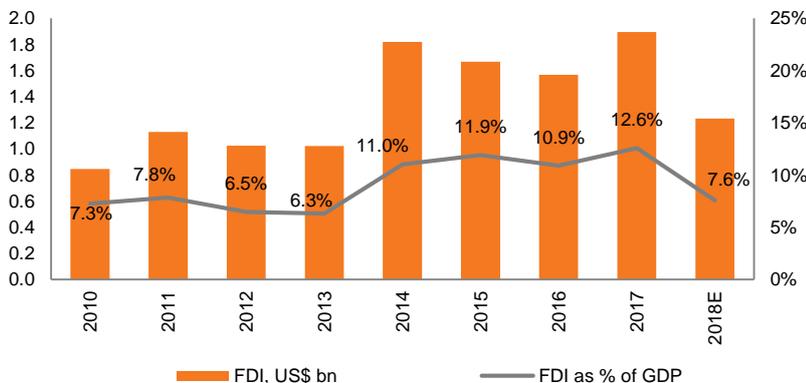
### FDI stood at 7.6% of GDP in 2018

FDI decreased by 34.9% y/y to US\$ 1.2bn in 2018, according to Geostat's preliminary figures. The main reasons behind FDI reduction were completion of BP gas pipeline construction, ownership transfer from non-residents to resident entities (US\$ 180mn) and reduction in liabilities to non-resident direct investors (US\$ 320mn). In 2018, financial sector was the largest FDI recipient, followed by transport and communication and energy sectors. Azerbaijan topped the list of investors, followed by UK, Netherlands and USA.

### NBG cuts its policy rate by 0.25ppts to 6.5%

At its meeting on 13 March 2019, NBG's monetary policy committee reduced its policy rate by 0.25ppts to 6.5%. In the beginning of 2019, similar to 2018, inflation has remained below the target level of 3% and NBG expects inflation to remain close to the target throughout 2019. NBG sees decreased risks to inflation from demand side as well as external sector and further monetary easing will depend on how fast the output gap closes. NBG also decided to increase reserve requirements on FX funding by 5ppts to 30% to support larization measures. The next committee meeting is scheduled for 1 May 2019.

### FDI in Georgia



Source: GeoStat

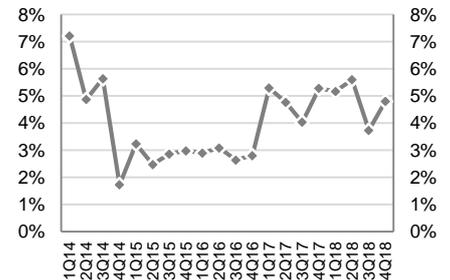
### Key macro indicators

	2016	2017	2018E
GDP (% change)	2.8%	4.8%	4.8%
GDP per capita (ppp)	10,065	10,742	11,600
GDP per capita (US\$)	3,857	4,047	4,363
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%	6.5% <sup>(1)</sup>
Fiscal deficit (% of GDP)	3.0%	2.9%	2.3%
Total public debt (% of GDP)	44.4%	44.8%	44.8%

Source: Official data, IMF, G&T

1) As of 9M18

### 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

 <b>BB-</b> Stable Affirmed May-2018	 <b>Ba2</b> Stable Affirmed Sep-2018	 <b>BB</b> 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 500mn (US\$ 186.1mn).

**Ministry of Finance T-Bills:** 6-month GEL 20.0mn (US\$ 7.44mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on March 12, 2019. The weighted average yield was fixed at 6.755%.

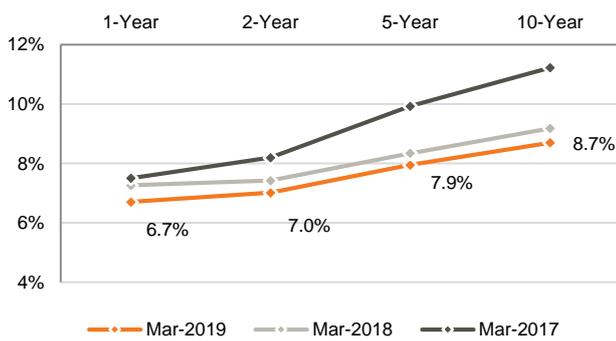
**Ministry of Finance Benchmark Bonds:** 2-year GEL 40.0mn (US\$ 14.89mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on March 12, 2019. The weighted average yield was fixed at 7.019%. The nearest treasury securities auction is scheduled for March 26, 2019, where GEL 30.0mn nominal value 5-year Benchmark Bonds will be sold.

### T-bills / T-notes, Mar-19 emission calendar

Date	Volume, GEL mn	Maturity
26-Mar-19	30	5 years

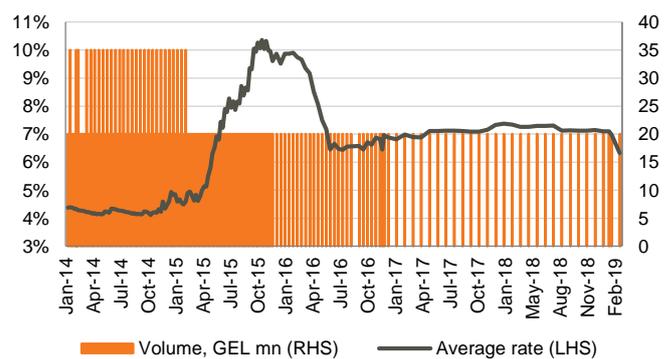
Source: MoF

### T-bills / T-notes, yield curve



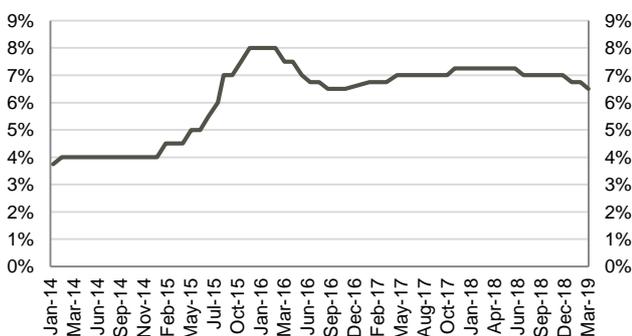
Source: NBG

### Certificates of Deposits (weighted average rate)



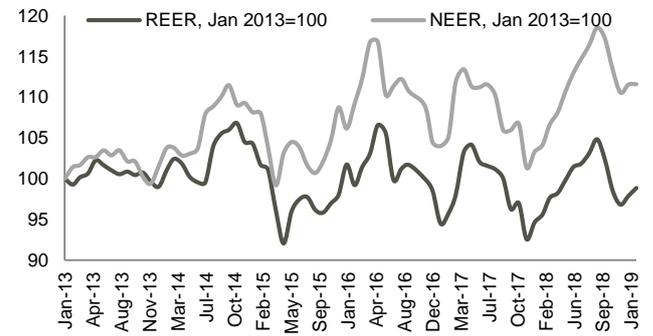
Source: NBG

### Monetary policy rate



Source: NBG

### Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

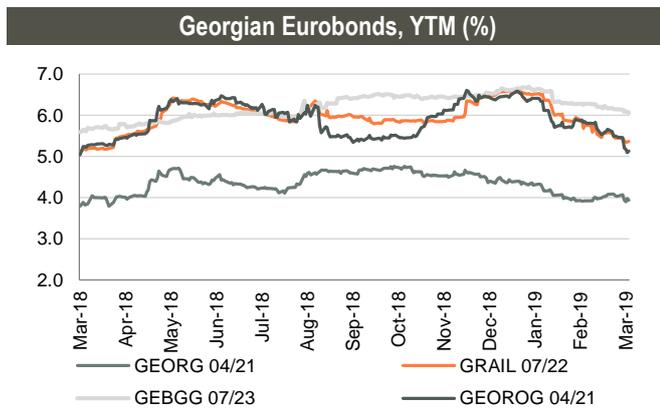
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

# Fixed income

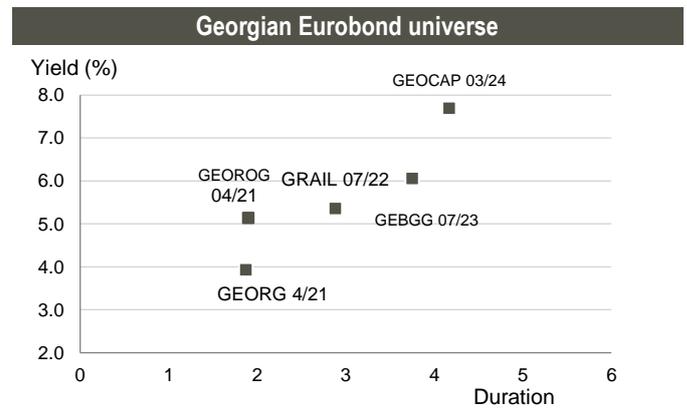
**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 6.06% yield, trading at 99.78 (+0.34% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.50 (unchanged w/w), yielding 10.53%. Georgia Capital Eurobonds (GEOCAP) were trading at 93.62 (+0.48% w/w), yielding 7.69%.

GOGC Eurobonds (GEOROG) were trading at 103.18 (+0.63% w/w), yielding 5.13%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.14 (+0.23% w/w), yielding 5.36%.

**Georgian Sovereign Eurobonds** (GEORG) closed at 105.77 (+0.15% w/w) at 3.94% 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, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	04/12/2021	BB-/BB-/Ba2/-	105.77	3.94	136.94
GRAIL 07/22	US\$	500	7.750%	07/11/2022	BB-/B+/-/-	107.14	5.36	286.36
GEOROG 04/21	US\$	250	6.750%	04/26/2021	BB/B+/-/-	103.18	5.13	257.08
GEBGG 06/20	GEL	500	11.000%	06/01/2020	BB-/B-/Ba2/-	100.50	10.53	n/a
GEBGG 07/23	US\$	350	6.000%	07/26/2023	BB-/B-/Ba2/-	99.78	6.06	357.55
GEOCAP 03/24	US\$	300	6.125%	03/09/2024	-/B+/B2/-	93.62	7.69	521.13

### Georgian local bonds performance

GWP 12/21	GEL	30	10.00%	06/12/2021	BB-/B+/-/-	n/a	n/a	n/a
M2RE 10/19	US\$	25	7.500%	07/10/2019	B+/-/-/-	101.03	6.00	n/a
M2CA 12/21	US\$	30	7.500%	31/12/2021	B+/-/-/-	101.03	6.00	n/a
GLC 08/20	US\$	10	7.000%	29/08/2020	B+/-/-/-	100.37	6.75	n/a
GLC 06/21	US\$	5	6.500%	22/06/2021	B+/-/-/-	98.91	7.00	n/a
Nikora 06/19	US\$	10	9.000%	28/06/2019	-/B+/B+	n/a	n/a	n/a
Silknet 08/22	GEL	34	10.00%	18/08/2022	B+/-/-/-	n/a	n/a	n/a
Crystal 12/19	GEL	10	11.00%	28/12/2019	B/-/-/-	100.86	11.00	n/a

Source: Bloomberg

### Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	4/12/2021	BB-/BB-/Ba2	105.77	3.94	136.94
Armenia	US\$	500	6.000%	9/30/2020	B+/-/B1	102.48	4.31	169.61
Azerbaijan	US\$	174	2.820%	9/1/2021	BB+/-/Ba2	96.91	4.16	162.03
Belarus	US\$	800	6.875%	2/28/2023	B/B/B3u	104.65	5.54	305.82
Kazakhstan	US\$	1,500	3.875%	10/14/2024	BBB-/BBB-/Baa3	102.63	3.35	86.25
Russia	US\$	3,500	5.000%	4/29/2020	BBB-/BBB-/Baa3	102.19	2.98	33.44
Turkey	US\$	2,000	5.625%	3/30/2021	BB-/NR/Ba3	101.12	5.04	247.16
Ukraine	US\$	1,409	7.750%	9/1/2021	B-/B-/Caa1	98.93	8.24	569.61

Source: Bloomberg

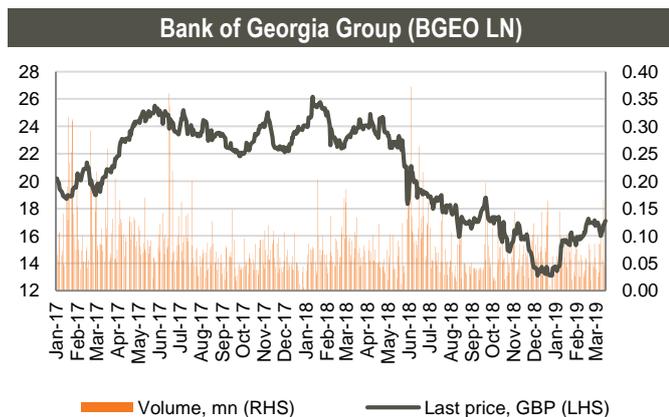
# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 17.11/share (+6.91% w/w and +1.88% m/m). More than 479k shares traded in the range of GBP 15.85 - 17.15/share. Average daily traded volume was 69k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained +2.25% w/w and +2.58% m/m. The volume of BGEO shares traded was at 0.97% of its capitalization.

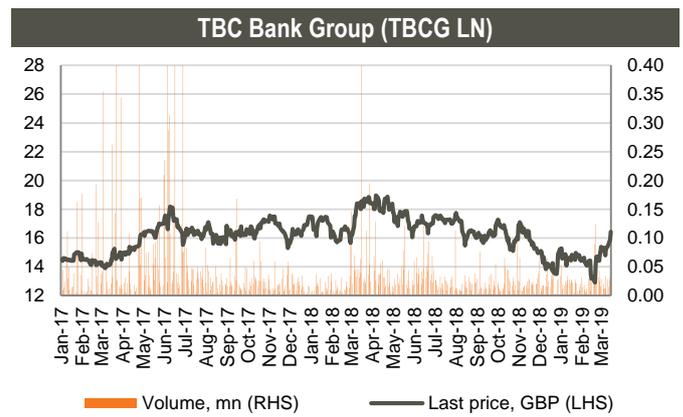
**Georgia Capital (CGEO LN)** shares closed at GBP 10.50/share (-5.39% w/w and -7.10% m/m). More than 496k shares traded in the range of GBP 10.50 - 11.26/share. Average daily traded volume was 72k in the last 4 weeks. The volume of CGEO shares traded was at 1.31% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 16.42/share (+7.88% w/w and +24.77% m/m). More than 188k shares changed hands in the range of GBP 15.26 - 16.42/share. Average daily traded volume was 37k in the last 4 weeks. The volume of TBCG shares traded was at 0.35% of its capitalization.

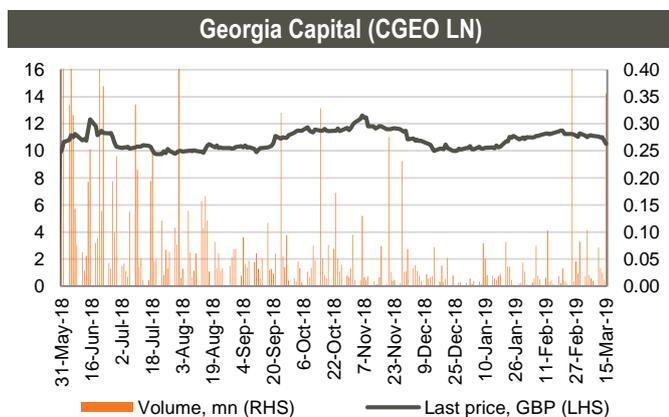
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 2.00/share (-2.91% w/w and -13.79% m/m). More than 32k shares were traded in the range of GBP 1.99 - 2.13/share. Average daily traded volume was 10k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.



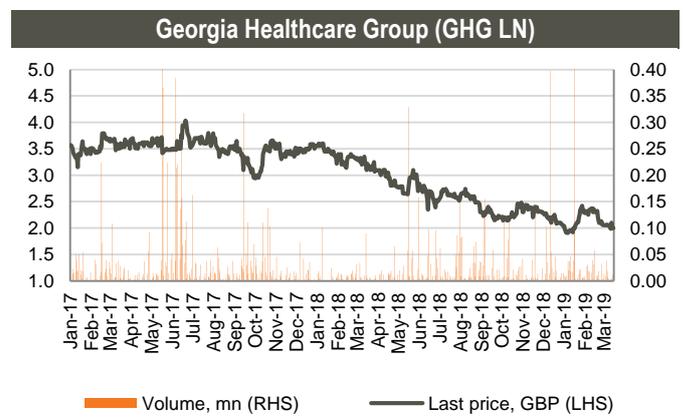
Source: Bloomberg



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	17.11	841	-3.6%	-27.4%	24.2%	6.66x	5.88x	1.39x	1.18x
TBC	TBC	GBP	16.42	891	3.0%	-8.8%	7.9%	6.70x	5.80x	1.21x	1.07x
Halyk Bank	HSBK	US\$	12.10	3,556	18.6%	-15.7%	16.9%	5.37x	5.02x	1.09x	0.94x
VTB Bank	VTBR	US\$	1.19	7,737	-6.8%	-41.9%	7.8%	2.75x	2.88x	0.44x	0.45x
Akbank	AKBNK	TRY	6.69	34,788	33.1%	-23.3%	13.7%	6.59x	4.44x	0.68x	0.62x
Garanti	GARAN	TRY	9.13	38,346	44.0%	-18.7%	14.7%	6.23x	4.07x	0.73x	0.66x
Isbank	ISCTR	TRY	6.27	28,215	51.4%	-15.0%	38.4%	4.27x	3.73x	0.53x	0.47x
PKO	PKO	PLN	39.19	48,988	-3.2%	-3.9%	-0.7%	12.17x	11.12x	1.18x	1.13x
PEKAO	PEO	PLN	111.25	29,200	3.5%	-8.9%	2.1%	12.09x	10.69x	1.24x	1.19x
Millennium	MIL	PLN	9.25	11,221	9.2%	9.5%	4.3%	13.77x	11.40x	1.22x	1.14x
Mbank	MBK	PLN	449.00	19,009	10.5%	-0.4%	5.8%	15.02x	13.06x	1.15x	1.10x
BRD	BRD	RON	12.68	8,837	-7.4%	-15.6%	11.2%	9.31x	10.14x	1.21x	1.17x
Banca Transilvania	TLV	RON	2.07	9,943	-9.4%	-12.1%	3.0%	7.94x	8.23x	1.16x	1.06x
OTP	OTPD	USD	19.90	11,144	12.4%	-11.2%	1.5%	9.30x	8.93x	0.71x	0.63x
Komercni	KOMB	CZK	950.50	180,642	3.7%	3.5%	12.2%	12.50x	12.34x	1.72x	1.63x
<b>Mean</b>								<b>8.71x</b>	<b>7.85x</b>	<b>1.04x</b>	<b>0.96x</b>
<b>Median</b>								<b>7.94x</b>	<b>8.23x</b>	<b>1.16x</b>	<b>1.07x</b>

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	10.50	399	2.9%	n/a	2.8%	13.59x	11.29x	0.81x	0.76x
Tinc Comm	TINC	EUR	12.25	334	-2.0%	2.1%	3.8%	22.26x	20.42x	1.02x	1.02x
Sabancı Holding	SAHOL	TRY	8.59	17,527	21.5%	-18.4%	14.2%	4.54x	4.26x	0.51x	0.45x
Deutsche Beteiligungs	DBAN	EUR	33.55	505	-4.7%	-19.7%	0.0%	16.80x	9.22x	1.13x	1.06x
Eurazeo	RF	EUR	68.35	5,232	4.2%	-8.8%	10.6%	13.46x	12.36x	1.13x	0.94x
Carlyle Group	CG	USD	18.65	2,032	-20.5%	-17.1%	18.4%	2.77x	2.17x	2.00x	1.08x
<b>Mean</b>								<b>12.24x</b>	<b>9.95x</b>	<b>1.10x</b>	<b>0.88x</b>
<b>Median</b>								<b>13.53x</b>	<b>10.25x</b>	<b>1.08x</b>	<b>0.98x</b>

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	2.00	263	-15.1%	-35.5%	-2.0%	17.42x	12.63x	7.60x	6.24x
Mouwasat	MOUWASAT	SAR	76.10	7,610	-5.5%	-13.0%	-5.5%	19.89x	17.47x	14.40x	12.74x
Fortis	FORH	INR	137.80	104,033	-4.9%	-14.0%	-1.9%	1.75x	1.63x	6.90x	6.70x
Raffles	RFMD	SGD	1.08	1,941	-3.6%	-8.5%	-1.8%	32.39x	31.42x	20.96x	19.63x
IHH	IHH	MYR	5.78	50,687	9.3%	-4.6%	7.2%	45.83x	35.89x	17.18x	14.45x
Bangkok Chain	BCH	THB	16.50	41,147	-14.1%	0.6%	-1.2%	31.92x	28.13x	17.86x	15.99x
Netcare	NTC	ZAR	25.44	36,941	-8.0%	3.8%	-3.7%	15.11x	13.95x	8.99x	8.33x
Life Healthcare	LHC	ZAR	27.15	39,839	6.7%	-3.6%	2.8%	19.37x	15.55x	8.62x	7.84x
Mediclinic	MDC	GBP	3.18	2,344	-31.6%	-46.9%	-1.4%	11.85x	10.71x	8.17x	7.55x
Apollo Hospitals	APHS	INR	1,124.15	156,397	0.7%	2.6%	-10.7%	56.85x	36.54x	18.05x	15.07x
KPJ Healthcare	KPJ	MYR	1.04	4,487	-7.1%	10.6%	0.0%	23.10x	21.20x	12.13x	11.38x
NMC	NMC	GBP	26.56	5,530	-25.9%	-21.9%	-2.9%	19.78x	16.03x	15.01x	12.64x
<b>Mean</b>								<b>24.60x</b>	<b>20.10x</b>	<b>12.99x</b>	<b>11.55x</b>
<b>Median</b>								<b>19.84x</b>	<b>16.75x</b>	<b>13.26x</b>	<b>12.01x</b>

Source: Bloomberg, S&P Capital IQ

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### **Galt & Taggart**

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

**Tel:** + (995) 32 2401 111

**Email:** gt@gt.ge