



Weekly Market Watch

Weekly Market Watch | Georgia
July 1, 2019

Economy

Real GDP grew 4.7% in May 2019

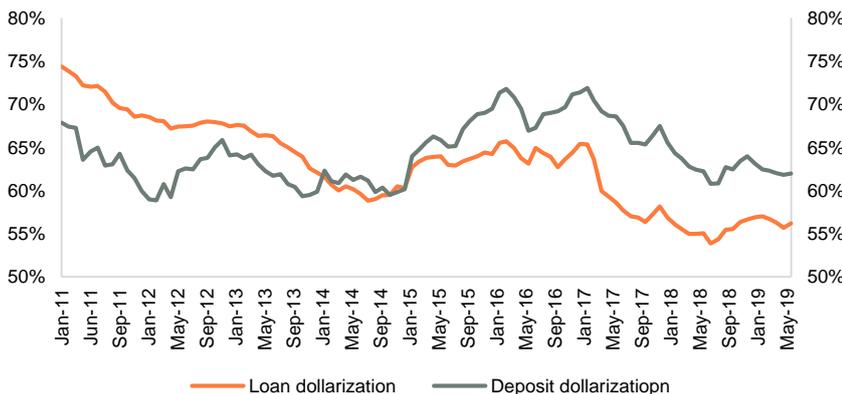
Georgia's economy expanded 4.7% y/y in May 2019, after growing 5.1% y/y in previous month, according to Geostat's rapid estimates. Fastest growing sectors were real estate, trade and hotels and restaurants in May. Meanwhile, growth was down in construction and manufacturing. Overall, in 5M19 real GDP growth was 4.9% y/y. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Current account deficit halved in 1Q19, coming in at 6.2% of GDP or US\$ 226.9mn (-47.7% y/y), according to NBG. Merchandise trade deficit, traditionally the major contributor to deficit creation, decreased by 18.9% y/y to US\$ 798.6mn, as exports increased by 12.5% y/y, while imports were down 3.3% y/y. Positive balance in services was down 4.9% y/y to US\$ 367.9mn (10.1% of GDP), while tourism revenues posted 5.0% growth y/y in 1Q. Surplus in current transfers amounted to US\$ 311.4mn (8.5% of GDP, down 8.6% y/y). Together, services and transfers financed 85% of the trade deficit. Net FDI (6.6% of GDP) was the major funding source of the CA deficit. The reserves were up by US\$ 182mn in 1Q19 as capital and financial account was higher than CA.

NPLs at 3.1% in May 2019

In May 2019, the banking sector loan portfolio increased 14.8% y/y after growing 13.1% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 20.5% y/y and up 3.6% m/m to GEL 27.6bn (US\$ 9.9bn). Deposits were up 10.9% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 19.6% y/y and up 3.5% m/m to GEL 23.9bn (US\$ 8.5bn). Deposit dollarization stood at 62.0% (-0.28ppts y/y and +0.14ppts m/m) and loan dollarization reached 56.2% (+1.13ppts y/y and +0.52ppts m/m). NPLs stood at 3.1% in May 2019 (+0.54ppts y/y and -0.23ppts m/m).

Loan and deposit dollarization



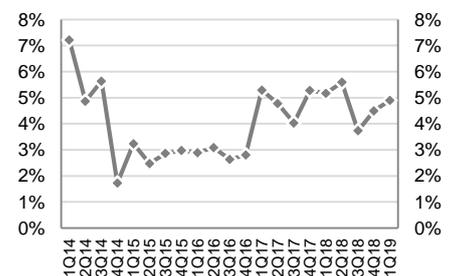
Source: NBG

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 |
|--|--|---|

Source: Rating agencies



Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 850mn (US\$ 298.6mn).

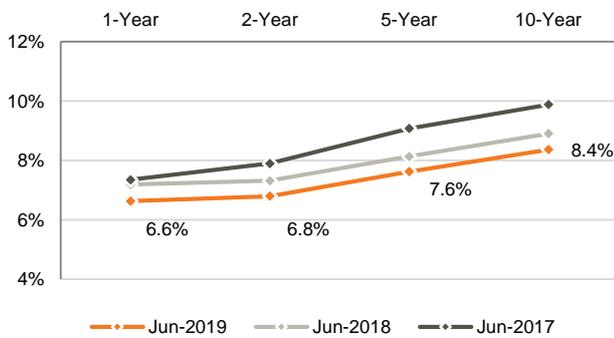
Ministry of Finance Benchmark Bonds: 5-year GEL 50.0mn (US\$ 17.9mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on June 25, 2019. The weighted average yield was fixed at 6.948%. The nearest treasury securities auction is scheduled for July 2, 2019, where GEL 40.0mn nominal value 1-year T-Bills will be sold.

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

| Date | Volume, GEL mn | Maturity |
|------------|----------------|----------|
| 2-July-19 | 40 | 1 year |
| 9-July-19 | 20 | 6 month |
| 9-July-19 | 60 | 2 year |
| 16-July-19 | 30 | 10 year |
| 23-July-19 | 50 | 5 year |

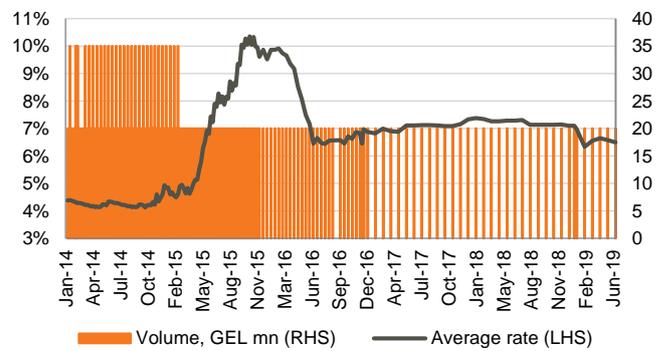
Source: MoF

T-bills / T-notes, yield curve



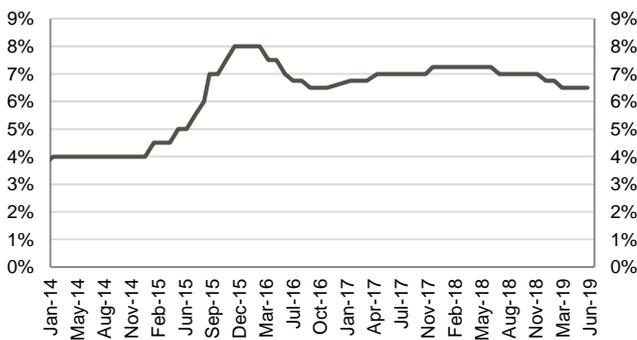
Source: NBG

Certificates of Deposits (weighted average rate)



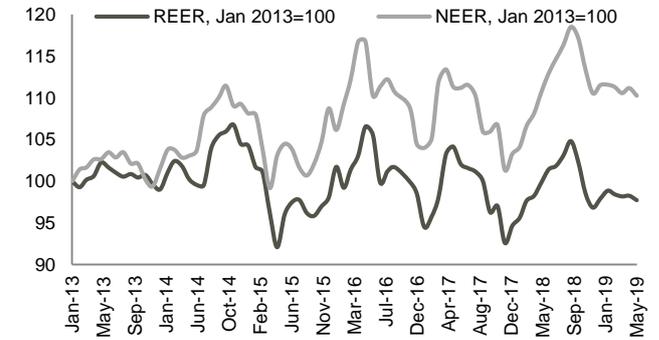
Source: NBG

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

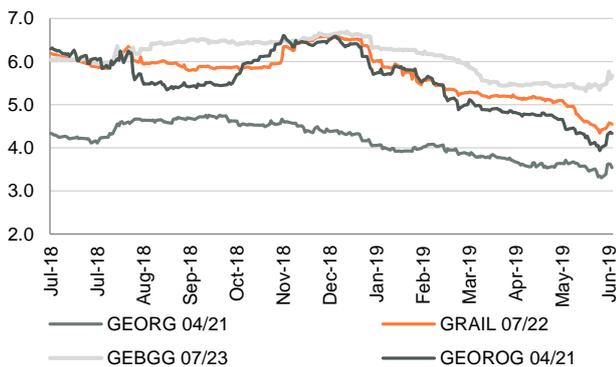
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.67% yield, trading at 101.17 (-0.83% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.06 (-1.30% w/w), yielding 7.65%.

GOGC Eurobonds (GEOROG) were trading at 104.17 (-0.60% w/w), yielding 4.33%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 108.95 (-0.41% w/w), yielding 4.55%.

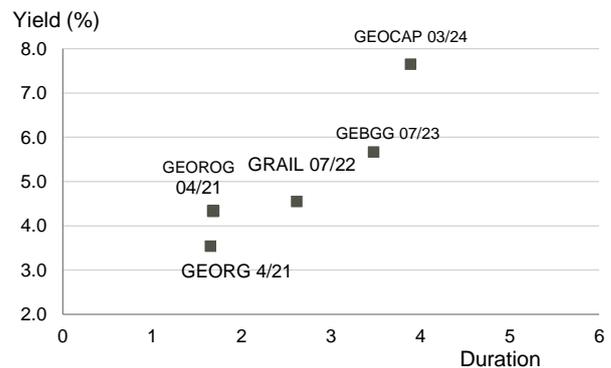
Georgian Sovereign Eurobonds (GEORG) closed at 105.69 (-0.45% w/w) at 3.54% yield to maturity.

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 | 105.69 | 3.54 | 164.15 |
| GRAIL 07/22 | US\$ | 500 | 7.750% | Jul-22 | BB-/B+/- | 108.95 | 4.55 | 274.20 |
| GEOROG 04/21 | US\$ | 250 | 6.750% | Apr-21 | BB-/B+/- | 104.17 | 4.33 | 243.47 |
| 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+/- | 101.17 | 5.67 | 391.34 |
| GEBGG 11 1/8 PERP | US\$ | 100 | 11.125% | n/a | B-/- | 103.79 | 10.36 | 828.46 |
| GEOCAP 03/24 | US\$ | 300 | 6.125% | Mar-24 | -/B+/B2 | 94.06 | 7.65 | 584.49 |
| SILKNET 04/24 | US\$ | 200 | 11.000% | Apr-24 | B+/-/B1 | 105.84 | 9.44 | 762.37 |
| TBC 06/24 | US\$ | 300 | 5.750% | Jun-24 | BB-/B+/- | 99.90 | 5.77 | 398.90 |
| TBC PERP | US\$ | 125 | 10.775% | n/a | Be/-/- | 101.81 | 10.65 | 850.24 |

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 | -/-/- | 100.52 | 5.50 | n/a |
| M2CA 12/21 | US\$ | 30 | 7.50% | Dec-21 | -/-/- | 101.14 | 7.00 | n/a |
| GLC 08/20 | US\$ | 10 | 7.00% | Aug-20 | B+/-/- | 99.57 | 7.38 | n/a |
| GLC 06/21 | US\$ | 5 | 6.50% | Jun-21 | B+/-/- | 98.41 | 7.38 | n/a |
| CRYSTAL 12/19 | GEL | 10 | 11.00% | Dec-19 | B/-/- | 100.12 | 10.75 | n/a |
| CRYSTAL 02/21 | GEL | 15 | 10.50% | Feb-21 | B/-/- | 99.64 | 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 | 105.69 | 3.54 | 164.15 |
| Armenia | US\$ | 500 | 6.000% | Sep-20 | B+/-/B1 | 103.16 | 3.38 | 136.22 |
| Azerbaijan | US\$ | 174 | 2.820% | Sep-21 | BB+/-/Ba2u | 98.54 | 3.53 | 169.53 |
| Belarus | US\$ | 800 | 6.875% | Feb-23 | B/B/B3u | 107.91 | 4.50 | 271.85 |
| Kazakhstan | US\$ | 1,500 | 3.875% | Oct-24 | BBB/BBB-/Baa3 | 106.15 | 2.62 | 77.77 |
| Russia | US\$ | 3,500 | 5.000% | Apr-20 | BBB-/BBB-/Baa3 | 101.92 | 2.63 | 53.31 |
| Turkey | US\$ | 2,000 | 5.625% | Mar-21 | BB-/B1 | 101.67 | 4.61 | 272.87 |
| Ukraine | US\$ | 1,409 | 7.750% | Sep-21 | B-/B-/Caa1 | 104.63 | 5.45 | 349.86 |

Source: Bloomberg

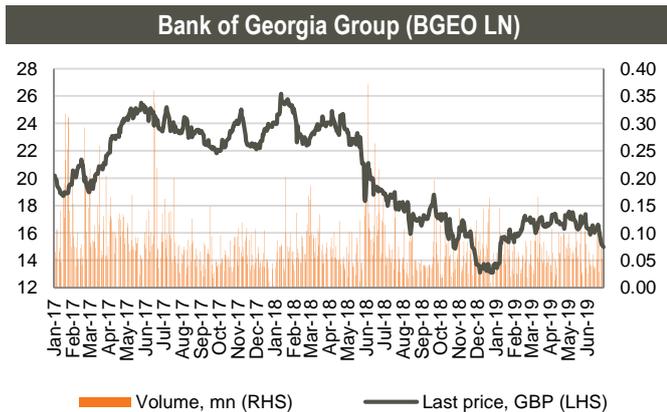
Equities

Bank of Georgia Group (BGE0 LN) shares closed at GBP 14.98/share (-6.61% w/w and -12.86% m/m). More than 297k shares traded in the range of GBP 14.83 - 16.01/share. Average daily traded volume was 55k in the last 4 weeks. FTSE 250 Index, of which BGE0 is a constituent, gained 0.71% w/w and 1.34% m/m. The volume of BGE0 shares traded was at 0.60% of its capitalization.

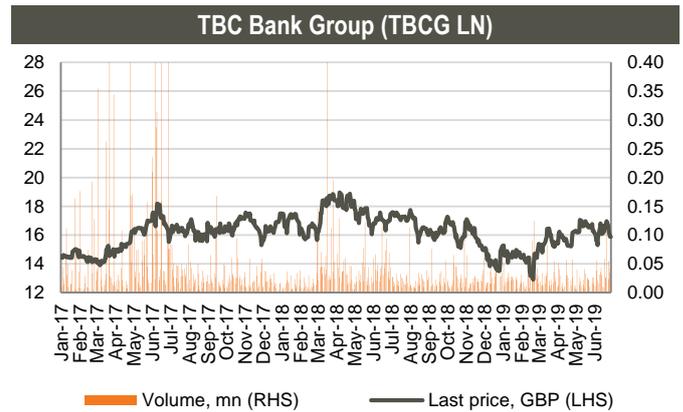
Georgia Capital (CGEO LN) shares closed at GBP 10.90/share (-1.80% w/w and +11.79% m/m). More than 331k shares traded in the range of GBP 10.40 - 11.06/share. Average daily traded volume was 81k in the last 4 weeks. The volume of CGEO shares traded was at 0.87% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.88/share (-6.37% w/w and -5.25% m/m). More than 239k shares changed hands in the range of GBP 15.68 - 16.82/share. Average daily traded volume was 38k in the last 4 weeks. The volume of TBCG shares traded was at 0.44% of its capitalization.

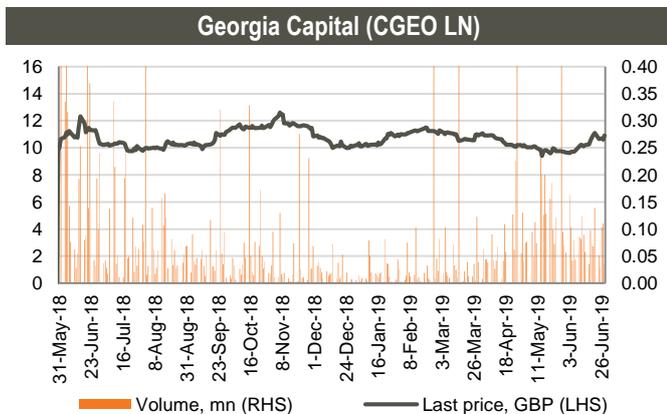
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.42/share (-6.92% w/w and -1.63% m/m). More than 34k shares were traded in the range of GBP 2.39 - 2.56/share. Average daily traded volume was 22k in the last 4 weeks. The volume of GHG shares traded was at 0.03% of its capitalization.



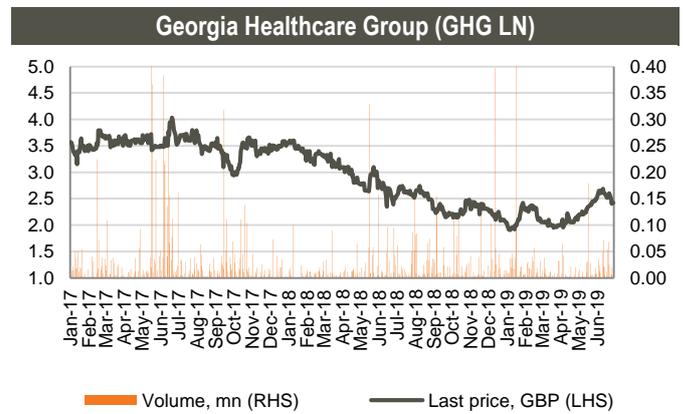
Source: Bloomberg



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 | 14.98 | 737 | 9.8% | -21.2% | 8.8% | 6.26x | 5.69x | 1.25x | 1.06x |
| TBC | TBC | GBP | 15.88 | 861 | 6.7% | -6.6% | 4.3% | 6.23x | 5.72x | 1.19x | 1.04x |
| Halyk Bank | HSBK | US\$ | 12.90 | 3,791 | 26.5% | 7.5% | 24.6% | 5.04x | 4.65x | 1.10x | 1.00x |
| VTB Bank | VTBR | US\$ | 1.26 | 8,152 | 14.2% | -15.8% | 13.5% | 4.14x | 3.03x | 0.49x | 0.44x |
| Akbank | AKBNK | TRY | 6.80 | 35,360 | 15.9% | 6.0% | 15.5% | 6.73x | 4.69x | 0.69x | 0.62x |
| Garanti | GARAN | TRY | 9.10 | 38,220 | 14.3% | 9.0% | 14.3% | 6.18x | 4.37x | 0.73x | 0.64x |
| Isbank | ISCTR | TRY | 6.05 | 27,225 | 37.5% | 5.8% | 33.6% | 4.51x | 3.61x | 0.49x | 0.44x |
| PKO | PKO | PLN | 42.82 | 53,525 | 8.5% | 18.5% | 8.5% | 12.68x | 12.00x | 1.29x | 1.22x |
| PEKAO | PEO | PLN | 111.80 | 29,344 | 2.6% | -0.4% | 2.6% | 12.79x | 10.90x | 1.26x | 1.20x |
| Millennium | MIL | PLN | 9.36 | 11,354 | 5.5% | 19.1% | 5.5% | 14.17x | 11.52x | 1.26x | 1.15x |
| Mbank | MBK | PLN | 430.00 | 18,205 | 1.4% | 9.2% | 1.4% | 14.92x | 13.14x | 1.12x | 1.05x |
| BRD | BRD | RON | 12.64 | 8,809 | 10.9% | -2.0% | 10.9% | 8.71x | 11.17x | 1.14x | 1.15x |
| Banca Transilvania | TLV | RON | 2.40 | 11,532 | 19.2% | 11.6% | 19.5% | 9.88x | 10.21x | 1.42x | 1.31x |
| OTP | OTPD | USD | 21.20 | 11,872 | 8.2% | 19.8% | 8.2% | 9.74x | 9.18x | 0.77x | 0.68x |
| Komercni | KOMB | CZK | 891.00 | 169,334 | 5.2% | -3.8% | 5.2% | 11.59x | 11.43x | 1.59x | 1.50x |
| Mean | | | | | | | | 8.90x | 8.09x | 1.05x | 0.97x |
| Median | | | | | | | | 8.71x | 9.18x | 1.14x | 1.05x |

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 | 10.90 | 414 | 8.0% | 3.0% | 6.8% | 15.22x | 12.16x | 0.83x | 0.90x |
| Tinc Comm | TINC | EUR | 12.75 | 348 | 6.7% | 6.3% | 8.1% | n/a | n/a | n/a | n/a |
| Sabancı Holding | SAHOL | TRY | 8.59 | 17,527 | 15.9% | -2.8% | 14.2% | 4.36x | 3.46x | 0.54x | 0.45x |
| Deutsche Beteiligungs | DBAN | EUR | 33.95 | 511 | 1.2% | 0.4% | 1.2% | 17.47x | 11.14x | 1.11x | 1.04x |
| Eurazeo | RF | EUR | 61.30 | 4,692 | 5.7% | 0.2% | 4.2% | 16.28x | 11.34x | 0.87x | 0.81x |
| Carlyle Group | CG | USD | 22.61 | 2,463 | 39.8% | 7.2% | 43.6% | 6.47x | 4.06x | 2.40x | 1.13x |
| Mean | | | | | | | | 11.96x | 8.43x | 1.15x | 0.87x |
| Median | | | | | | | | 15.22x | 11.14x | 0.87x | 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 | | |
|------------------|----------|-------------|----------|---------|---------|---------|--------|---------------|---------------|---------------|---------------|
| | | | | | | | 2019F | 2020F | 2019F | 2020F | |
| GHG | GHG | GBP | 2.42 | 319 | 16.3% | -3.2% | 18.6% | 22.04x | 14.90x | 9.33x | 7.43x |
| Mouwasset | MOUWASAT | SAR | 89.90 | 8,990 | 11.4% | -4.4% | 11.7% | 22.01x | 19.83x | 15.94x | 14.42x |
| Fortis | FORH | INR | 130.10 | 98,220 | -5.3% | -3.6% | -7.4% | 1.64x | 1.53x | 6.79x | 6.65x |
| Raffles | RFMD | SGD | 1.04 | 1,869 | -5.5% | 3.0% | -5.5% | 31.02x | 30.55x | 19.88x | 18.69x |
| IHH | IHH | MYR | 5.80 | 50,862 | 7.2% | -3.2% | 7.6% | 47.09x | 37.32x | 17.55x | 14.89x |
| Bangkok Chain | BCH | THB | 16.60 | 41,396 | -0.6% | 8.5% | -0.6% | 33.23x | 29.85x | 18.10x | 16.46x |
| Netcare | NTC | ZAR | 17.98 | 26,108 | -30.9% | -33.5% | -32.0% | 11.88x | 11.53x | 7.21x | 6.95x |
| Life Healthcare | LHC | ZAR | 22.44 | 32,927 | -12.5% | -8.1% | -15.0% | 17.92x | 13.98x | 7.70x | 7.04x |
| Mediclinic | MDC | GBP | 3.05 | 2,248 | -6.1% | -42.4% | -5.5% | 11.11x | 11.68x | 7.94x | 7.58x |
| Apollo Hospitals | APHS | INR | 1,359.20 | 189,099 | 9.4% | 34.3% | 8.0% | 68.87x | 48.28x | 21.43x | 17.53x |
| KPJ Healthcare | KPJ | MYR | 0.94 | 4,034 | -9.2% | -6.0% | -10.1% | 21.22x | 19.71x | 10.36x | 10.06x |
| NMC | NMC | GBP | 24.03 | 5,003 | -11.3% | -31.9% | -12.2% | 19.59x | 15.49x | 11.89x | 10.78x |
| Mean | | | | | | | | 25.63x | 21.22x | 12.84x | 11.54x |
| Median | | | | | | | | 21.62x | 17.60x | 11.12x | 10.42x |

Source: Bloomberg, S&P Capital IQ

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