



Weekly Market Watch

Weekly Market Watch | Georgia
April 7, 2020

Economy

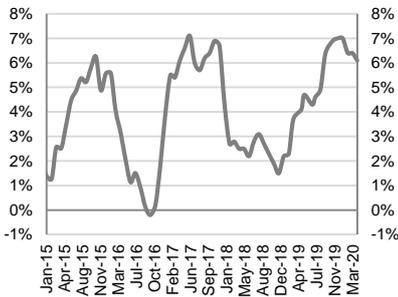
Real GDP growth was 2.2% y/y in February 2020

Georgia's economic growth slowed to 2.2% y/y in February 2020, after 5.1% y/y growth in previous month, according to Geostat's rapid estimates. Real growth was recorded in trade, information & communication, real estate, accommodation & food service activities and financial & insurance sectors. Meanwhile, manufacturing, construction and transportation sectors were in red. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Inflation was 6.1% y/y and 0.7% m/m in March 2020

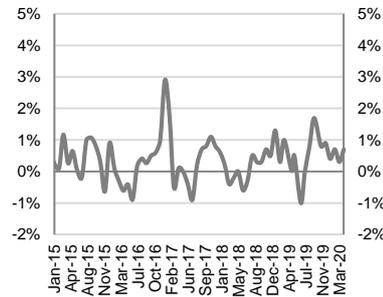
The annual CPI inflation was 6.1% in March 2020, down from 6.4% in previous month, according to Geostat. Core inflation (non-food, non-energy) was 3.7% in March 2020, while core inflation excluding tobacco stood at 3.3%. Annual price changes were driven by price increases in food and non-alcoholic beverages (+13.4% y/y, +4.18ppts), restaurants & hotels (+8.9% y/y, +0.40ppts), miscellaneous goods & services (+6.8% y/y, +0.36ppts), transport (+3.0% y/y, +0.34ppts) and healthcare (+4.0% y/y, +0.33ppts) categories. On a monthly basis, there was 0.7% inflation in March 2020. Price increases in food and non-alcoholic beverages (+2.0% m/m, +0.63ppts) category was the major driver of monthly Inflation dynamics.

Annual CPI inflation (% change, y/y)



Source: Geostat

Monthly CPI inflation (% change, m/m)

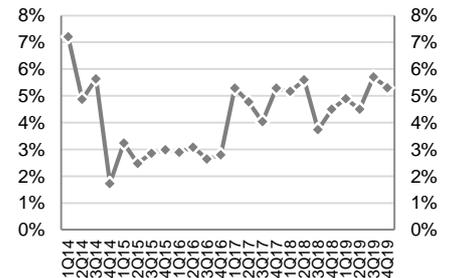


Key macro indicators

	2017	2018	2019E
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%	2.4%
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 Sep-2019	 BB Stable Affirmed Feb-2020
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Source: Rating agencies



Money market

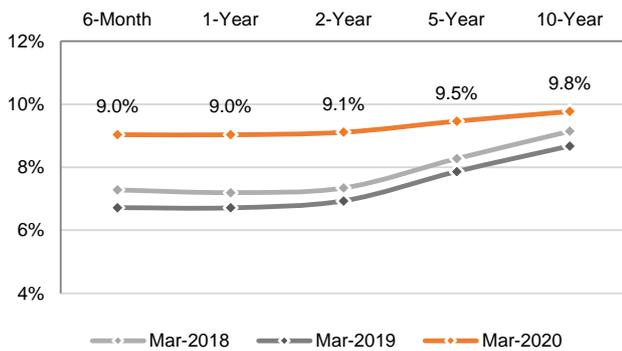
Treasury auctions: There was no treasury securities auction last week. The nearest treasury security auction is scheduled for April 7, 2020, where GEL 70.0mn nominal value 2-year Benchmark Bonds and GEL 20.0mn nominal value 6-month T-bills will be sold.

T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	110	180	320
1-year	150	450	560
2-year	210	630	1,070
5-year	240	720	1,543
10-year	30	120	523
Total	740	2,100	4,015

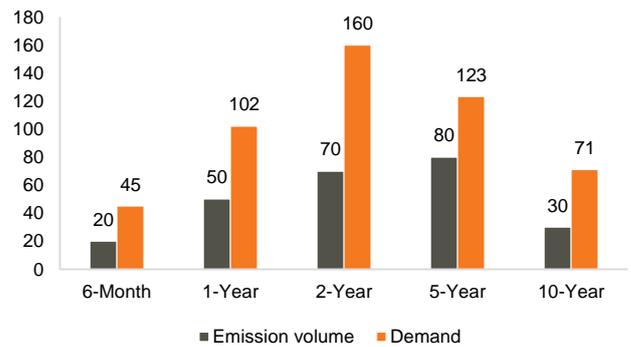
Source: MoF
Note: * As of 29 February 2020

T-bills / T-notes, yield curve



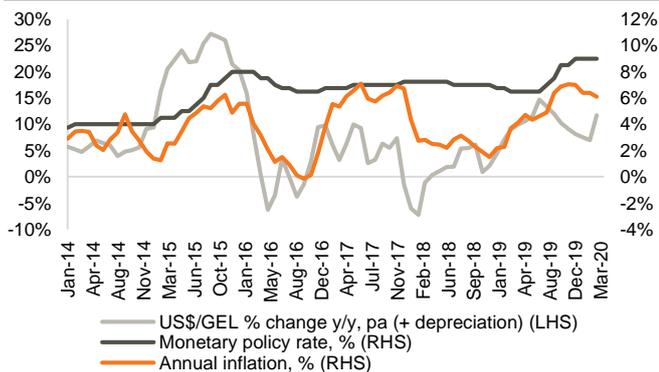
Source: NBG

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



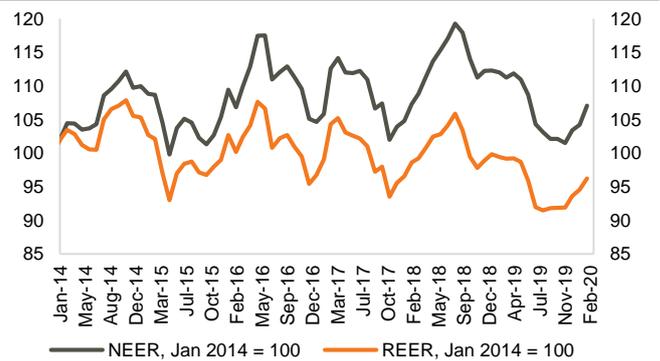
Source: NBG

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

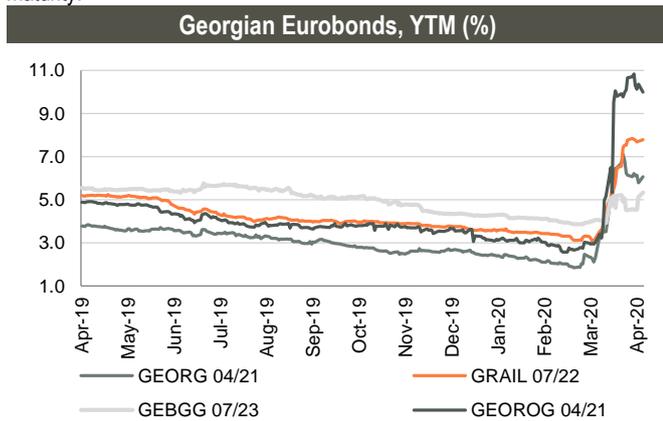


Fixed income

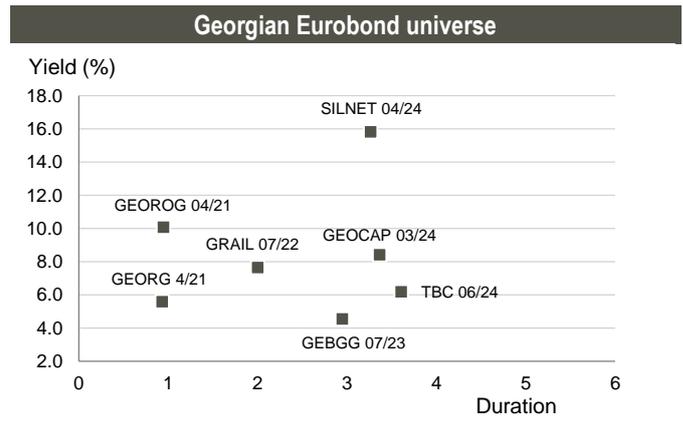
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.55% yield, trading at 104.39 (-0.04% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 92.44 (-0.60% w/w), yielding 8.43%.

GOGC Eurobonds (GEOROG) were trading at 96.78 (+0.84% w/w), yielding 10.06%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 100.16 (+0.30% w/w), yielding 7.66%.

Georgian Sovereign Eurobonds (GEORG) closed at 101.24 (+0.59% w/w) at 5.59% 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	101.24	5.59	495.15
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	100.16	7.66	714.82
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/BB-/-	96.78	10.06	942.90
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/-/Ba2	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/-/Ba2	104.39	4.55	403.33
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-/-	98.58	10.08	1,099.33
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B+/B2	92.44	8.43	788.85
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	86.14	15.82	1,528.08
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/-/Ba2	98.39	6.19	563.72
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	97.40	10.70	1,096.94

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	-/-/-/-	98.38	8.50	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-/-	96.67	9.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-/-	99.99	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-/-	100.0	7.50	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-/-	98.72	8.50	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/-/-/-	100.00	13.00	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	15.25	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	101.24	5.59	495.15
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	100.01	5.97	505.83
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.09	2.75	219.82
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	100.66	6.62	610.80
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	105.11	2.67	209.74
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	100.17	1.82	44.00
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	98.01	7.79	713.58
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	96.26	10.70	1,014.07

Source: Bloomberg

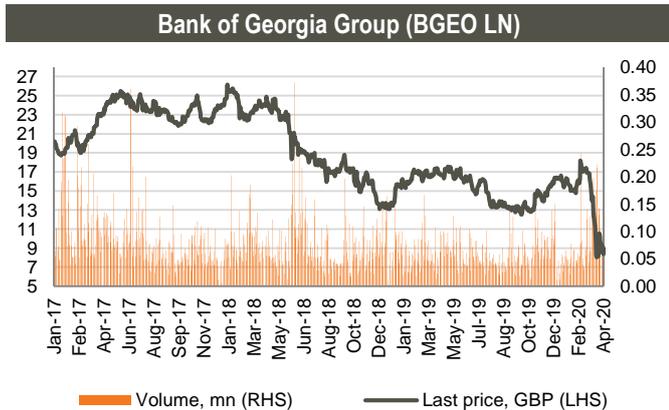
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 8.36/share (-13.41% w/w and -50.42% m/m). More than 524k shares traded in the range of GBP 7.95 - 9.88/share. Average daily traded volume was 137k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 4.54% w/w and 28.37% m/m. The volume of BGEO shares traded was at 1.07% of its capitalization.

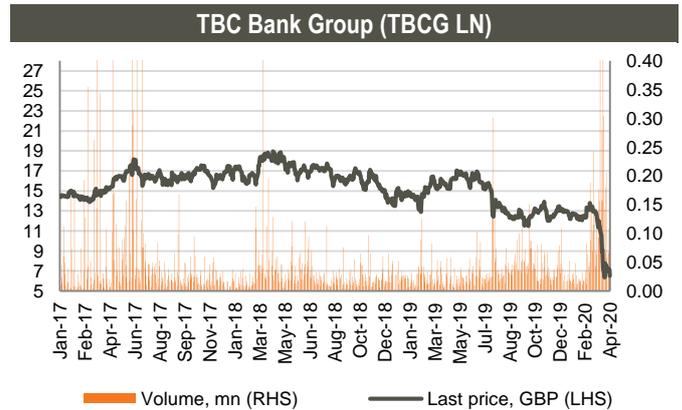
Georgia Capital (CGEO LN) shares closed at GBP 4.15/share (-4.05% w/w and -43.45% m/m). More than 119k shares traded in the range of GBP 3.95 - 4.28/share. Average daily traded volume was 47k in the last 4 weeks. The volume of CGEO shares traded was at 0.32% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 6.50/share (-12.28% w/w and -49.06% m/m). More than 324k shares changed hands in the range of GBP 6.50 - 7.41/share. Average daily traded volume was 164k in the last 4 weeks. The volume of TBCG shares traded was at 0.59% of its capitalization.

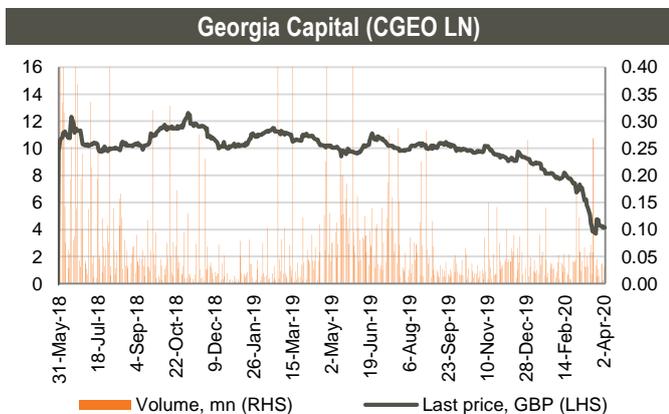
Georgia Healthcare Group (GHG LN) shares closed at GBP 0.81/share (+5.48% w/w and -23.41% m/m). More than 223k shares were traded in the range of GBP 0.76 - 0.83/share. Average daily traded volume was 55k in the last 4 weeks. The volume of GHG shares traded was at 0.17% of its capitalization.



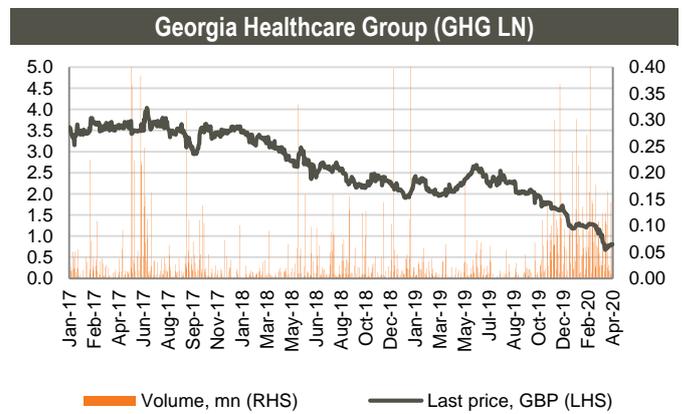
Source: Bloomberg



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	8.36	411	-35.9%	-50.5%	-48.6%	3.18x	3.03x	0.70x	0.61x
TBC	TBC	GBP	6.50	358	-44.9%	-59.5%	-50.0%	2.50x	2.28x	0.48x	0.46x
Halyk Bank	HSBK	US\$	9.00	2,645	-25.0%	-22.7%	-32.6%	3.15x	n/a	0.75x	0.69x
VTB Bank	VTBR	US\$	0.83	5,405	-33.1%	-29.1%	-43.0%	2.06x	2.45x	0.31x	0.23x
Akbank	AKBNK	TRY	5.42	28,184	-30.1%	-10.1%	-33.2%	4.59x	3.60x	0.48x	0.45x
Garanti	GARAN	TRY	7.54	31,668	-23.4%	-8.2%	-32.3%	4.31x	3.55x	0.51x	0.50x
Isbank	ISCTR	TRY	4.57	20,565	-24.7%	-19.3%	-28.7%	3.10x	2.72x	0.32x	0.32x
PKO	PKO	PLN	21.85	27,313	-41.2%	-44.9%	-36.6%	5.87x	7.29x	0.60x	0.63x
PEKAO	PEO	PLN	53.40	14,016	-46.7%	-52.4%	-46.8%	5.80x	6.33x	0.55x	0.58x
Millennium	MIL	PLN	3.21	3,894	-39.4%	-66.5%	-45.1%	4.79x	4.31x	0.39x	0.42x
Mbank	MBK	PLN	217.60	9,213	-37.6%	-50.1%	-44.1%	6.72x	6.70x	0.51x	0.54x
BRD	BRD	RON	11.04	7,694	-21.7%	-16.1%	-30.3%	4.78x	6.62x	0.92x	1.00x
Banca Transilvania	TLV	RON	1.75	9,128	-26.8%	-11.4%	-32.6%	4.74x	6.11x	0.98x	1.03x
OTP	OTPD	USD	22.80	12,768	7.5%	0.0%	7.5%	9.60x	10.77x	0.82x	0.79x
Komercni	KOMB	CZK	491.00	93,314	-35.3%	-48.0%	-40.8%	5.61x	7.50x	0.80x	0.85x
Mean								4.72x	5.23x	0.61x	0.61x
Median								4.74x	5.21x	0.55x	0.58x

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	4.15	152	-57.7%	-62.0%	-55.0%	5.49x	3.77x	0.39x	n/a
Tinc Comm	TINC	EUR	12.45	340	-5.5%	6.6%	-6.7%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	7.39	15,079	-18.6%	-3.9%	-22.5%	3.48x	2.91x	0.41x	0.41x
Deutsche Beteiligungs	DBAN	EUR	25.05	377	-25.7%	-27.1%	-36.5%	8.99x	19.47x	0.80x	0.83x
Eurazeo	RF	EUR	35.68	2,810	-46.0%	-44.7%	-41.5%	8.45x	64.27x	0.51x	0.49x
Carlyle Group	CG	USD	19.89	2,201	-19.8%	6.8%	-38.0%	11.48x	8.63x	1.23x	1.55x
Mean								7.58x	19.81x	0.67x	0.82x
Median								8.45x	8.63x	0.51x	0.66x

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	0.81	106	-60.0%	-60.6%	-34.3%	8.27x	6.51x	4.38x	4.00x
Mouwasset	MOUWASAT	SAR	78.10	7,810	-11.3%	-6.0%	-11.3%	20.00x	17.82x	13.82x	11.85x
Fortis	FORH	INR	122.15	92,218	-9.7%	-10.4%	-7.4%	1.43x	1.39x	6.43x	6.56x
Raffles	RFMD	SGD	0.76	1,380	-24.5%	-30.7%	-24.5%	22.09x	24.04x	14.33x	14.34x
IHH	IHH	MYR	5.02	44,045	-11.5%	-10.4%	-8.2%	46.73x	43.54x	13.69x	13.96x
Bangkok Chain	BCH	THB	11.90	29,676	-23.7%	-30.4%	-30.4%	22.95x	22.81x	13.16x	12.53x
Netcare	NTC	ZAR	15.73	22,837	-8.9%	-34.6%	-19.2%	8.62x	11.73x	5.66x	6.51x
Life Healthcare	LHC	ZAR	19.88	29,171	-12.0%	-28.2%	-19.4%	13.88x	12.68x	6.29x	6.51x
Mediclinic	MDC	GBP	2.45	1,809	-21.5%	-24.1%	-40.4%	8.67x	9.40x	6.96x	6.22x
Apollo Hospitals	APHS	INR	1,189.55	165,496	-13.7%	-5.6%	-17.5%	55.01x	50.12x	17.73x	13.18x
KPJ Healthcare	KPJ	MYR	0.90	3,856	2.9%	-9.1%	-4.8%	19.57x	19.85x	9.38x	9.21x
NMC	NMC	GBP	9.38	1,959	-63.0%	-61.2%	-46.9%	9.28x	6.95x	9.94x	8.51x
Mean								19.71x	18.90x	10.15x	9.45x
Median								16.72x	15.25x	9.66x	8.86x

Source: Bloomberg, S&P Capital IQ

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