

# Weekly Market Watch

Weekly Market Watch | Georgia  
May 4, 2020

## Economy

### Real GDP shrinks 2.7% y/y in March 2020

Georgia's economy contracted by 2.7% y/y in March 2020 after growing 2.2% y/y in previous month, according to Geostat's rapid estimates. Real growth was recorded only in construction and information & communications sectors. Meanwhile, real growth was down in all other sectors, reflecting pandemic effects on the economy. Overall, real GDP growth was 1.5% y/y in 1Q20. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### NPLs at 2.2% in March 2020

In March 2020, the banking sector loan portfolio increased 17.1% y/y after growing 18.1% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 30.7% y/y and up 10.6% m/m to GEL 35.0bn (US\$ 10.7bn). Deposits were up 10.1% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 24.8% y/y and up 8.9% m/m to GEL 28.9bn (US\$ 8.8bn). Loan dollarization stood at 58.5% (+2.57ppts y/y and +4.23 m/m) and deposit dollarization was 66.3% (+4.26ppts y/y and +4.59ppts m/m). NPLs stood at 2.2% in March 2020 (-0.79ppts y/y and flat m/m).

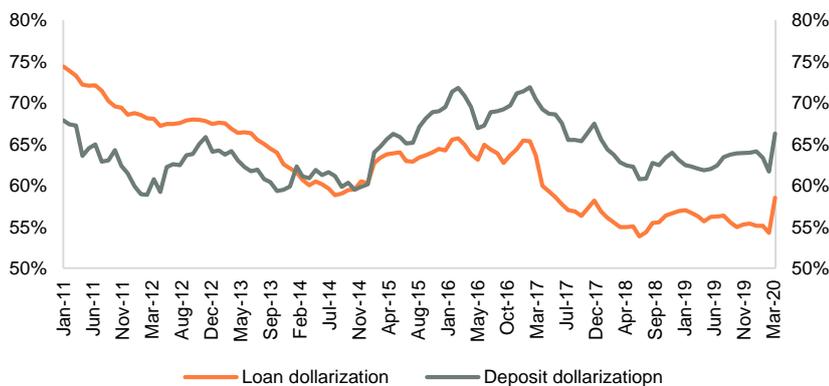
### NBG sold US\$ 20.0mn

On 27 April 2020, the NBG intervened on the FX market and sold US\$ 20.0mn to limit GEL volatility. This was fourth FX intervention in 2020 for a total of US\$ 120.0mn sale.

### NBG cuts its policy rate by 0.5ppts to 8.5%

At its meeting on 29 April 2020, NBG's monetary policy committee decided to reduce its policy rate by 50bps to 8.5%. According to NBG, supply factors caused by logistical constraints will delay the reduction of inflation in the coming months, however a sharp decline in external and domestic demand due to the Covid-19 pandemic will put a downward pressure on inflation throughout the year. Therefore, NBG started to exit the tight monetary policy stance gradually and further steps will depend on how quickly inflation expectations recede. According to NBG's forecast, due to temporary factors, inflation will remain high for several months, then gradually decline, and approach the target level in 1H21. The next committee meeting is scheduled for 24 June 2020.

### Loan and deposit dollarization



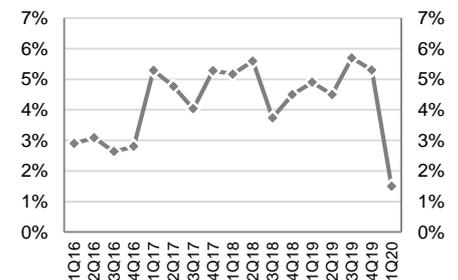
Source: NBG

### 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

 <b>BB</b> Stable Upgraded Oct-2019	 <b>Ba2</b> Stable Affirmed Mar-2020	 <b>BB</b> Negative Affirmed Apr-2020
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Source: Rating agencies

# Money market

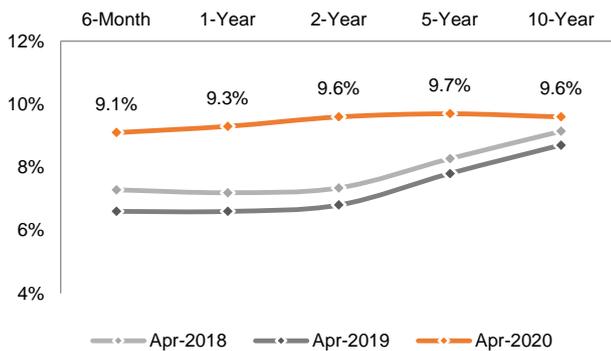
**Ministry of Finance Benchmark Bonds:** 5-year GEL 80.0mn (US\$ 25.0mn) Benchmark Bonds were sold at the auction held at NBG on April 28, 2020. Total demand was 1.8x higher and the weighted average yield was fixed at 9.720%, up 0.71ppts from previous auction held on February, 2020. The nearest treasury security auction is scheduled for May 5, 2020, where GEL 50.0mn nominal value 6-month T-Bills and GEL 70.0mn nominal value 2-year Benchmark Bonds will be sold.

## T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	130	160	320
1-year	200	400	570
2-year	280	560	1,140
5-year	320	640	1,623
10-year	70	80	523
<b>Total</b>	<b>1,000</b>	<b>1,840</b>	<b>4,175</b>

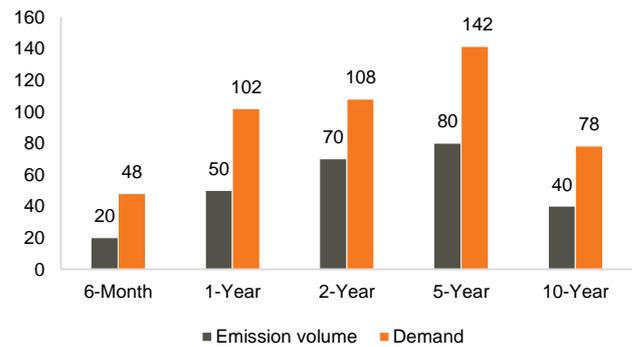
Source: MoF  
Note: \* As of 31 March 2020

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



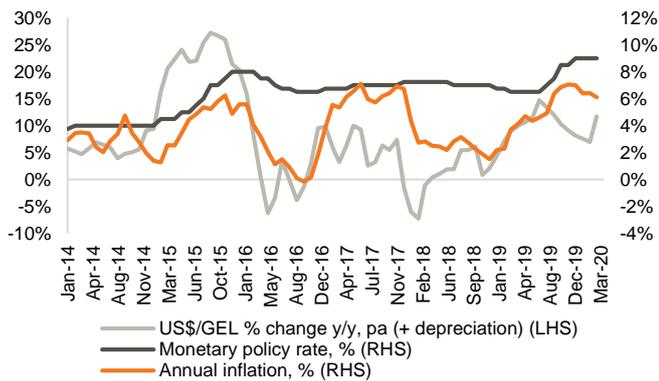
Source: NBG

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



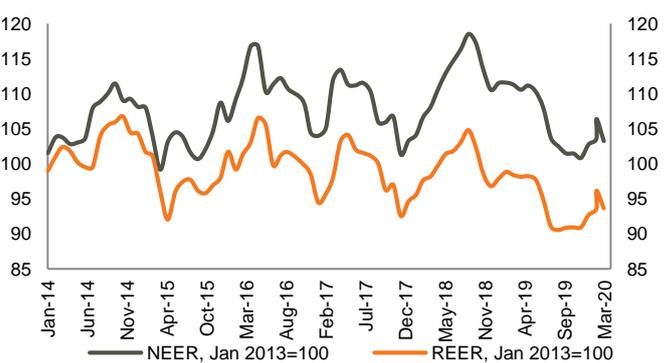
Source: NBG

## 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

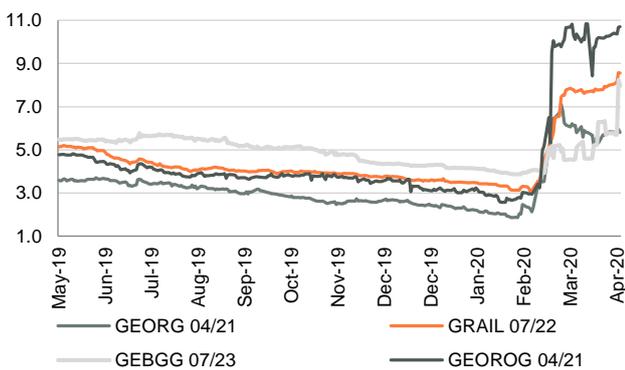
# Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 7.98% yield, trading at 94.45 (-6.15% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 92.57 (+0.38% w/w), yielding 8.42%.

GOGC Eurobonds (GEOROG) were trading at 96.42 (-0.34% w/w), yielding 10.72%. Georgian Railway Eurobonds (GRAIL) traded at 98.39 (-1.10% w/w), yielding 8.57%.

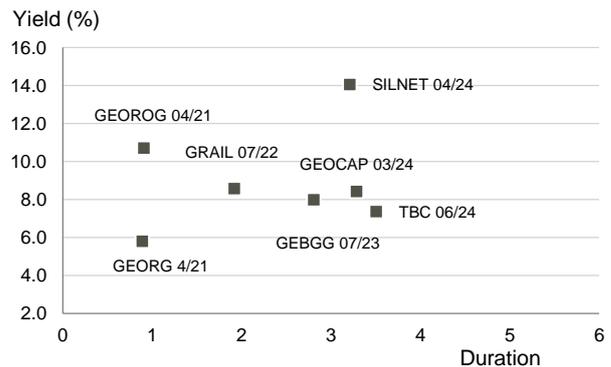
**Georgian Sovereign Eurobonds (GEORG)** closed at 100.96 (+0.01% w/w) at 5.80% yield to maturity.

**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	100.96	5.80	579.37
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	98.39	8.57	821.77
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	96.42	10.72	1,038.80
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	94.45	7.98	764.75
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	93.41	10.49	1,242.32
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	92.57	8.42	827.20
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-B1	91.01	14.06	1,369.22
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	94.37	7.36	686.96
TBC PERP	US\$	125	10.775%	n/a	B-/-	94.00	11.09	1,222.00

### 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	-/-/-	99.23	8.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	98.92	9.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	-/-/-	99.97	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	98.93	7.50	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.99	7.50	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	14.75	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	100.96	5.80	579.37
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	99.38	7.55	758.52
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.27	2.61	291.17
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	98.15	7.61	732.06
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	105.88	2.47	213.17
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	100.55	4.99	468.45
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	96.99	10.22	990.92

Source: Bloomberg

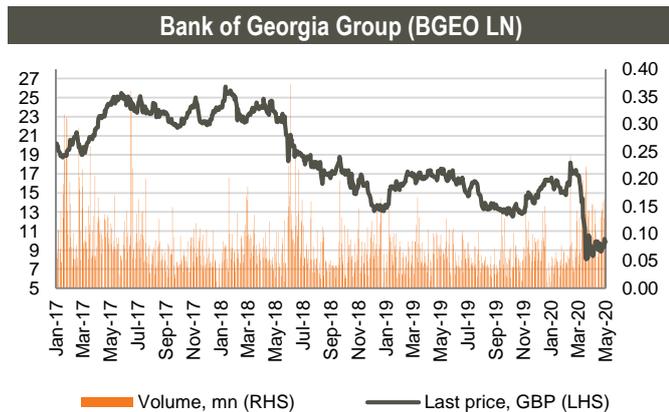
# Equities

**Bank of Georgia Group (BGE0 LN)** shares closed at GBP 9.86/share (+6.59% w/w and +16.00% m/m). More than 603k shares traded in the range of GBP 9.14 - 10.58/share. Average daily traded volume was 113k in the last 4 weeks. FTSE 250 Index, of which BGE0 is a constituent, gained 2.94% w/w and 11.01% m/m. The volume of BGE0 shares traded was at 1.23% of its capitalization.

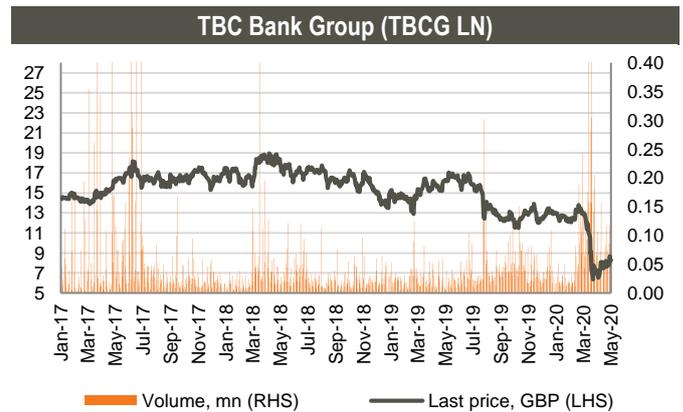
**Georgia Capital (CGEO LN)** shares closed at GBP 4.08/share (-2.39% w/w and -0.97% m/m). More than 202k shares traded in the range of GBP 3.84 - 4.43/share. Average daily traded volume was 50k in the last 4 weeks. The volume of CGEO shares traded was at 0.55% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 8.30/share (+7.93% w/w and +18.74% m/m). More than 396k shares changed hands in the range of GBP 7.63 - 9.05/share. Average daily traded volume was 74k in the last 4 weeks. The volume of TBCG shares traded was at 0.72% of its capitalization.

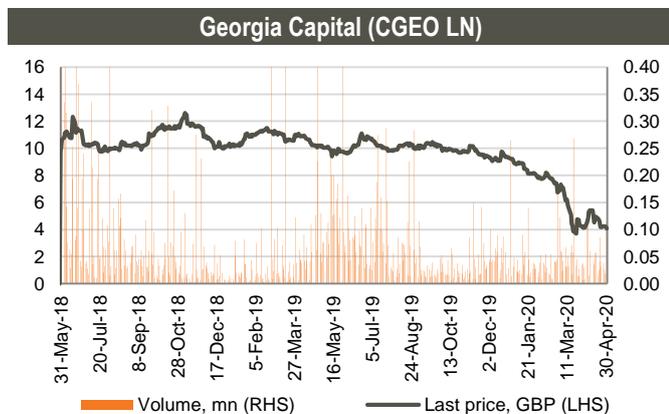
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 0.87/share (+2.49% w/w and +10.76% m/m). More than 166k shares were traded in the range of GBP 0.80 - 0.94/share. Average daily traded volume was 22k in the last 4 weeks. The volume of GHG shares traded was at 0.13% of its capitalization.



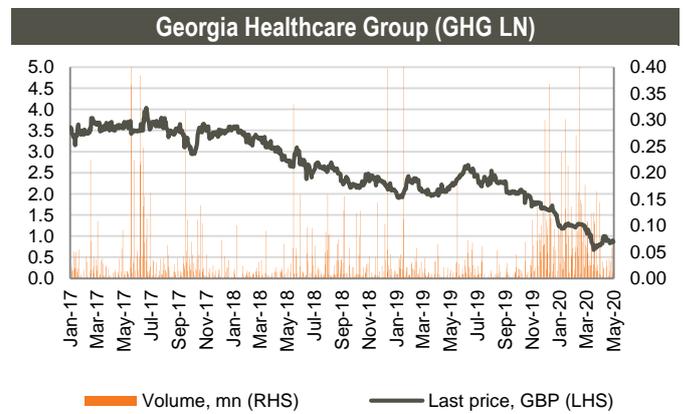
Source: Bloomberg



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	9.86	485	-24.7%	-42.8%	-39.3%	3.81x	5.54x	0.84x	0.74x
TBC	TBC	GBP	8.30	457	-36.3%	-49.1%	-36.2%	3.25x	8.46x	0.63x	0.61x
Halyk Bank	HSBK	US\$	9.10	2,674	-31.3%	-25.4%	-31.8%	3.19x	4.20x	0.76x	0.94x
VTB Bank	VTBR	US\$	0.91	5,884	-32.7%	-17.8%	-37.9%	2.24x	3.47x	0.34x	0.25x
Akbank	AKBNK	TRY	5.89	30,628	-15.3%	-3.8%	-27.4%	4.81x	4.21x	0.50x	0.50x
Garanti	GARAN	TRY	8.34	35,028	-10.1%	2.1%	-25.1%	4.59x	4.20x	0.55x	n/a
Isbank	ISCTR	TRY	4.95	22,275	-15.5%	-7.6%	-22.8%	3.24x	3.33x	0.34x	0.35x
PKO	PKO	PLN	22.01	27,513	-42.3%	-43.9%	-36.1%	5.92x	8.40x	0.61x	0.62x
PEKAO	PEO	PLN	51.98	13,643	-51.8%	-54.3%	-48.3%	5.66x	7.58x	0.53x	0.55x
Millennium	MIL	PLN	2.81	3,414	-54.2%	-70.8%	-51.9%	4.21x	14.40x	0.34x	0.39x
Mbank	MBK	PLN	219.00	9,272	-42.6%	-50.6%	-43.8%	6.78x	9.98x	0.51x	0.56x
BRD	BRD	RON	11.30	7,875	-20.6%	-17.2%	-28.7%	4.93x	11.23x	0.95x	1.04x
Banca Transilvania	TLV	RON	1.90	9,921	-21.2%	-6.6%	-26.7%	5.19x	9.59x	1.07x	1.35x
OTP	OTPD	USD	22.80	12,768	7.5%	0.0%	7.5%	9.60x	12.12x	0.82x	0.78x
Komercni	KOMB	CZK	524.00	99,586	-33.1%	-39.5%	-36.8%	6.02x	9.70x	0.86x	0.88x
<b>Mean</b>								<b>4.90x</b>	<b>7.76x</b>	<b>0.64x</b>	<b>0.68x</b>
<b>Median</b>								<b>4.81x</b>	<b>8.40x</b>	<b>0.61x</b>	<b>0.62x</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	4.08	150	-58.2%	-60.0%	-55.7%	5.48x	3.82x	0.39x	n/a
Tinc Comm	TINC	EUR	13.00	355	-2.8%	12.3%	-2.6%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.18	16,691	-2.0%	6.2%	-14.3%	3.72x	3.63x	0.43x	0.46x
Deutsche Beteiligungs	DBAN	EUR	30.90	465	-15.7%	-12.7%	-21.7%	11.19x	187.51x	1.00x	1.05x
Eurazeo	RF	EUR	43.66	3,439	-30.5%	-34.5%	-28.4%	10.43x	-643.38x	0.63x	0.60x
Carlyle Group	CG	USD	22.18	2,455	-20.8%	8.2%	-30.9%	12.80x	4.57x	1.37x	3.16x
<b>Mean</b>								<b>8.72x</b>	<b>-88.77x</b>	<b>0.76x</b>	<b>1.32x</b>
<b>Median</b>								<b>10.43x</b>	<b>3.82x</b>	<b>0.63x</b>	<b>0.82x</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	0.87	114	-51.9%	-60.0%	-29.7%	8.98x	7.26x	4.58x	4.05x
Mouwasset	MOUWASAT	SAR	85.00	8,500	3.7%	-1.2%	-3.4%	21.79x	21.10x	14.99x	13.67x
Fortis	FORH	INR	127.00	95,880	-15.8%	-8.3%	-3.7%	1.50x	1.46x	6.45x	6.64x
Raffles	RFMD	SGD	0.87	1,590	-13.0%	-19.4%	-13.0%	25.62x	32.04x	16.43x	17.86x
IHH	IHH	MYR	5.25	46,063	-6.6%	-5.6%	-4.0%	49.34x	48.79x	14.41x	15.57x
Bangkok Chain	BCH	THB	13.70	34,164	-17.5%	-24.7%	-19.9%	26.66x	28.76x	14.99x	15.26x
Netcare	NTC	ZAR	15.50	22,504	-10.0%	-35.4%	-20.3%	8.25x	10.43x	5.48x	6.67x
Life Healthcare	LHC	ZAR	17.86	26,207	-25.4%	-31.4%	-27.5%	12.12x	11.92x	5.75x	6.28x
Mediclinic	MDC	GBP	2.53	1,868	-31.3%	-26.0%	-38.4%	9.08x	10.01x	7.12x	6.53x
Apollo Hospitals	APHS	INR	1,394.35	193,989	-4.5%	14.6%	-3.3%	64.93x	58.19x	20.38x	14.60x
KPJ Healthcare	KPJ	MYR	0.90	3,835	-3.8%	-8.7%	-5.3%	19.65x	20.91x	9.41x	9.37x
NMC	NMC	GBP	9.38	1,959	-57.8%	-67.3%	-46.9%	n/a	n/a	n/a	n/a
<b>Mean</b>								<b>22.54x</b>	<b>22.81x</b>	<b>10.91x</b>	<b>10.59x</b>
<b>Median</b>								<b>19.65x</b>	<b>20.91x</b>	<b>9.41x</b>	<b>9.37x</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