



Weekly Market Watch

Weekly Market Watch | Georgia
September 7, 2020

Economy

Real GDP shrinks 5.5% y/y in July 2020

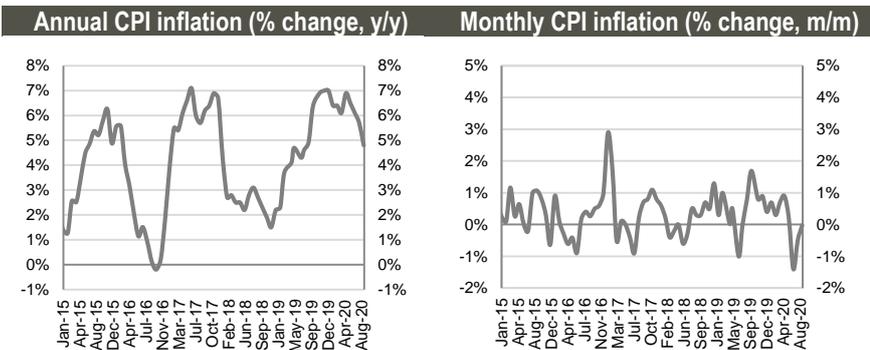
Georgia's economic contraction was 5.5% y/y in July 2020 after falling 7.7% y/y in June 2020 and 12.6% y/y in 2Q20, according to Geostat's rapid estimates. In July, real growth was positive in mining and manufacturing activities only. Overall, real GDP growth was down 5.8% y/y in 7M20. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

Inflation was 4.8% y/y and flat m/m in August 2020

Annual CPI inflation retreated to 4.8% in August 2020 from 5.7% in previous month, according to Geostat. Core inflation (non-food, non-energy) was 5.7% in August 2020, while core inflation excluding tobacco was 5.2%. Annual price changes were driven by price increases in food and non-alcoholic beverages (+9.2% y/y, +2.88ppts) and alcoholic beverages and tobacco (+8.9% y/y, +0.60ppts) categories and price drop in transport (-8.9% y/y, -1.12ppts) category. On a monthly basis, inflation was flat in August 2020.

GLC has issued the US\$ 10mn bond

Georgian Leasing Company (GLC), has successfully placed US\$ 10mn bond with a 2-year maturity, paying 7.50% coupon rate offering on 31 August 2020. The proceeds of the bond will be used to refinance existing loan arrangements of GLC. The bond is expected to be listed on the Georgia Stock Exchange.



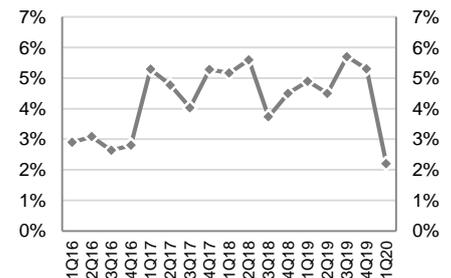
Source: Geostat

Key macro indicators

	2017	2018	2019
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%	2.0%
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 # 12 (mostly free)
- Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB Stable Affirmed Aug-2020	 Ba2 Stable Affirmed Mar-2020	 BB Negative Affirmed Aug-2020
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Source: Rating agencies

Money market

Ministry of Finance Benchmark Bonds: 2-year GEL 70.0mn (US\$ 22.8mn) Benchmark Bonds were sold at the auction held at NBG on September 1, 2020. Total demand was 1.8x higher and the weighted average yield was fixed at 8.170%, down 0.14ppts from previous auction held in August, 2020.

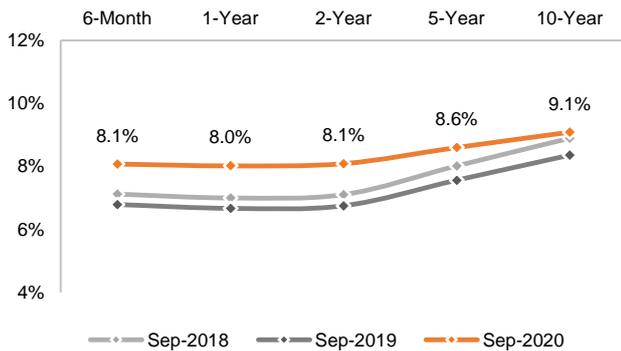
Ministry of Finance T-Bills: 6-month GEL 20.0mn (US\$ 6.5mn) T-Bills were sold at the auction held at NBG on September 1, 2020. Total demand was 2.3x higher and the weighted average yield was fixed at 8.10%, down 0.17ppts from previous auction held in August, 2020. The nearest treasury security auction is scheduled for September 8, 2020, where GEL 50.0mn nominal value 1-year 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	290	60	180
1-year	460	200	670
2-year	630	210	1,180
5-year	640	320	1,848
10-year	110	40	1,197
Total	2,150	830	5,075

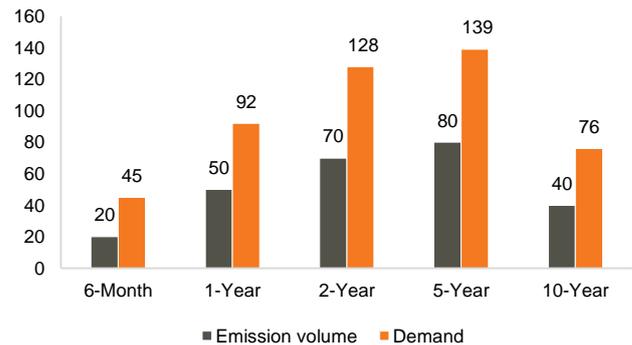
Source: MoF
Note: * As of 31 July 2020

T-bills / T-notes, yield curve



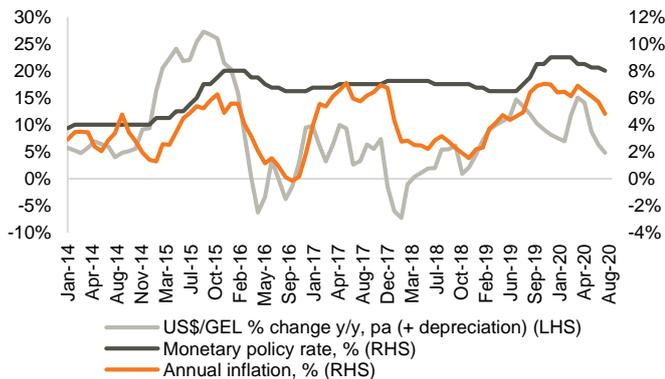
Source: NBG

Emission volume vs. demand on latest T-bill0ls / T-notes auctions, GEL mn



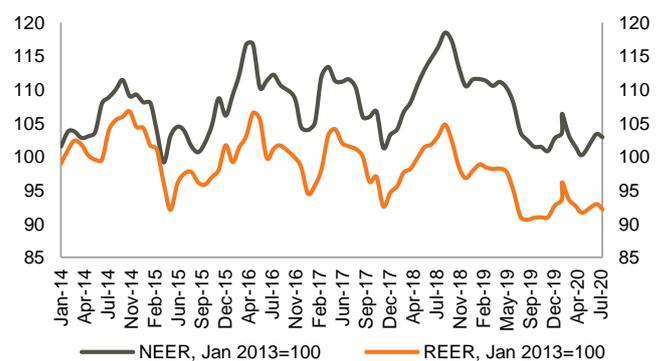
Source: NBG

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



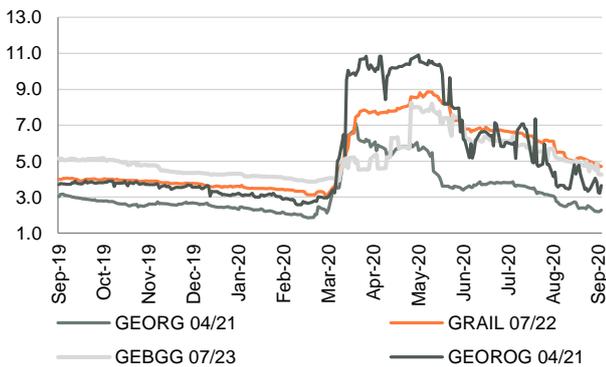
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.26% yield, trading at 104.68 (+1.51% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 96.02 (+0.56% w/w), yielding 7.44%.

GOGC Eurobonds (GEOROG) were trading at 101.91 (-0.15% w/w), yielding 3.65%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.29 (+0.42% w/w), yielding 4.71%.

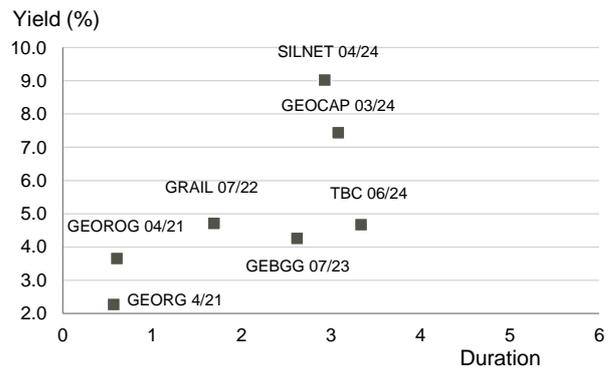
Georgian Sovereign Eurobonds (GEORG) closed at 102.69 (-0.01% w/w) at 2.27% yield to maturity.

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	102.69	2.27	200.97
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	105.29	4.71	447.64
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	101.91	3.65	339.24
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	104.68	4.26	400.89
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	101.54	9.54	1,033.22
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B/B2	96.02	7.44	716.74
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	105.91	9.02	874.88
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	103.68	4.67	439.06
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	98.60	10.02	1,091.48
GGU 07/25	US\$	250	7.750%	Jul-25	-/B/-	101.02	7.49	715.30

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	-/-/-	99.38	8.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	97.05	8.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	99.04	7.75	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.77	7.75	n/a
GLC 08/22	US\$	10	7.50%	Aug-22	-/-/-	n/a	n/a	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B/-/-	100.00	12.00	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	14.25	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	102.69	2.27	200.97
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	100.00	5.84	566.44
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.34	1.43	119.74
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	100.44	6.68	643.98
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	110.52	1.23	93.45
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	101.35	3.17	290.54
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.80	3.75	351.27

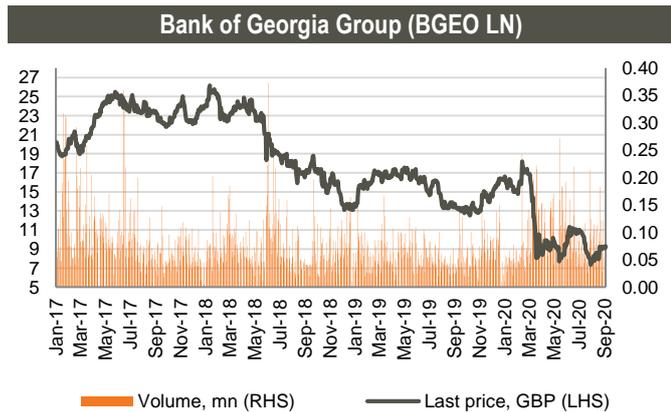
Source: Bloomberg

Equities

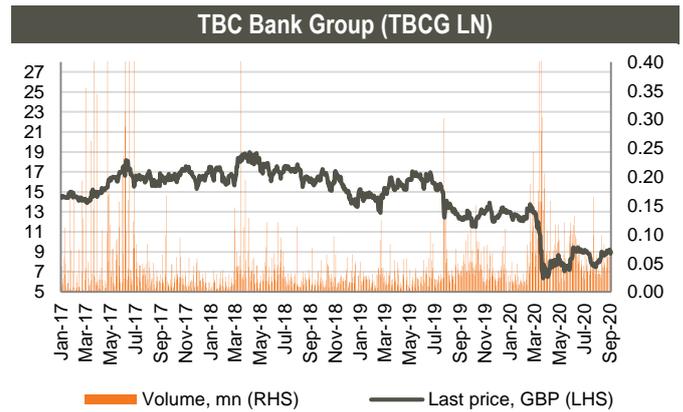
Bank of Georgia Group (BGEO LN) shares closed at GBP 9.30/share (+1.09% w/w and +20.78% m/m). More than 307k shares traded in the range of GBP 8.90 - 9.60/share. Average daily traded volume was 86k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 2.44% w/w and gained 0.27% m/m. The volume of BGEO shares traded was at 0.63% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 3.84/share (-1.67% w/w and +3.79% m/m). More than 241k shares traded in the range of GBP 3.54 - 4.00/share. Average daily traded volume was 65k in the last 4 weeks. The volume of CGEO shares traded was at 0.66% of its capitalization.

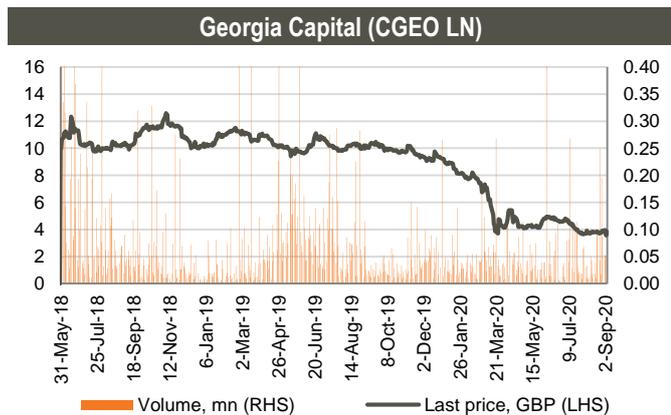
TBC Bank Group (TBCG LN) closed the week at GBP 9.05/share (-0.33% w/w and +13.13% m/m). More than 234k shares changed hands in the range of GBP 8.76 - 9.35/share. Average daily traded volume was 56k in the last 4 weeks. The volume of TBCG shares traded was at 0.43% of its capitalization.



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	
								2019	2020F	2019	2020F
Bank of Georgia	BGEO	GBP	9.30	457	-43.2%	-30.9%	-42.8%	3.82x	7.23x	0.84x	0.76x
TBC	TBC	GBP	9.05	498	-28.9%	-26.9%	-30.4%	3.76x	6.11x	0.73x	0.71x
Halyk Bank	HSBK	US\$	11.20	3,291	-21.7%	-16.4%	-16.1%	3.92x	4.45x	0.94x	0.89x
VTB Bank	VTBR	US\$	0.88	5,709	-31.8%	-31.3%	-39.8%	2.18x	4.44x	0.33x	0.33x
Akbank	AKBNK	TRY	4.92	25,584	-34.2%	-32.7%	-39.3%	3.79x	4.48x	0.39x	0.42x
Garanti	GARAN	TRY	6.80	28,560	-34.4%	-28.0%	-39.0%	3.53x	4.22x	0.42x	0.46x
Isbank	ISCTR	TRY	5.00	22,500	-18.4%	-17.1%	-22.0%	3.08x	3.60x	0.32x	0.34x
PKO	PKO	PLN	21.01	26,263	-35.5%	-45.5%	-39.0%	6.24x	10.46x	0.64x	0.59x
PEKAO	PEO	PLN	50.90	13,360	-45.9%	-48.5%	-49.3%	6.11x	12.93x	0.58x	0.54x
Millennium	MIL	PLN	2.89	3,506	-43.1%	-56.5%	-50.6%	4.76x	8.01x	0.39x	0.38x
Mbank	MBK	PLN	181.00	7,663	-42.9%	-42.7%	-53.5%	6.19x	15.41x	0.47x	0.45x
BRD	BRD	RON	12.14	8,460	-21.6%	-10.1%	-23.4%	5.69x	10.84x	1.10x	0.97x
Banca Transilvania	TLV	RON	2.30	11,997	-8.2%	-2.5%	-11.4%	6.74x	13.85x	1.39x	1.58x
OTP	OTPD	USD	22.80	12,768	0.0%	7.5%	7.5%	9.60x	14.16x	0.82x	0.74x
Komercni	KOMB	CZK	526.00	99,966	-29.1%	-37.2%	-36.6%	6.70x	13.16x	0.96x	0.88x
Mean								5.07x	8.89x	0.69x	0.67x
Median								4.76x	8.01x	0.64x	0.59x

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	
								2019	2020F	2019	2020F
Georgia Capital	CGEO	GBP	3.84	141	-46.0%	-61.7%	-58.4%	5.47x	n/a	0.39x	n/a
Tinc Comm	TINC	EUR	13.05	356	-6.8%	-1.7%	-2.2%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	7.81	15,936	-18.0%	-12.9%	-18.1%	3.35x	3.32x	0.39x	0.42x
Deutsche Beteiligungs	DBAN	EUR	31.00	466	-5.2%	-1.0%	-21.4%	12.10x	n/mf	1.08x	1.06x
Eurazeo	RF	EUR	46.12	3,633	-26.1%	-23.6%	-24.4%	11.88x	26.88x	0.72x	0.66x
Carlyle Group	CG	USD	25.82	2,858	-10.9%	11.9%	-19.5%	14.90x	4.57x	1.60x	3.65x
Mean								9.54x	11.59x	0.83x	1.45x
Median								11.88x	4.57x	0.72x	0.86x

Source: Bloomberg, S&P Capital IQ

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