



# Weekly Market Watch

Weekly Market Watch | Georgia  
January 13, 2020

## Economy

### Real GDP growth was 6.4% y/y in November 2019

Georgia's economy grew by 6.4% y/y in November 2019 after growing 5.7% y/y in previous month, according to Geostat's rapid estimates. In November 2019, real growth was recorded in manufacturing, transport and storage, construction, trade and repair of motorcycles sectors. Meanwhile, real growth was down in real estate and in arts, entertainment and recreation activities. Overall, real GDP growth was 5.3% y/y in 11M19. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### Inflation was 7.0% y/y and 0.4% m/m in December 2019

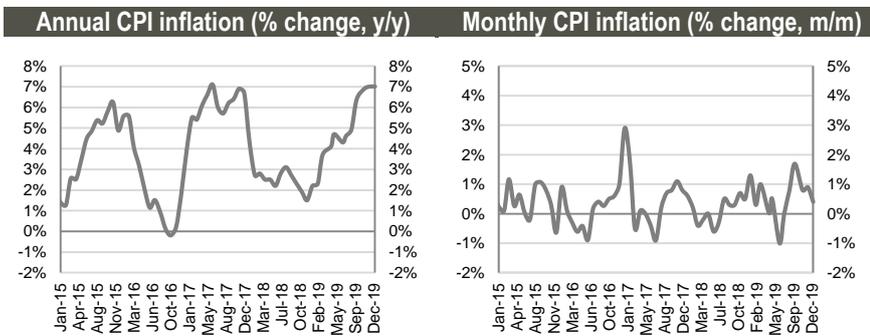
Annual CPI inflation was 7.0% in December 2019, according to Geostat. Core inflation (non-food, non-energy, non-tobacco) came in at 3.7%, up from 3.5% in previous month. Annual price changes were driven mostly by price increases in food and non-alcoholic beverages (+12.3% y/y, +3.78ppts) and alcoholic beverages and tobacco (+15.6% y/y, +1.03ppts) categories. Meanwhile, prices were down in clothing and footwear (-4.2% y/y, -0.14ppts) and communication (-1.4% y/y, -0.05ppts) categories. On a monthly basis, there was 0.4% inflation in December 2019. Price increase in food and non-alcoholic beverages (+1.4% m/m, +0.44ppts) category was the major driver of monthly inflation dynamics.

### International arrivals up 16.3% y/y in December 2019

Total international arrivals (tourists and same-day arrivals) to Georgia increased by 16.3% y/y to 0.53mn persons in December 2019, according to GNTA. This growth was mostly driven by tourist arrivals (+15.5% y/y, 58.4% of total). Same-day arrivals also increased strongly (+17.5% y/y). Out of top countries, in December 2019, international visitors increased from Armenia (+25.8% y/y), Azerbaijan (+8.8%), Turkey (+19.7% y/y), Russia (+2.6% y/y), Israel (+63.8% y/y) and Ukraine (+18.3%). Meanwhile, visitors continued to decline from Iran (-25.4% y/y). Visitors from the EU were up 31.4% y/y to over 17,600 visitors, with Poland, Italy, Estonia and Germany driving the growth. Overall in 2019, total international visitors stood at 7.7mn (+7.3% y/y), of which tourist arrivals reached 5.1mn (+6.8% y/y) persons. Meanwhile, we estimate tourism revenues at US\$ 3.3bn (+1.9% y/y) in 2019.

### International reserves stood at US\$ 3.5bn in December 2019

Gross international reserves were up 6.6% y/y to US\$ 3.5bn in December 2019, according to NBG. On a monthly basis, reserves were up 5.4% (+US\$ 179mn). Changes in reserves were related to government and banking sector FX operations and/or asset revaluation.



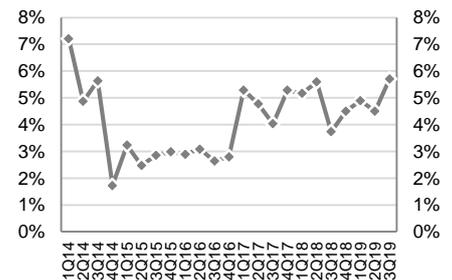
Source: Geostat

### Key macro indicators

	2016	2017	2018
GDP (% change)	2.9%	4.8%	4.8%
GDP per capita (ppp)	10,511	11,485	12,417
GDP per capita (US\$)	4,062	4,359	4,722
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)	12.4%	8.1%	6.8%
Fiscal deficit (% of GDP)	2.9%	2.7%	2.3%
Total public debt (% of GDP)	40.3%	39.4%	38.9%

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 Sep-2019	 <b>BB</b> Stable Affirmed Aug-2019
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Source: Rating agencies

# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.3bn (US\$ 792.0mn).

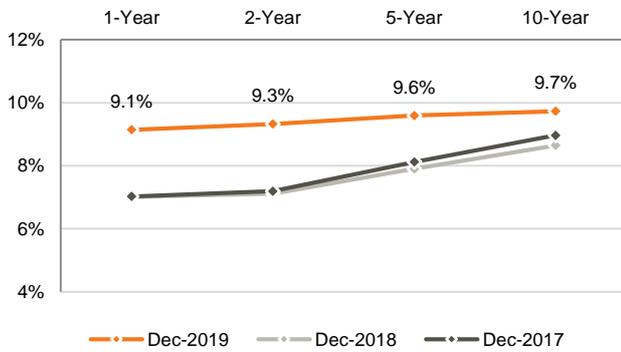
**Ministry of Finance T-Bills:** 2-year GEL 70.0mn (US\$ 24.4mn) and 6-month GEL 70.0mn (US\$ 24.4mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on January 6, 2019. The weighted average yields were fixed at 9.318% and 9.198%, respectively. The nearest treasury security auction is scheduled for January 14, 2019, where GEL 50.0mn nominal value 1-year T-Bills will be sold.

### T-bills / T-notes, Jan-20 emission calendar

Date	Volume, GEL mn	Maturity
14-Jan-20	50	1 year
21-Jan-20	30	10 year
28-Jan-20	80	5 year

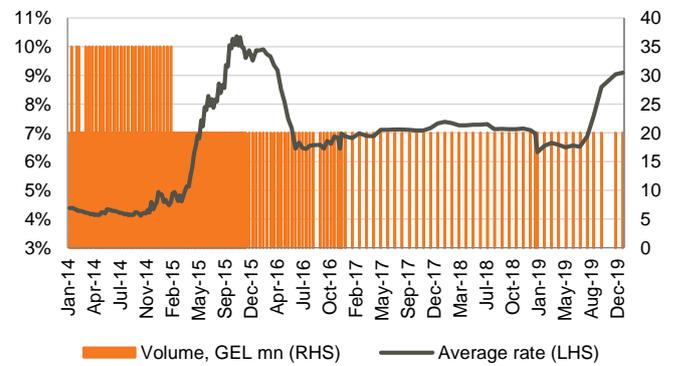
Source: MoF

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



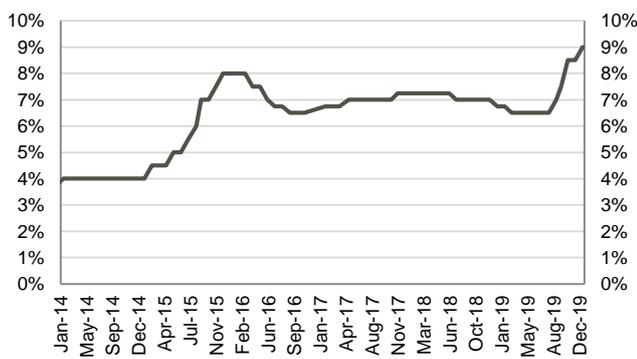
Source: NBG

### Certificates of Deposits (weighted average rate)



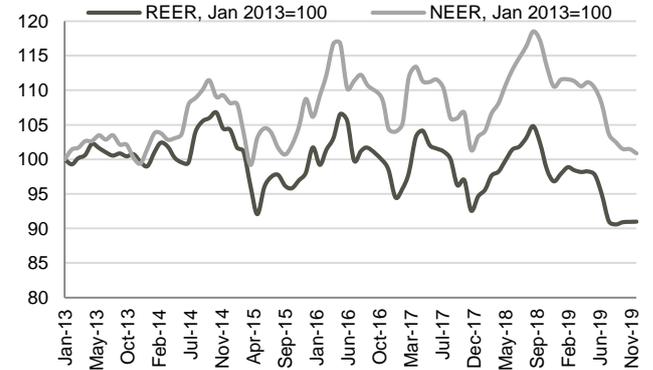
Source: NBG

### 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

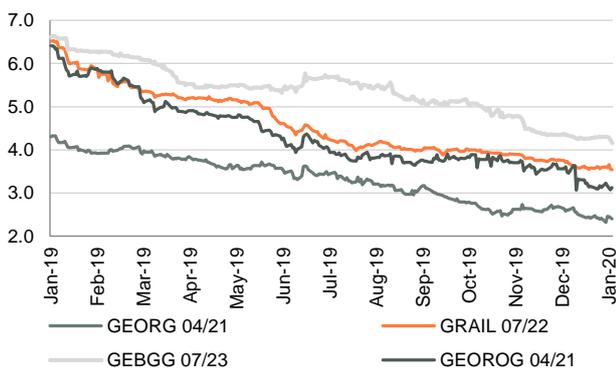
# Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 4.16% yield, trading at 106.00 (+0.43% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 98.77 (+0.28% w/w), yielding 6.46%.

GOGC Eurobonds (GEOROG) were trading at 104.52 (-0.07% w/w), yielding 3.12%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.95 (+0.04% w/w), yielding 3.54%.

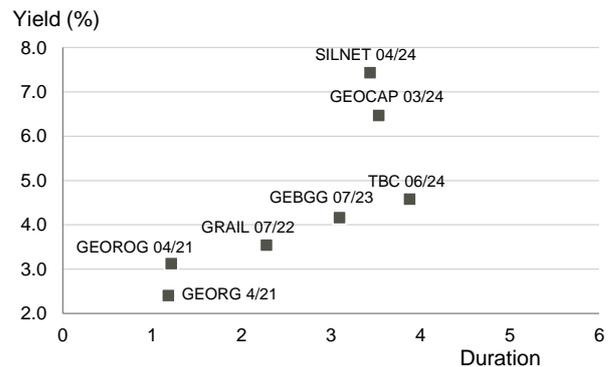
**Georgian Sovereign Eurobonds (GEORG)** closed at 105.45 (-0.06% w/w) at 2.40% yield to maturity.

**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	105.45	2.40	57.55
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.95	3.54	189.98
GEORG 04/21	US\$	250	6.750%	Apr-21	BB/B+/-	104.52	3.12	146.48
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B+2	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B+2	106.00	4.16	254.25
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	106.70	9.96	763.17
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	98.77	6.46	482.50
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	112.68	7.44	548.41
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+2	104.66	4.58	295.52
TBC PERP	US\$	125	10.775%	n/a	B-/-	104.48	10.29	791.69

### Georgian local bonds performance

GWP 12/21	GEL	30	11.00%	Dec-21	BB-/-/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.92	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	101.23	7.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	101.23	5.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	100.00	6.50	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	100.74	7.00	n/a
CRYSTAL 02/21	GEL	15	11.50%	Feb-21	B-/-/-	99.76	12.75	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 04/24	GEL	34	11.00%	Apr-24	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	14.00%	Sep-21	B-/-/-	100.00	13.25	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	105.45	2.40	57.55
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	101.97	3.17	125.40
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.90	2.88	123.40
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.88	4.16	254.07
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	107.69	2.16	53.36
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	100.91	1.83	-11.43
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	103.08	3.01	134.34
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	106.79	3.43	181.76

Source: Bloomberg



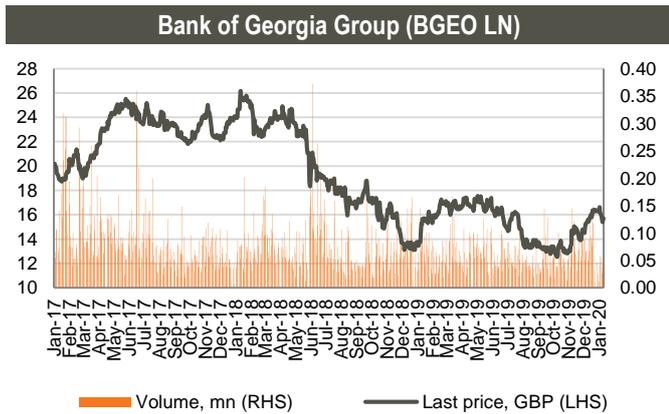
# Equities

**Bank of Georgia Group (BGE0 LN)** shares closed at GBP 15.70/share (-3.21% w/w and +0.58% m/m). More than 215k shares traded in the range of GBP 15.27 - 16.00/share. Average daily traded volume was 57k in the last 4 weeks. FTSE 250 Index, of which BGE0 is a constituent, lost 1.92% w/w and gained 3.78% m/m. The volume of BGE0 shares traded was at 0.44% of its capitalization.

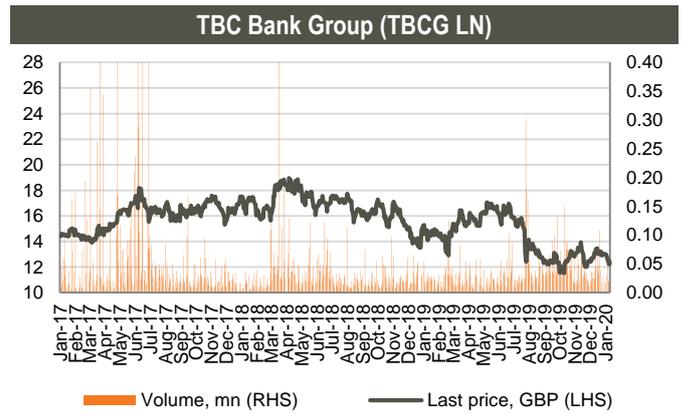
**Georgia Capital (CGEO LN)** shares closed at GBP 8.88/share (-0.22% w/w and -4.52% m/m). More than 135k shares traded in the range of GBP 8.78 - 9.05/share. Average daily traded volume was 49k in the last 4 weeks. The volume of CGEO shares traded was at 0.37% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 12.38/share (-4.48% w/w and -5.35% m/m). More than 120k shares changed hands in the range of GBP 12.16 - 12.74/share. Average daily traded volume was 34k in the last 4 weeks. The volume of TBCG shares traded was at 0.22% of its capitalization.

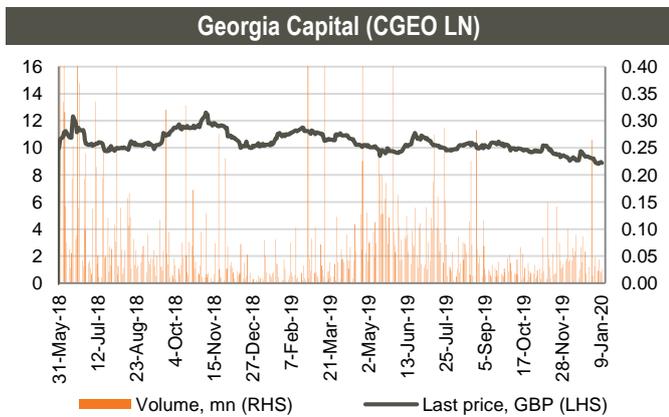
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 1.18/share (-4.07% w/w and -26.71% m/m). More than 407k shares were traded in the range of GBP 1.12 - 1.27/share. Average daily traded volume was 59k in the last 4 weeks. The volume of GHG shares traded was at 0.31% of its capitalization.



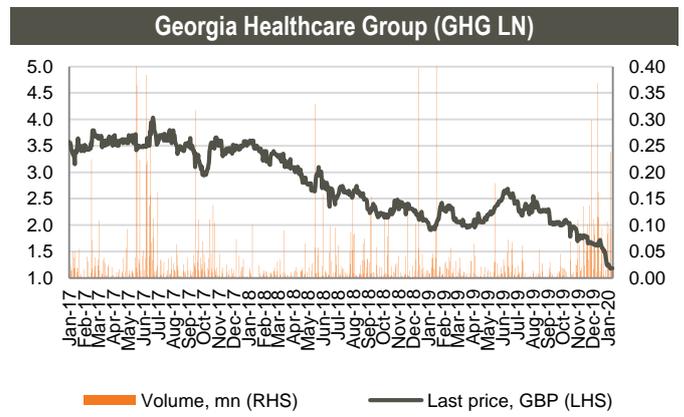
Source: Bloomberg



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	15.70	772	-1.5%	3.0%	-3.4%	6.09x	5.86x	1.46x	1.17x
TBC	TBC	GBP	12.38	681	-19.3%	-14.5%	-4.8%	5.18x	4.86x	0.95x	0.84x
Halyk Bank	HSBK	US\$	14.35	4,217	4.4%	38.0%	7.5%	5.38x	5.32x	1.25x	1.12x
VTB Bank	VTBR	US\$	1.53	9,889	10.1%	28.9%	4.3%	3.81x	3.60x	0.70x	0.44x
Akbank	AKBNK	TRY	8.69	45,188	15.4%	51.1%	7.2%	8.43x	5.68x	0.88x	0.76x
Garanti	GARAN	TRY	11.97	50,274	22.1%	52.1%	7.5%	7.87x	5.38x	0.93x	0.79x
Isbank	ISCTR	TRY	6.65	29,925	2.6%	57.2%	3.7%	5.37x	4.18x	0.55x	0.48x
PKO	PKO	PLN	34.74	43,425	-16.5%	-12.3%	0.8%	9.73x	9.41x	1.03x	1.01x
PEKAO	PEO	PLN	104.95	27,546	0.3%	-7.2%	4.5%	12.20x	10.54x	1.17x	1.13x
Millennium	MIL	PLN	5.99	7,266	-32.7%	-33.6%	2.4%	9.36x	8.31x	0.79x	0.74x
Mbank	MBK	PLN	383.60	16,240	-5.7%	-10.7%	-1.5%	12.96x	11.66x	0.98x	0.93x
BRD	BRD	RON	15.70	10,941	18.6%	38.9%	-0.9%	7.02x	9.25x	1.36x	1.40x
Banca Transilvania	TLV	RON	2.62	13,640	16.1%	42.2%	0.8%	7.24x	9.09x	1.51x	1.52x
OTP	OTPD	USD	21.20	11,872	0.0%	1.0%	0.0%	9.02x	8.89x	0.77x	0.69x
Komercni	KOMB	CZK	829.50	157,646	-6.3%	-4.3%	0.0%	10.38x	11.15x	1.49x	1.43x
<b>Mean</b>								<b>8.00x</b>	<b>7.54x</b>	<b>1.05x</b>	<b>0.96x</b>
<b>Median</b>								<b>7.87x</b>	<b>8.31x</b>	<b>0.98x</b>	<b>0.93x</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	8.88	326	-13.6%	-13.2%	-3.7%	12.47x	9.84x	0.89x	0.84x
Tinc Comm	TINC	EUR	13.50	368	8.4%	18.1%	1.1%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	10.28	20,975	12.0%	42.0%	7.8%	5.64x	4.55x	0.65x	0.54x
Deutsche Beteiligungs	DBAN	EUR	39.35	592	11.8%	10.7%	-0.3%	14.42x	18.60x	1.29x	1.24x
Eurazeo	RF	EUR	59.75	4,706	-2.9%	-2.0%	-2.0%	14.36x	11.99x	0.87x	0.84x
Carlyle Group	CG	USD	31.54	3,491	29.9%	82.8%	-1.7%	18.21x	12.53x	1.86x	1.48x
<b>Mean</b>								<b>13.02x</b>	<b>11.50x</b>	<b>1.11x</b>	<b>0.99x</b>
<b>Median</b>								<b>14.36x</b>	<b>11.99x</b>	<b>0.89x</b>	<b>0.84x</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	1.18	155	-46.1%	-39.5%	-4.1%	11.99x	8.71x	5.72x	4.90x
Mouwasset	MOUWASAT	SAR	86.50	8,650	-3.6%	9.1%	-1.7%	22.32x	19.57x	15.26x	13.70x
Fortis	FORH	INR	137.90	104,109	7.1%	-1.5%	4.5%	1.72x	1.54x	6.37x	6.47x
Raffles	RFMD	SGD	1.00	1,828	-4.8%	-13.0%	0.0%	30.53x	30.37x	19.41x	18.63x
IHH	IHH	MYR	5.60	49,134	-3.6%	-2.6%	2.4%	56.23x	42.80x	16.09x	14.44x
Bangkok Chain	BCH	THB	15.90	39,651	-2.5%	1.9%	-7.0%	32.54x	29.34x	17.90x	16.61x
Netcare	NTC	ZAR	19.83	28,790	15.4%	-27.2%	1.9%	13.83x	14.38x	8.21x	7.56x
Life Healthcare	LHC	ZAR	24.82	36,420	10.6%	-7.9%	0.7%	22.06x	16.03x	8.78x	7.61x
Mediclinic	MDC	GBP	3.95	2,909	22.5%	19.5%	-4.1%	14.79x	15.31x	9.41x	8.92x
Apollo Hospitals	APHS	INR	1,485.90	206,726	12.7%	15.6%	3.0%	73.26x	57.42x	22.61x	16.18x
KPJ Healthcare	KPJ	MYR	0.95	4,071	0.0%	-5.9%	0.5%	21.79x	20.48x	10.22x	9.81x
NMC	NMC	GBP	13.50	2,817	-40.5%	-53.9%	-23.6%	11.59x	8.94x	8.95x	7.55x
<b>Mean</b>								<b>26.05x</b>	<b>22.07x</b>	<b>12.41x</b>	<b>11.03x</b>
<b>Median</b>								<b>21.93x</b>	<b>17.80x</b>	<b>9.82x</b>	<b>9.37x</b>

Source: Bloomberg, S&P Capital IQ

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