

Weekly Market Watch

Weekly Market Watch | Georgia
February 3, 2020

Economy

Real GDP growth was 3.8% y/y in December 2019

Georgia's economy expanded 3.8% y/y in December 2019 bringing 4Q19 real GDP growth at 5.3% y/y, according to Geostat's rapid estimates. Overall, real GDP growth was 5.2% y/y in 2019. In December 2019, real growth was recorded in manufacturing, transportation and storage, trade and hotels and restaurants sectors. Meanwhile, growth was down in construction sector. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

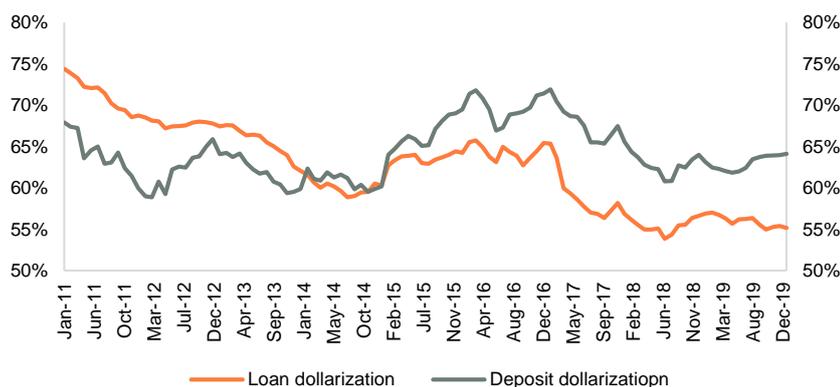
NPLs at 1.9% in December 2019

In December 2019, the banking sector loan portfolio increased 16.2% y/y after growing 14.5% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 20.1% y/y and up 1.8% m/m to GEL 31.9bn (US\$ 11.1bn). Deposits were up 9.0% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 13.9% y/y and unchanged m/m to GEL 26.2bn (US\$ 9.1bn). Loan dollarization stood at 55.1% (-1.76ppts y/y and -0.25ppts m/m) and deposit dollarization reached 64.1% (+1.00ppts y/y and +0.17ppts m/m). NPLs stood at 1.9% in December 2019 (-0.75ppts y/y and -0.62ppts m/m).

NBG keeps its policy rate unchanged at 9.0%

At its meeting on 29 January 2020, NBG's monetary policy committee decided to keep its policy rate unchanged at 9.0%. Annual inflation came in at 7.0% in Dec-19, as GEL depreciation along with one-off factors resulted in overshooting the 3% inflation target. In response to neutralize depreciation-related inflationary pressures NBG tightened policy from September 2019. NBG commented that along with the policy tightening, nominal effective exchange rate slightly appreciated in December but still remained undervalued. By NBG's forecast the inflation will start declining from the beginning of 2020 and approach the target by the end of 2020. NBG commented that the monetary policy will remain tightened until the medium-term inflation expectations are reduced to 3%. The next committee meeting is scheduled for 18 March 2020.

Loan and deposit dollarization



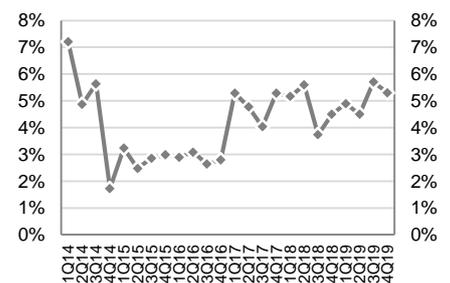
Source: NBG

Key macro indicators

	2017	2018	2019E
GDP (% change)	4.8%	4.8%	5.2%
GDP per capita (ppp)	11,485	12,417	13,443
GDP per capita (US\$)	4,359	4,722	4,716
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%	4.0%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.4%
Total public debt (% of GDP)	39.4%	38.9%	40.3%

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 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 1.8bn (US\$ 634.5mn).

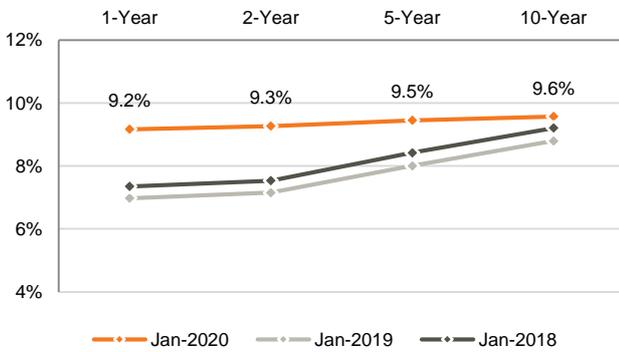
Ministry of Finance Benchmark Bonds: 5-year GEL 80.0mn (US\$ 27.6mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on January 28, 2020. The weighted average yield was fixed at 9.179%. The nearest treasury security auction is scheduled for February 4, 2020, where GEL 20.0mn nominal value 6-month T-Bills and GEL 70.0mn nominal value 2-year Benchmark Bonds will be sold.

T-bills / T-notes, Feb-20 emission calendar

Date	Volume, GEL mn	Maturity
4-Feb-20	20	6 month
4-Feb-20	70	2 year
11-Feb-20	50	1 year
25-Feb-20	80	5 year

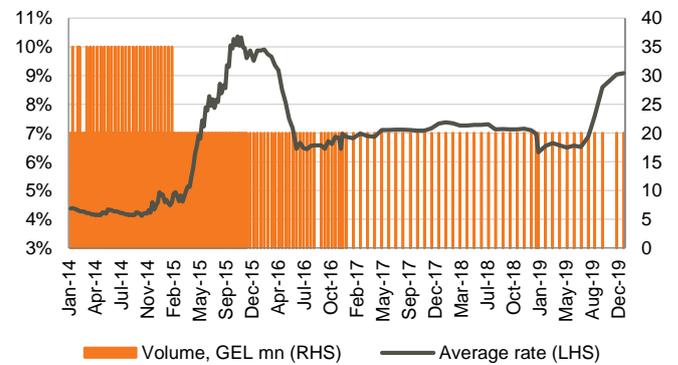
Source: MoF

T-bills / T-notes, yield curve



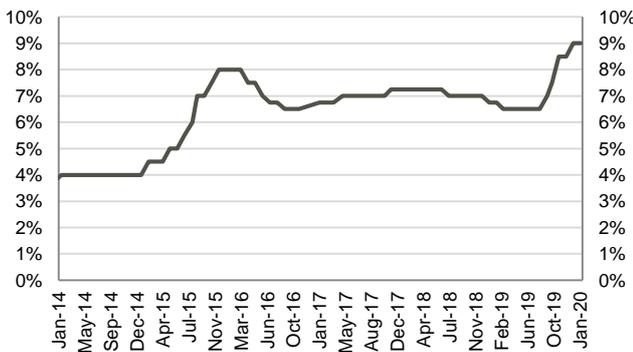
Source: NBG

Certificates of Deposits (weighted average rate)



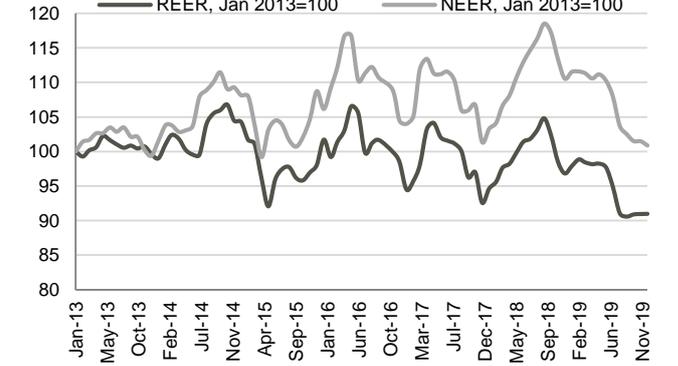
Source: NBG

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



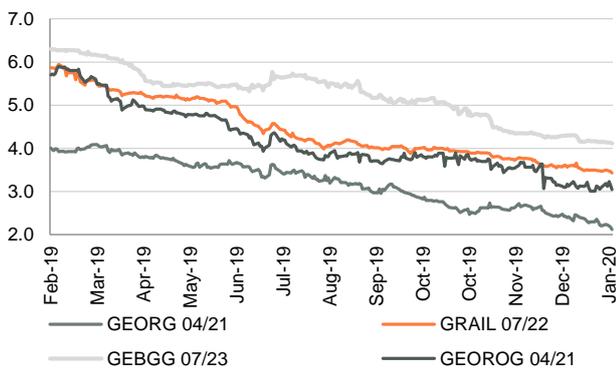
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.11% yield, trading at 106.06 (+0.10% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 99.13 (+0.28% w/w), yielding 6.37%.

GOGC Eurobonds (GEOROG) were trading at 104.42 (unchanged w/w), yielding 3.05%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.02 (+0.02% w/w), yielding 3.43%.

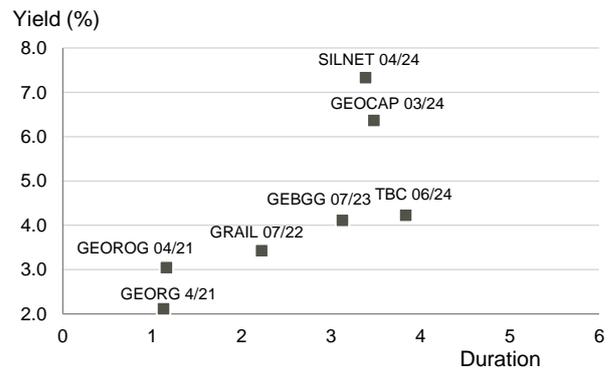
Georgian Sovereign Eurobonds (GEORG) closed at 105.55 (+0.02% w/w) at 2.12% yield to maturity.

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	105.55	2.12	61.87
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	110.02	3.43	206.06
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/B+/-	104.42	3.05	158.01
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	106.06	4.11	278.57
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	107.40	9.70	769.04
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B+/B2	99.13	6.37	507.93
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-B1	112.92	7.34	545.30
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	106.02	4.23	286.04
TBC PERP	US\$	125	10.775%	n/a	B-/-	107.07	9.87	750.51

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	-/-/-	101.81	6.50	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	101.21	7.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	100.86	5.50	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+/-/-	100.72	7.00	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	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	105.55	2.12	61.87
Armenia	US\$	500	6.000%	Sep-20	BB-/-/Ba3	102.14	2.67	91.07
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.21	2.68	127.95
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	108.04	4.06	270.31
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	108.05	2.07	72.25
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	100.80	1.58	-3.36
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B1	103.22	2.77	131.18
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	106.58	3.42	200.12

Source: Bloomberg



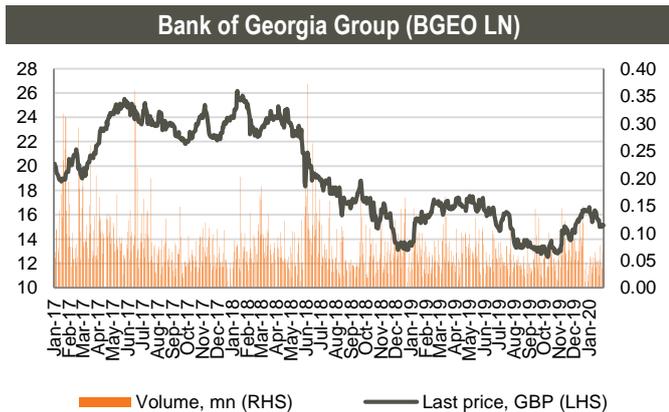
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 15.13/share (+0.33% w/w and -6.89% m/m). More than 247k shares traded in the range of GBP 14.82 - 15.46/share. Average daily traded volume was 48k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 2.85% w/w and 3.38% m/m. The volume of BGEO shares traded was at 0.50% of its capitalization.

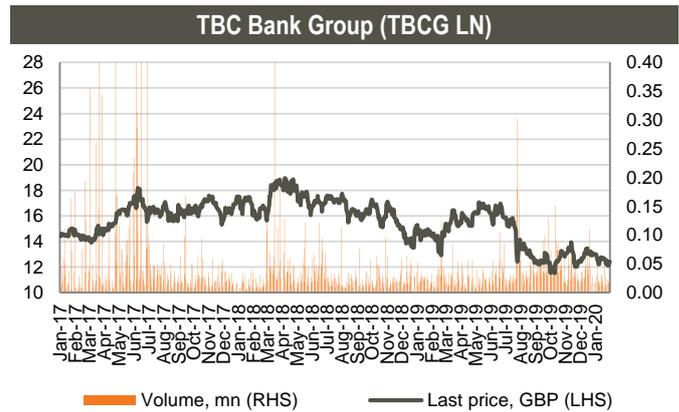
Georgia Capital (CGEO LN) shares closed at GBP 8.04/share (-0.99% w/w and -12.80% m/m). More than 156k shares traded in the range of GBP 8.00 - 8.34/share. Average daily traded volume was 39k in the last 4 weeks. The volume of CGEO shares traded was at 0.43% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 12.40/share (-0.96% w/w and -4.62% m/m). More than 90k shares changed hands in the range of GBP 12.08 - 12.56/share. Average daily traded volume was 22k in the last 4 weeks. The volume of TBCG shares traded was at 0.17% of its capitalization.

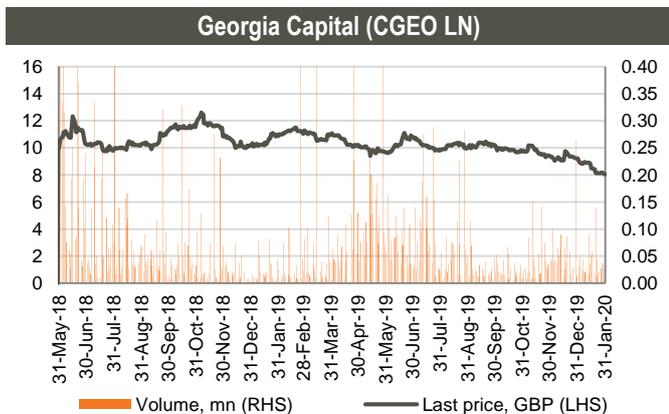
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.23/share (-1.60% w/w and unchanged m/m). More than 369k shares were traded in the range of GBP 1.22 - 1.29/share. Average daily traded volume was 87k in the last 4 weeks. The volume of GHG shares traded was at 0.28% of its capitalization.



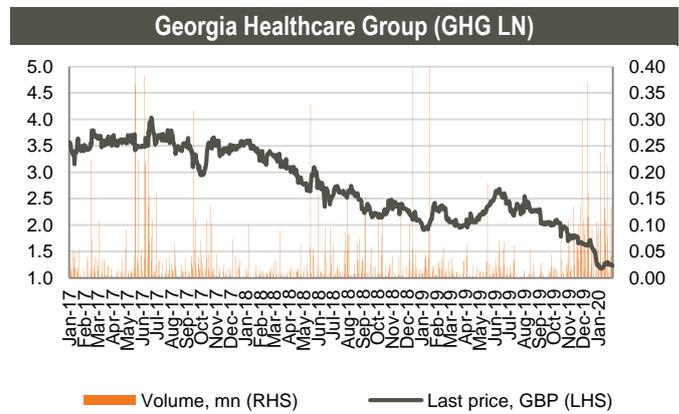
Source: Bloomberg



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	15.13	744	7.6%	-1.3%	-6.9%	6.13x	5.80x	1.37x	1.14x
TBC	TBC	GBP	12.40	682	-12.2%	-13.9%	-4.6%	5.24x	4.93x	0.97x	0.86x
Halyk Bank	HSBK	US\$	14.55	4,276	3.9%	44.1%	9.0%	5.19x	5.19x	1.24x	1.10x
VTB Bank	VTBR	US\$	1.43	9,254	7.1%	12.9%	-2.4%	3.53x	3.44x	0.57x	0.44x
Akbank	AKBNK	TRY	8.26	42,952	9.4%	16.7%	1.8%	7.86x	5.33x	0.82x	0.72x
Garanti	GARAN	TRY	11.90	49,980	20.8%	31.3%	6.8%	7.68x	5.56x	0.91x	0.83x
Isbank	ISCTR	TRY	7.25	32,625	16.2%	27.6%	13.1%	5.52x	4.14x	0.58x	0.52x
PKO	PKO	PLN	34.21	42,763	-16.3%	-13.4%	-0.7%	9.66x	9.34x	1.00x	1.00x
PEKAO	PEO	PLN	98.98	25,979	-4.0%	-10.5%	-1.5%	11.38x	9.97x	1.09x	1.07x
Millennium	MIL	PLN	5.94	7,206	-21.5%	-32.7%	1.5%	9.55x	7.84x	0.77x	0.73x
Mbank	MBK	PLN	371.20	15,715	6.2%	-17.3%	-4.7%	12.34x	11.28x	0.94x	0.90x
BRD	BRD	RON	16.12	11,234	18.0%	61.2%	1.8%	7.19x	9.50x	1.39x	1.44x
Banca Transilvania	TLV	RON	2.59	13,483	8.3%	78.3%	-0.4%	7.20x	8.97x	1.49x	1.51x
OTP	OTPD	USD	22.80	12,768	7.5%	8.6%	7.5%	9.61x	9.63x	0.83x	0.75x
Komercni	KOMB	CZK	783.50	148,904	-12.5%	-13.5%	-5.5%	9.78x	10.51x	1.40x	1.35x
Mean								7.86x	7.43x	1.02x	0.96x
Median								7.68x	7.84x	0.97x	0.90x

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	8.04	295	-18.0%	-25.9%	-12.8%	11.41x	9.03x	0.81x	0.76x
Tinc Comm	TINC	EUR	14.05	383	15.1%	22.3%	5.2%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.75	19,894	-1.2%	4.1%	2.2%	5.25x	4.31x	0.61x	0.52x
Deutsche Beteiligungs	DBAN	EUR	38.05	572	20.4%	11.6%	-3.5%	13.91x	17.61x	1.24x	1.20x
Eurazeo	RF	EUR	64.70	5,096	6.7%	4.7%	6.1%	15.62x	12.60x	0.94x	0.91x
Carlyle Group	CG	USD	32.48	3,595	36.2%	71.9%	1.2%	18.75x	12.98x	2.01x	1.57x
Mean								12.99x	11.31x	1.12x	0.99x
Median								13.91x	12.60x	0.94x	0.91x

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	1.23	162	-45.3%	-47.2%	0.0%	13.50x	9.44x	5.92x	5.28x
Mouwasset	MOUWASAT	SAR	80.50	8,050	-8.0%	6.6%	-8.5%	20.88x	18.31x	14.51x	13.08x
Fortis	FORH	INR	153.45	115,848	27.9%	13.5%	16.3%	1.90x	1.73x	6.62x	6.60x
Raffles	RFMD	SGD	1.04	1,901	1.0%	-6.3%	4.0%	31.77x	31.34x	20.03x	19.31x
IHH	IHH	MYR	5.70	50,012	-0.7%	1.8%	4.2%	56.96x	43.81x	16.23x	14.72x
Bangkok Chain	BCH	THB	15.50	38,653	0.6%	-4.9%	-9.4%	31.42x	28.39x	17.33x	16.14x
Netcare	NTC	ZAR	20.05	29,109	19.8%	-19.0%	3.0%	13.37x	14.55x	7.99x	7.62x
Life Healthcare	LHC	ZAR	25.04	36,742	10.3%	-7.7%	1.6%	21.27x	15.58x	8.54x	7.61x
Mediclinic	MDC	GBP	3.69	2,723	7.6%	17.5%	-10.3%	13.99x	14.27x	9.09x	8.55x
Apollo Hospitals	APHS	INR	1,660.20	230,976	22.8%	25.2%	15.1%	81.38x	63.90x	24.78x	18.06x
KPJ Healthcare	KPJ	MYR	0.98	4,199	4.8%	-9.3%	3.7%	22.58x	21.22x	10.38x	10.03x
NMC	NMC	GBP	12.92	2,697	-47.8%	-49.8%	-26.9%	11.42x	8.81x	8.77x	7.45x
Mean								26.70x	22.61x	12.52x	11.20x
Median								21.08x	16.94x	9.74x	9.29x

Source: Bloomberg, S&P Capital IQ



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