

# Weekly Market Watch

Weekly Market Watch | Georgia  
April 27, 2020

## Economy

### Government's GEL3.5bn anti-crisis plan and reopening timeline

On 24 April 2020, Prime Minister Giorgi Gakharia presented an anti-crisis plan to respond to COVID-19 pandemic associated economic and social challenges. The plan includes a social assistance package for individuals, as well as tax exemptions and various funding mechanisms for businesses. The Prime Minister said that Georgian economy expected to contract by 4 % in 2020. A total of GEL 3.5bn will be allocated for implementing the economic stimulus plan, of which GEL 1.35bn will be used to support citizens and GEL 2.11bn to support businesses - credit lines for commercial banks, VAT refunds, business guarantee schemes, etc.

Prime Minister also spoke about the gradual lifting of coronavirus-related restrictions and outlined a timeline. The reopening plan will be rolled out in 6 different phases - starting from 27 April through 6 July. Each stage will take place in every 2 weeks, while taking into consideration the epidemiological situation in the country.

### Trade deficit down 6.8% y/y in March 2020

In March 2020, exports decreased by 22.1% y/y to US\$ 251.9mn, imports fell by 13.4% y/y to US\$ 655.0mn. As a result, trade deficit narrowed by 6.8% y/y to US\$ 403.1mn, according to Geostat.

In March 2020, copper (+21.9% y/y), cars (-37.5% y/y), ferro-alloys (-64.4% y/y), wine (+1.9% y/y) and mineral waters (-10.6% y/y) were the top 5 exported commodities. A 27.2% of exports was directed to the EU (-11.8% y/y), 42.5% to the CIS (-34.6% y/y) and 30.3% to other countries (-6.8% y/y).

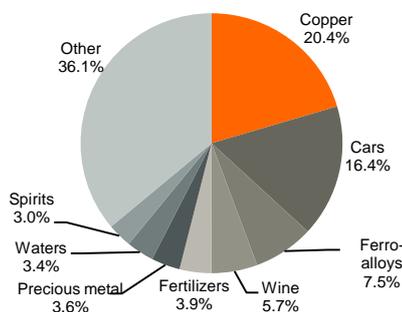
Cars (-25.0% y/y), petroleum (-9.1% y/y), copper (-26.1% y/y), gases (-27.2% y/y) and pharmaceuticals (-11.0% y/y) represented the top 5 imported commodities in March 2020.

Overall, in 1Q20, trade deficit was up 1.7% to US\$ 1.2bn as exports decreased by 5.9% y/y to US\$ 778.2mn and imports decreased by 1.4% y/y to US\$ 2.0bn.

### Producer price index up 8.7% y/y in March 2020

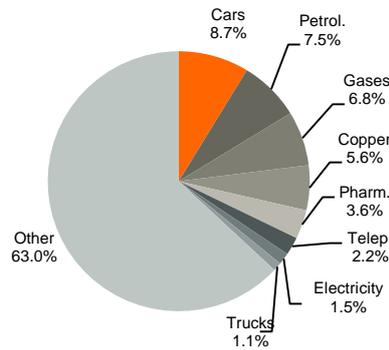
Annual PPI for industrial goods was up 8.7% in March 2020 according to Geostat. Rising prices in manufacturing (+8.7% y/y) contributed the most to the overall index change.

Exports by commodities, 1Q20



Source: Geostat

Imports by commodities, 1Q20

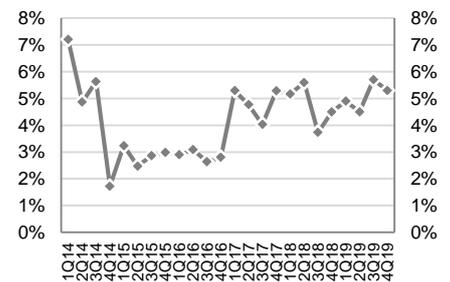


### Key macro indicators

	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



Source: Rating agencies



# Money market

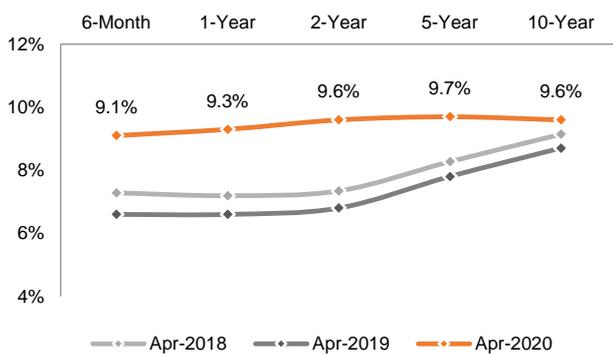
**Ministry of Finance Benchmark Bonds:** 10-year GEL 40.0mn (US\$ 12.6mn) Benchmark Bonds were sold at the auction held at NBG on April 21, 2020. Total demand was nearly 2.0x higher. The weighted average yield was fixed at 10.235%, up 0.88ppts from previous auction held on January 2020. The nearest treasury 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	240	720	1,623
10-year	70	80	523
<b>Total</b>	<b>920</b>	<b>1,920</b>	<b>4,175</b>

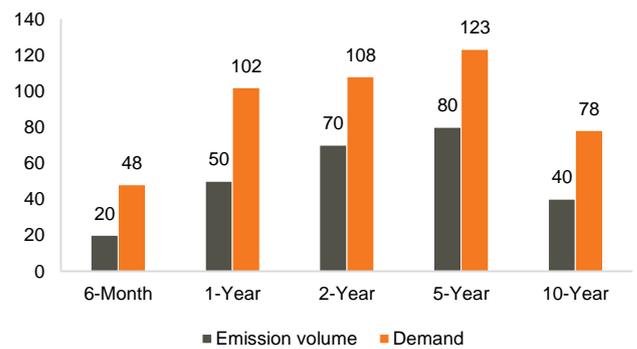
Source: MoF  
Note: \* As of 31 March 2020

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



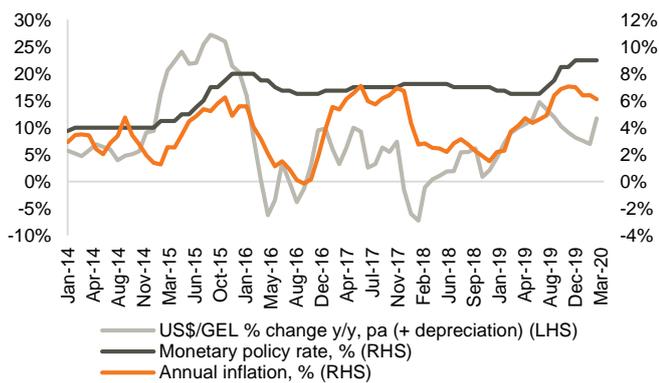
Source: NBG

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



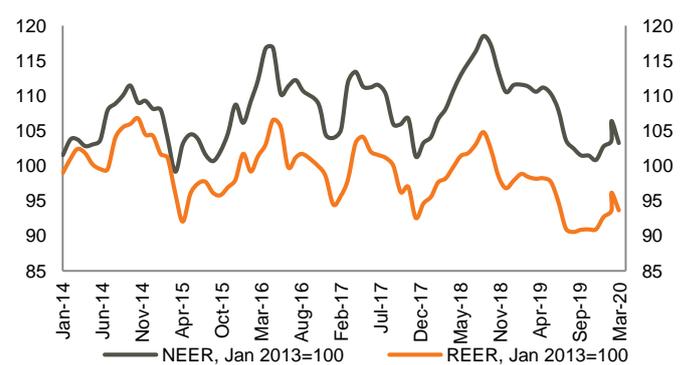
Source: NBG

## 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

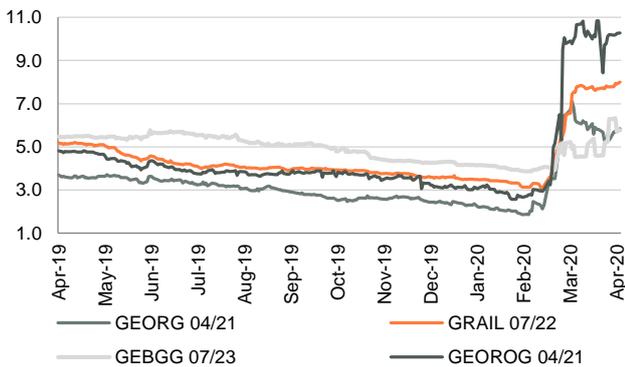
# Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 5.78% yield, trading at 100.64 (+1.53% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 92.22 (+0.70% w/w), yielding 8.53%.

GOGC Eurobonds (GEOROG) were trading at 96.74 (-0.01% w/w), yielding 10.28%. Georgian Railway Eurobonds (GRAIL) traded at 99.48 (-0.45% w/w), yielding 8.00%.

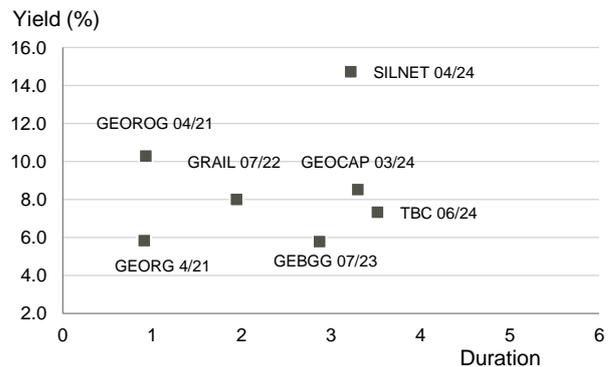
**Georgian Sovereign Eurobonds (GEORG)** closed at 100.95 (-0.49% w/w) at 5.83% yield to maturity.

**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	100.95	5.83	535.35
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	99.48	8.00	756.31
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	96.74	10.28	980.32
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B+/-	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B+/-	100.64	5.78	531.09
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	93.21	10.56	1,290.25
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	92.22	8.53	839.69
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	89.17	14.72	1,431.95
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+/-	94.43	7.33	693.08
TBC PERP	US\$	125	10.775%	n/a	B-/-	94.55	11.03	1,204.12

### 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+/-/-	99.98	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	100.95	5.83	535.35
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	99.60	6.94	665.08
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.01	2.05	165.60
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	98.28	7.56	719.61
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	105.65	2.53	210.21
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	100.32	5.26	477.30
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	97.25	9.98	979.50

Source: Bloomberg

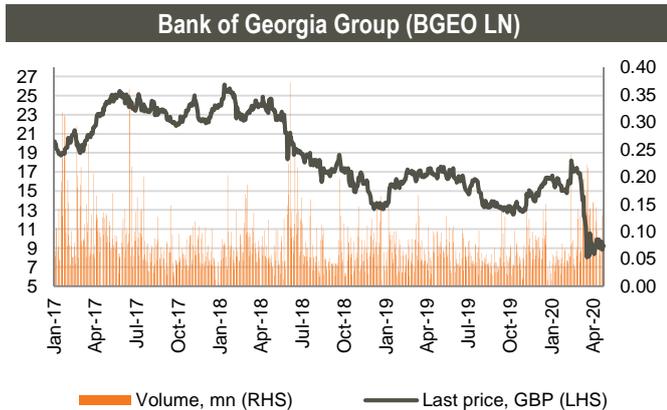
# Equities

**Bank of Georgia Group (B GEO LN)** shares closed at GBP 9.25/share (-4.84% w/w and -6.71% m/m). More than 656k shares traded in the range of GBP 8.75 - 9.88/share. Average daily traded volume was 109k in the last 4 weeks. FTSE 250 Index, of which B GEO is a constituent, lost 1.08% w/w and gained 10.69% m/m. The volume of B GEO shares traded was at 1.34% of its capitalization.

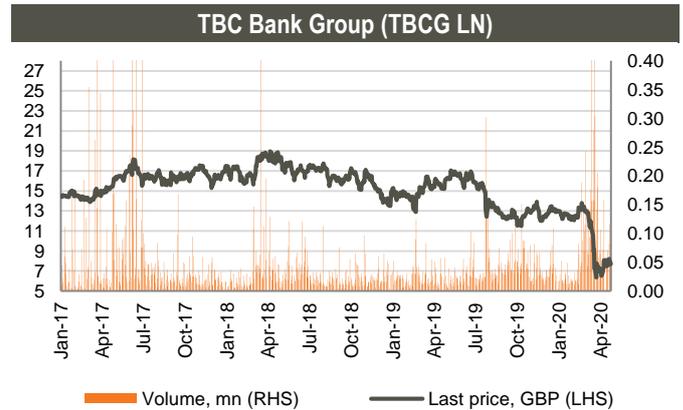
**Georgia Capital (CGEO LN)** shares closed at GBP 4.18/share (-15.38% w/w and -12.00% m/m). More than 199k shares traded in the range of GBP 4.00 - 4.94/share. Average daily traded volume was 45k in the last 4 weeks. The volume of CGEO shares traded was at 0.54% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 7.69/share (-4.94% w/w and -0.77% m/m). More than 384k shares changed hands in the range of GBP 7.48 - 8.30/share. Average daily traded volume was 70k in the last 4 weeks. The volume of TBCG shares traded was at 0.70% of its capitalization.

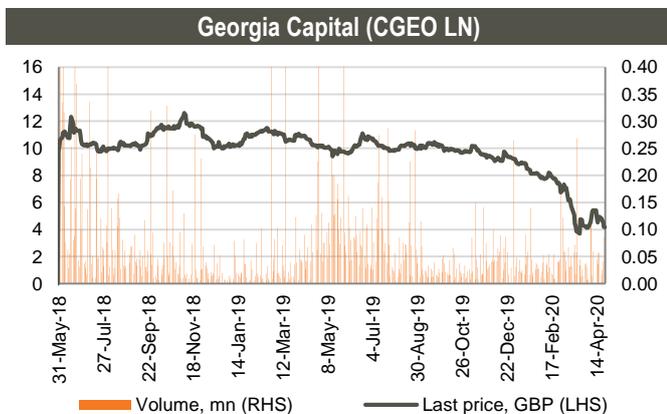
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 0.84/share (-8.76% w/w and +14.83% m/m). More than 92k shares were traded in the range of GBP 0.79 - 0.95/share. Average daily traded volume was 25k in the last 4 weeks. The volume of GHG shares traded was at 0.07% of its capitalization.



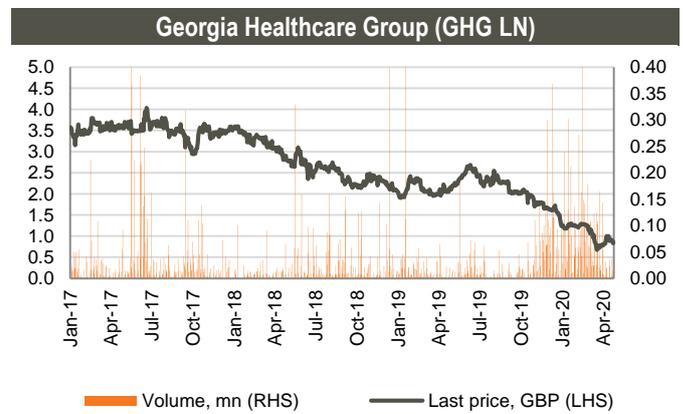
Source: Bloomberg



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	9.25	455	-28.9%	-43.3%	-43.1%	3.54x	5.11x	0.78x	0.70x
TBC	TBC	GBP	7.69	423	-42.0%	-49.5%	-40.8%	2.98x	7.71x	0.57x	0.56x
Halyk Bank	HSBK	US\$	8.40	2,468	-35.4%	-28.2%	-37.1%	2.94x	3.87x	0.70x	0.87x
VTB Bank	VTBR	US\$	0.90	5,852	-33.0%	-21.1%	-38.3%	2.23x	3.41x	0.34x	0.25x
Akbank	AKBNK	TRY	5.74	29,848	-20.3%	-9.5%	-29.2%	4.71x	4.14x	0.49x	0.49x
Garanti	GARAN	TRY	8.12	34,104	-16.3%	-4.6%	-27.1%	4.50x	4.05x	0.53x	0.55x
Isbank	ISCTR	TRY	4.84	21,780	-20.0%	-16.4%	-24.5%	3.18x	3.26x	0.33x	0.34x
PKO	PKO	PLN	20.82	26,025	-46.7%	-47.6%	-39.6%	5.57x	7.28x	0.57x	0.59x
PEKAO	PEO	PLN	49.31	12,942	-56.5%	-57.6%	-50.9%	5.33x	7.13x	0.50x	0.53x
Millennium	MIL	PLN	2.72	3,302	-56.5%	-71.4%	-53.5%	4.05x	5.04x	0.33x	0.36x
Mbank	MBK	PLN	212.00	8,975	-43.7%	-52.1%	-45.6%	6.52x	7.86x	0.49x	0.54x
BRD	BRD	RON	11.40	7,945	-20.6%	-16.5%	-28.0%	4.90x	10.90x	0.95x	1.03x
Banca Transilvania	TLV	RON	1.93	10,056	-19.7%	-2.9%	-25.7%	5.18x	10.33x	1.07x	1.16x
OTP	OTPD	USD	22.80	12,768	7.5%	0.0%	7.5%	9.60x	12.09x	0.82x	0.78x
Komercni	KOMB	CZK	518.00	98,446	-35.3%	-42.0%	-37.6%	5.88x	9.16x	0.84x	0.87x
<b>Mean</b>								<b>4.74x</b>	<b>6.76x</b>	<b>0.62x</b>	<b>0.64x</b>
<b>Median</b>								<b>4.71x</b>	<b>7.13x</b>	<b>0.57x</b>	<b>0.56x</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	4.18	154	-56.9%	-58.6%	-54.7%	5.56x	3.85x	0.39x	n/a
Tinc Comm	TINC	EUR	13.30	363	1.7%	14.8%	-0.4%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	7.81	15,936	-10.5%	-0.1%	-18.1%	3.57x	3.42x	0.42x	0.44x
Deutsche Beteiligungs	DBAN	EUR	29.05	437	-21.2%	-22.2%	-26.4%	10.37x	22.58x	0.93x	0.96x
Eurazeo	RF	EUR	41.68	3,283	-32.3%	-35.5%	-31.7%	9.82x	74.81x	0.59x	0.57x
Carlyle Group	CG	USD	22.58	2,499	-16.7%	7.9%	-29.6%	13.03x	5.75x	1.40x	2.66x
<b>Mean</b>								<b>8.47x</b>	<b>22.08x</b>	<b>0.75x</b>	<b>1.16x</b>
<b>Median</b>								<b>9.82x</b>	<b>5.75x</b>	<b>0.59x</b>	<b>0.76x</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	0.84	111	-57.1%	-59.8%	-31.4%	8.68x	6.97x	4.50x	3.95x
Mouwasset	MOUWASAT	SAR	77.10	7,710	-9.4%	-6.1%	-12.4%	19.75x	18.00x	13.66x	12.65x
Fortis	FORH	INR	121.45	91,690	-11.9%	-12.7%	-7.9%	1.41x	1.38x	6.43x	6.60x
Raffles	RFMD	SGD	0.87	1,590	-13.0%	-17.9%	-13.0%	25.47x	27.58x	16.34x	16.37x
IHH	IHH	MYR	5.11	44,835	-9.6%	-8.9%	-6.6%	47.36x	47.26x	13.86x	15.13x
Bangkok Chain	BCH	THB	13.00	32,419	-22.2%	-27.0%	-24.0%	25.30x	26.99x	14.32x	14.45x
Netcare	NTC	ZAR	15.69	22,779	-11.4%	-33.5%	-19.4%	8.25x	10.51x	5.48x	6.70x
Life Healthcare	LHC	ZAR	18.39	26,985	-25.5%	-29.3%	-25.4%	12.33x	12.22x	5.82x	6.39x
Mediclinic	MDC	GBP	2.44	1,796	-34.5%	-29.6%	-40.8%	8.64x	9.53x	6.95x	6.37x
Apollo Hospitals	APHS	INR	1,359.50	189,141	-11.5%	10.6%	-5.7%	62.19x	55.73x	19.65x	14.75x
KPJ Healthcare	KPJ	MYR	0.88	3,749	-4.9%	-12.1%	-7.4%	18.94x	20.35x	9.17x	9.19x
NMC	NMC	GBP	9.38	1,959	-62.7%	-65.0%	-46.9%	9.32x	6.98x	9.96x	8.52x
<b>Mean</b>								<b>20.64x</b>	<b>20.29x</b>	<b>10.51x</b>	<b>10.09x</b>
<b>Median</b>								<b>15.63x</b>	<b>15.11x</b>	<b>9.57x</b>	<b>8.85x</b>

Source: Bloomberg, S&P Capital IQ

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