



Weekly Market Watch

Weekly Market Watch | Georgia
June 1, 2020

Economy

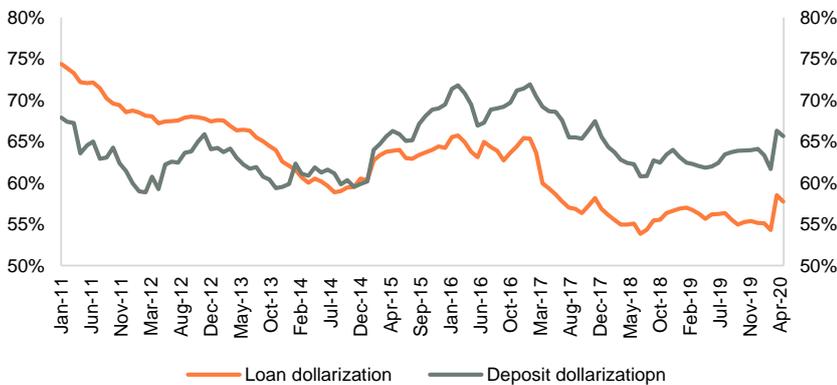
Real GDP shrinks 16.6% y/y in April 2020

Georgia's economy contracted by 16.6% y/y in April 2020 after falling 2.7% y/y in previous month, according to Geostat's rapid estimates. Real growth was positive in mining sector only, while the rest of economy contracted reflecting lockdown effects. Overall, real GDP growth was down 3.6% y/y in 4M20. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 2.3% in April 2020

In April 2020, the banking sector loan portfolio increased 17.2% y/y after growing 17.1% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 28.3% y/y and down 2.2% m/m to GEL 34.2bn (US\$ 10.7bn). Deposits were up 7.1% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 19.2% y/y and down 4.5% m/m to GEL 27.6bn (US\$ 8.6bn). Loan dollarization stood at 57.7% (+2.07ppts y/y and -0.79ppts m/m) and deposit dollarization was 65.7% (+3.82ppts y/y and -0.63ppts m/m). NPLs stood at 2.3% in April 2020 (-1.10ppts y/y and +0.09ppts m/m).

Loan and deposit dollarization



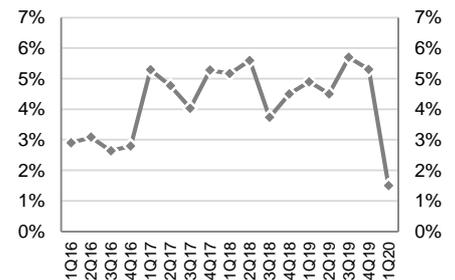
Source: NBG

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

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

Money market

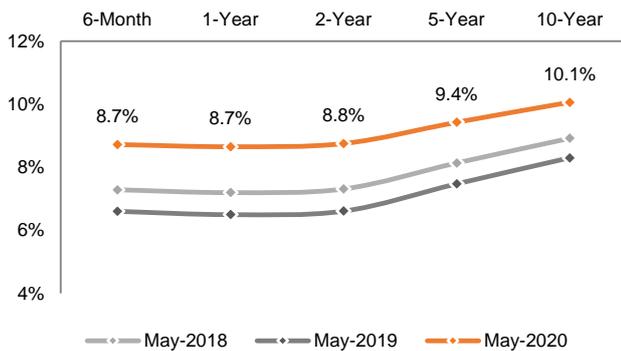
Ministry of Finance Benchmark Bonds: 5-year GEL 80.0mn (US\$ 25.1mn) Benchmark Bonds were sold at the auction held at NBG on May 25, 2020. Total demand was 2.0x higher and the weighted average yield was fixed at 9.111%, down 0.61ppts from previous auction held in April, 2020. The nearest treasury security auction is scheduled for June 2, 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	180	110	270
1-year	280	320	580
2-year	350	490	1,210
5-year	400	560	1,663
10-year	70	80	563
Total	1,280	1,560	4,285

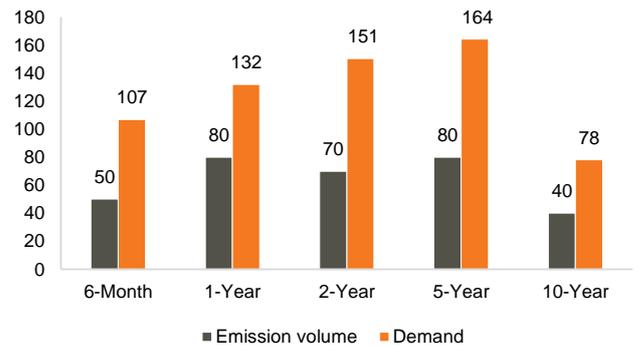
Source: MoF
Note: * As of 30 April 2020

T-bills / T-notes, yield curve



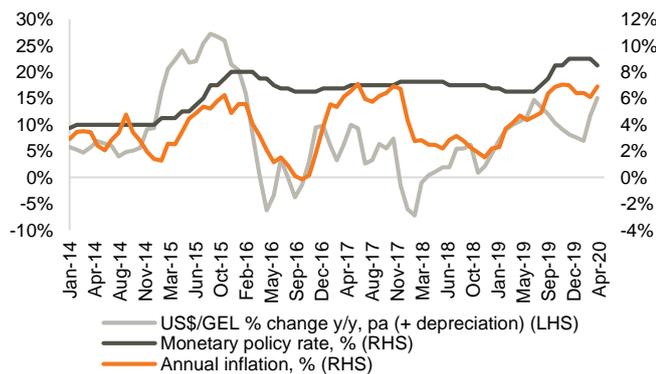
Source: NBG

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



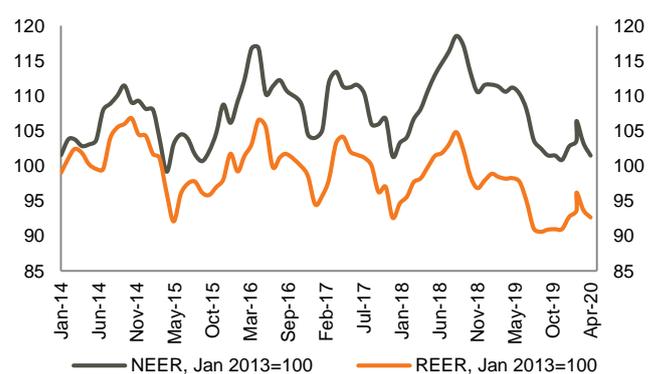
Source: NBG

Monetary policy rate, inflation and FX rate



Source: NBG

Nominal effective exchange rate and Real effective exchange rate



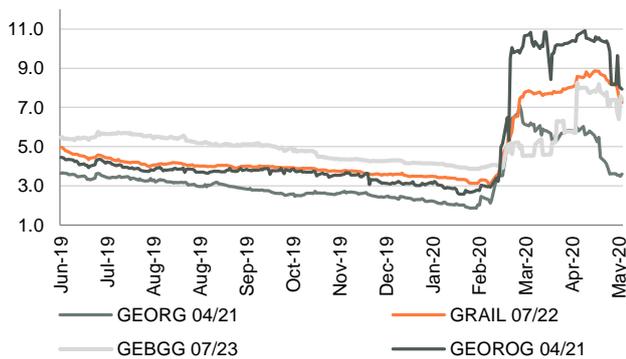
Source: NBG
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

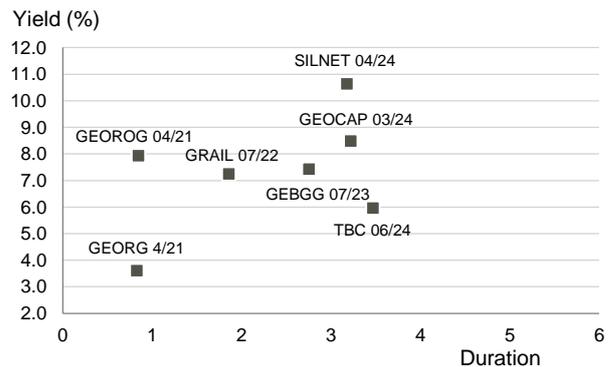
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 7.42% yield, trading at 96.05 (-0.07% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 92.49 (-0.20% w/w), yielding 8.49%.

GOGC Eurobonds (GEOROG) were trading at 98.98 (+0.22% w/w), yielding 7.93%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 100.95 (+1.88% w/w), yielding 7.25%.

Georgian Sovereign Eurobonds (GEORG) closed at 102.74 (-0.04% w/w) at 3.61% 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	102.74	3.61	337.48
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	100.95	7.25	706.64
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	98.98	7.93	752.12
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	96.05	7.42	671.40
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	93.97	10.39	1,276.89
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	92.49	8.49	813.98
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-B1	101.11	10.63	1,034.06
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	99.25	5.96	562.90
TBC PERP	US\$	125	10.775%	n/a	B-/-	92.80	10.72	1,254.81

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	-/-/-	99.63	7.75	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	99.45	7.75	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	-/-/-	98.97	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	12.50	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	102.74	3.61	337.48
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	99.88	6.32	476.65
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.06	1.96	169.55
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	104.13	5.23	494.73
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.33	1.65	131.48
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	101.30	4.00	357.52
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	101.12	6.79	651.25

Source: Bloomberg

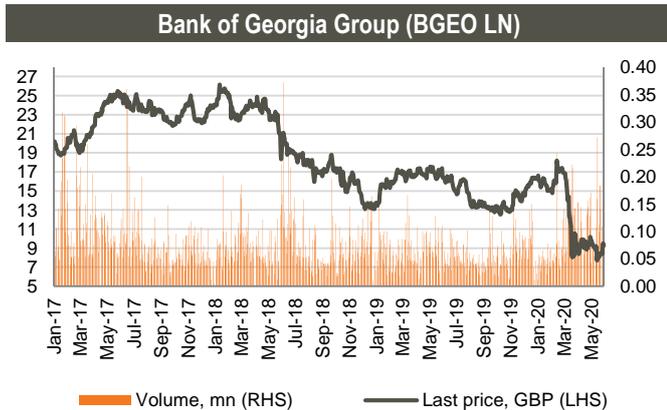
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 9.25/share (+9.21% w/w and -9.14% m/m). More than 526k shares traded in the range of GBP 8.37 - 9.68/share. Average daily traded volume was 120k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 3.93% w/w and 1.23% m/m. The volume of BGEO shares traded was at 1.07% of its capitalization.

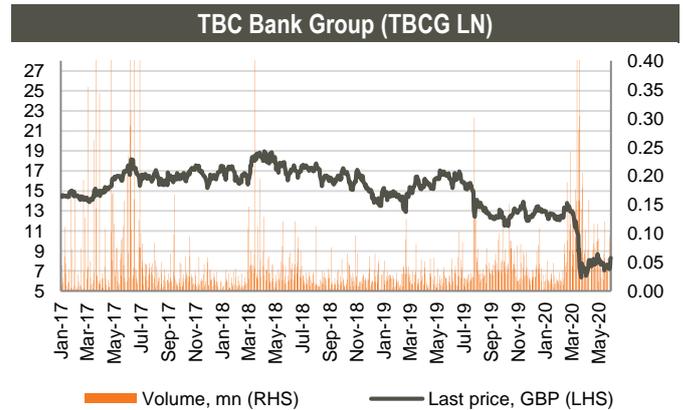
Georgia Capital (CGEO LN) shares closed at GBP 4.60/share (+11.25% w/w and +8.24% m/m). More than 101k shares traded in the range of GBP 4.22 - 4.73/share. Average daily traded volume was 32k in the last 4 weeks. The volume of CGEO shares traded was at 0.28% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 8.30/share (+13.70% w/w and -4.60% m/m). More than 408k shares changed hands in the range of GBP 7.17 - 8.43/share. Average daily traded volume was 62k in the last 4 weeks. The volume of TBCG shares traded was at 0.74% of its capitalization.

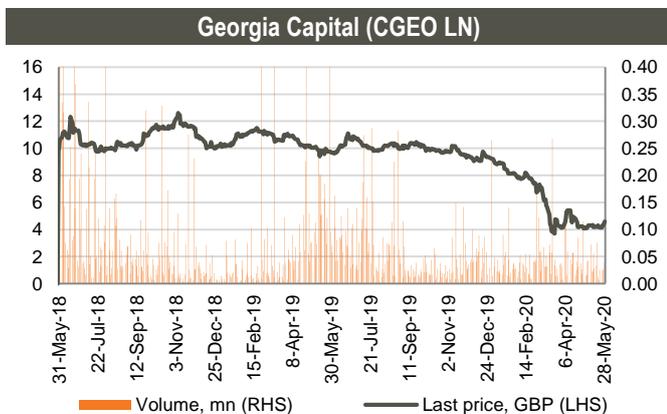
Georgia Healthcare Group (GHG LN) shares closed at GBP 0.84/share (+1.20% w/w and -6.67% m/m). More than 197k shares were traded in the range of GBP 0.80 - 0.87/share. Average daily traded volume was 88k in the last 4 weeks. The volume of GHG shares traded was at 0.15% of its capitalization.



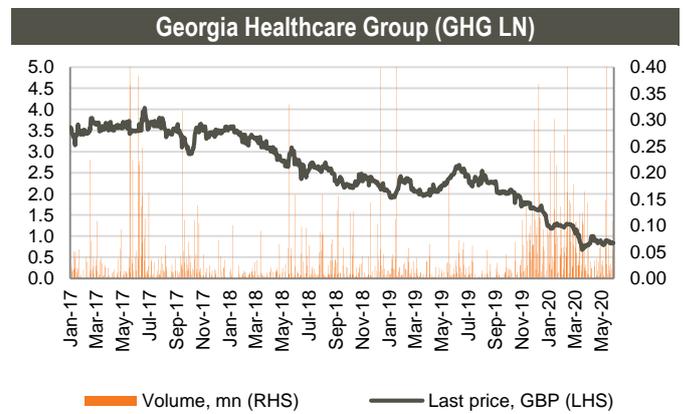
Source: Bloomberg



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	-37.5%	-46.8%	-43.1%	3.53x	7.59x	0.78x	0.74x
TBC	TBC	GBP	8.30	457	-33.1%	-49.1%	-36.2%	3.21x	7.74x	0.62x	0.63x
Halyk Bank	HSBK	US\$	10.55	3,100	-21.0%	-9.4%	-21.0%	3.69x	4.74x	0.88x	1.01x
VTB Bank	VTBR	US\$	0.98	6,377	-28.7%	-14.5%	-32.7%	2.43x	4.57x	0.37x	0.33x
Akbank	AKBNK	TRY	5.69	29,588	-26.8%	-0.7%	-29.8%	4.78x	4.56x	0.50x	0.48x
Garanti	GARAN	TRY	7.82	32,844	-22.6%	4.7%	-29.8%	4.43x	4.34x	0.53x	0.53x
Isbank	ISCTR	TRY	4.95	22,275	-19.5%	0.8%	-22.8%	3.33x	3.96x	0.35x	0.35x
PKO	PKO	PLN	22.30	27,875	-38.3%	-41.4%	-35.3%	6.22x	12.12x	0.63x	0.64x
PEKAO	PEO	PLN	52.56	13,795	-49.8%	-49.3%	-47.7%	5.92x	9.44x	0.56x	0.57x
Millennium	MIL	PLN	2.49	3,016	-55.0%	-73.4%	-57.5%	3.84x	4.03x	0.31x	0.32x
Mbank	MBK	PLN	215.40	9,119	-42.1%	-46.0%	-44.7%	6.92x	18.73x	0.52x	0.54x
BRD	BRD	RON	11.94	8,321	-22.0%	5.1%	-24.6%	5.26x	9.46x	1.02x	1.03x
Banca Transilvania	TLV	RON	2.04	10,640	-20.0%	-2.7%	-21.4%	5.61x	10.30x	1.16x	1.45x
OTP	OTPD	USD	22.80	12,768	7.5%	1.8%	7.5%	9.60x	17.32x	0.82x	0.76x
Komercni	KOMB	CZK	519.00	98,636	-34.6%	-40.3%	-37.4%	6.09x	12.53x	0.87x	0.86x
Mean								4.99x	8.76x	0.66x	0.68x
Median								4.78x	7.74x	0.62x	0.63x

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	4.60	169	-51.3%	-52.7%	-50.1%	6.11x	4.24x	0.43x	n/a
Tinc Comm	TINC	EUR	13.05	356	-5.4%	9.5%	-2.2%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.30	16,935	-8.8%	13.9%	-13.0%	3.88x	3.16x	0.45x	0.46x
Deutsche Beteiligungs	DBAN	EUR	29.55	445	-27.1%	-15.2%	-25.1%	10.82x	nmf	0.97x	1.16x
Eurazeo	RF	EUR	43.80	3,450	-29.2%	-30.2%	-28.2%	10.58x	nmf	0.64x	0.62x
Carlyle Group	CG	USD	27.66	3,061	-7.2%	38.7%	-13.8%	15.97x	5.65x	1.71x	4.02x
Mean								9.47x	4.35x	0.84x	1.57x
Median								10.58x	4.24x	0.64x	0.89x

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	-49.0%	-65.9%	-31.7%	8.63x	6.93x	4.48x	3.94x
Mouwasiat	MOUWASAT	SAR	84.60	8,460	1.2%	-0.5%	-3.9%	21.70x	21.73x	14.93x	14.42x
Fortis	FORH	INR	115.65	87,311	-16.6%	-8.6%	-12.3%	1.36x	1.31x	6.41x	6.65x
Raffles	RFMD	SGD	0.93	1,700	-6.5%	-9.7%	-7.0%	27.43x	34.25x	17.50x	19.88x
IHH	IHH	MYR	5.43	47,643	1.1%	-1.3%	-0.7%	50.51x	52.57x	14.74x	16.24x
Bangkok Chain	BCH	THB	14.50	36,159	-16.7%	-8.2%	-15.2%	28.79x	31.19x	16.04x	16.76x
Netcare	NTC	ZAR	14.23	20,660	-28.9%	-22.9%	-26.9%	8.12x	10.43x	5.41x	6.31x
Life Healthcare	LHC	ZAR	18.31	26,867	-25.9%	-20.7%	-25.7%	13.32x	32.92x	6.12x	8.10x
Mediclinic	MDC	GBP	2.71	1,996	-30.0%	-12.4%	-34.2%	9.60x	10.69x	7.33x	7.21x
Apollo Hospitals	APHS	INR	1,356.95	188,786	-5.8%	12.8%	-5.9%	62.76x	56.36x	19.80x	14.37x
KPJ Healthcare	KPJ	MYR	0.90	3,835	-1.1%	-3.2%	-5.3%	19.45x	21.34x	9.34x	9.62x
NMC	NMC	GBP	9.38	1,959	-62.6%	-61.5%	-46.9%	n/a	n/a	n/a	n/a
Mean								22.88x	25.43x	11.10x	11.23x
Median								19.45x	21.73x	9.34x	9.62x

Source: Bloomberg, S&P Capital IQ

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