



Weekly Market Watch

Weekly Market Watch | Georgia
December 16, 2019

Economy

Exports up 25.2% y/y in November 2019

Exports surged 25.2% y/y to a record high US\$ 345.9mn in November 2019, imports also were up 4.2% y/y to US\$ 782.7mn, while the trade deficit decreased by 8.0% y/y to US\$ 436.8mn, according to Geostat's preliminary figures. In 11M19, trade deficit was down 10.3% y/y to US\$ 4.7bn as exports increased by 11.7% y/y to US\$ 3.4bn and imports were down 2.3% y/y to US\$ 8.1bn. Detailed foreign trade statistics will be available on December 19, 2019.

Money transfers up 13.3% y/y in November 2019

Money transfers increased 13.3% y/y to US\$ 151.0mn in November 2019, after growing 11.5% y/y in previous month, according to NBG. Money transfers were up from all major countries, in particular from Russia (+0.3% y/y, 25.1% of total), Italy (+18.8% y/y, 13.1% of total), Greece (+8.3% y/y, 10.5% of total), USA (+10.8% y/y, 9.6% of total) and Israel (+5.6% y/y, 9.1% of total). Overall, in 11M19 money transfers were up 9.3% y/y to US\$ 1.6bn.

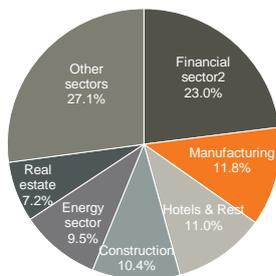
FDI up in 3Q19

FDI increased by 13.7% y/y to US\$ 417.3mn in 3Q19, according to Geostat's preliminary figures. The financial sector was the largest FDI recipient at US\$ 96.0mn (+470.5% y/y), followed by manufacturing at US\$ 49.3mn (-14.1% y/y), hotels and restaurants at US\$ 45.7mn (+1.6% y/y), construction at US\$ 43.4mn (+65.0% y/y), energy sector at US\$ 39.7mn (flat y/y) and real estate at US\$ 30.1mn (-38.2% y/y). UK topped the list of investors with US\$ 78.4mn, followed by Netherlands, Turkey, China and USA. Overall, FDI was down 16.9% y/y in 9M19.

NBG increased its policy rate by 0.5ppts to 9.0%

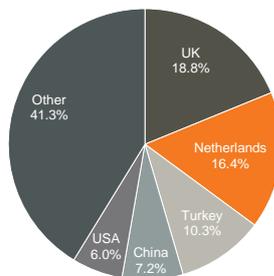
At its meeting on 11 December 2019, NBG's monetary policy committee increased the policy rate by 0.5ppts to 9.0%, after increasing the rate by 2.0ppts in September-October. The annual inflation came in at 7.0% in November 2019, affected by the increased pass-through from the nominal exchange rate depreciation along with one-off factors. NBG noted that despite the currency appreciation observed during the last few days, the GEL's nominal effective exchange rate remains undervalued and puts pressures on inflation expectations. According to NBG, the inflation will start to decline from March 2020 and approach the target by end of 2020. NBG also noted that it will continue to monitor the developments in the economy and financial markets and will use relevant measures to ensure price stability. Next monetary committee meeting will take place on 29 January 2020.

FDI by sector, 3Q19



Source: Geostat

FDI by country, 3Q19

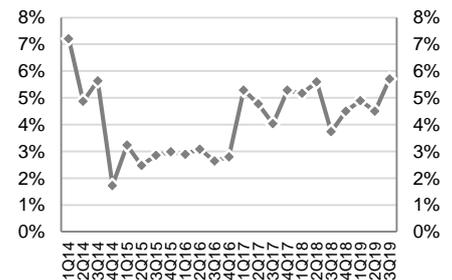


Key macro indicators

	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



Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.3bn (US\$ 778.7mn).

Ministry of Finance Benchmark Bonds: 2-year GEL 70.0mn (US\$ 23.8mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on December 10, 2019. The weighted average yield was fixed at 9.372%. The nearest treasury security auction is scheduled for December 17, 2019, where GEL 30.0mn nominal value 10-year Benchmark Bonds will be sold.

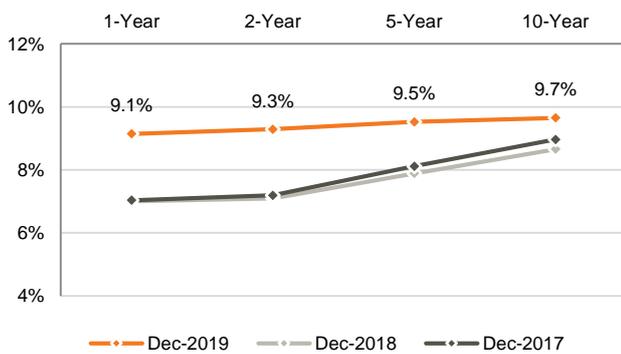
Ministry of Finance T-Bills: 6-month GEL 70.0mn (US\$ 23.8mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on December 10, 2019. The weighted average yield was fixed at 8.848%.

T-bills / T-notes, Dec-19 emission calendar

Date	Volume, GEL mn	Maturity
17-Dec-19	30	10 year
24-Dec-19	70	5 year

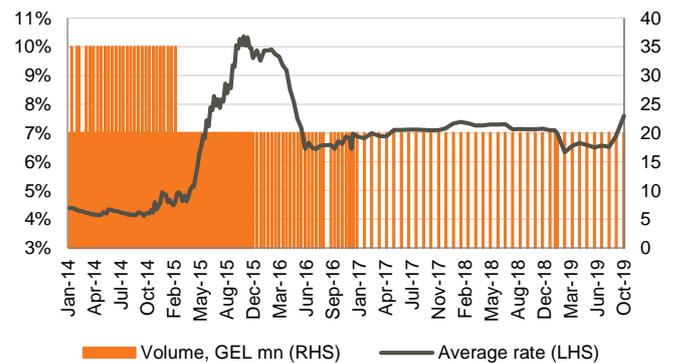
Source: MoF

T-bills / T-notes, yield curve



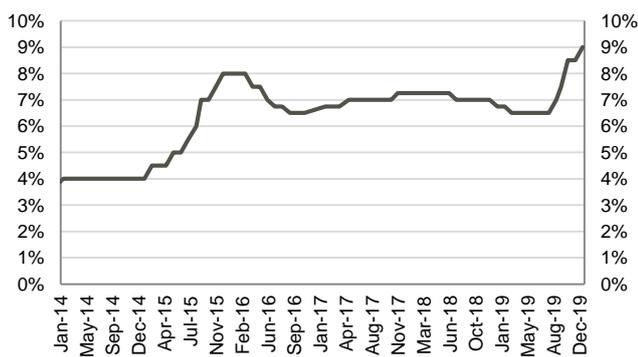
Source: NBG

Certificates of Deposits (weighted average rate)



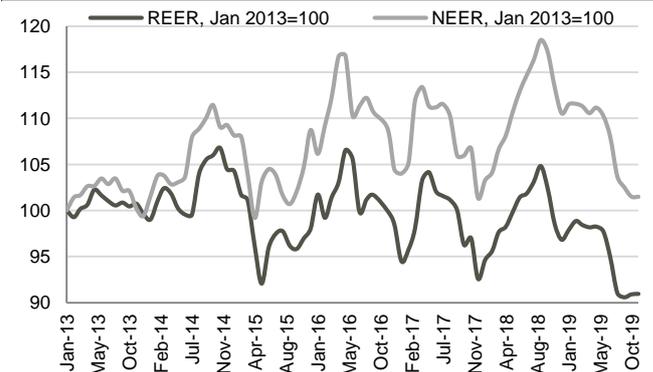
Source: NBG

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



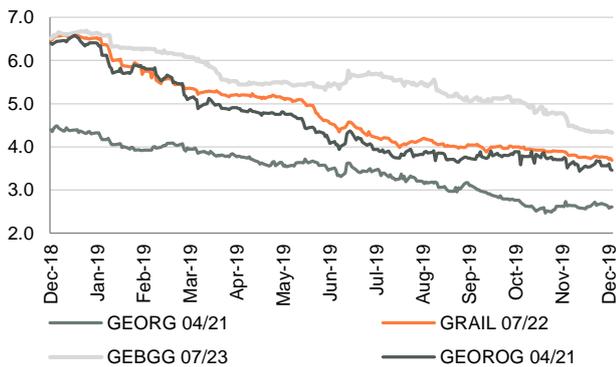
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.33% yield, trading at 105.53 (+0.02% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 98.41 (+1.35% w/w), yielding 6.56%.

GOGC Eurobonds (GEOROG) were trading at 104.33 (+0.07% w/w), yielding 3.46%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.86 (+0.12% w/w), yielding 3.69%.

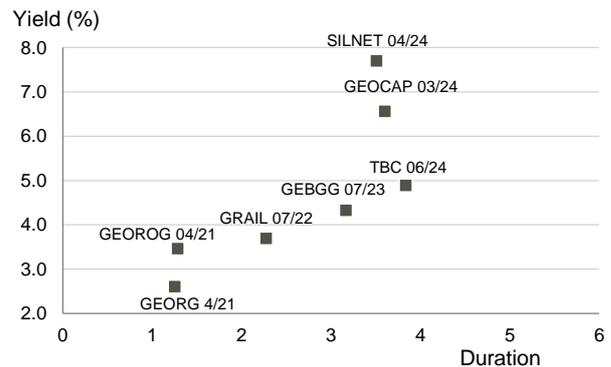
Georgian Sovereign Eurobonds (GEORG) closed at 105.50 (+0.04% w/w) at 2.60% yield to maturity.

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	105.50	2.60	85.61
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.86	3.69	196.70
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/B+/-	104.33	3.46	167.86
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	105.53	4.33	269.95
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	104.80	10.15	814.53
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	98.41	6.56	495.52
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	111.85	7.70	585.64
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+2	103.46	4.89	326.24
TBC PERP	US\$	125	10.775%	n/a	B-/-	102.29	10.52	848.87

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	-/-/-	100.95	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.62	7.25	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	101.37	5.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	99.29	7.00	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	102.42	7.00	n/a
CRYSTAL 02/21	GEL	15	11.50%	Feb-21	B-/-/-	100.53	12.25	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-/-/-	100.75	14.50	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	105.50	2.60	85.61
Armenia	US\$	500	6.000%	Sep-20	B+/-/Ba3	102.41	2.87	84.00
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.97	2.84	130.67
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	106.89	4.53	289.03
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	107.45	2.24	59.27
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.17	1.78	10.02
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	103.01	3.22	152.93
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	105.98	4.08	237.55

Source: Bloomberg

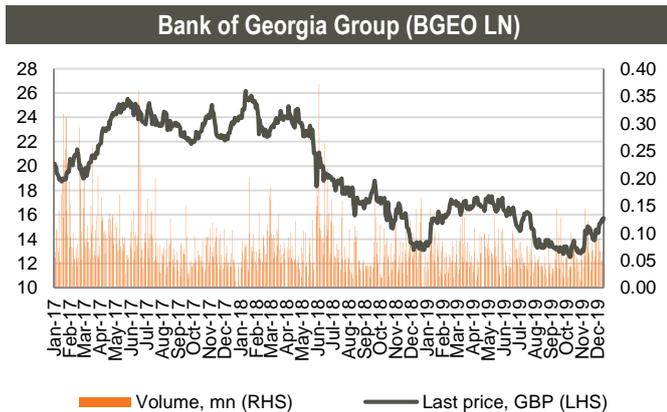
Equities

Bank of Georgia Group (BGE0 LN) shares closed at GBP 15.73/share (+3.15% w/w and +4.94% m/m). More than 392k shares traded in the range of GBP 14.91 - 16.47/share. Average daily traded volume was 72k in the last 4 weeks. FTSE 250 Index, of which BGE0 is a constituent, gained 2.75% w/w and 6.00% m/m. The volume of BGE0 shares traded was at 0.80% of its capitalization.

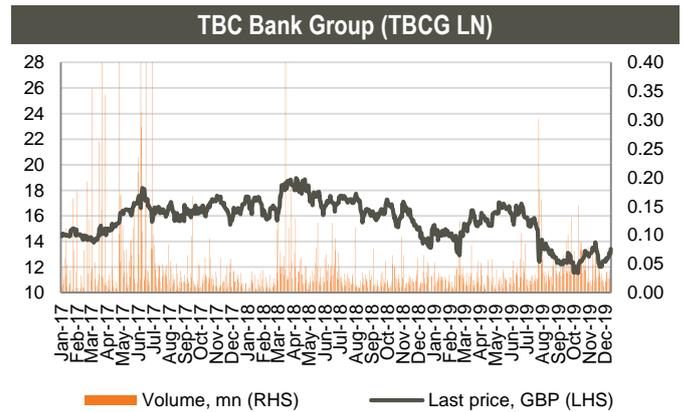
Georgia Capital (CGEO LN) shares closed at GBP 9.08/share (+0.22% w/w and -9.02% m/m). More than 304k shares traded in the range of GBP 9.08 - 9.36/share. Average daily traded volume was 52k in the last 4 weeks. The volume of CGEO shares traded was at 0.83% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 13.40/share (+6.35% w/w and -3.74% m/m). More than 201k shares changed hands in the range of GBP 12.64 - 13.66/share. Average daily traded volume was 32k in the last 4 weeks. The volume of TBCG shares traded was at 0.37% of its capitalization.

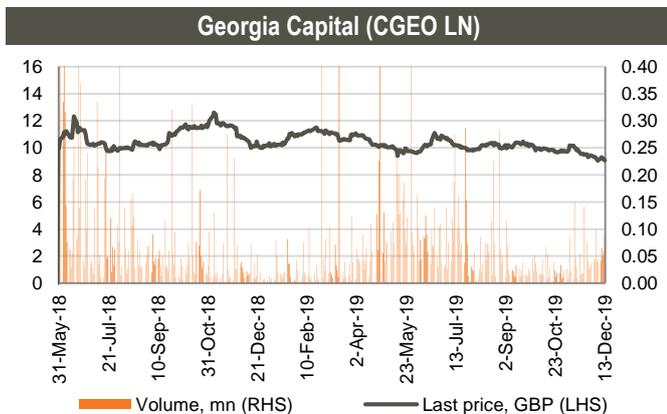
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.68/share (+3.40% w/w and -6.42% m/m). More than 770k shares were traded in the range of GBP 1.60 - 1.70/share. Average daily traded volume was 105k in the last 4 weeks. The volume of GHG shares traded was at 0.59% of its capitalization.



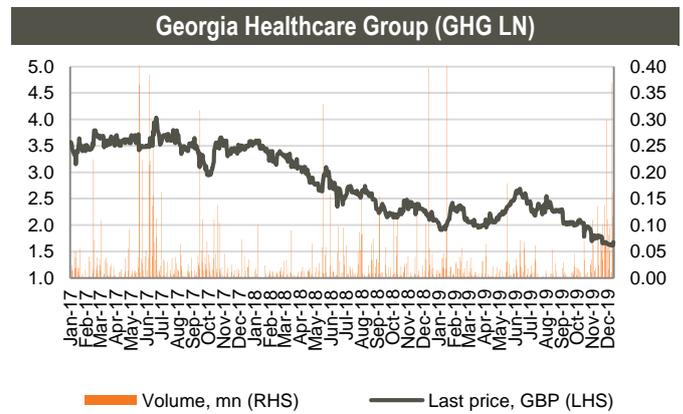
Source: Bloomberg



Source: Bloomberg



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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	15.73	773	-1.8%	17.4%	14.2%	6.22x	5.95x	1.48x	1.17x
TBC	TBC	GBP	13.40	737	-16.7%	-5.6%	-12.0%	5.72x	5.33x	1.05x	0.93x
Halyk Bank	HSBK	US\$	13.25	3,894	14.2%	26.8%	28.0%	4.97x	4.89x	1.16x	1.04x
VTB Bank	VTBR	US\$	1.45	9,390	14.5%	22.0%	30.8%	3.79x	3.60x	0.58x	0.43x
Akbank	AKBNK	TRY	8.02	41,704	31.3%	45.6%	36.3%	7.75x	5.27x	0.81x	0.71x
Garanti	GARAN	TRY	10.98	46,116	38.1%	43.3%	37.9%	7.30x	4.98x	0.85x	0.74x
Isbank	ISCTR	TRY	6.25	28,125	25.8%	52.4%	38.0%	4.94x	4.02x	0.51x	0.45x
PKO	PKO	PLN	34.22	42,775	-20.2%	-15.5%	-13.3%	9.65x	9.27x	1.03x	0.99x
PEKAO	PEO	PLN	98.42	25,832	-12.4%	-9.1%	-9.7%	11.50x	9.84x	1.11x	1.06x
Millennium	MIL	PLN	5.71	6,927	-39.4%	-40.3%	-35.6%	8.93x	7.75x	0.76x	0.70x
Mbank	MBK	PLN	380.80	16,122	-12.7%	-8.5%	-10.2%	12.93x	11.65x	0.98x	0.92x
BRD	BRD	RON	15.48	10,788	29.4%	12.7%	35.8%	6.98x	9.12x	1.35x	1.38x
Banca Transilvania	TLV	RON	2.58	13,431	21.3%	18.7%	39.1%	7.19x	8.94x	1.50x	1.50x
OTP	OTPD	USD	21.20	11,872	0.0%	8.2%	8.2%	9.05x	8.76x	0.78x	0.68x
Komercni	KOMB	CZK	804.00	152,800	-10.4%	-9.3%	-5.1%	10.11x	10.80x	1.45x	1.39x
Mean								7.80x	7.34x	1.02x	0.94x
Median								7.30x	7.75x	1.03x	0.93x

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	9.08	334	-10.1%	-11.2%	-11.1%	13.00x	10.19x	0.92x	0.85x
Tinc Comm	TINC	EUR	13.35	364	7.2%	16.7%	16.7%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.48	19,343	23.8%	27.9%	26.1%	5.15x	4.21x	0.59x	0.50x
Deutsche Beteiligungs	DBAN	EUR	37.80	569	13.5%	7.5%	12.7%	13.86x	18.48x	1.24x	1.18x
Eurazeo	RF	EUR	61.00	4,805	-2.1%	0.6%	3.6%	13.52x	11.38x	0.87x	0.82x
Carlyle Group	CG	USD	29.69	3,286	35.8%	73.8%	88.5%	16.99x	5.55x	3.25x	2.06x
Mean								12.51x	9.96x	1.37x	1.08x
Median								13.52x	10.19x	0.92x	0.85x

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	1.68	221	-35.6%	-20.2%	-17.9%	17.35x	12.52x	7.28x	6.28x
Mouwasset	MOUWASAT	SAR	85.00	8,500	-2.3%	1.6%	5.6%	21.84x	19.24x	15.05x	13.54x
Fortis	FORH	INR	136.25	102,863	3.8%	-10.1%	-3.0%	1.73x	1.54x	6.40x	6.49x
Raffles	RFMD	SGD	0.99	1,810	-2.9%	-13.9%	-10.0%	30.36x	30.12x	19.31x	18.49x
IHH	IHH	MYR	5.40	47,380	-4.1%	-3.6%	0.2%	53.66x	40.78x	15.48x	13.93x
Bangkok Chain	BCH	THB	17.40	43,391	4.2%	-7.4%	4.2%	35.94x	31.94x	19.46x	17.79x
Netcare	NTC	ZAR	19.07	27,687	7.1%	-28.1%	-27.8%	13.11x	12.09x	7.83x	7.32x
Life Healthcare	LHC	ZAR	23.67	34,732	1.8%	-9.0%	-10.3%	20.80x	15.81x	8.40x	7.37x
Mediclinic	MDC	GBP	4.04	2,977	33.0%	23.4%	25.2%	15.44x	15.63x	9.67x	9.05x
Apollo Hospitals	APHS	INR	1,353.00	188,236	-1.5%	10.7%	7.5%	66.82x	51.86x	20.89x	14.96x
KPJ Healthcare	KPJ	MYR	0.93	3,985	-3.1%	-10.6%	-10.6%	21.25x	19.66x	9.93x	9.70x
NMC	NMC	GBP	24.64	5,144	4.5%	-20.3%	-9.9%	21.59x	16.65x	13.63x	11.60x
Mean								26.66x	22.32x	12.78x	11.38x
Median								21.42x	17.95x	11.78x	10.65x

Source: Bloomberg, S&P Capital IQ



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