



Weekly Market Watch

Weekly Market Watch | Georgia
Mar 4, 2019

Economy

Real GDP growth was 3.5% y/y in January 2019

Georgia's economy grew by 3.5% y/y in January 2019, according to Geostat's rapid estimates. In January 2019, the growth was recorded in trade, hotels and restaurants, financial intermediation and real estate operations. Growth was down in manufacturing and construction sectors, the former likely related to reduced exports of manufactured items, while the latter reflected completion of BP gas pipeline construction and delays in public infrastructure projects. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 3.0% in January 2019

In January 2019, the banking sector loan portfolio increased 16.7% y/y after growing 17.2% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 20.8% y/y and down 0.7% m/m to GEL 26.4bn (US\$ 9.9bn). Deposits were up 13.2% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 17.9% y/y and down 2.0% m/m to GEL 22.6bn (US\$ 8.5bn). Deposit dollarization reduced to 62.5% (-1.9ppts y/y and -0.6ppts m/m), while loan dollarization rose to 57.0% (+0.9ppts y/y and +0.1ppts m/m). NPLs stood at 3.0% in January 2019 (+0.1ppts y/y and +0.3ppts m/m).

Non-performing loans, as % of total loans



Source: NBG

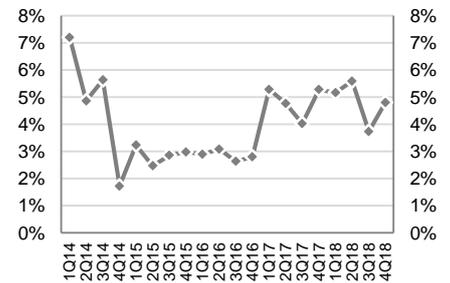
Key macro indicators

	2016	2017	2018E
GDP (% change)	2.8%	4.8%	4.8%
GDP per capita (ppp)	10,065	10,742	11,600
GDP per capita (US\$)	3,857	4,047	4,363
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)	13.1%	8.8%	6.5% ⁽¹⁾
Fiscal deficit (% of GDP)	3.0%	2.9%	2.3%
Total public debt (% of GDP)	44.4%	44.8%	44.8%

Source: Official data, IMF, G&T

1) As of 9M18

Real GDP growth, %



Source: Geostat

International ranking, 2018-19

- Ease of Doing Business # 6 (Top 10)
- Economic Freedom Index # 16 (mostly free)
- Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed May-2018	 Ba2 Stable Affirmed Sep-2018	 BB Stable Upgraded Feb-2019
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Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 270mn (US\$ 100.2mn).

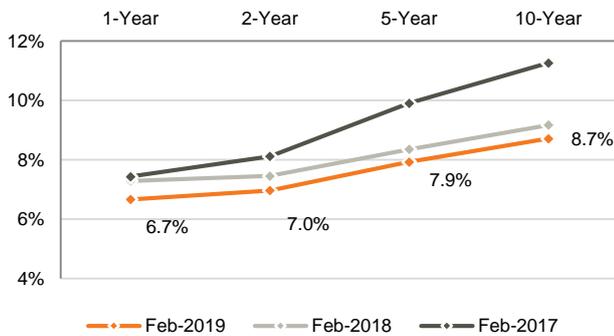
Ministry of Finance Benchmark Bonds: 5-year GEL 30.0mn (US\$ 11.21mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on February 26, 2019. The weighted average yield was fixed at 7.356%. The nearest treasury securities auction is scheduled for March 5, 2019, where GEL 40.0mn nominal value 1-year T-Bills will be sold.

T-bills / T-notes, emission calendar

Date	Volume, GEL mn	Maturity
5-Mar-19	40	1 year
12-Mar-19	20	6 month
12-Mar-19	40	2 years
26-Mar-19	30	5 years

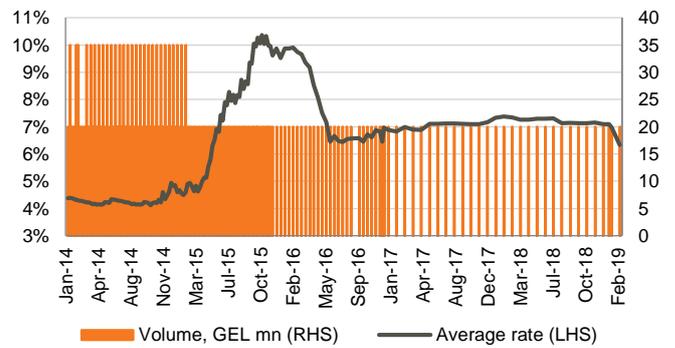
Source: MoF

T-bills / T-notes, yield curve



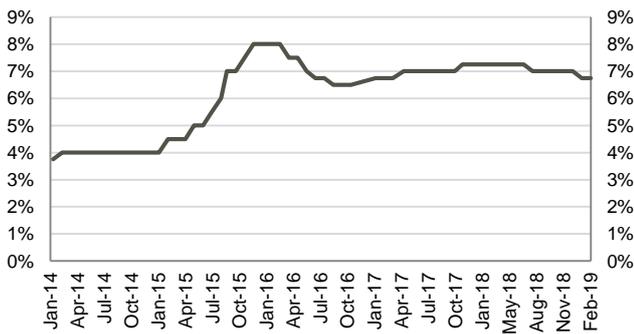
Source: NBG

Certificates of Deposits (weighted average rate)



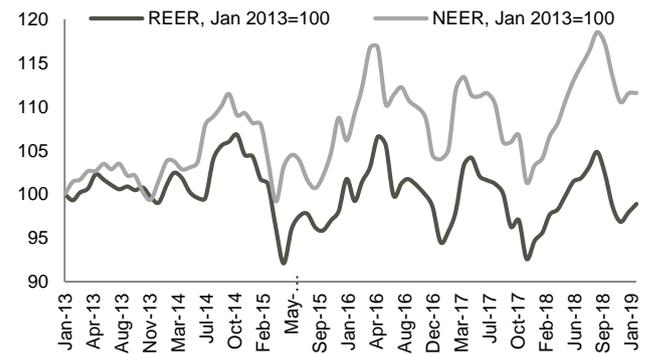
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

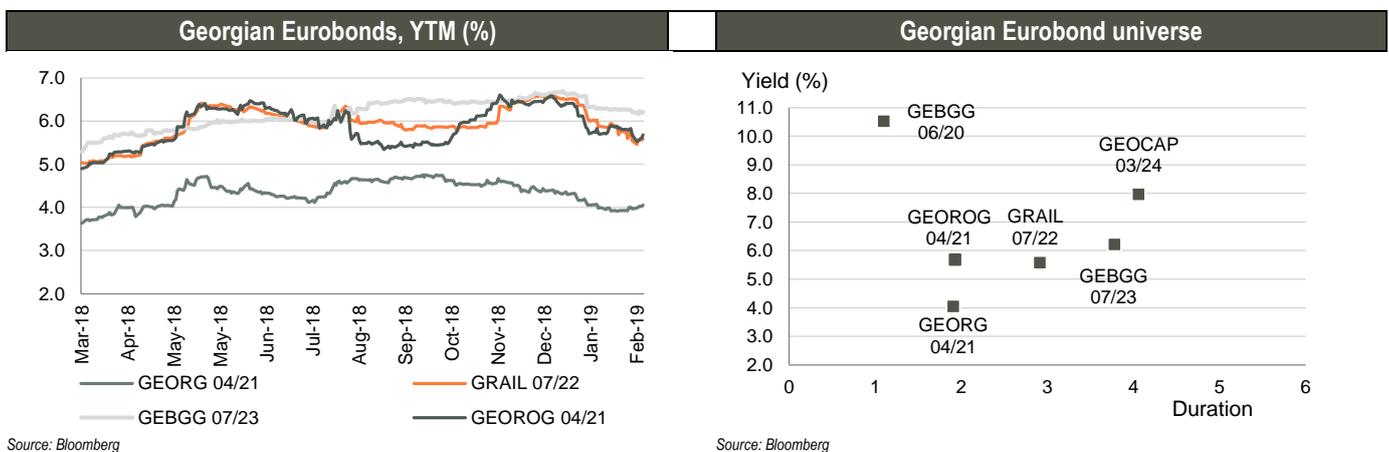
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.21% yield, trading at 99.19 (-0.03% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.50 (unchanged w/w), yielding 10.53%. Georgia Capital Eurobonds (GEOCAP) were trading at 92.50 (+0.96% w/w), yielding 7.97%.

GOGC Eurobonds (GEOROG) were trading at 102.11 (-0.04% w/w), yielding 5.69%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.52 (-0.17% w/w), yielding 5.59%.

Georgian Sovereign Eurobonds (GEORG) closed at 105.63 (-0.23% w/w) at 4.05% yield to maturity.



Georgian bonds performance

Georgian Eurobonds performance								
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	04/12/2021	BB-/BB-/Ba2/-	105.63	4.05	142.21
GRAIL 07/22	US\$	500	7.750%	07/11/2022	B+/-/+/	106.52	5.59	299.37
GEOROG 04/21	US\$	250	6.750%	04/26/2021	BB-/B+/-/	102.11	5.69	305.62
GEBGG 06/20	GEL	500	11.000%	06/01/2020	BB-/B+/-/	100.50	10.53	n/a
GEBGG 07/23	US\$	350	6.000%	07/26/2023	BB-/B+/-/	99.19	6.21	362.38
GEOCAP 03/24	US\$	300	6.125%	03/09/2024	-/B+/-/	92.50	7.97	537.24

Georgian local bonds performance								
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
GWP 12/21	GEL	30	10.25%	06/12/2021	BB-/B+/-/	n/a	n/a	n/a
M2RE 10/19	US\$	25	7.500%	07/10/2019	B+/-/+/	101.03	6.0	n/a
M2CA 12/21	US\$	30	7.500%	31/12/2021	-/-/+/	n/a	n/a	n/a
GLC 08/20	US\$	10	7.000%	29/08/2020	B+/-/+/	100.37	6.75	n/a
GLC 06/21	US\$	5	6.500%	22/06/2021	B+/-/+/	98.91	7.00	n/a
Nikora 06/19	US\$	10	9.000%	28/06/2019	-/-/+/	n/a	n/a	n/a
Silknet 08/22	GEL	34	10.25%	18/08/2022	B+/-/+/	n/a	n/a	n/a
Crystal 12/19	GEL	10	11.25%	28/12/2019	B+/-/+/	100.86	11.00	n/a

Source: Bloomberg

Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	4/12/2021	BB-/BB-/Ba2	105.63	4.05	142.21
Armenia	US\$	500	6.000%	9/30/2020	B+/-/B1	102.49	4.34	167.64
Azerbaijan	US\$	174	2.820%	9/1/2021	BB+/-/Ba2	96.86	4.16	154.17
Belarus	US\$	800	6.875%	2/28/2023	B/B/B3u	104.32	5.65	305.83
Kazakhstan	US\$	1,500	3.875%	10/14/2024	BBB-/BBB-/Baa3	102.25	3.43	81.95
Russia	US\$	3,500	5.000%	4/29/2020	BBB-/BBB-/Ba1	102.14	3.09	40.90
Turkey	US\$	2,000	5.625%	3/30/2021	BB-/NR/Ba3	100.86	5.18	255.04
Ukraine	US\$	1,409	7.750%	9/1/2021	B-/B-/Caa1	98.59	8.39	577.04

Source: Bloomberg

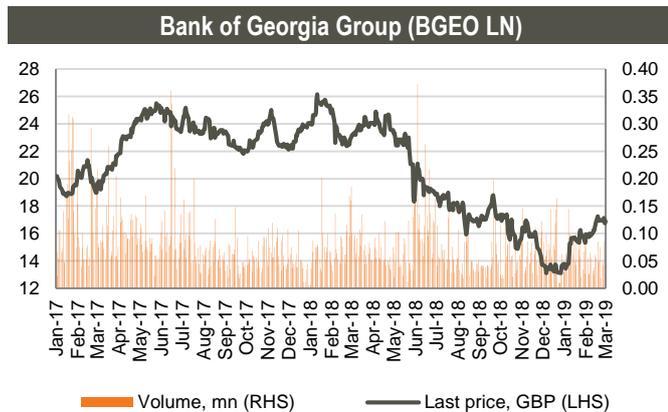
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.90/share (-0.40% w/w and +6.06% m/m). More than 277k shares traded in the range of GBP 16.60 – 17.15/share. Average daily traded volume was 50k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.58% w/w and 3.03% m/m. The volume of BGEO shares traded was at 0.56% of its capitalization.

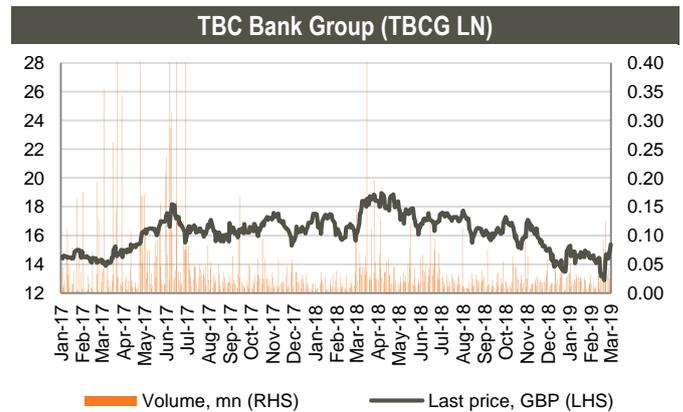
Georgia Capital (CGEO LN) shares closed at GBP 11.30/share (+0.50% w/w and +2.75% m/m). More than 711k shares traded in the range of GBP 10.80 – 11.47/share. Average daily traded volume was 53k in the last 4 weeks. The volume of CGEO shares traded was at 1.87% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.38 (+4.63% w/w and +5.92% m/m). More than 144k shares changed hands in the range of GBP 14.10 – 15.40/share. Average daily traded volume was 33k in the last 4 weeks. The volume of TBCG shares traded was at 0.27% of its capitalization.

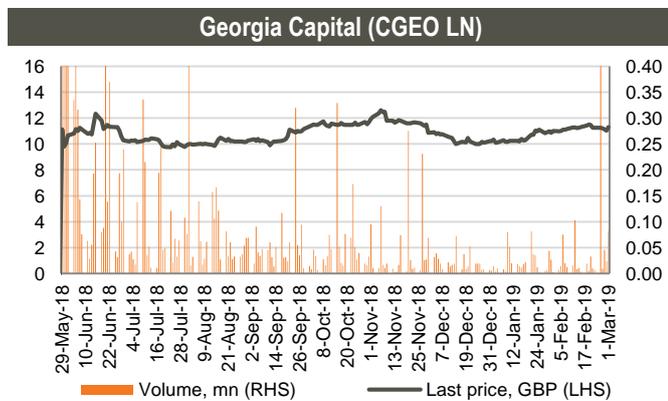
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.05/share (-2.15% w/w and -10.09% m/m). More than 53k shares were traded in the range of GBP 2.05 – 2.20/share. Average daily traded volume was 17k in the last 4 weeks. The volume of GHG shares traded was at 0.04% of its capitalization.



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	16.90	831	2.3%	-26.6%	22.7%	6.48x	5.72x	1.39x	1.18x
TBC	TBC	GBP	15.38	834	-3.9%	-5.1%	1.1%	6.18x	5.35x	1.12x	0.98x
Halyk Bank	HSBK	USD	11.70	3,438	7.3%	-17.0%	13.0%	5.20x	4.52x	1.06x	0.93x
VTB Bank	VTBR	USD	1.18	7,647	-6.3%	-43.3%	6.5%	3.37x	2.93x	0.52x	0.46x
Akbank	AKBNK	TRY	6.65	34,580	34.6%	-26.3%	13.0%	6.22x	4.29x	0.67x	0.57x
Garanti	GARAN	TRY	8.80	36,960	47.9%	-23.8%	10.6%	5.94x	3.91x	0.70x	0.62x
Isbank	ISCTR	TRY	5.77	25,965	44.6%	-23.4%	27.4%	4.08x	3.62x	0.48x	0.44x
PKO	PKO	PLN	38.00	47,500	-10.0%	-10.4%	-3.7%	11.95x	10.77x	1.17x	1.11x
PEKAO	PEO	PLN	112.50	29,528	-3.7%	-13.5%	3.2%	12.36x	10.98x	1.27x	1.22x
Millennium	MIL	PLN	9.03	10,954	0.6%	8.8%	1.8%	14.32x	11.25x	1.20x	1.12x
Mbank	MBK	PLN	430.40	18,222	5.1%	-4.6%	1.5%	14.55x	12.66x	1.12x	1.06x
BRD	BRD	RON	11.88	8,279	-16.5%	-14.9%	4.2%	8.79x	9.57x	1.14x	1.11x
Banca Transilvania	TLV	RON	1.91	9,197	-18.7%	-13.1%	-4.7%	7.40x	7.66x	1.08x	0.99x
OTP	OTPD	USD	19.90	11,144	12.4%	-11.9%	1.5%	9.79x	9.08x	0.72x	0.64x
Komercni	KOMB	CZK	946.00	179,787	2.3%	2.4%	11.7%	12.49x	12.33x	1.72x	1.63x
Mean								8.61x	7.64x	1.02x	0.94x
Median								7.40x	7.66x	1.12x	0.99x

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	11.30	431	10.1%	n/a	10.7%	14.70x	12.21x	0.88x	0.82x
Tinc Comm	TINC	EUR	11.95	326	0.0%	-5.9%	1.3%	21.80x	20.00x	1.00x	0.99x
Sabancı Holding	SAHOL	TRY	9.03	18,425	26.8%	-15.0%	20.1%	4.55x	4.22x	0.54x	0.48x
Deutsche Beteiligungs	DBAN	EUR	35.35	532	-6.1%	-18.8%	5.4%	17.77x	9.75x	1.20x	1.13x
Eurazeo	RF	EUR	66.60	5,098	1.8%	-9.4%	7.8%	13.16x	12.09x	0.96x	0.92x
Carlyle Group	CG	USD	17.73	1,932	-23.6%	-21.7%	12.6%	2.63x	2.06x	1.90x	1.03x
Mean								12.44x	10.06x	1.08x	0.89x
Median								13.93x	10.92x	0.98x	0.96x

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	2.05	270	-10.9%	-38.3%	0.5%	17.34x	13.10x	8.10x	6.31x
Mouwasat	MOUWASAT	SAR	76.60	7,660	-9.7%	-13.4%	-4.8%	20.02x	17.58x	14.48x	12.82x
Fortis	FORH	INR	134.75	101,730	-8.1%	-16.3%	-4.1%	1.66x	1.56x	6.87x	6.68x
Raffles	RFMD	SGD	1.09	1,959	1.9%	-5.2%	-0.9%	32.74x	31.77x	21.18x	19.84x
IHH	IHH	MYR	5.79	50,774	3.8%	-3.5%	7.4%	45.99x	36.01x	17.24x	14.50x
Bangkok Chain	BCH	THB	16.10	40,149	-15.7%	1.3%	-3.6%	31.04x	27.39x	17.23x	15.55x
Netcare	NTC	ZAR	25.55	37,584	-12.9%	1.8%	-3.3%	15.35x	14.18x	9.11x	8.45x
Life Healthcare	LHC	ZAR	27.08	39,736	1.6%	-0.6%	2.6%	19.29x	15.49x	8.59x	7.81x
MediClinic	MDC	GBP	3.32	2,446	-32.7%	-43.5%	2.9%	12.64x	11.57x	8.40x	7.77x
Apollo Hospitals	APHS	INR	1,151.85	160,251	-2.6%	-2.7%	-8.5%	59.01x	37.48x	18.21x	15.38x
KPJ Healthcare	KPJ	MYR	1.01	4,350	-8.2%	5.2%	-2.9%	22.44x	20.60x	11.87x	11.13x
NMC	NMC	GBP	27.54	5,734	-29.8%	-18.7%	0.7%	20.40x	16.53x	15.66x	12.98x
Mean								24.83x	20.27x	13.08x	11.60x
Median								20.21x	17.06x	13.18x	11.98x

Source: Bloomberg, S&P Capital IQ

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