



# Weekly Market Watch

Weekly Market Watch | Georgia  
September 2, 2019

## Economy

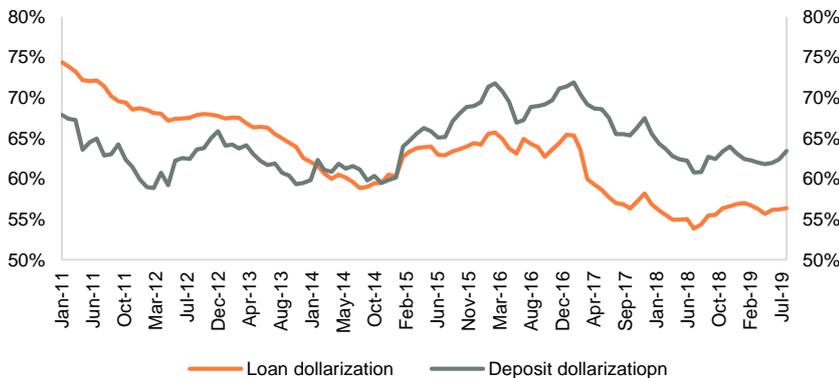
### Real GDP growth was 6.1% y/y in July 2019

Economic growth in Georgia accelerated to 6.1% y/y in July 2019 after growing 5.0% y/y in previous month, according to GeoStat's rapid estimates. In July 2019, the growth was posted in construction, manufacturing, trade and real estate sectors. Overall, real GDP growth was 5.1% y/y in 7M19. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

### NPLs at 2.9% in July 2019

In July 2019, the banking sector loan portfolio increased 14.8% y/y after growing 14.2% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 26.1% y/y and up 2.3% m/m to GEL 29.3bn (US\$ 9.9bn). Deposits were up 8.5% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 21.8% y/y and up 1.3% m/m to GEL 25.0bn (US\$ 8.6bn). Loan dollarization stood at 56.4% (+2.01ppts y/y and +0.13ppts m/m) and deposit dollarization reached 63.4% (+2.61ppts y/y and +1.03ppts m/m). NPLs stood at 2.9% in July 2019 (+0.28ppts y/y and flat m/m).

### Loan and deposit dollarization



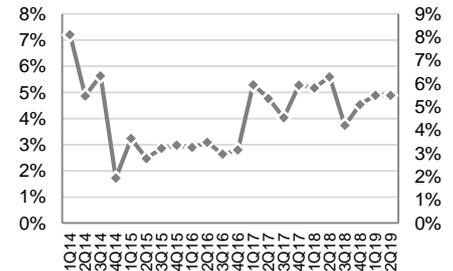
Source: NBG

### Key macro indicators

	2016	2017	2018
GDP (% change)	2.8%	4.8%	4.7%
GDP per capita (ppp)	9,991	10,679	11,485
GDP per capita (US\$)	3,857	4,047	4,346
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%	7.7%
Fiscal deficit (% of GDP)	3.0%	2.9%	2.5%
Total public debt (% of GDP)	44.4%	44.8%	45.0%

Source: Official data, IMF, G&T

### 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

 <b>BB-</b> Positive Affirmed Apr-2019	 <b>Ba2</b> Stable Affirmed Mar-2019	 <b>BB</b> 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 710.0mn (US\$ 241.7mn).

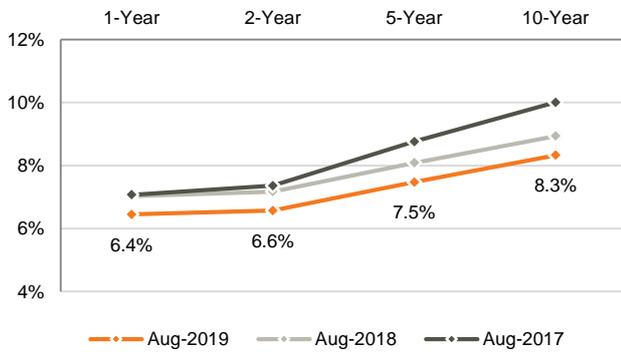
**Ministry of Finance Benchmark Bonds:** 5-year GEL 50.0mn (US\$ 17.0mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on August 27, 2019. The weighted average yield was fixed at 7.032%. The nearest treasury security auction is scheduled for September 3, 2019, where GEL 40mn nominal value 1-year T-bills will be sold.

### T-bills / T-notes, Sep-19 emission calendar

Date	Volume, GEL mn	Maturity
3-Sep-19	40	1 year
10-Sep-19	20	6 month
10-Sep-19	60	2 year
24-Sep-19	50	5 year

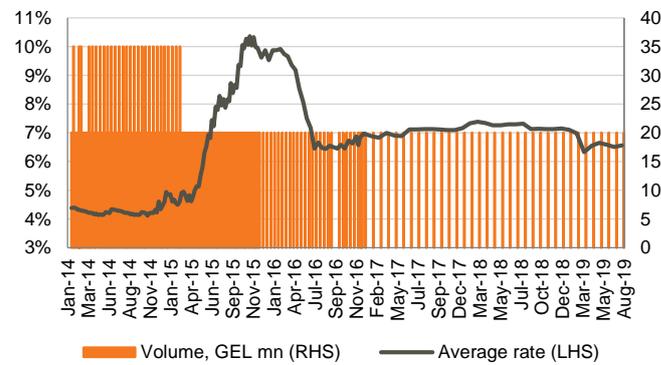
Source: MoF

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



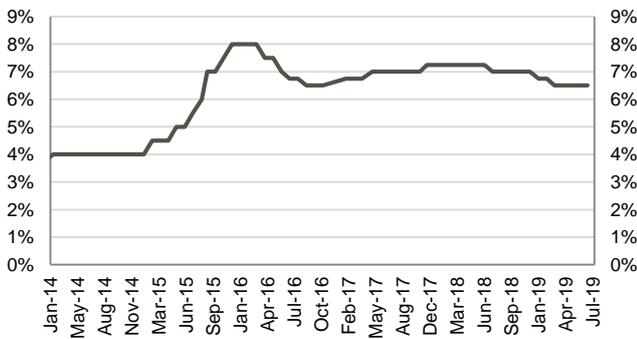
Source: NBG

### Certificates of Deposits (weighted average rate)



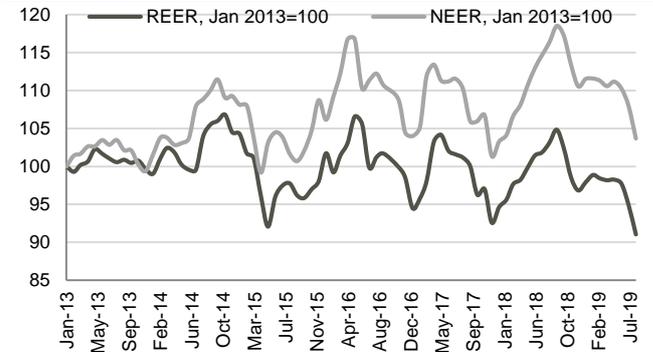
Source: NBG

### 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

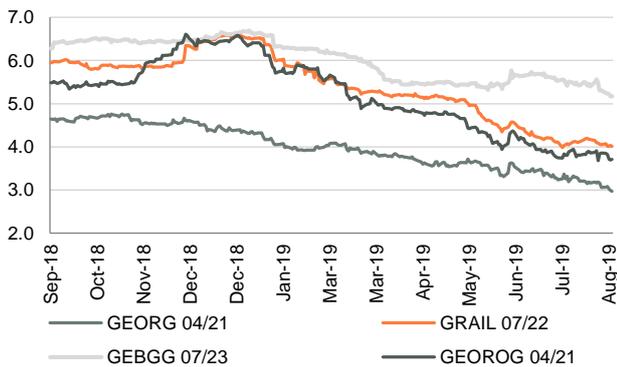
# Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 5.17% yield, trading at 102.88 (+0.47% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.81 (+0.15% w/w), yielding 7.50%.

GOGC Eurobonds (GEOROG) were trading at 104.81 (+0.19% w/w), yielding 3.71%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.96 (+0.02% w/w), yielding 4.02%.

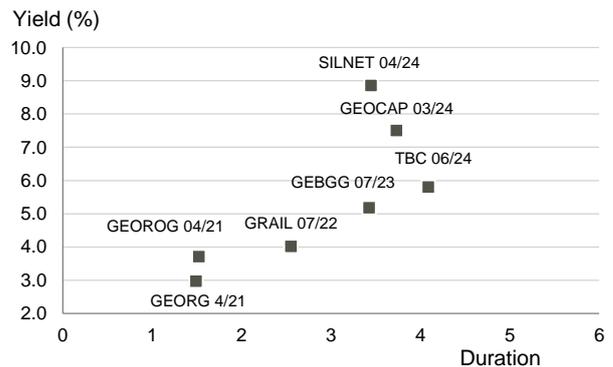
**Georgian Sovereign Eurobonds (GEORG)** closed at 106.07 (+0.06% w/w) at 2.97% yield to maturity.

**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	106.07	2.97	137.13
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.96	4.02	259.28
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.81	3.71	211.56
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+/-	102.88	5.17	381.54
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	103.74	10.06	874.46
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	94.81	7.50	615.84
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	107.90	8.86	750.75
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+/-	99.76	5.81	447.03
TBC PERP	US\$	125	10.775%	n/a	B-/-	101.68	10.39	896.63

### Georgian local bonds performance

GWP 12/21	GEL	30	10.00%	Dec-21	BB-/B+/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.07	7.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	100.48	6.50	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	98.94	7.38	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	100.33	7.38	n/a
CRYSTAL 12/19	GEL	10	11.00%	Dec-19	B-/-	100.08	10.75	n/a
CRYSTAL 02/21	GEL	15	10.50%	Feb-21	B-/-	99.67	10.75	n/a
Nikora Trade 08/21	GEL	25	10.50%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 08/22	GEL	34	10.00%	Aug-22	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	12.75%	Sep-21	B-/-/-	100.00	13.00	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	106.07	2.97	137.13
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	102.52	3.58	182.77
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.52	3.07	155.29
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.64	4.48	309.90
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.75	2.46	113.67
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	102.03	1.85	-9.14
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	101.41	4.68	307.94
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	104.43	5.38	385.07

Source: Bloomberg



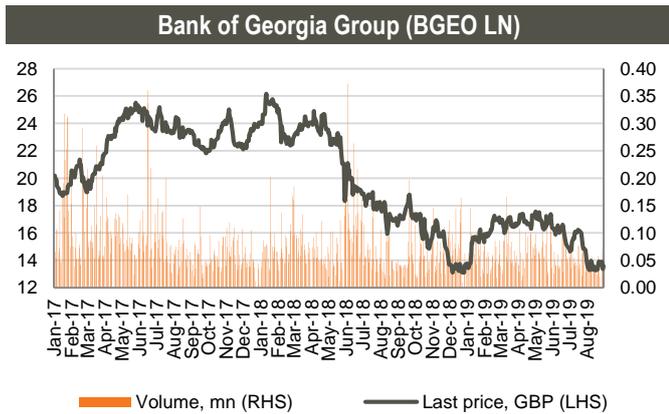
# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 13.61/share (-0.58% w/w and -5.02% m/m). More than 182k shares traded in the range of GBP 13.30 - 14.01/share. Average daily traded volume was 42k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.82% w/w and lost 1.93% m/m. The volume of BGEO shares traded was at 0.37% of its capitalization.

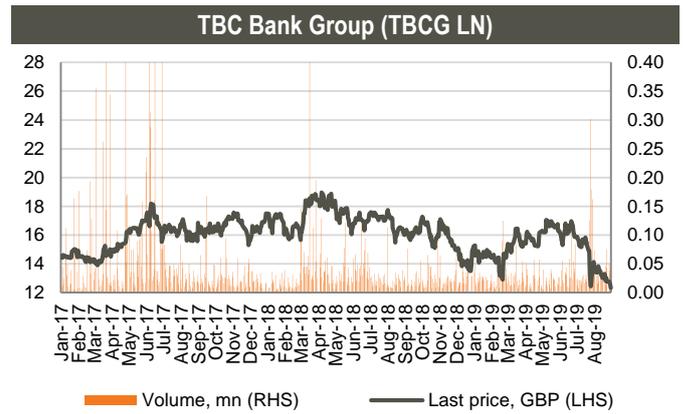
**Georgia Capital (CGEO LN)** shares closed at GBP 9.98/share (-2.73% w/w and +1.22% m/m). More than 432k shares traded in the range of GBP 9.93 - 10.30/share. Average daily traded volume was 72k in the last 4 weeks. The volume of CGEO shares traded was at 1.14% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 12.32/share (-3.45% w/w and -11.62% m/m). More than 150k shares changed hands in the range of GBP 12.32 – 12.88/share. Average daily traded volume was 33k in the last 4 weeks. The volume of TBCG shares traded was at 0.28% of its capitalization.

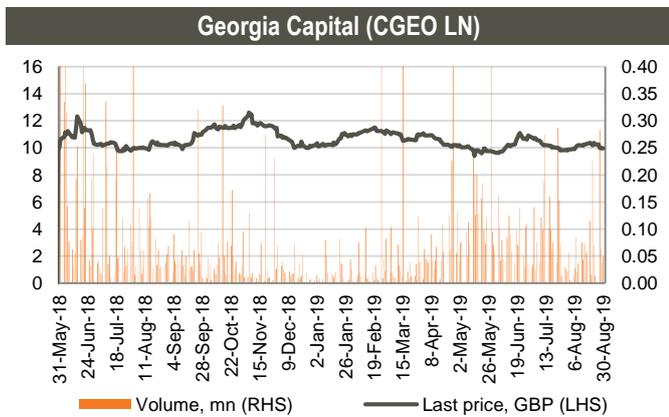
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 2.27/share (flat w/w and +1.34% m/m). More than 4k shares were traded in the range of GBP 2.25 - 2.29/share. Average daily traded volume was 8k in the last 4 weeks. The volume of GHG shares traded was at 0.003% of its capitalization.



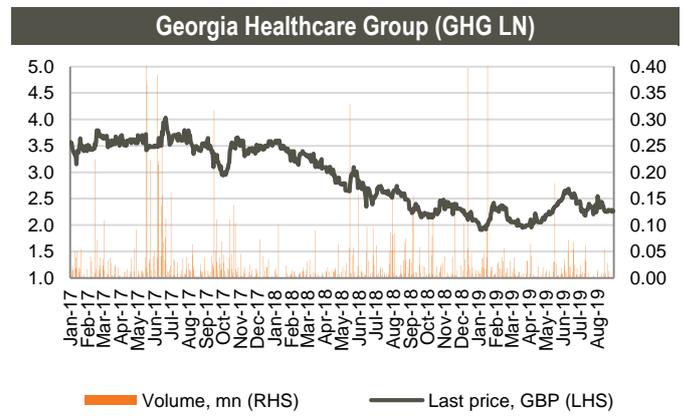
Source: Bloomberg



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	13.61	669	-18.7%	-18.5%	-1.2%	5.42x	4.78x	1.12x	0.96x
TBC	TBC	GBP	12.32	668	-18.1%	-23.0%	-19.1%	4.90x	4.47x	0.91x	0.79x
Halyk Bank	HSBK	US\$	13.45	3,952	18.0%	22.8%	30.0%	4.99x	4.91x	1.11x	1.05x
VTB Bank	VTBR	US\$	1.16	7,504	-1.6%	-9.2%	4.5%	3.48x	2.99x	0.57x	0.39x
Akbank	AKBNK	TRY	6.94	36,088	1.0%	35.7%	17.9%	6.64x	4.83x	0.70x	0.62x
Garanti	GARAN	TRY	8.90	37,380	-0.2%	43.8%	11.8%	5.60x	4.22x	0.69x	0.62x
Isbank	ISCTR	TRY	5.51	24,795	-5.2%	34.4%	21.6%	4.19x	3.38x	0.45x	0.40x
PKO	PKO	PLN	39.15	48,938	2.9%	-7.9%	-0.8%	10.95x	10.75x	1.18x	1.13x
PEKAO	PEO	PLN	97.34	25,549	-14.1%	-17.2%	-10.7%	11.14x	9.61x	1.09x	1.05x
Millennium	MIL	PLN	6.67	8,085	-22.9%	-25.9%	-24.9%	9.85x	8.09x	0.89x	0.82x
Mbank	MBK	PLN	322.60	13,658	-24.5%	-21.8%	-24.0%	11.12x	9.76x	0.83x	0.79x
BRD	BRD	RON	13.60	9,478	14.3%	-4.2%	19.3%	8.61x	8.89x	1.21x	1.22x
Banca Transilvania	TLV	RON	2.35	11,315	34.0%	8.3%	27.0%	8.09x	8.63x	1.47x	1.39x
OTP	OTPD	USD	21.20	11,872	6.5%	19.8%	8.2%	9.45x	9.39x	0.81x	0.71x
Komercni	KOMB	CZK	838.00	159,261	-11.4%	-9.9%	-1.1%	10.86x	10.91x	1.50x	1.41x
<b>Mean</b>								<b>7.69x</b>	<b>7.04x</b>	<b>0.97x</b>	<b>0.89x</b>
<b>Median</b>								<b>8.09x</b>	<b>8.09x</b>	<b>0.91x</b>	<b>0.82x</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	9.98	379	-9.4%	-1.9%	-2.3%	13.83x	10.84x	1.01x	0.94x
Tinc Comm	TINC	EUR	13.60	371	13.3%	13.8%	15.3%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.77	17,894	-3.9%	21.1%	16.6%	4.39x	3.57x	0.52x	0.46x
Deutsche Beteiligungs	DBAN	EUR	32.20	484	-6.3%	-14.7%	-4.0%	24.19x	11.73x	1.08x	1.02x
Eurazeo	RF	EUR	60.15	4,604	-4.5%	-4.0%	2.2%	12.51x	11.12x	0.85x	0.81x
Carlyle Group	CG	USD	22.78	2,482	28.6%	-2.1%	44.6%	6.05x	3.45x	2.36x	1.77x
<b>Mean</b>								<b>12.19x</b>	<b>8.14x</b>	<b>1.16x</b>	<b>1.00x</b>
<b>Median</b>								<b>12.51x</b>	<b>10.84x</b>	<b>1.01x</b>	<b>0.94x</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	2.27	299	10.2%	-1.3%	11.3%	20.13x	14.24x	8.39x	7.13x
Mouwasset	MOUWASAT	SAR	85.00	8,500	11.0%	0.2%	5.6%	22.06x	18.48x	15.84x	13.50x
Fortis	FORH	INR	124.15	93,728	-7.9%	-16.5%	-11.6%	1.56x	1.43x	6.72x	6.70x
Raffles	RFMD	SGD	0.98	1,762	-10.9%	-10.1%	-10.9%	29.72x	28.98x	19.02x	17.76x
IHH	IHH	MYR	5.79	50,774	1.0%	3.8%	7.4%	47.28x	38.70x	17.82x	15.27x
Bangkok Chain	BCH	THB	16.00	39,900	-1.8%	-15.3%	-4.2%	33.40x	29.28x	18.28x	16.21x
Netcare	NTC	ZAR	16.30	23,669	-35.9%	-43.4%	-38.3%	10.71x	10.41x	6.70x	6.44x
Life Healthcare	LHC	ZAR	22.81	33,470	-15.7%	-14.2%	-13.6%	19.04x	14.48x	7.94x	7.20x
Mediclinic	MDC	GBP	3.39	2,502	6.8%	-30.5%	5.2%	11.84x	13.04x	8.23x	8.07x
Apollo Hospitals	APHS	INR	1,508.15	209,821	32.2%	26.5%	19.9%	73.87x	58.19x	22.77x	17.62x
KPJ Healthcare	KPJ	MYR	0.91	3,926	-9.9%	-17.3%	-12.5%	20.76x	19.27x	10.12x	9.74x
NMC	NMC	GBP	25.02	5,209	-7.5%	-36.8%	-8.6%	19.75x	15.58x	13.15x	10.07x
<b>Mean</b>								<b>25.84x</b>	<b>21.84x</b>	<b>12.92x</b>	<b>11.31x</b>
<b>Median</b>								<b>20.44x</b>	<b>17.03x</b>	<b>11.63x</b>	<b>9.91x</b>

Source: Bloomberg, S&P Capital IQ



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