



# Weekly Market Watch

Weekly Market Watch | Georgia  
March 30, 2020

## Economy

### NPLs at 2.2% in February 2020

In February 2020, the banking sector loan portfolio increased 18.1% y/y after growing 16.3% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 19.6% y/y and down 0.9% m/m to GEL 31.6bn (US\$ 11.3bn). Deposits were up 13.5% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 15.8% y/y and up 0.2% m/m to GEL 26.5bn (US\$ 9.5bn). Loan dollarization stood at 54.3% (-2.43ppts y/y and -0.83 m/m) and deposit dollarization was 61.7% (-0.61ppts y/y and -1.63ppts m/m). NPLs stood at 2.2% in January 2020 (-0.74ppts y/y and flat m/m).

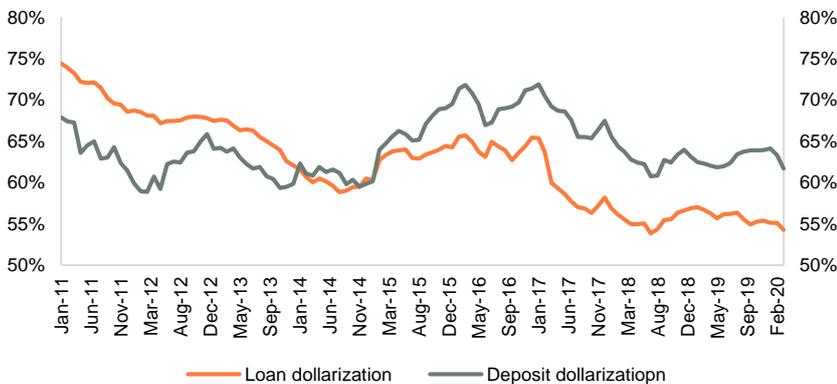
### Current account deficit at 5.1% of GDP in 2019

CA deficit narrowed to 5.1% of GDP (US\$ 897.3mn) in 2019 from 6.8% in 2018, according to NBG. Goods trade deficit (21.0% of GDP) decreased by 9.3% y/y to US\$ 3.7bn, as exports were up 12.2% y/y and imports up 1.8% y/y. In addition, positive services balance (12.2% of GDP) and current transfers (7.7% of GDP) together financed 95% of the goods trade deficit. Net FDI (5.6% of GDP, +0.3ppts y/y) and portfolio investments (4.0% of GDP) were major items for financing the current account deficit.

### NBG sold US\$ 40.0mn

On 25 March 2020, the NBG intervened on the FX market and sold US\$ 40.0mn to curb GEL depreciation pressure. This was third FX intervention in 2020 for a total of US\$ 100.0mn sales.

### Loan and deposit dollarization



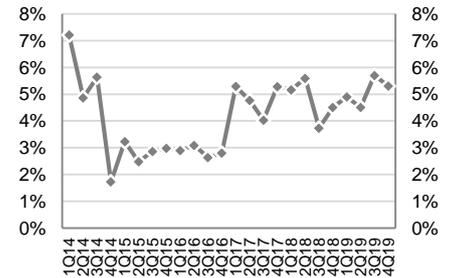
Source: NBG

### 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

 <b>BB</b> Stable Upgraded Oct-2019	 <b>Ba2</b> Stable Affirmed Sep-2019	 <b>BB</b> Stable Affirmed Feb-2020
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Source: Rating agencies



# Money market

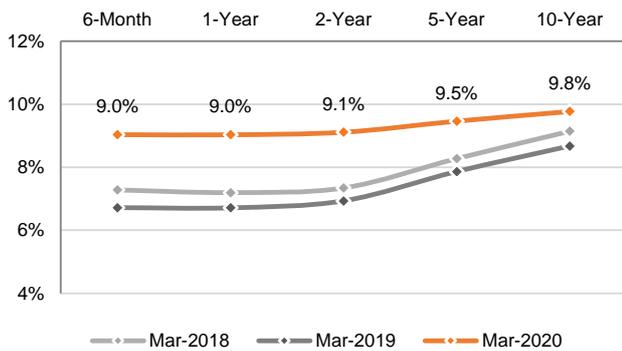
**Ministry of Finance Benchmark Bonds:** 5-year GEL 80.0mn (US\$ 24.7mn) Benchmark Bonds were sold at the auction held at NBG on March 24, 2020. Total demand was nearly 1.5x higher. The weighted average yield was fixed at 9.638%, up 0.63ppts from previous auction held on February 25, 2020. The nearest treasury security auction is scheduled for April 7, 2020, where GEL 20.0mn 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	110	180	320
1-year	150	450	560
2-year	210	630	1,070
5-year	240	720	1,543
10-year	30	120	523
<b>Total</b>	<b>740</b>	<b>2,100</b>	<b>4,015</b>

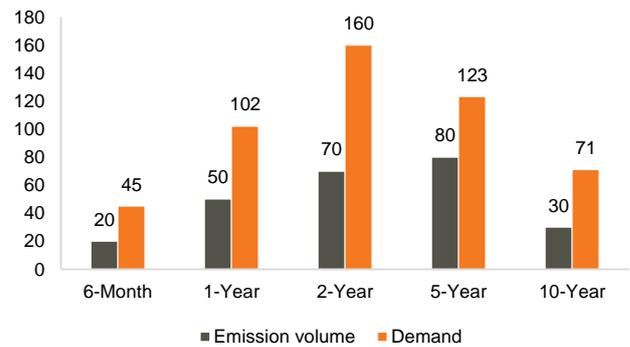
Source: MoF  
Note: \* As of 29 February 2020

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



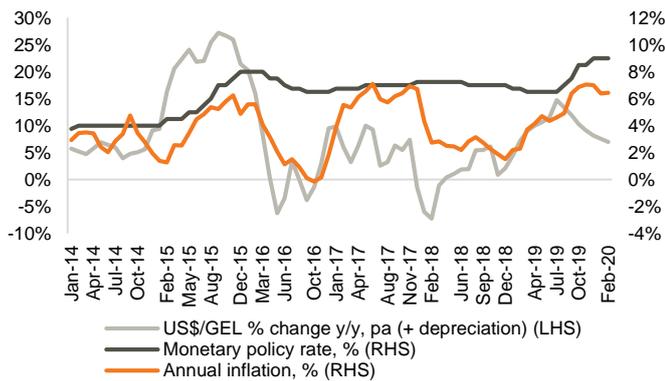
Source: NBG

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



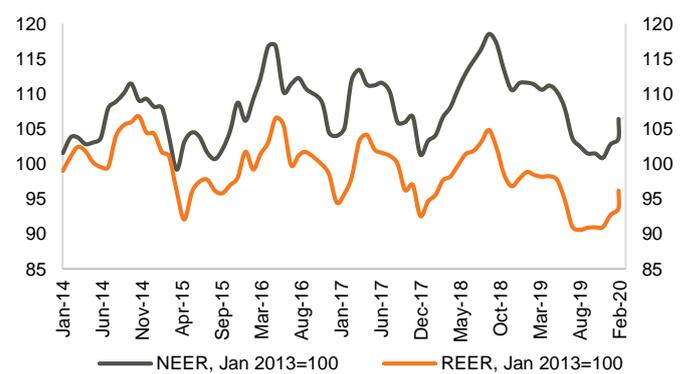
Source: NBG

## 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

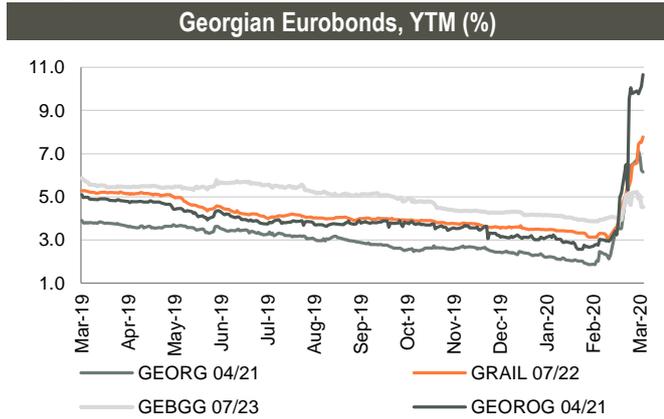


# Fixed income

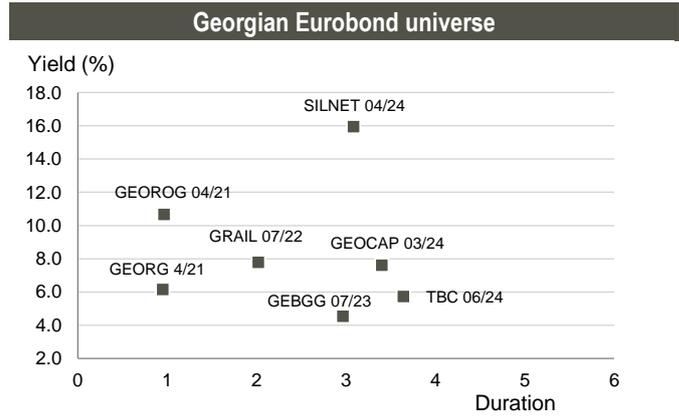
**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 4.52% yield, trading at 104.50 (+1.98% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.03 (-1.21% w/w), yielding 7.61%.

GOGC Eurobonds (GEOROG) were trading at 96.12 (-0.82% w/w), yielding 10.66%. Georgian Railway Eurobonds (GRAIL) traded at 99.93 (-2.64% w/w), yielding 7.77%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 100.72 (+0.33% w/w) at 6.14% yield to maturity.



Source: Bloomberg



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	100.72	6.14	559.13	
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	99.93	7.77	730.08	
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB-/	96.12	10.66	1,047.09	
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	104.50	4.52	430.06	
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/	97.52	10.12	1,097.13	
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B+/B2	95.03	7.61	728.89	
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-B1	85.74	15.95	1,548.33	
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	100.07	5.73	516.81	
TBC PERP	US\$	125	10.775%	n/a	B-/	99.53	10.47	1,054.65	

Georgian local bonds performance									
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps	
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+/-	99.99	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/Baa2	100.72	6.14	559.13
Armenia	US\$	500	6.000%	Sep-20	BB-/-/Ba3	99.81	6.40	505.29
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	98.47	3.94	340.82
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	98.27	7.55	722.25
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	101.65	3.48	305.77
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	100.14	3.20	156.80
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B1	100.11	5.51	475.33
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	96.40	10.54	999.05

Source: Bloomberg

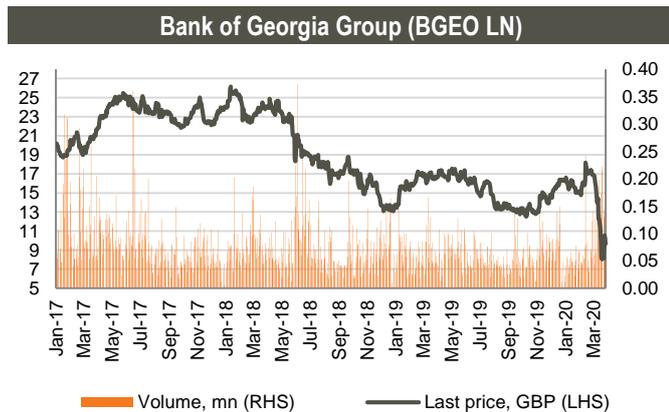
# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 9.66/share (+2.17% w/w and -42.90% m/m). More than 571k shares traded in the range of GBP 7.74 - 11.50/share. Average daily traded volume was 129k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 8.66% w/w and lost 25.34% m/m. The volume of BGEO shares traded was at 1.16% of its capitalization.

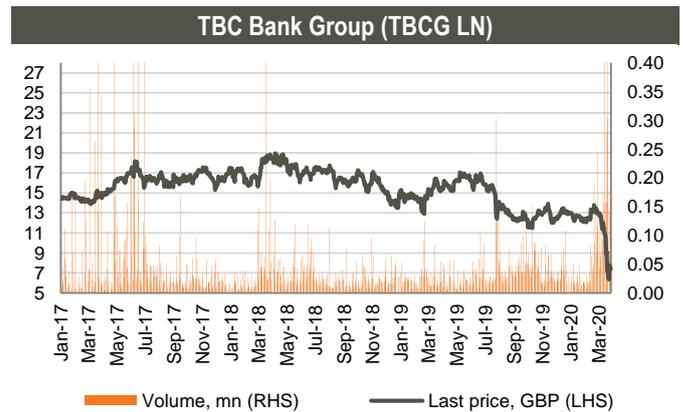
**Georgia Capital (CGEO LN)** shares closed at GBP 4.32/share (+12.21% w/w and -39.83% m/m). More than 134k shares traded in the range of GBP 3.68 - 5.02/share. Average daily traded volume was 56k in the last 4 weeks. The volume of CGEO shares traded was at 0.37% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 7.41/share (+2.35% w/w and -42.74% m/m). More than 652k shares changed hands in the range of GBP 6.35 - 9.11/share. Average daily traded volume was 171k in the last 4 weeks. The volume of TBCG shares traded was at 1.19% of its capitalization.

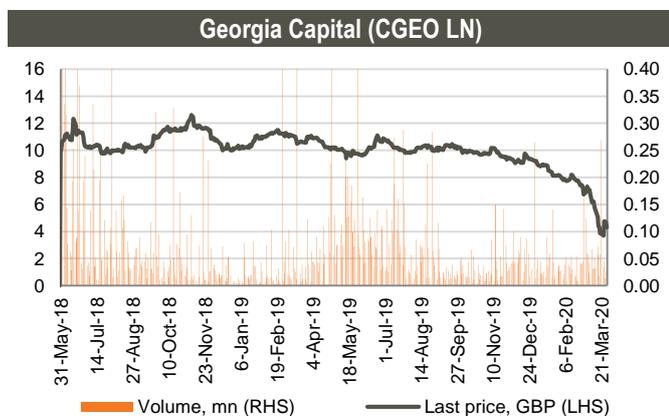
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 0.77/share (-0.78% w/w and -38.23% m/m). More than 239k shares were traded in the range of GBP 0.67 - 0.83/share. Average daily traded volume was 61k in the last 4 weeks. The volume of GHG shares traded was at 0.18% of its capitalization.



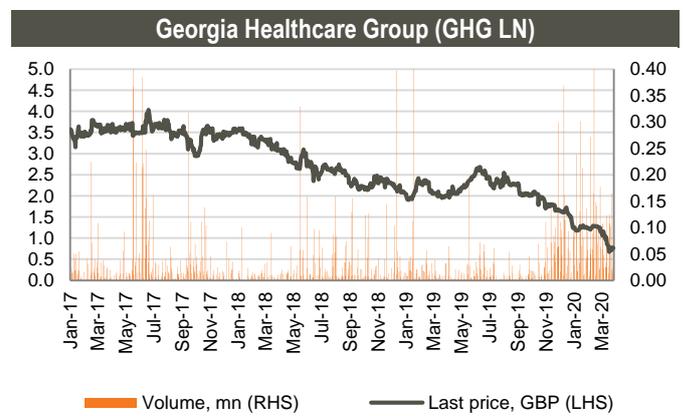
Source: Bloomberg



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	9.66	475	-27.9%	-42.2%	-40.6%	3.72x	3.91x	0.82x	0.70x
TBC	TBC	GBP	7.41	408	-40.0%	-51.2%	-43.0%	2.89x	2.90x	0.56x	0.58x
Halyk Bank	HSBK	US\$	8.86	2,604	-26.2%	-23.6%	-33.6%	3.10x	n/a	0.74x	0.67x
VTB Bank	VTBR	US\$	0.79	5,093	-40.5%	-32.8%	-46.3%	1.94x	2.18x	0.29x	0.23x
Akbank	AKBNK	TRY	5.53	28,756	-33.1%	0.0%	-31.8%	4.91x	3.62x	0.51x	0.46x
Garanti	GARAN	TRY	7.88	33,096	-23.7%	2.3%	-29.3%	4.71x	3.61x	0.56x	0.53x
Isbank	ISCTR	TRY	4.69	21,105	-26.1%	-12.7%	-26.8%	3.33x	2.72x	0.35x	0.33x
PKO	PKO	PLN	22.75	28,438	-43.2%	-41.5%	-34.0%	6.25x	6.58x	0.64x	0.66x
PEKAO	PEO	PLN	55.32	14,520	-46.6%	-49.7%	-44.9%	6.15x	5.96x	0.58x	0.60x
Millennium	MIL	PLN	3.30	3,998	-44.6%	-64.4%	-43.7%	5.04x	4.36x	0.41x	0.41x
Mbank	MBK	PLN	222.00	9,399	-38.8%	-48.6%	-43.0%	7.02x	6.78x	0.53x	0.54x
BRD	BRD	RON	11.52	8,028	-19.4%	-12.5%	-27.3%	5.10x	6.90x	0.98x	1.04x
Banca Transilvania	TLV	RON	1.77	9,253	-27.3%	-9.4%	-31.6%	4.91x	6.19x	1.01x	1.05x
OTP	OTPD	USD	22.80	12,768	7.5%	0.0%	7.5%	9.60x	10.31x	0.82x	0.75x
Komercni	KOMB	CZK	490.00	93,124	-39.0%	-48.2%	-40.9%	5.69x	6.94x	0.81x	0.84x
<b>Mean</b>								<b>4.96x</b>	<b>5.21x</b>	<b>0.64x</b>	<b>0.63x</b>
<b>Median</b>								<b>4.91x</b>	<b>5.16x</b>	<b>0.58x</b>	<b>0.60x</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	4.32	159	-57.9%	-60.6%	-53.1%	5.78x	4.39x	0.41x	n/a
Tinc Comm	TINC	EUR	12.40	338	-6.9%	5.7%	-7.1%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	7.51	15,323	-21.9%	1.8%	-21.3%	3.71x	2.95x	0.43x	0.42x
Deutsche Beteiligungs	DBAN	EUR	26.80	403	-15.3%	-18.3%	-32.1%	9.84x	20.79x	0.88x	0.88x
Eurazeo	RF	EUR	40.16	3,163	-40.8%	-37.1%	-34.2%	9.73x	72.21x	0.59x	0.55x
Carlyle Group	CG	USD	22.74	2,517	-11.5%	24.9%	-29.1%	13.13x	9.86x	1.41x	1.89x
<b>Mean</b>								<b>8.44x</b>	<b>22.04x</b>	<b>0.74x</b>	<b>0.94x</b>
<b>Median</b>								<b>9.73x</b>	<b>9.86x</b>	<b>0.59x</b>	<b>0.72x</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	0.77	101	-61.7%	-61.7%	-37.7%	7.93x	6.89x	4.29x	4.13x
Mouwasset	MOUWASAT	SAR	76.80	7,680	-11.7%	-2.8%	-12.7%	19.68x	17.52x	13.61x	11.66x
Fortis	FORH	INR	128.95	97,352	-5.6%	-6.2%	-2.2%	1.53x	1.48x	6.46x	6.61x
Raffles	RFMD	SGD	0.78	1,426	-22.0%	-27.1%	-22.0%	22.79x	24.75x	14.75x	14.75x
IHH	IHH	MYR	5.30	46,502	-7.0%	-8.6%	-3.1%	49.41x	45.18x	14.43x	14.44x
Bangkok Chain	BCH	THB	11.60	28,927	-26.1%	-31.8%	-32.2%	22.50x	21.99x	12.94x	12.27x
Netcare	NTC	ZAR	14.17	20,573	-20.8%	-41.7%	-27.2%	8.05x	10.32x	5.38x	5.96x
Life Healthcare	LHC	ZAR	18.43	27,043	-19.9%	-31.4%	-25.2%	13.35x	11.48x	6.13x	6.06x
MediClinic	MDC	GBP	2.98	2,194	-12.7%	-2.6%	-27.7%	10.63x	11.56x	7.75x	6.96x
Apollo Hospitals	APHS	INR	1,167.00	162,359	-16.7%	1.1%	-19.1%	54.53x	47.76x	17.60x	13.12x
KPJ Healthcare	KPJ	MYR	0.92	3,921	4.0%	-8.0%	-3.2%	19.92x	19.13x	9.50x	9.04x
NMC	NMC	GBP	9.38	1,959	-66.1%	-57.2%	-46.9%	9.39x	7.03x	9.99x	8.54x
<b>Mean</b>								<b>19.98x</b>	<b>18.76x</b>	<b>10.24x</b>	<b>9.46x</b>
<b>Median</b>								<b>16.51x</b>	<b>14.54x</b>	<b>9.74x</b>	<b>8.79x</b>

Source: Bloomberg, S&P Capital IQ



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