



# Weekly Market Watch

Weekly Market Watch | Georgia  
July 29, 2019

## Economy

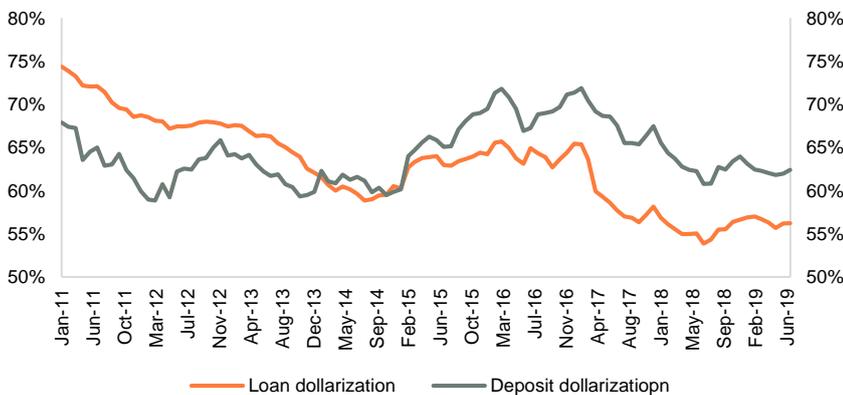
### NPLs at 2.9% in June 2019

In June 2019, the banking sector loan portfolio increased 14.2% y/y after growing 13.2% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 24.0% y/y and up 3.9% m/m to GEL 28.7bn (US\$ 10.0bn). Deposits were up 10.7% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 21.6% y/y and up 2.9% m/m to GEL 24.6bn (US\$ 8.6bn). Loan dollarization stood at 56.2% (+2.38ppts y/y and flat m/m) and deposit dollarization reached 62.4% (+1.63ppts y/y and +0.43ppts m/m). NPLs stood at 2.9% in June 2019 (+0.52ppts y/y and -0.26ppts m/m).

### NBG keeps monetary policy rate unchanged at 6.5%

At its meeting on 24 July 2019, NBG's monetary policy committee decided to keep its key rate unchanged at 6.50%. In June 2019, annual inflation was 4.3%. Price level was mostly affected by increased tobacco excises, which contributed 1.3ppts to overall inflation. Importantly, core inflation (excludes food, energy and tobacco prices) stood at 1.4% in June indicating that the rise in inflation is temporary. NBG commented that increased inflationary pressure from the exchange rate depreciation is balanced currently by the weak demand. By NBG's current forecast, inflation is expected to remain above the 3% target through 2019 and decline from March 2020 once one-off factors fade. The regulator also hinted on a possible monetary tightening if the upward pressure on inflation stemming from the exchange rate will persist. The next committee meeting is scheduled for 4 September 2019.

### Loan and deposit dollarization



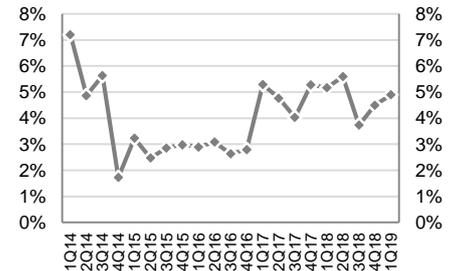
Source: NBG

### 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 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 1.5bn (US\$ 517.1mn).

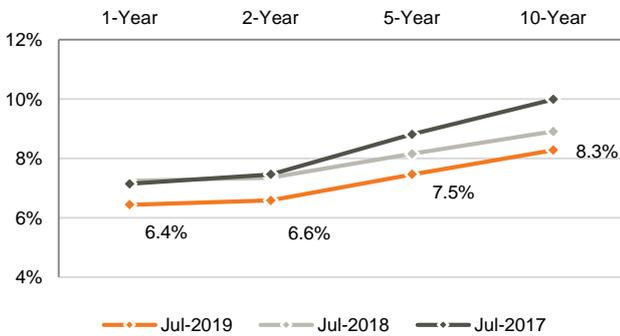
**Ministry of Finance Benchmark Bonds:** 5-year GEL 50.0mn (US\$ 17.3mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on July 23, 2019. The weighted average yield was fixed at 6.983%. The nearest treasury securities auction is scheduled for August 6, 2019, where GEL 40.0mn nominal value 1-year T-bills will be sold.

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

Date	Volume, GEL mn	Maturity
6-Aug-19	40	1 year
13-Aug-19	20	6 month
13-Aug-19	60	2 year
27-Aug-19	50	5 year

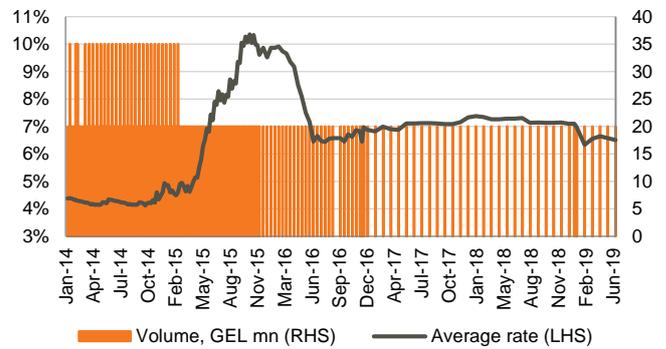
Source: MoF

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



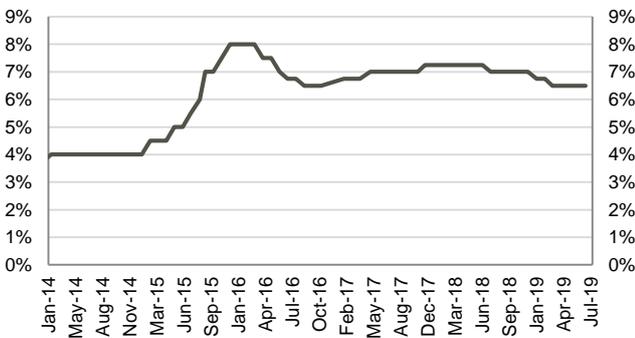
Source: NBG

### Certificates of Deposits (weighted average rate)



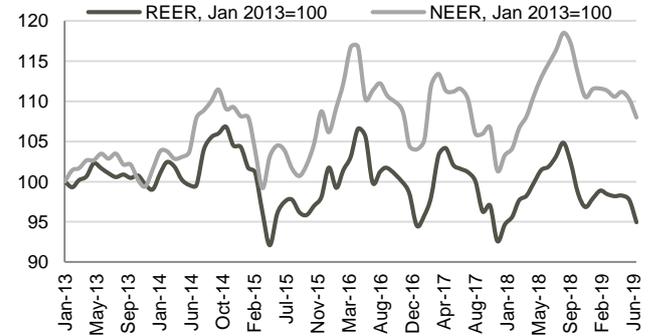
Source: NBG

### 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

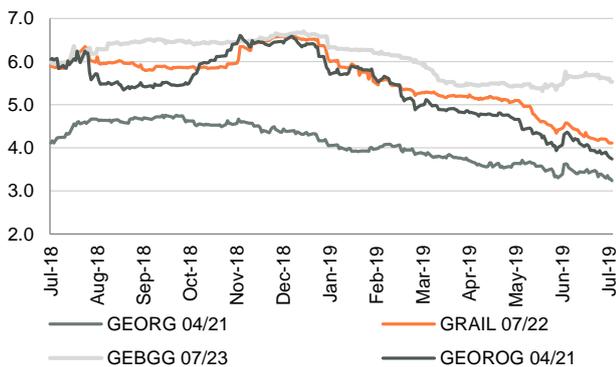
# Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 5.53% yield, trading at 101.65 (+0.35% w/w Georgia Capital Eurobonds (GEOCAP) were trading at 95.11 (+0.11% w/w), yielding 7.40%.

GOGC Eurobonds (GEOROG) were trading at 105.00 (+0.14% w/w), yielding 3.75%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 110.00 (+0.20% w/w), yielding 4.11%.

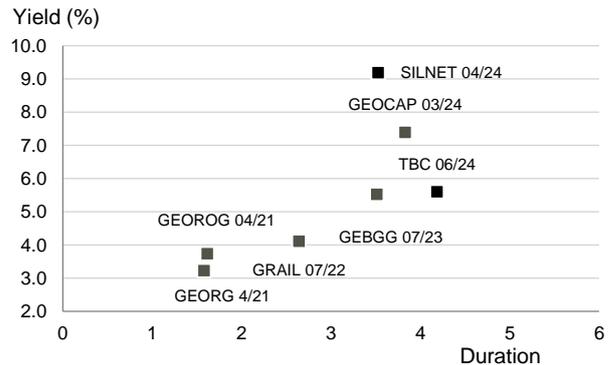
**Georgian Sovereign Eurobonds (GEORG)** closed at 105.96 (+0.19% w/w) at 3.24% yield to maturity.

**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	105.96	3.24	138.16
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	110.00	4.11	226.82
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/B+/-	105.00	3.75	183.77
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	101.65	5.53	370.05
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	104.27	10.31	815.03
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	95.11	7.40	557.64
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	106.71	9.19	733.31
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2/-	100.62	5.60	376.48
TBC PERP	US\$	125	10.775%	n/a	B-/-	102.07	10.64	833.53

### Georgian local bonds performance

GWP 12/21	GEL	30	10.00%	Dec-21	BB-/B-/-	n/a	n/a	n/a
M2RE 10/19	US\$	25	7.50%	Oct-19	-/-/-	100.41	5.50	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.12	7.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	99.59	7.38	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	98.45	7.38	n/a
CRYSTAL 12/19	GEL	10	11.00%	Dec-19	B-/-	100.11	10.75	n/a
CRYSTAL 02/21	GEL	15	10.50%	Feb-21	B-/-	99.65	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	105.96	3.24	138.16
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	103.18	3.20	114.55
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	98.92	3.36	138.34
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.09	4.70	291.51
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	105.92	2.65	81.83
Russia	US\$	3,500	5.000%	Apr-20	BBB-/BBB-/Baa3	101.96	2.34	9.93
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.00	4.36	241.61
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	104.84	5.27	342.25

Source: Bloomberg



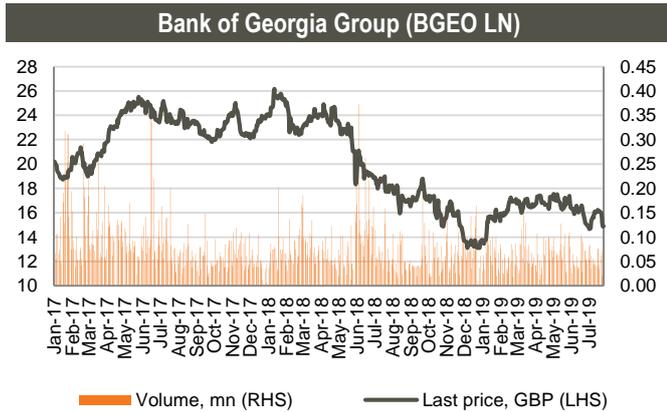
# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 14.88/share (-7.75% w/w and -1.46% m/m). More than 305k shares traded in the range of GBP 14.62 - 16.13/share. Average daily traded volume was 56k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained +1.20% w/w and +3.10% m/m. The volume of BGEO shares traded was at 0.62% of its capitalization.

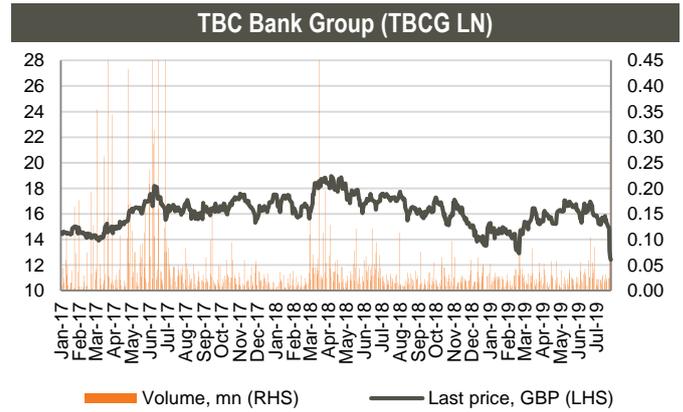
**Georgia Capital (CGEO LN)** shares closed at GBP 9.82/share (-2.39% w/w and -8.22% m/m). More than 561k shares traded in the range of GBP 9.80 - 10.20/share. Average daily traded volume was 104k in the last 4 weeks. The volume of CGEO shares traded was at 1.48% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 12.42/share (-18.72% w/w and -22.57% m/m). More than 654k shares changed hands in the range of GBP 12.04 - 15.40/share. Average daily traded volume was 48k in the last 4 weeks. The volume of TBCG shares traded was at 1.21% of its capitalization.

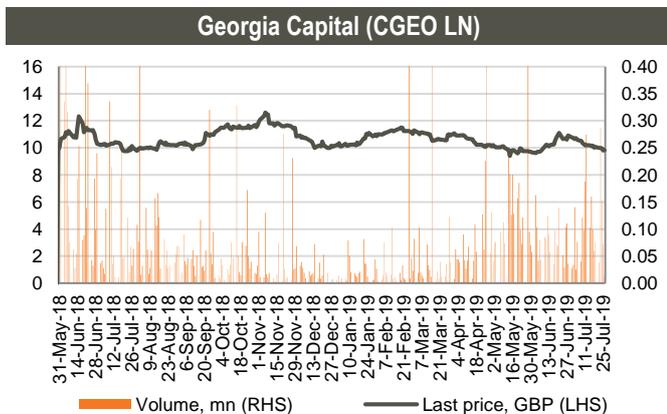
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 2.25/share (-4.05% w/w and -7.22% m/m). More than 6k shares were traded in the range of GBP 2.20 - 2.35/share. Average daily traded volume was 11k in the last 4 weeks.



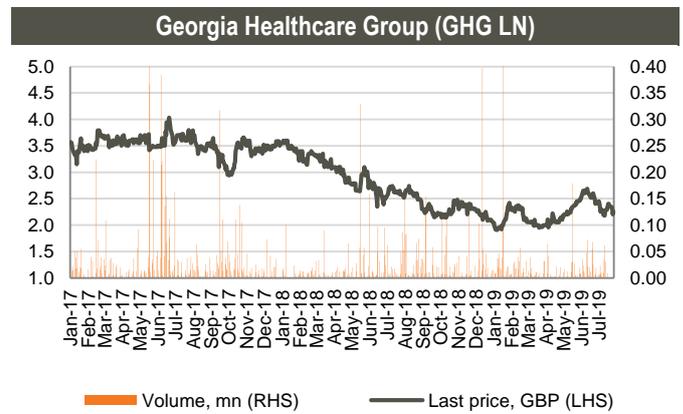
Source: Bloomberg



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	14.88	732	-6.5%	-18.4%	8.1%	6.66x	5.73x	1.30x	1.10x
TBC	TBC	GBP	12.42	674	-15.7%	-27.1%	-18.4%	5.37x	4.82x	0.96x	0.85x
Halyk Bank	HSBK	US\$	13.65	4,011	31.9%	14.2%	31.9%	5.30x	4.95x	1.18x	1.05x
VTB Bank	VTBR	US\$	1.34	8,697	7.3%	-13.0%	21.1%	4.13x	3.29x	0.52x	0.47x
Akbank	AKBNK	TRY	7.58	39,416	16.6%	25.9%	28.8%	7.15x	5.61x	0.81x	0.72x
Garanti	GARAN	TRY	9.84	41,328	7.7%	42.4%	23.6%	6.91x	5.08x	0.83x	0.73x
Isbank	ISCTR	TRY	6.42	28,890	18.0%	30.5%	41.7%	5.12x	4.16x	0.56x	0.50x
PKO	PKO	PLN	42.13	52,663	4.2%	2.1%	6.7%	12.44x	11.78x	1.27x	1.21x
PEKAO	PEO	PLN	103.60	27,192	-8.3%	-3.8%	-5.0%	11.96x	10.25x	1.18x	1.13x
Millennium	MIL	PLN	7.80	9,462	-13.3%	-13.4%	-12.1%	12.40x	9.59x	1.06x	0.96x
Mbank	MBK	PLN	364.20	15,419	-19.2%	-12.5%	-14.1%	12.70x	11.18x	0.95x	0.89x
BRD	BRD	RON	13.26	9,241	28.7%	-6.6%	16.3%	7.55x	9.26x	1.21x	1.21x
Banca Transilvania	TLV	RON	2.52	12,110	47.9%	11.1%	25.4%	8.77x	9.35x	1.47x	1.39x
OTP	OTPD	USD	21.20	11,872	1.0%	19.8%	8.2%	9.97x	9.51x	0.79x	0.70x
Komercni	KOMB	CZK	895.50	170,189	1.8%	-4.4%	5.7%	11.80x	11.77x	1.63x	1.53x
<b>Mean</b>								<b>8.55x</b>	<b>7.76x</b>	<b>1.05x</b>	<b>0.96x</b>
<b>Median</b>								<b>7.55x</b>	<b>9.26x</b>	<b>1.06x</b>	<b>0.96x</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	9.82	373	-11.6%	-3.1%	-3.8%	14.50x	11.37x	0.75x	0.81x
Tinc Comm	TINC	EUR	12.70	346	6.7%	5.4%	7.6%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.64	19,669	9.7%	15.6%	28.2%	5.11x	4.16x	0.64x	0.54x
Deutsche Beteiligungs	DBAN	EUR	31.70	477	-8.0%	-13.9%	-5.5%	24.29x	11.70x	1.08x	1.02x
Eurazeo	RF	EUR	61.30	4,692	-0.9%	-3.2%	4.2%	13.02x	11.57x	0.84x	0.81x
Carlyle Group	CG	USD	24.96	2,719	39.9%	5.1%	58.5%	10.66x	4.48x	2.72x	1.69x
<b>Mean</b>								<b>13.51x</b>	<b>8.66x</b>	<b>1.21x</b>	<b>0.98x</b>
<b>Median</b>								<b>13.02x</b>	<b>11.37x</b>	<b>0.84x</b>	<b>0.81x</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	2.25	296	-3.8%	-12.5%	10.3%	21.53x	14.47x	9.12x	7.25x
Mouwasset	MOUWASAT	SAR	89.70	8,970	17.1%	-5.8%	11.4%	22.89x	19.73x	16.03x	14.42x
Fortis	FORH	INR	124.95	94,332	-7.7%	-10.6%	-11.1%	1.56x	1.44x	6.86x	6.73x
Raffles	RFMD	SGD	1.03	1,851	-8.0%	-8.0%	-6.4%	31.16x	30.68x	20.03x	18.82x
IHH	IHH	MYR	5.70	49,985	2.3%	-5.0%	5.8%	47.05x	38.42x	17.81x	15.22x
Bangkok Chain	BCH	THB	15.70	39,152	-4.8%	-5.4%	-6.0%	31.04x	27.86x	17.10x	15.54x
Netcare	NTC	ZAR	16.91	24,555	-33.7%	-36.4%	-36.0%	11.38x	11.03x	6.96x	6.70x
Life Healthcare	LHC	ZAR	22.85	33,529	-15.1%	-3.3%	-13.4%	18.85x	14.55x	8.04x	7.25x
Mediclinic	MDC	GBP	3.34	2,462	4.5%	-35.5%	3.5%	12.50x	13.51x	8.50x	8.28x
Apollo Hospitals	APHS	INR	1,363.05	189,634	5.5%	45.4%	8.3%	67.01x	47.03x	20.94x	17.13x
KPJ Healthcare	KPJ	MYR	0.95	4,077	-11.7%	-8.3%	-9.1%	21.74x	20.18x	10.46x	10.07x
NMC	NMC	GBP	24.70	5,143	-7.4%	-35.2%	-9.7%	20.65x	16.34x	12.42x	10.59x
<b>Mean</b>								<b>25.61x</b>	<b>21.27x</b>	<b>12.86x</b>	<b>11.50x</b>
<b>Median</b>								<b>21.64x</b>	<b>18.03x</b>	<b>11.44x</b>	<b>10.33x</b>

Source: Bloomberg, S&P Capital IQ

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