



# Weekly Market Watch

Weekly Market Watch | Georgia  
June 24, 2019

## Economy

### Real GDP growth revised up to 4.9% in 1Q19

1Q19 economic growth in Georgia was revised up to 4.9% from 4.7% rapid estimate figure according to Geostat. In 1Q19, the fastest growing sectors in real terms were: education (+15.7% y/y), hotels and restaurants (+13.1% y/y), transport and communication (+12.7% y/y), healthcare (+11.4% y/y), real estate operations (+11.1% y/y) and trade (+6.7% y/y). Meanwhile, real growth was down in construction (-9.6% y/y), mining (-3.8% y/y) and manufacturing (-2.0% y/y).

### Trade deficit was down 14.4% y/y in May 2019

In May 2019, exports increased by 3.5% y/y to US\$ 334.2mn, imports were down 7.3% y/y to US\$ 751.9mn and the trade deficit narrowed 14.4% y/y to US\$ 417.7mn, according to Geostat. In May 2019, copper (+41.3% y/y), cars (+75.4% y/y), ferro-alloys (-47.4% y/y), wine (+9.5% y/y) and pharmaceuticals (+22.0% y/y) were the top 5 exported commodities. A 25.3% (+56.9% y/y) of exports were directed to the EU, 51.8% (+12.8% y/y) to the CIS and 22.9% (-33.8% y/y) to other countries.

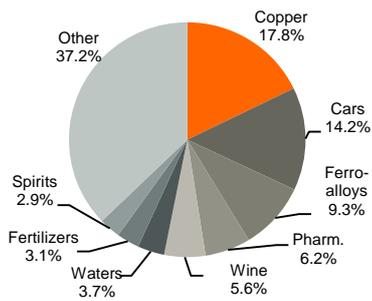
In May 2019, petroleum (-16.1% y/y), cars (-2.3% y/y), copper (+230.1% y/y), pharmaceuticals (+9.7% y/y) and phones (-10.7% y/y) represented the top 5 imported commodities.

Overall, in 5M19, exports increased 14.2% y/y to US\$ 1.5bn, imports were down 3.6% y/y to US\$ 3.5bn and the trade deficit improved by 13.4% y/y to US\$ 2.0bn.

### Producer prices up 4.1% y/y in May 2019

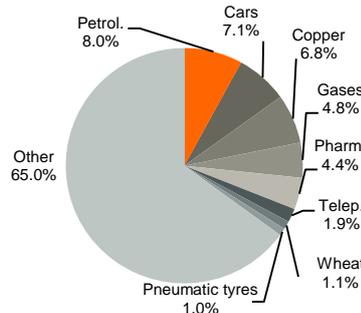
Producer price index was up 4.1% y/y in May 2019. Price changes in manufacturing (+6.3% y/y) and electricity, gas, steam and hot water (-10.2% y/y) contributed the most to the overall index change.

Exports by commodities, 5M19



Source: Geostat

Imports by commodities, 5M19

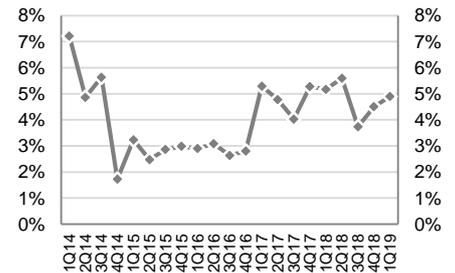


### Key macro indicators

	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 967mn (US\$ 347.0mn).

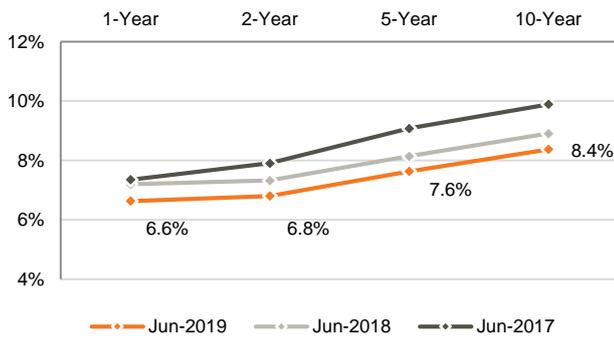
There were no treasury securities auction last week. The nearest treasury securities auction is scheduled for June 25, 2019, where GEL 50.0mn nominal value 5-year Benchmark Bonds will be sold.

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

Date	Volume, GEL mn	Maturity
25-Jun-19	50	5 year

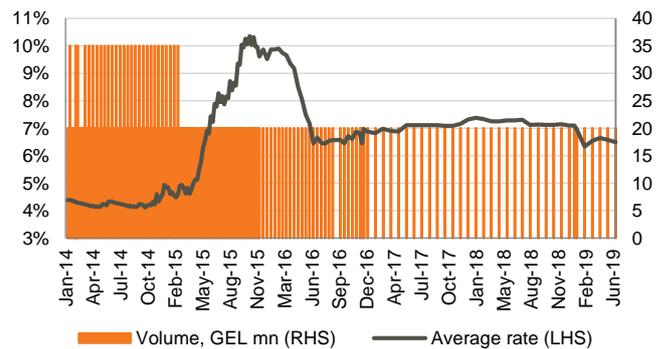
Source: MoF

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



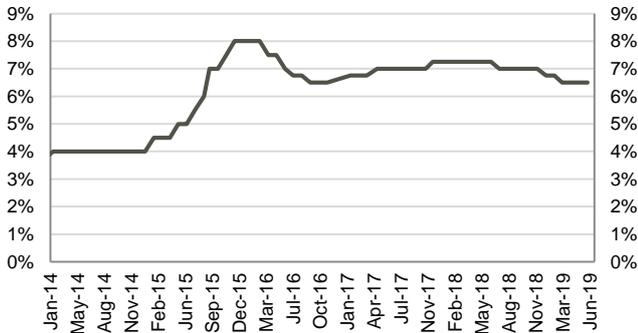
Source: NBG

### Certificates of Deposits (weighted average rate)



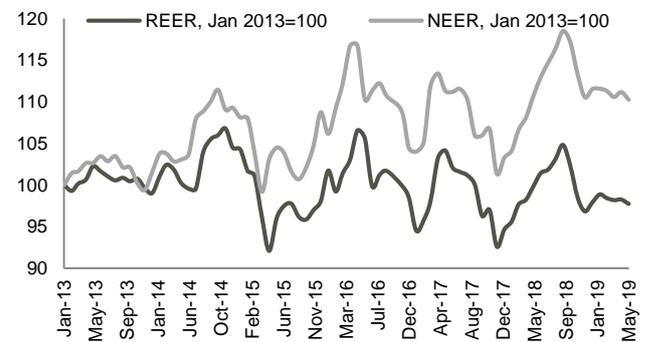
Source: NBG

### Monetary policy rate



Source: NBG

### Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

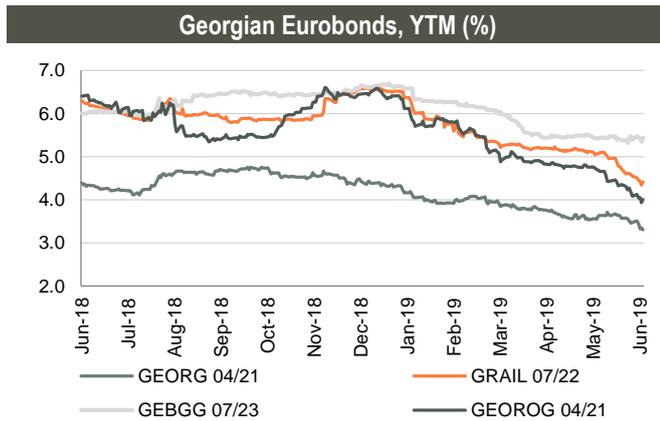
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

# Fixed income

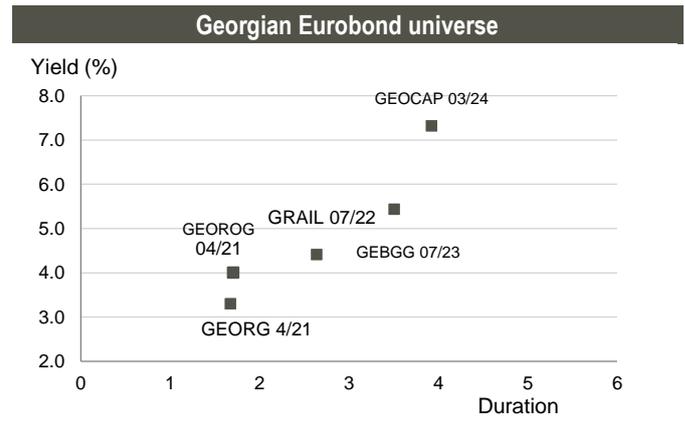
**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 5.44% yield, trading at 102.01 (-0.18% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.30 (+0.22% w/w), yielding 7.32%.

GOGC Eurobonds (GEOROG) were trading at 104.80 (+0.08% w/w), yielding 4.01%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.39 (+0.30% w/w), yielding 4.42%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 106.17 (+0.23% w/w) at 3.31% 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	106.17	3.31	154.97
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.39	4.42	266.58
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.80	4.01	219.76
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+/-	102.01	5.44	369.98
GEBGG 11 1/8 PERP	US\$	100	11.130%	n/a	B-/-	104.31	10.27	821.64
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	95.30	7.32	555.75
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	105.71	9.48	780.83
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+/-	100.51	5.66	387.49

### 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	-/-/-	100.56	5.50	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.15	7.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	99.57	7.38	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	99.08	7.00	n/a
CRYSTAL 12/19	GEL	10	11.00%	Dec-19	B-/-/-	100.13	10.75	n/a
CRYSTAL 02/21	GEL	15	10.50%	Feb-21	B-/-/-	99.63	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	106.17	3.31	154.97
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	103.05	3.51	160.78
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2u	98.58	3.50	170.79
Belarus	US\$	800	6.875%	Feb-23	B/B/B3u	107.02	4.77	303.60
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.25	2.61	82.64
Russia	US\$	3,500	5.000%	Apr-20	BBB-/BBB-/Baa3	101.97	2.63	58.65
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	100.73	5.18	342.39
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	104.79	5.39	360.97

Source: Bloomberg

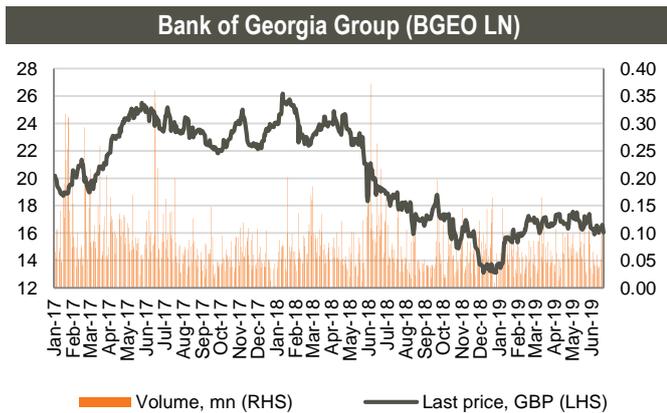
# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 16.04/share (-1.11% w/w and -6.91% m/m). More than 369k shares traded in the range of GBP 15.95 - 16.63/share. Average daily traded volume was 60k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.08% w/w and lost 0.58% m/m. The volume of BGEO shares traded was at 0.75% of its capitalization.

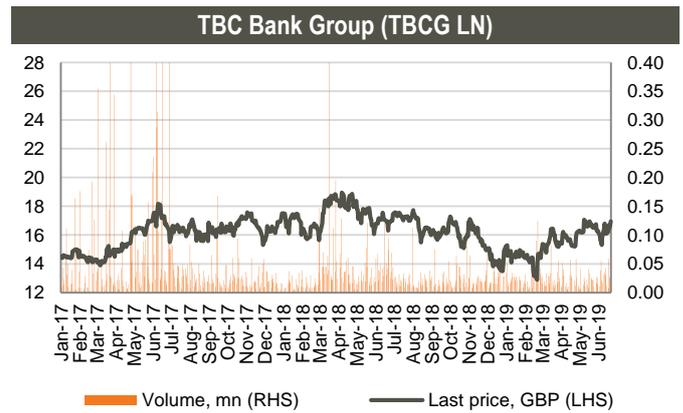
**Georgia Capital (CGEO LN)** shares closed at GBP 11.10/share (+8.82% w/w and +14.32% m/m). More than 410k shares traded in the range of GBP 10.16 - 11.10/share. Average daily traded volume was 137k in the last 4 weeks. The volume of CGEO shares traded was at 1.08% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 16.96/share (+5.34% w/w and +1.56% m/m). More than 223k shares changed hands in the range of GBP 16.18 - 16.96/share. Average daily traded volume was 31k in the last 4 weeks. The volume of TBCG shares traded was at 0.41% of its capitalization.

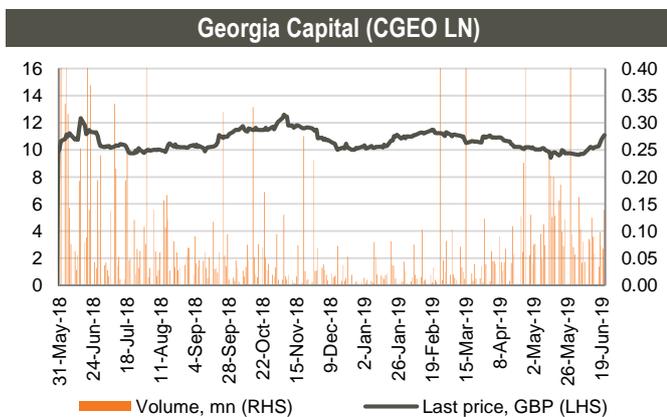
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 2.60/share (+0.39% w/w and +9.70% m/m). More than 161k shares were traded in the range of GBP 2.51 - 2.60/share. Average daily traded volume was 24k in the last 4 weeks. The volume of GHG shares traded was at 0.12% of its capitalization.



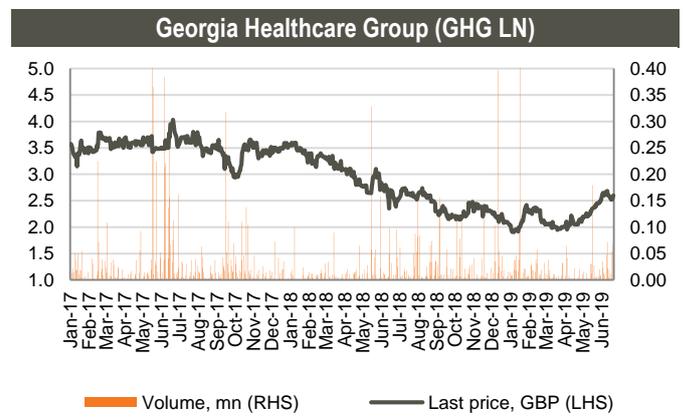
Source: Bloomberg



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	16.04	789	21.6%	-15.7%	16.5%	6.49x	5.90x	1.33x	1.13x
TBC	TBC	GBP	16.96	920	24.5%	3.9%	11.4%	6.45x	5.91x	1.23x	1.08x
Halyk Bank	HSBK	US\$	11.55	3,394	15.5%	-2.9%	11.6%	4.39x	4.10x	0.99x	0.89x
VTB Bank	VTBR	US\$	1.26	8,178	10.2%	-13.4%	13.9%	3.84x	3.05x	0.49x	0.44x
Akbank	AKBNK	TRY	6.72	34,944	13.9%	8.1%	14.2%	6.64x	4.51x	0.68x	0.61x
Garanti	GARAN	TRY	8.55	35,910	5.4%	1.9%	7.4%	5.82x	4.12x	0.68x	0.60x
Isbank	ISCTR	TRY	5.62	25,290	29.2%	-5.4%	24.1%	4.23x	3.38x	0.46x	0.41x
PKO	PKO	PLN	43.17	53,963	10.0%	14.0%	9.4%	12.92x	12.16x	1.31x	1.24x
PEKAO	PEO	PLN	113.65	29,830	4.6%	-0.7%	4.3%	12.92x	11.04x	1.28x	1.23x
Millennium	MIL	PLN	9.52	11,548	9.4%	19.0%	7.3%	15.12x	11.72x	1.26x	1.18x
Mbank	MBK	PLN	425.40	18,010	0.9%	6.6%	0.3%	14.36x	12.67x	1.10x	1.04x
BRD	BRD	RON	12.36	8,614	18.2%	-5.6%	8.4%	8.56x	10.97x	1.12x	1.13x
Banca Transilvania	TLV	RON	2.37	11,388	31.4%	11.3%	18.0%	9.81x	10.13x	1.41x	1.30x
OTP	OTPD	USD	21.20	11,872	8.2%	8.7%	8.2%	9.83x	9.26x	0.78x	0.69x
Komercni	KOMB	CZK	898.00	170,664	4.4%	-1.4%	6.0%	11.73x	11.57x	1.61x	1.51x
<b>Mean</b>								<b>8.87x</b>	<b>8.03x</b>	<b>1.05x</b>	<b>0.97x</b>
<b>Median</b>								<b>8.56x</b>	<b>9.26x</b>	<b>1.12x</b>	<b>1.08x</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	11.10	422	8.8%	-3.2%	8.7%	15.02x	12.00x	0.85x	0.92x
Tinc Comm	TINC	EUR	12.75	348	9.4%	5.4%	8.1%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.37	17,078	10.3%	-3.8%	11.3%	6.59x	3.37x	0.52x	0.44x
Deutsche Beteiligungs	DBAN	EUR	34.55	520	0.7%	-1.3%	3.0%	17.86x	11.39x	1.13x	1.06x
Eurazeo	RF	EUR	63.05	4,826	9.2%	0.9%	7.1%	41.07x	9.50x	0.90x	0.84x
Carlyle Group	CG	USD	22.28	2,427	38.2%	-0.3%	41.5%	5.69x	4.01x	2.36x	1.11x
<b>Mean</b>								<b>17.24x</b>	<b>8.05x</b>	<b>1.15x</b>	<b>0.88x</b>
<b>Median</b>								<b>15.02x</b>	<b>9.50x</b>	<b>0.90x</b>	<b>0.92x</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	2.60	342	25.0%	1.6%	27.5%	22.78x	15.52x	9.63x	7.69x
Mouwasat	MOUWASAT	SAR	90.30	9,030	12.3%	-0.7%	12.2%	22.11x	19.92x	16.01x	14.48x
Fortis	FORH	INR	129.20	97,540	-4.3%	-4.2%	-8.0%	1.63x	1.52x	6.79x	6.65x
Raffles	RFMD	SGD	1.06	1,905	-4.5%	5.0%	-3.6%	31.65x	31.17x	20.26x	19.05x
IHH	IHH	MYR	5.79	50,774	8.2%	-1.9%	7.4%	46.77x	37.07x	17.21x	14.77x
Bangkok Chain	BCH	THB	16.70	41,646	-8.2%	7.7%	0.0%	33.17x	29.87x	18.28x	16.58x
Netcare	NTC	ZAR	17.85	25,920	-30.2%	-35.6%	-32.5%	11.75x	11.41x	7.15x	6.89x
Life Healthcare	LHC	ZAR	22.59	33,147	-9.7%	-9.4%	-14.4%	17.97x	14.03x	7.72x	7.06x
Mediclinic	MDC	GBP	3.05	2,245	-0.4%	-43.6%	-5.6%	11.13x	11.72x	7.95x	7.60x
Apollo Hospitals	APHS	INR	1,348.25	187,575	7.7%	31.7%	7.1%	67.77x	47.99x	21.14x	17.44x
KPJ Healthcare	KPJ	MYR	1.03	4,444	-1.0%	2.0%	-1.0%	23.27x	21.60x	11.09x	10.76x
NMC	NMC	GBP	24.38	5,076	-9.7%	-31.0%	-10.9%	19.95x	15.77x	12.06x	10.94x
<b>Mean</b>								<b>25.83x</b>	<b>21.46x</b>	<b>12.94x</b>	<b>11.66x</b>
<b>Median</b>								<b>22.44x</b>	<b>17.84x</b>	<b>11.57x</b>	<b>10.85x</b>

Source: Bloomberg, S&P Capital IQ

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