



Weekly Market Watch

Weekly Market Watch | Georgia
August 12, 2019

Economy

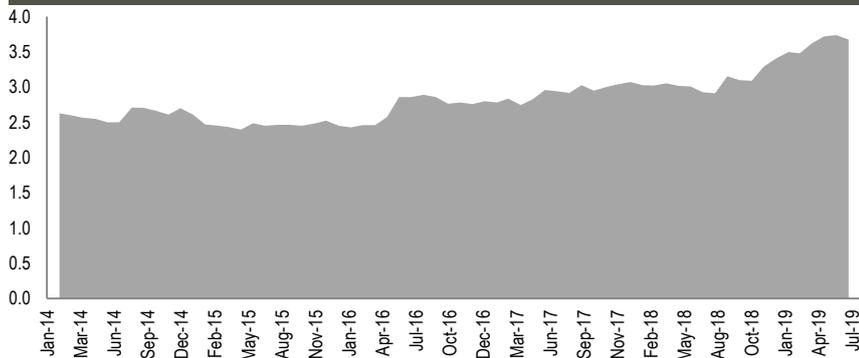
Tourist arrivals up 1.0% y/y in July 2019

Total international arrivals (tourists and same-day arrivals) to Georgia increased by 4.3% y/y to 0.88mn in July 2019, according to the Ministry of Internal Affairs. This growth was mostly driven by same-day arrivals (+11.1% y/y to 0.31mn trips), while tourist arrivals also increased by 1.0% y/y (64.7% of total). Out of top countries, in July 2019, international visitors increased from Azerbaijan (+13.1%), Turkey (+9.6% y/y), Armenia (+3.2% y/y), Ukraine (+18.2%), Saudi Arabia (+42.1%) and Israel (+15.5% y/y). Meanwhile, visitors declined from Russia (-6.4% y/y) due to Russia's direct flight ban to Georgia and Iran (-60.8% y/y). Visitors from the EU were up 14.1% y/y to over 55,400 visitors, with Germany, Poland and France driving the growth. In 7M19, total international visitors stood at 4.1mn (+7.0% y/y), of which tourist arrivals reached 2.7mn (+8.0% y/y). Meanwhile, tourism revenues stood at US\$ 1.9bn (+5.0% y/y) in 7M19 by our estimates.

International reserves up 25.6% y/y in July 2019

Gross international reserves were up 25.6% y/y to US\$ 3.7bn in July 2019. On a monthly basis reserves were down 1.6% m/m, according to NBG. Change in reserves was attributed to government and banking sector FX operations and/or asset revaluation.

Gross international reserves, US\$ bn



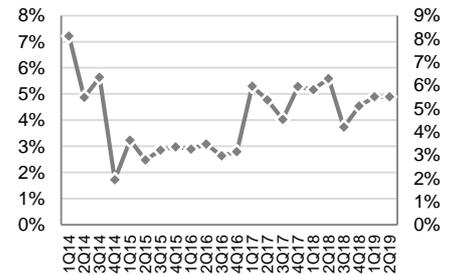
Source: NBG

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

 BB- Positive Affirmed Apr-2019	 Ba2 Stable Affirmed Mar-2019	 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 1.6bn (US\$ 542.0mn).

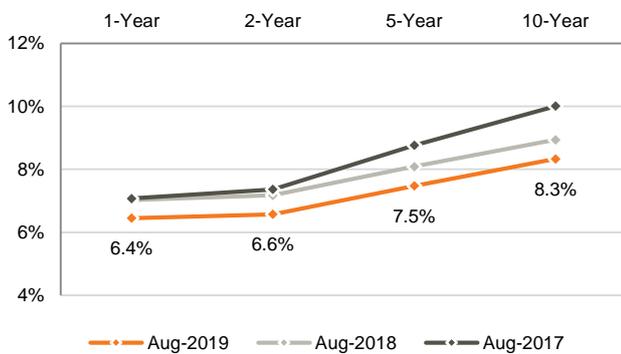
Ministry of Finance Treasury Bills: 1-year GEL 40.0mn (US\$ 13.8mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on August 6, 2019. The weighted average yield was fixed at 6.558%. The nearest treasury security auction is scheduled for August 13, 2019, where GEL 60mn nominal value 2- year Benchmark bonds and GEL 20mn nominal value 6-month T-bills will be sold.

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

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

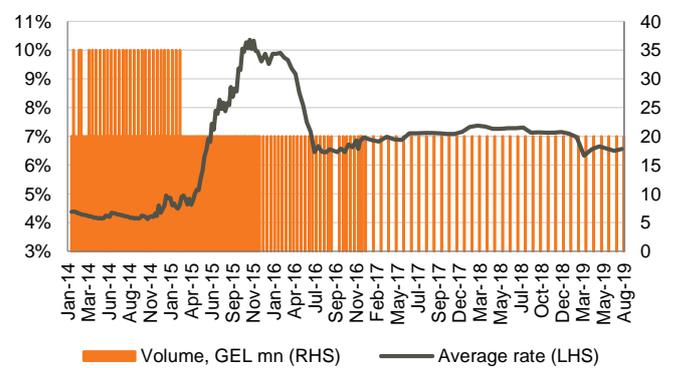
Source: MoF

T-bills / T-notes, yield curve



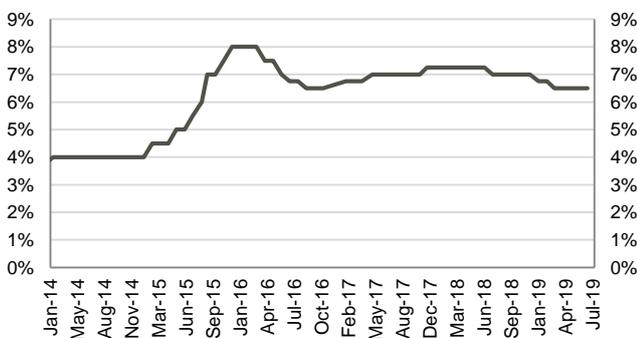
Source: NBG

Certificates of Deposits (weighted average rate)



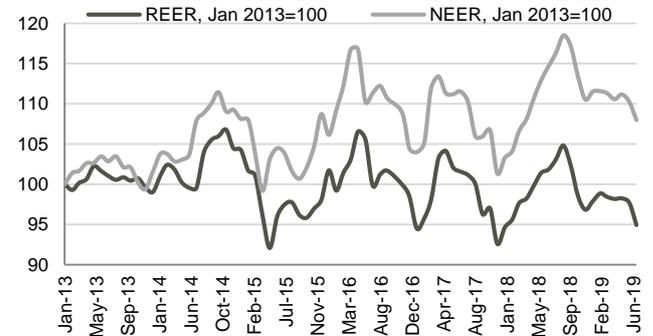
Source: NBG

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



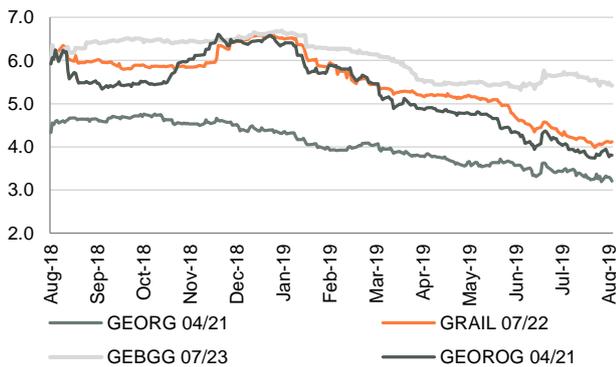
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.42% yield, trading at 102.04 (+0.32% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.14 (-0.11% w/w), yielding 7.40%.

GOGC Eurobonds (GEOROG) were trading at 104.81 (+0.08% w/w), yielding 3.80%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.87 (-0.22% w/w), yielding 4.12%.

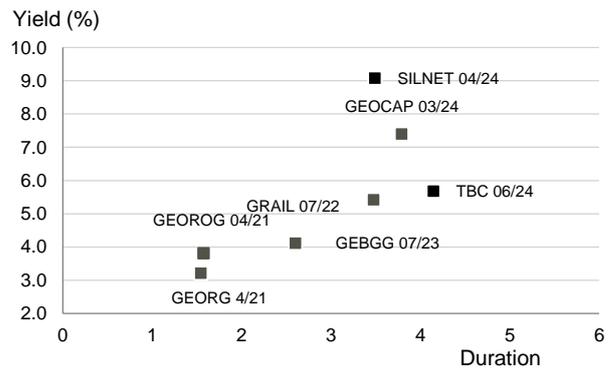
Georgian Sovereign Eurobonds (GEORG) closed at 105.89 (-0.09% w/w) at 3.21% yield to maturity.

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	105.89	3.21	152.87
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.87	4.12	256.66
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.81	3.80	213.15
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+/-	102.04	5.42	391.80
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	103.83	10.16	857.19
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	95.14	7.40	589.89
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	107.12	9.08	757.17
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+/-	100.28	5.68	418.56
TBC PERP	US\$	125	10.775%	n/a	B-/-	102.42	10.41	862.37

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	-/-/-	100.30	5.50	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.09	7.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/B+	99.74	7.25	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/B+	98.70	7.25	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/B+	n/a	n/a	n/a
CRYSTAL 12/19	GEL	10	11.00%	Dec-19	B-/-	100.09	10.75	n/a
CRYSTAL 02/21	GEL	15	10.50%	Feb-21	B-/-	99.66	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	105.89	3.21	152.87
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	102.81	3.44	163.64
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.16	3.25	163.25
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	106.61	4.82	330.15
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.07	2.61	111.78
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	102.01	2.14	17.11
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.12	4.26	258.42
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	104.80	5.25	362.32

Source: Bloomberg

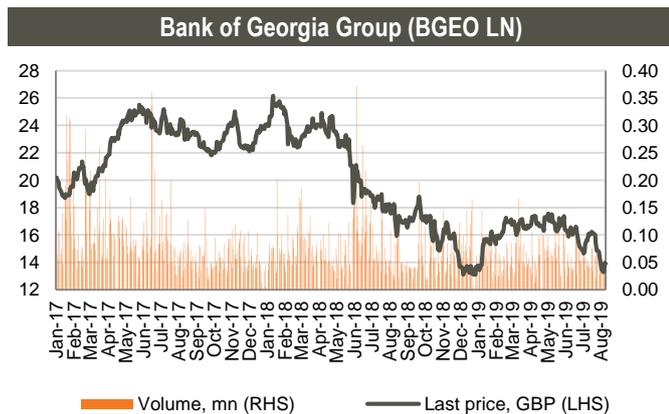
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 13.91/share (+2.88% w/w and -10.89% m/m). More than 242k shares traded in the range of GBP 13.04 - 14.24/share. Average daily traded volume was 52k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained -0.84% w/w and -1.93% m/m. The volume of BGEO shares traded was at 0.49% of its capitalization.

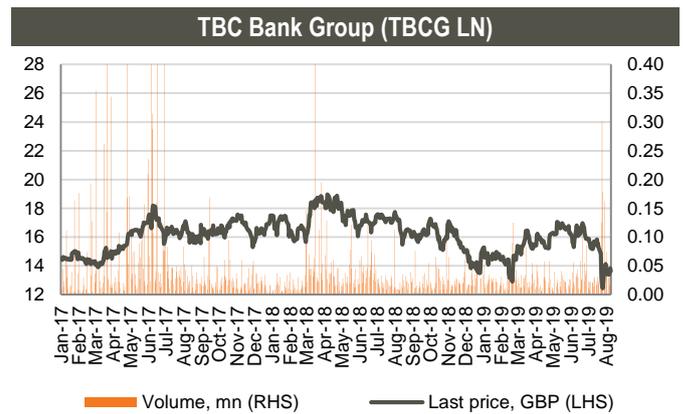
Georgia Capital (CGEO LN) shares closed at GBP 10.20/share (+3.24% w/w and -1.35% m/m). More than 184k shares traded in the range of GBP 9.88 - 10.30/share. Average daily traded volume was 69k in the last 4 weeks. The volume of CGEO shares traded was at 0.48% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 13.62/share (+1.34% w/w and -10.16% m/m). More than 130k shares changed hands in the range of GBP 13.22 - 13.94/share. Average daily traded volume was 64k in the last 4 weeks. The volume of TBCG shares traded was at 0.24% of its capitalization.

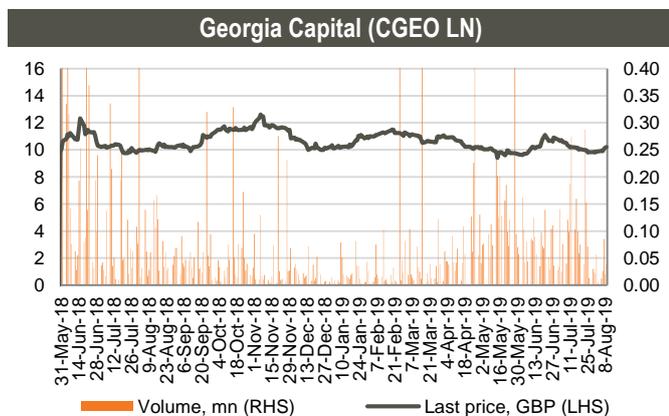
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.44/share (-4.13% w/w and +11.42% m/m). More than 12k shares were traded in the range of GBP 2.30 - 2.44/share. Average daily traded volume was 3k in the last 4 weeks. The volume of GHG shares traded was at 0.01% of its capitalization.



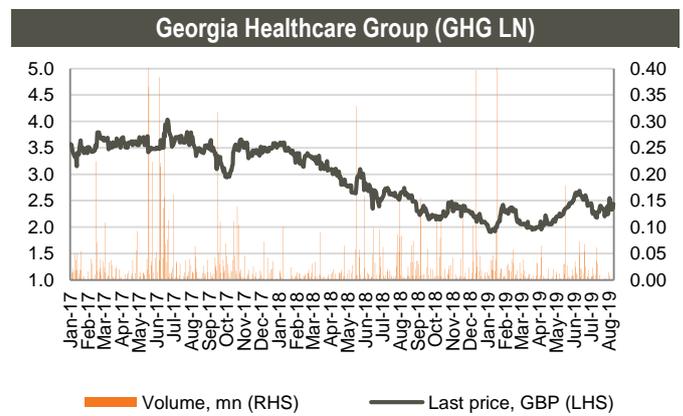
Source: Bloomberg



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	13.91	684	-12.2%	-23.2%	1.0%	5.80x	4.99x	1.15x	0.97x
TBC	TBC	GBP	13.62	739	-3.3%	-20.5%	-10.5%	5.38x	4.90x	1.00x	0.87x
Halyk Bank	HSBK	US\$	13.80	4,055	31.4%	22.1%	33.3%	5.36x	5.01x	1.19x	1.07x
VTB Bank	VTBR	US\$	1.22	7,932	-2.7%	-9.0%	10.5%	4.53x	3.08x	0.51x	0.44x
Akbank	AKBNK	TRY	7.60	39,520	12.9%	24.4%	29.1%	6.77x	5.30x	0.77x	0.69x
Garanti	GARAN	TRY	9.77	41,034	10.0%	39.6%	22.7%	6.17x	4.65x	0.76x	0.69x
Isbank	ISCTR	TRY	5.76	25,920	6.3%	17.1%	27.2%	4.36x	3.56x	0.48x	0.42x
PKO	PKO	PLN	38.87	48,588	0.0%	-5.4%	-1.5%	11.41x	10.81x	1.17x	1.11x
PEKAO	PEO	PLN	97.26	25,528	-13.3%	-18.9%	-10.8%	11.16x	9.61x	1.09x	1.05x
Millennium	MIL	PLN	7.27	8,819	-19.1%	-20.4%	-18.0%	10.74x	8.82x	0.97x	0.89x
Mbank	MBK	PLN	318.80	13,497	-26.9%	-21.3%	-24.8%	10.99x	9.64x	0.82x	0.78x
BRD	BRD	RON	13.44	9,366	13.7%	-5.0%	17.9%	8.50x	8.78x	1.20x	1.21x
Banca Transilvania	TLV	RON	2.37	11,412	33.7%	11.4%	28.0%	8.16x	8.70x	1.48x	1.40x
OTP	OTPD	USD	21.20	11,872	6.5%	19.8%	8.2%	9.85x	9.34x	0.79x	0.69x
Komercni	KOMB	CZK	834.00	158,501	-9.8%	-11.8%	-1.5%	10.73x	10.84x	1.50x	1.40x
Mean								7.99x	7.20x	0.99x	0.91x
Median								8.16x	8.70x	1.00x	0.89x

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	10.20	388	-8.4%	1.7%	-0.1%	14.03x	11.00x	0.69x	0.74x
Tinc Comm	TINC	EUR	12.70	346	6.3%	5.8%	7.6%	na	na	na	na
Sabancı Holding	SAHOL	TRY	9.05	18,466	-1.3%	9.3%	20.3%	4.55x	3.70x	0.54x	0.48x
Deutsche Beteiligungs	DBAN	EUR	30.20	454	-9.4%	-21.7%	-10.0%	22.67x	10.99x	1.01x	0.96x
Eurazeo	RF	EUR	58.00	4,439	-4.2%	-6.5%	-1.5%	12.06x	10.72x	0.82x	0.78x
Carlyle Group	CG	USD	22.50	2,451	20.0%	-5.5%	42.9%	5.95x	3.39x	2.33x	1.75x
Mean								11.85x	7.96x	1.08x	0.94x
Median								12.06x	10.72x	0.82x	0.78x

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	2.44	321	3.8%	-6.3%	19.6%	21.80x	14.65x	9.18x	7.32x
Mouwasset	MOUWASAT	SAR	88.00	8,800	18.6%	-3.8%	9.3%	22.39x	19.24x	16.00x	14.04x
Fortis	FORH	INR	121.75	91,916	-9.8%	-13.5%	-13.3%	1.54x	1.40x	6.92x	6.68x
Raffles	RFMD	SGD	1.00	1,798	-9.1%	-8.3%	-9.1%	30.28x	29.53x	19.36x	18.08x
IHH	IHH	MYR	5.73	50,248	1.6%	0.5%	6.3%	46.42x	38.28x	17.62x	15.10x
Bangkok Chain	BCH	THB	15.00	37,406	-10.2%	-14.3%	-10.2%	30.04x	26.97x	16.63x	15.12x
Netcare	NTC	ZAR	16.60	24,104	-31.6%	-41.1%	-37.2%	10.98x	10.65x	6.81x	6.54x
Life Healthcare	LHC	ZAR	22.59	33,147	-12.5%	-7.1%	-14.4%	18.36x	14.33x	7.88x	7.12x
Mediclinic	MDC	GBP	3.20	2,358	4.5%	-34.0%	-0.8%	11.04x	12.24x	7.91x	7.77x
Apollo Hospitals	APHS	INR	1,358.80	189,043	8.0%	41.0%	8.0%	67.13x	48.53x	20.97x	17.60x
KPJ Healthcare	KPJ	MYR	0.91	3,926	-15.7%	-17.3%	-12.5%	20.75x	19.26x	10.11x	9.74x
NMC	NMC	GBP	20.23	4,212	-22.0%	-50.0%	-26.1%	15.58x	12.33x	9.98x	8.47x
Mean								24.69x	20.62x	12.45x	11.13x
Median								21.28x	16.95x	10.05x	9.11x

Source: Bloomberg, S&P Capital IQ

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