



Weekly Market Watch

Weekly Market Watch | Georgia
March 2, 2020

Economy

Real GDP growth was 5.1% y/y in January 2020

Georgia's economy expanded 5.1% y/y in January 2020, according to Geostat's rapid estimates. In January, growth base was diversified and only mining was in red. Notably, fastest growth was recorded in transportation and storage, construction, real estate, accommodation and food service activities, trade, information and communication, electricity, gas and manufacturing sectors. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

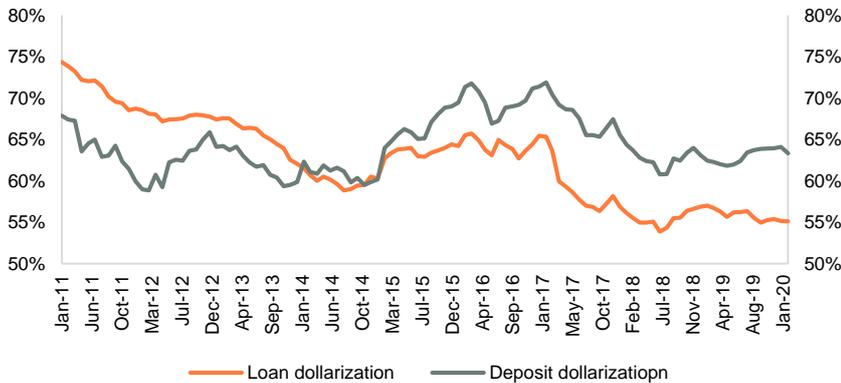
NPLs at 2.2% in January 2020

In January 2020, the banking sector loan portfolio increased 16.3% y/y after growing 16.2% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 20.9% y/y and flat m/m to GEL 31.9bn (US\$ 11.0bn). Deposits were up 11.3% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 17.2% y/y and up 0.9% m/m to GEL 26.5bn (US\$ 9.1bn). Loan dollarization stood at 55.1% (-1.90ppts y/y and flat m/m) and deposit dollarization was 63.3% (+0.86ppts y/y and -0.79ppts m/m). NPLs stood at 2.2% in January 2020 (-0.84ppts y/y and +0.24ppts m/m).

Unemployment rate reduced to 11.6% in 2019

In 2019, the unemployment rate fell by 1.1ppts y/y to 11.6%, according to Geostat. This decline is explained by reduction of labor force. Notably, 1.7mn persons were employed in 2019, of which hired persons accounted for 50.3% total employment and self-employed stood at 49.7%.

Loan and deposit dollarization



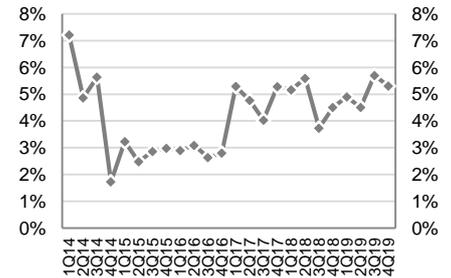
Source: NBG

Key macro indicators

	2017	2018	2019E
GDP (% change)	4.8%	4.8%	5.2%
GDP per capita (ppp)	11,485	12,417	13,443
GDP per capita (US\$)	4,359	4,722	4,716
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%	4.0%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.4%
Total public debt (% of GDP)	39.4%	38.9%	40.3%

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

 BB Stable Upgraded Oct-2019	 Ba2 Stable Affirmed Sep-2019	 BB Stable Affirmed Feb-2020
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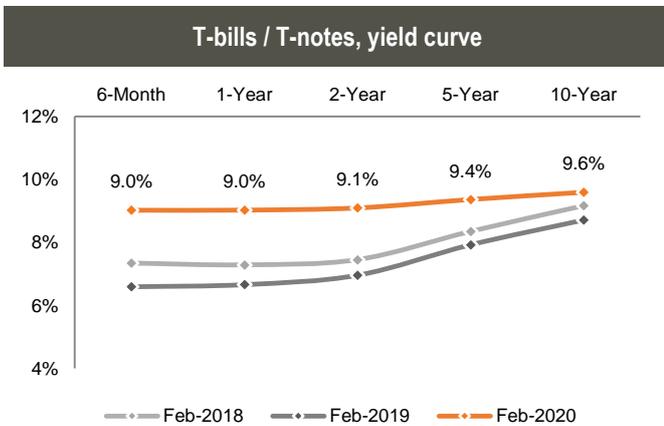
Source: Rating agencies

Money market

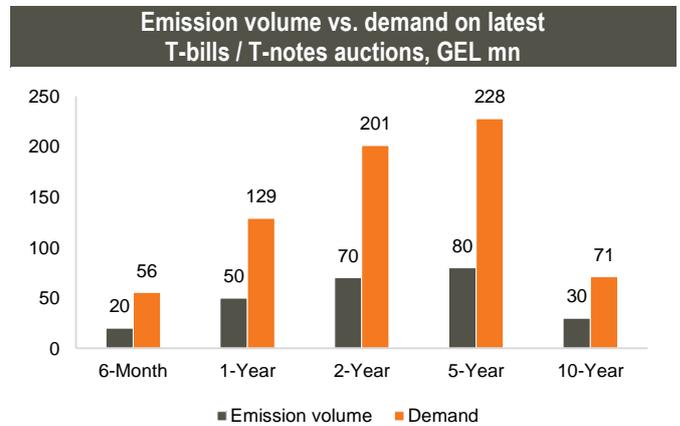
Ministry of Finance Benchmark Bonds: 5-year GEL 80.0mn (US\$ 28.5mn) Benchmark Bonds were sold at the auction held at NBG on February 25, 2020. Total demand was nearly 3x higher. The weighted average yield was fixed at 9.008%, down 0.17pts from previous auction held on January 28, 2020. The nearest treasury security auction is scheduled for March 2, 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
6-month	90	200
1-year	100	500
2-year	140	700
5-year	160	800
10-year	30	120
Total	520	2,320

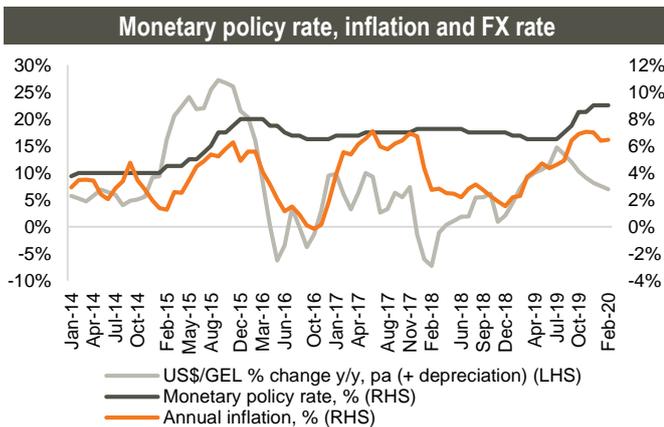
Source: MoF



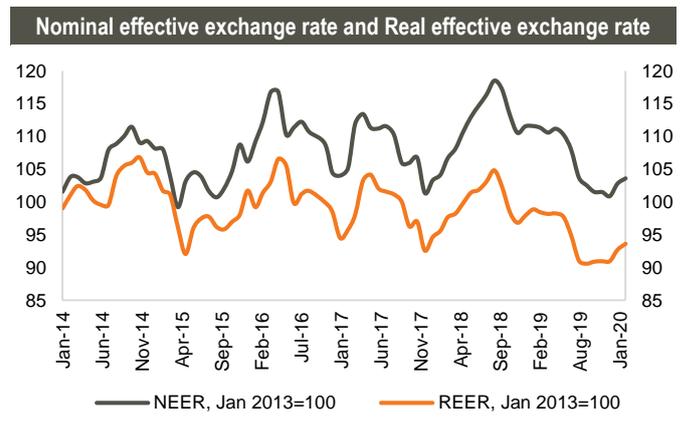
Source: NBG



Source: NBG



Source: NBG



Source: NBG

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



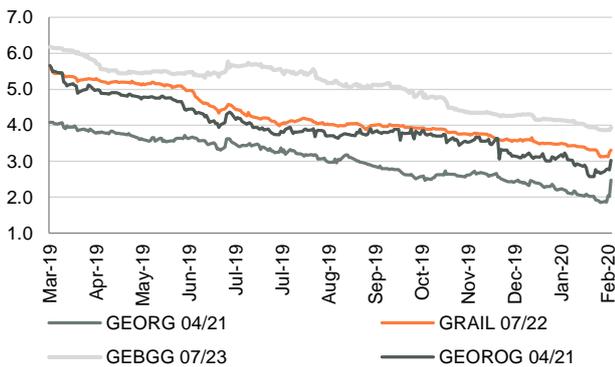
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 3.93% yield, trading at 106.51 (-0.22% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 99.55 (-0.07% w/w), yielding 6.25%.

GOGC Eurobonds (GEOROG) were trading at 104.16 (-0.49% w/w), yielding 3.03%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.98 (-0.49% w/w), yielding 3.31%.

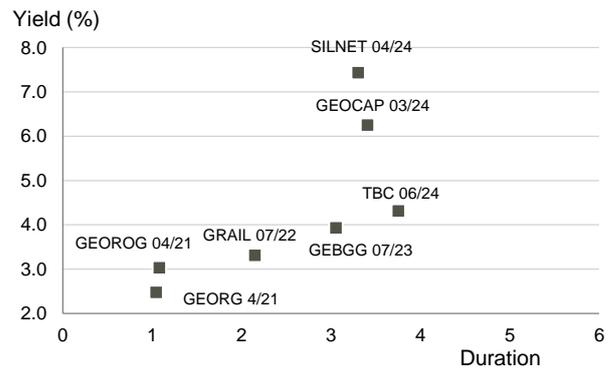
Georgian Sovereign Eurobonds (GEORG) closed at 104.78 (-0.76% w/w) at 2.47% yield to maturity.

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	104.78	2.47	148.98
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.98	3.31	244.13
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/B+/-	104.16	3.03	205.40
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+/-	106.51	3.93	307.45
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	107.22	9.43	818.30
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B+/B2	99.55	6.25	538.62
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	112.35	7.43	613.91
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+/-	105.59	4.31	343.49
TBC PERP	US\$	125	10.775%	n/a	B-/-	108.10	9.62	770.61

Georgian local bonds performance

GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B+/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	102.60	6.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.58	7.25	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/B+/-	100.98	5.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/B+/-	100.62	6.00	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/B+/-	101.36	6.50	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	13.25	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/Ba2	104.78	2.47	148.98
Armenia	US\$	500	6.000%	Sep-20	BB-/-/Ba3	101.53	3.29	216.07
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.29	2.62	171.25
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.39	4.22	336.31
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	107.76	2.10	121.75
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	100.36	2.63	110.78
Turkey	US\$	2,000	5.625%	Mar-21	BB-/-/B1	101.41	4.26	328.55
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	105.51	3.92	299.91

Source: Bloomberg

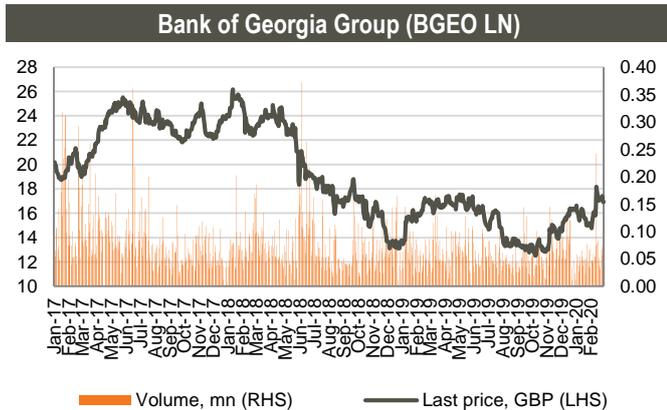
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.92/share (-2.08% w/w and +12.50% m/m). More than 458k shares traded in the range of GBP 16.00 - 17.71/share. Average daily traded volume was 72k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 11.25% w/w and 9.81% m/m. The volume of BGEO shares traded was at 0.93% of its capitalization.

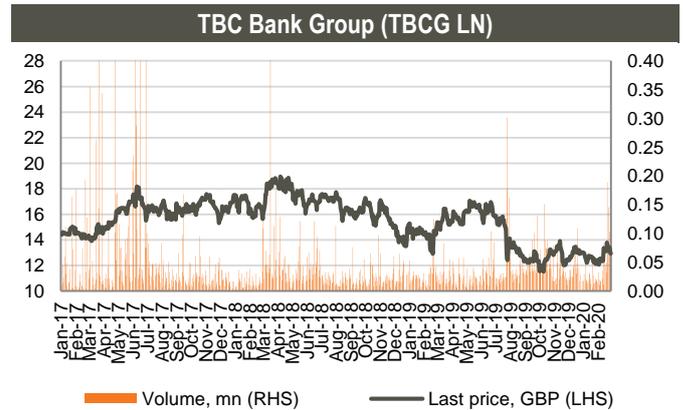
Georgia Capital (CGEO LN) shares closed at GBP 6.74/share (-13.03% w/w and -17.60% m/m). More than 349k shares traded in the range of GBP 6.57 - 7.89/share. Average daily traded volume was 39k in the last 4 weeks. The volume of CGEO shares traded was at 0.95% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 12.94/share (-3.14% w/w and +6.94% m/m). More than 675k shares changed hands in the range of GBP 12.40 - 13.50/share. Average daily traded volume was 69k in the last 4 weeks. The volume of TBCG shares traded was at 1.23% of its capitalization.

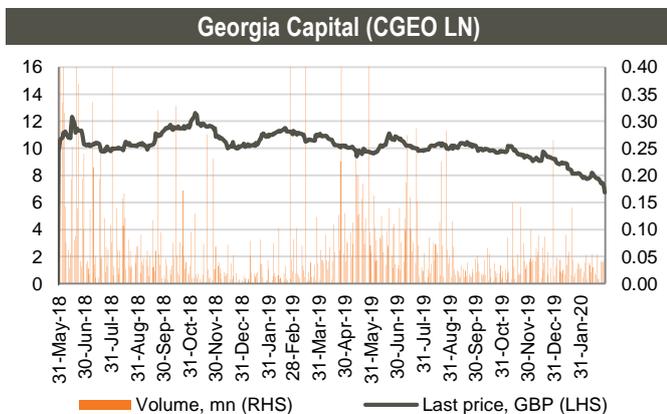
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.16/share (-9.38% w/w and -7.94% m/m). More than 384k shares were traded in the range of GBP 1.16 - 1.30/share. Average daily traded volume was 104k in the last 4 weeks. The volume of GHG shares traded was at 0.29% of its capitalization.



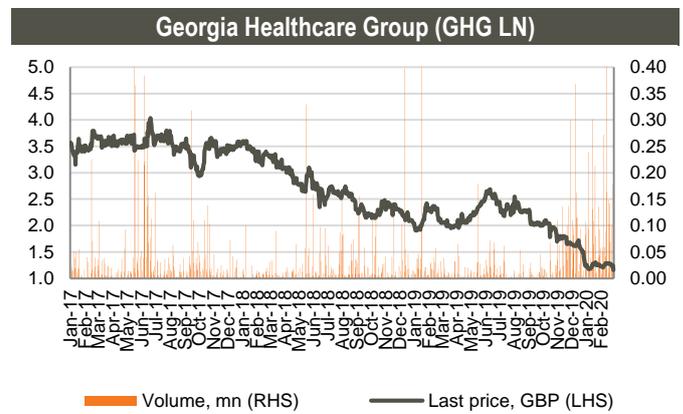
Source: Bloomberg



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	16.92	832	25.2%	1.0%	4.1%	6.71x	5.67x	1.47x	1.23x
TBC	TBC	GBP	12.94	712	2.5%	-14.0%	-0.5%	5.19x	4.20x	1.00x	0.84x
Halyk Bank	HSBK	US\$	14.00	4,114	4.5%	22.8%	4.9%	4.92x	4.83x	1.17x	1.05x
VTB Bank	VTBR	US\$	1.27	8,236	10.3%	8.0%	-13.1%	3.14x	3.01x	0.47x	0.31x
Akbank	AKBNK	TRY	6.76	35,152	-2.2%	-1.6%	-16.6%	6.20x	4.43x	0.64x	0.57x
Garanti	GARAN	TRY	9.50	39,900	7.8%	6.5%	-14.7%	5.87x	4.43x	0.70x	0.66x
Isbank	ISCTR	TRY	5.71	25,695	3.8%	-1.7%	-10.9%	4.19x	3.19x	0.44x	0.41x
PKO	PKO	PLN	31.29	39,113	-15.3%	-17.7%	-9.2%	8.92x	8.80x	0.91x	0.91x
PEKAO	PEO	PLN	88.04	23,108	-7.8%	-22.3%	-12.4%	10.16x	9.39x	0.96x	0.96x
Millennium	MIL	PLN	4.83	5,854	-24.4%	-44.2%	-17.5%	7.65x	6.38x	0.62x	0.60x
Mbank	MBK	PLN	298.00	12,616	-4.2%	-30.3%	-23.5%	9.77x	9.08x	0.74x	0.73x
BRD	BRD	RON	14.44	10,063	7.3%	21.3%	-8.8%	6.36x	8.63x	1.23x	1.30x
Banca Transilvania	TLV	RON	2.34	12,205	-0.6%	33.4%	-9.8%	6.44x	8.14x	1.33x	1.37x
OTP	OTPD	USD	22.80	12,768	7.5%	14.6%	7.5%	9.38x	9.58x	0.81x	0.74x
Komercni	KOMB	CZK	707.00	134,365	-13.5%	-25.3%	-14.8%	8.73x	9.64x	1.25x	1.22x
Mean								6.91x	6.63x	0.92x	0.86x
Median								6.44x	6.38x	0.91x	0.84x

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	6.74	248	-32.5%	-38.8%	-26.9%	9.29x	7.12x	0.66x	0.64x
Tinc Comm	TINC	EUR	13.15	359	4.0%	13.1%	-1.5%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	8.51	17,364	-3.7%	-6.8%	-10.8%	4.34x	3.33x	0.51x	0.47x
Deutsche Beteiligungs	DBAN	EUR	32.55	490	3.2%	-5.2%	-17.5%	11.83x	15.07x	1.06x	1.04x
Eurazeo	RF	EUR	60.60	4,773	1.3%	-3.7%	-0.7%	14.54x	11.83x	0.88x	0.85x
Carlyle Group	CG	USD	28.46	3,150	25.9%	60.7%	-11.3%	16.43x	12.13x	1.76x	2.41x
Mean								11.29x	9.90x	0.97x	1.08x
Median								11.83x	11.83x	0.88x	0.85x

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	1.16	153	-48.4%	-43.7%	-5.7%	12.36x	8.64x	5.53x	4.77x
Mouwasset	MOUWASAT	SAR	86.90	8,690	-2.4%	13.4%	-1.3%	22.43x	19.81x	15.60x	14.06x
Fortis	FORH	INR	154.05	116,301	25.9%	14.3%	16.8%	1.89x	1.75x	6.56x	6.64x
Raffles	RFMD	SGD	1.00	1,819	1.5%	-9.5%	-0.5%	29.77x	31.12x	18.89x	18.46x
IHH	IHH	MYR	5.70	50,012	-0.9%	-0.5%	4.2%	54.68x	51.98x	15.90x	14.87x
Bangkok Chain	BCH	THB	13.10	32,668	-17.6%	-19.6%	-23.4%	26.22x	24.19x	14.77x	13.94x
Netcare	NTC	ZAR	18.30	26,569	15.1%	-28.1%	-6.0%	11.71x	13.37x	7.17x	7.16x
Life Healthcare	LHC	ZAR	22.30	32,722	1.0%	-17.6%	-9.5%	18.18x	13.96x	7.60x	6.99x
Mediclinic	MDC	GBP	3.39	2,499	4.3%	6.6%	-17.6%	12.47x	13.18x	8.48x	8.16x
Apollo Hospitals	APHS	INR	1,735.80	241,494	14.1%	52.1%	20.4%	84.11x	68.82x	25.51x	17.93x
KPJ Healthcare	KPJ	MYR	0.97	4,156	7.8%	-4.0%	2.6%	21.73x	20.49x	10.10x	9.42x
NMC	NMC	GBP	9.38	1,959	-60.4%	-65.3%	-46.9%	8.35x	6.05x	7.57x	6.06x
Mean								25.33x	22.78x	11.97x	10.70x
Median								19.96x	16.89x	9.29x	8.79x

Source: Bloomberg, S&P Capital IQ



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