



Weekly Market Watch

Weekly Market Watch | Georgia
Apr 15, 2019

Economy

S&P revised Georgia's Outlook to positive on economic resilience

On 12 April 2019, S&P affirmed the sovereign credit rating of Georgia at BB- and revised Georgia outlook to positive from stable. Based on S&P, the positive outlook primarily reflects better than expected Georgia's economic and external performance and Georgia's continued compliance with the conditions of ongoing IMF program. S&P will consider Georgia's rating upgrade if the country's economic performance proves stronger than agency's current expectations and if exports and official FX reserves strengthen.

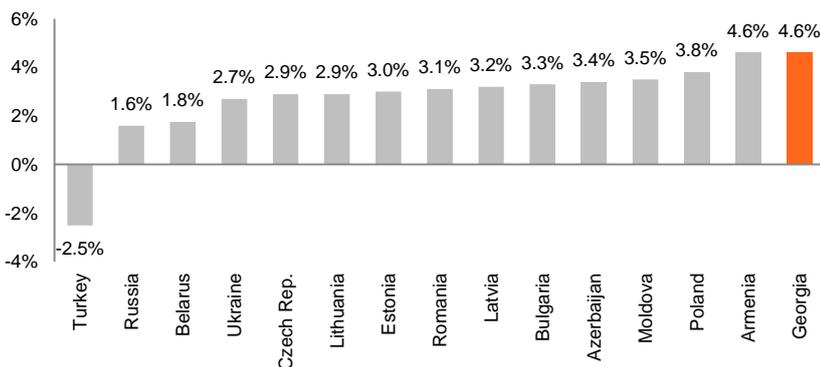
IMF maintains Georgia's growth projection at 4.6% for 2019

Based on IMF's April 2019 World Economic Outlook, global economic growth projection was revised downwards by 0.2ppts to 3.3% for 2019, from January 2019 projection. This decline reflects the escalation of US-China trade tensions, needed credit tightening in China, macroeconomic stress in Argentina and Turkey, disruptions to the auto sector in Germany, and financial tightening alongside the normalization of monetary policy in the larger advanced economies. All these contributed to a significantly weakened global expansion, especially in the second half of 2018 and this weakness expected to persist into the first half of 2019. IMF expects growth to pick up in the second half of 2019. Importantly, Georgia's 2019 growth projection has remained unchanged at 4.6% for 2019 amid significant downgrades in its major trading partners, including Turkey. Moreover, IMF projects 5.2% annual average real GDP growth in Georgia over 2020-24.

International reserves up 15.2% y/y in March 2019

Gross international reserves were up 15.2% y/y to US\$ 3.5bn in March 2019, according to NBG. On a monthly basis, reserves decreased by 0.5% in March 2019. Change in reserves was attributed to government and banking sector FX operations and/or asset revaluation.

Real GDP growth projections by IMF for 2019



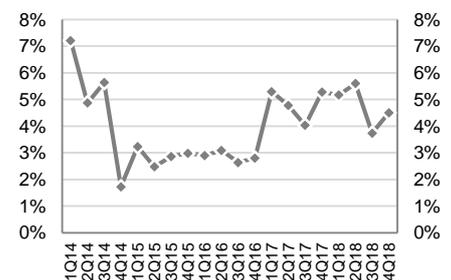
Source: IMF

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 Sep-2018	 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 420mn (US\$ 156.1mn).

Ministry of Finance Benchmark Bonds: 2-year GEL 60.0mn (US\$ 22.3mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on April 8, 2019. The weighted average yield was fixed at 6.833%. The nearest treasury securities auction is scheduled for April 16, 2019, where GEL 25.0mn nominal value 10-year Benchmark bonds will be sold.

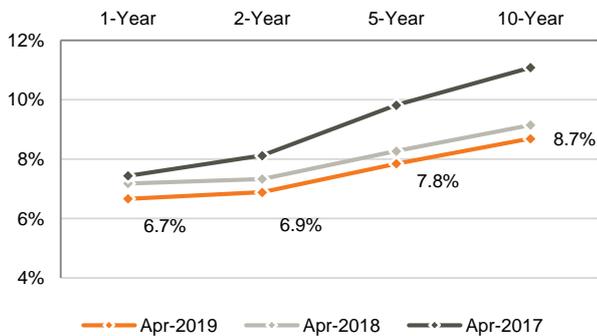
Ministry of Finance Treasury Bills: 6-month GEL 20.0mn (US\$ 7.4mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on April 8, 2019. The weighted average yield was fixed at 6.655%.

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

Date	Volume, GEL mn	Maturity
16-Apr-19	25	10 years
23-Apr-19	30	5 years

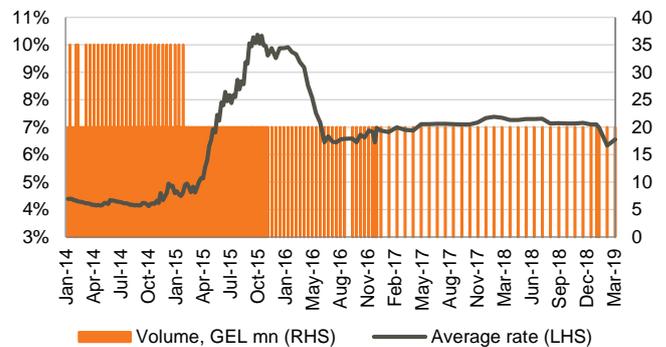
Source: MoF

T-bills / T-notes, yield curve



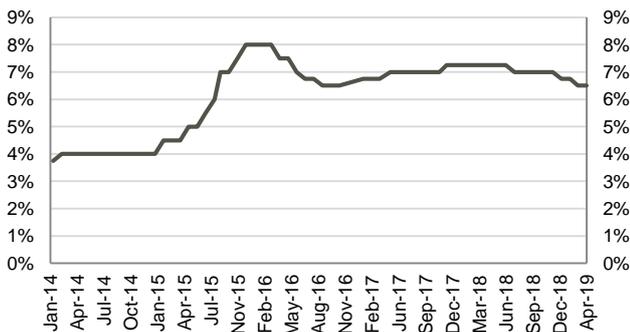
Source: NBG

Certificates of Deposits (weighted average rate)



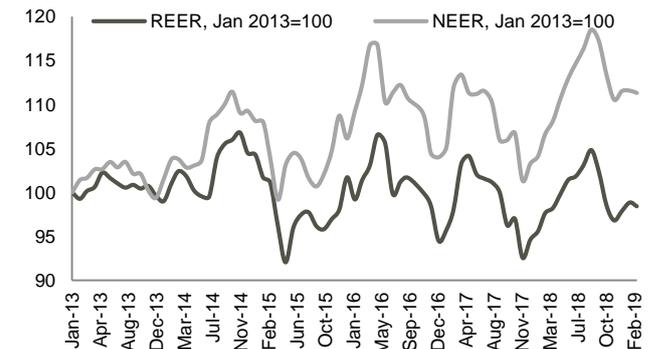
Source: NBG

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



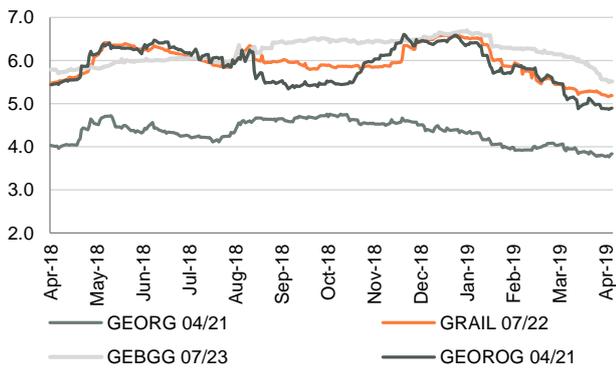
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.51% yield, trading at 101.83 (+0.19% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.46 (+0.09% w/w), yielding 7.50%.

GOGC Eurobonds (GEOROG) were trading at 103.53 (-0.04% w/w), yielding 4.90%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.53 (+0.04% w/w), yielding 5.19%.

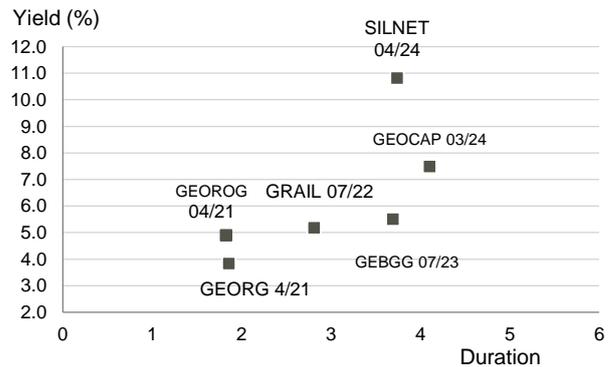
Georgian Sovereign Eurobonds (GEORG) closed at 105.76 (-0.10% w/w) at 3.84% yield to maturity.

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, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	04/12/2021	BB-/BB-/Ba2/-	105.76	3.84	134.74
GRAIL 07/22	US\$	500	7.750%	07/11/2022	BB-/B+/-/-	107.53	5.19	277.23
GEOROG 04/21	US\$	250	6.750%	04/26/2021	BB/B+/-/-	103.53	4.90	241.27
GEBGG 06/20	GEL	500	11.000%	06/01/2020	BB-/Ba2/-	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	07/26/2023	BB-/Ba2/-	101.83	5.51	311.88
GEBGG 11 1/8 PERP	US\$	100	11.130%	n/a	B-/-/-	103.04	10.78	792.18
GEOCAP 03/24	US\$	300	6.125%	03/09/2024	-B+/B2/-	94.46	7.50	509.82
SILKNET 04/24	US\$	200	11.00%	04/02/2024	B+/-/-	100.67	10.82	841.74

Georgian local bonds performance

GWP 12/21	GEL	30	10.000%	06/12/2021	BB-/-/-	n/a	n/a	n/a
M2RE 10/19	US\$	25	7.500%	07/10/2019	-/-/-	100.74	6.00	n/a
M2CA 12/21	US\$	30	7.500%	31/12/2021	-/-/-	101.25	7.00	n/a
GLC 08/20	US\$	10	7.000%	29/08/2020	B+/-/-	100.33	6.75	n/a
GLC 06/21	US\$	5	6.500%	22/06/2021	B+/-/-	97.98	7.50	n/a
Nikora 06/19	US\$	10	9.000%	28/06/2019	-/-/B+	n/a	n/a	n/a
Silknet 08/22	GEL	34	10.000%	18/08/2022	B+/-/-	n/a	n/a	n/a
Crystal 12/19	GEL	10	11.000%	28/12/2019	B/-/-	100.39	10.75	n/a
Crystal 02/21	GEL	15	10.500%	01/02/2021	B/-/-	99.40	10.75	n/a
Swiss Cap. 09/21	GEL	10	12.750%	13/09/2021	B-/-/-	100.00	13.00	n/a

Source: Bloomberg

Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	4/12/2021	BB-/BB-/Ba2	105.76	3.84	134.74
Armenia	US\$	500	6.000%	9/30/2020	B+/-/B1	102.67	4.09	153.63
Azerbaijan	US\$	174	2.820%	9/1/2021	BB+/-/Ba2	97.11	4.11	164.60
Belarus	US\$	800	6.875%	2/28/2023	B/B/B3u	105.75	5.21	281.10
Kazakhstan	US\$	1,500	3.875%	10/14/2024	BBB-/BBB-/Baa3	103.45	3.19	78.06
Russia	US\$	3,500	5.000%	4/29/2020	BBB-/BBB-/Baa3	101.83	3.19	58.87
Turkey	US\$	2,000	5.625%	3/30/2021	BB-/Ba3	98.75	6.32	382.39
Ukraine	US\$	1,409	7.750%	9/1/2021	B-/B-/Caa1	100.25	7.63	516.04

Source: Bloomberg



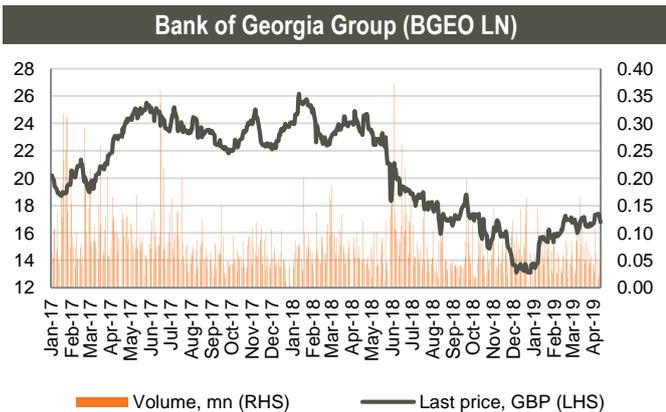
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.80/share (-2.83% w/w and unchanged m/m). More than 173k shares traded in the range of GBP 16.79 - 17.45/share. Average daily traded volume was 51k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained +0.76% w/w and +2.83% m/m. The volume of BGEO shares traded was at 0.35% of its capitalization.

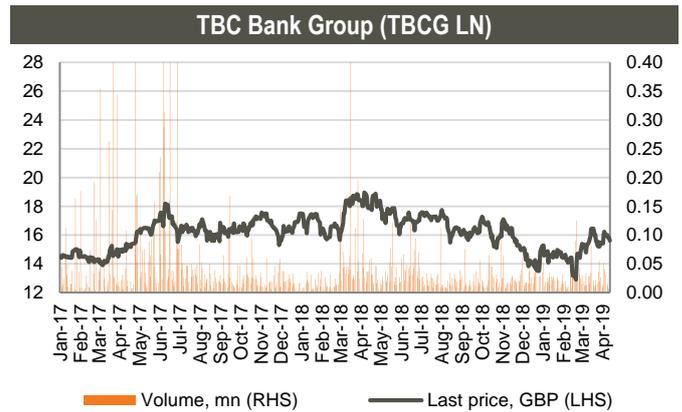
Georgia Capital (CGEO LN) shares closed at GBP 10.68/share (-2.02% w/w and -2.79% m/m). More than 268k shares traded in the range of GBP 10.56 - 10.98/share. Average daily traded volume was 38k in the last 4 weeks. The volume of CGEO shares traded was at 0.71% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.60/share (-2.38% w/w and +0.26% m/m). More than 50k shares changed hands in the range of GBP 15.52 - 16.02/share. Average daily traded volume was 21k in the last 4 weeks. The volume of TBCG shares traded was at 0.09% of its capitalization.

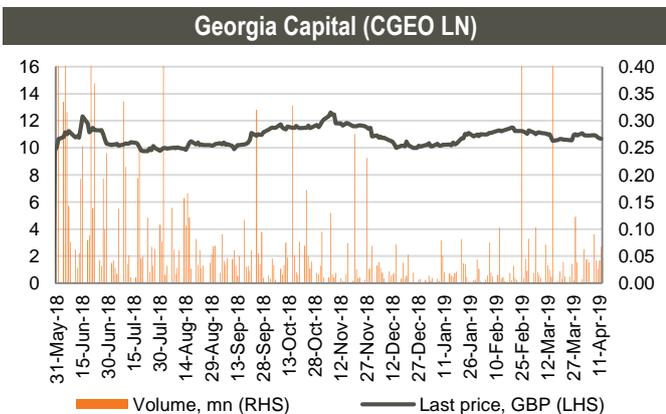
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.22/share (+13.55% w/w and +5.71% m/m). More than 15k shares were traded in the range of GBP 2.04 - 2.22/share. Average daily traded volume was 12k in the last 4 weeks. The volume of GHG shares traded was at 0.01% of its capitalization.



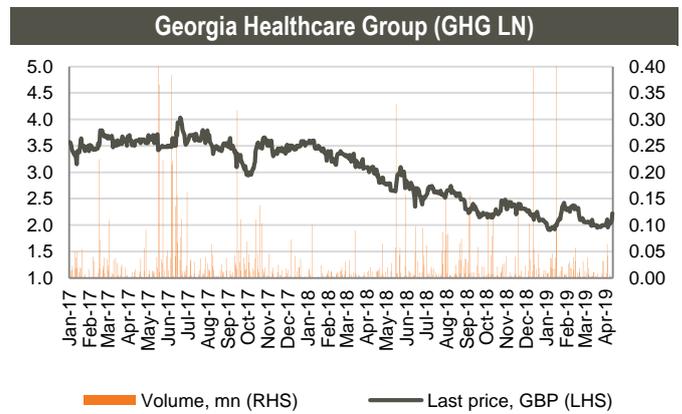
Source: Bloomberg



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	16.80	826	4.7%	-28.9%	22.0%	6.47x	5.71x	1.37x	1.16x
TBC	TBC	GBP	15.60	846	-5.8%	-12.8%	2.5%	6.30x	5.45x	1.14x	1.00x
Halyk Bank	HSBK	US\$	12.15	3,570	10.5%	-0.8%	17.4%	5.16x	4.76x	1.11x	0.98x
VTB Bank	VTBR	US\$	1.18	7,666	-8.3%	-36.7%	6.8%	2.70x	2.84x	0.50x	0.44x
Akbank	AKBNK	TRY	6.22	32,344	9.7%	-21.3%	5.7%	6.05x	4.13x	0.63x	0.56x
Garanti	GARAN	TRY	8.44	35,448	16.7%	-15.0%	6.0%	5.77x	3.74x	0.67x	0.59x
Isbank	ISCTR	TRY	5.61	25,245	36.5%	-13.0%	23.8%	3.88x	3.25x	0.46x	0.41x
PKO	PKO	PLN	39.55	49,438	-0.1%	-4.1%	0.2%	12.18x	11.17x	1.19x	1.14x
PEKAO	PEO	PLN	114.25	29,987	11.8%	-7.9%	4.8%	12.40x	10.97x	1.28x	1.22x
Millennium	MIL	PLN	9.49	11,512	8.2%	10.5%	7.0%	14.13x	11.70x	1.25x	1.17x
Mbank	MBK	PLN	435.00	18,417	7.3%	-1.1%	2.5%	14.55x	12.66x	1.12x	1.06x
BRD	BRD	RON	13.36	9,311	1.5%	-13.2%	17.2%	9.01x	11.74x	1.30x	1.26x
Banca Transilvania	TLV	RON	2.17	10,425	-5.9%	-9.1%	8.0%	9.87x	9.99x	1.26x	1.17x
OTP	OTPD	USD	22.80	12,768	28.8%	1.8%	16.3%	10.85x	10.35x	0.84x	0.74x
Komercni	KOMB	CZK	940.50	178,741	5.0%	-2.0%	11.0%	12.29x	12.15x	1.67x	1.58x
Mean								8.77x	8.04x	1.05x	0.97x
Median								9.01x	9.99x	1.14x	1.06x

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	10.68	406	-7.8%	n/a	4.6%	13.83x	11.48x	0.82x	0.77x
Tinc Comm	TINC	EUR	12.10	330	-0.8%	3.0%	2.5%	21.99x	19.41x	n/a	n/a
Sabancı Holding	SAHOL	TRY	7.90	16,119	4.9%	-21.9%	5.1%	4.18x	3.83x	0.47x	0.42x
Deutsche Beteiligungs	DBAN	EUR	35.80	539	6.2%	-5.7%	6.7%	14.68x	11.30x	1.22x	1.11x
Eurazeo	RF	EUR	65.55	5,017	1.7%	-8.0%	6.1%	11.22x	9.83x	0.88x	0.83x
Carlyle Group	CG	USD	19.09	2,080	-5.9%	-7.6%	21.2%	4.21x	2.93x	1.94x	0.89x
Mean								11.69x	9.80x	1.07x	0.81x
Median								12.52x	10.57x	0.88x	0.83x

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	2.22	292	1.8%	-25.5%	8.8%	19.15x	13.85x	8.18x	6.78x
Mouwasset	MOUWASAT	SAR	82.90	8,290	9.1%	-8.7%	3.0%	21.50x	19.07x	15.60x	14.04x
Fortis	FORH	INR	138.75	104,750	3.5%	-9.8%	-1.2%	1.78x	1.65x	6.86x	6.68x
Raffles	RFMD	SGD	1.09	1,959	1.9%	-4.4%	-0.9%	32.60x	31.78x	21.08x	19.77x
IHH	IHH	MYR	5.60	49,108	8.1%	-8.0%	3.9%	44.83x	35.47x	16.68x	14.14x
Bangkok Chain	BCH	THB	17.20	42,892	-9.5%	-2.3%	3.0%	33.59x	29.63x	18.62x	16.84x
Netcare	NTC	ZAR	24.22	35,169	0.6%	-12.6%	-8.4%	14.62x	13.60x	8.60x	7.95x
Life Healthcare	LHC	ZAR	28.43	41,717	18.4%	4.2%	7.7%	20.38x	16.62x	8.94x	8.11x
Mediclinic	MDC	GBP	3.15	2,319	-31.5%	-45.8%	-2.4%	11.79x	10.61x	8.21x	7.49x
Apollo Hospitals	APHS	INR	1,264.30	175,896	11.7%	17.5%	0.5%	64.27x	42.86x	20.15x	16.72x
KPJ Healthcare	KPJ	MYR	1.01	4,357	-6.5%	10.4%	-2.9%	22.46x	20.62x	11.87x	11.14x
NMC	NMC	GBP	24.63	5,128	-21.4%	-26.9%	-10.0%	19.46x	15.97x	14.21x	11.70x
Mean								25.54x	20.98x	13.25x	11.78x
Median								20.94x	17.85x	13.04x	11.42x

Source: Bloomberg, S&P Capital IQ

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