

Weekly Market Watch

Weekly Market Watch | Georgia
Dec 4, 2018

Economy

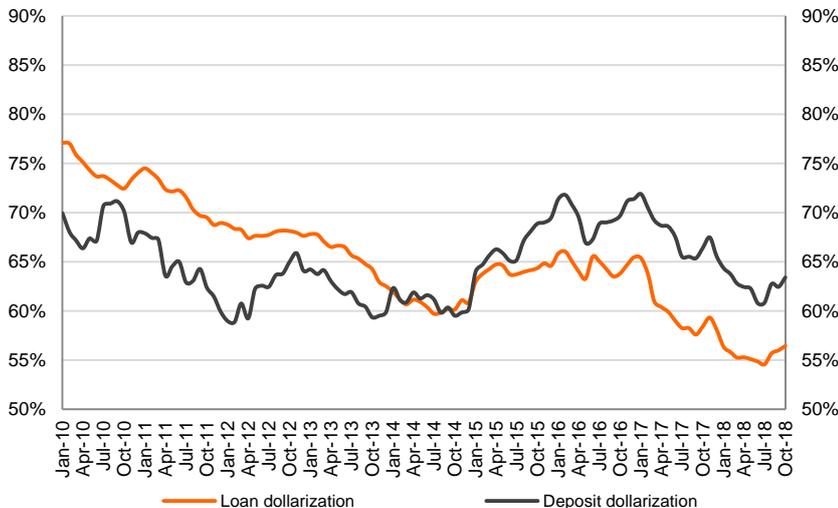
Real GDP growth was 6.7% y/y in October 2018

Georgia's economy grew by 6.7% y/y in October 2018 after growing 5.6% y/y in previous month, according to Geostat's rapid estimates. In October 2018, the fastest growing sectors were manufacturing, trade and construction. Overall, real GDP growth was 5.1% y/y in 10M18. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 2.8% in October 2018

In October 2018, the banking sector loan portfolio increased 19.3% y/y after growing 18.8% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 22.2% y/y and up 3.7% m/m to GEL 25.8bn (US\$ 9.5bn). Deposits were up 14.2% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 17.1% y/y and up 1.6% m/m to GEL 22.2bn (US\$ 8.2bn). Deposit dollarization stood at 63.4% (-3.0ppts y/y and +1.0ppts m/m) and loan dollarization was 56.4% (-0.9ppts y/y and +0.8ppts m/m). NPLs stood at 2.8% in October 2018 (-0.6ppts y/y and +0.1ppts m/m).

Loan and deposit dollarization



Source: NBG

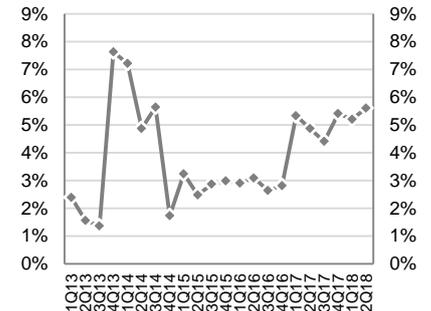
Key macro indicators

	10M18	2017	2016
GDP (% change)	5.1%	4.8%	2.8%
GDP per capita (ppp)	...	10,742	10,065
GDP per capita (US\$)	...	4,047	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.3%	6.7%	1.8%
Gross reserves (US\$ bn)	3.1	3.0	2.8
CAD (% of GDP)	10.3% ⁽¹⁾	8.8%	13.1%
Fiscal deficit (% of GDP)	...	2.9%	3.0%
Total public debt (% of GDP)	...	44.8%	44.4%

Source: Official data, IMF

1) As of 1H18

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

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed May-2018	 Ba2 Stable Affirmed Sep-2018	 BB- Positive Affirmed Aug-2018
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Source: Rating agencies

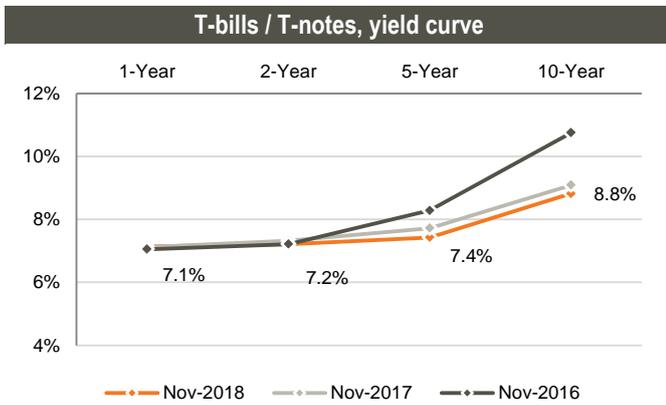


Money market

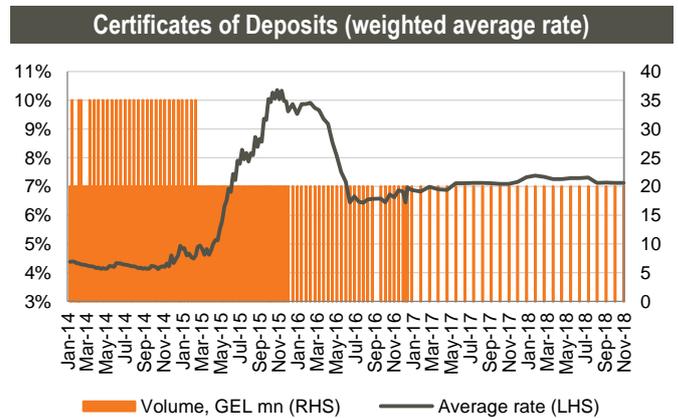
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,340mn (US\$ 503.6mn).

Ministry of Finance Benchmark Bonds:

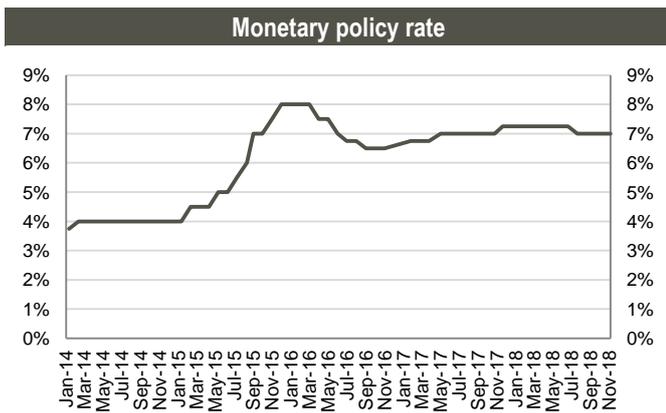
5-year GEL 30.0mn (US\$ 11.2mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on November 27, 2018. The weighted average yield was fixed at 7.426%. The nearest treasury security auction is scheduled for December 5, 2018, where GEL 40.0mn nominal value 1-year T-Bills will be sold.



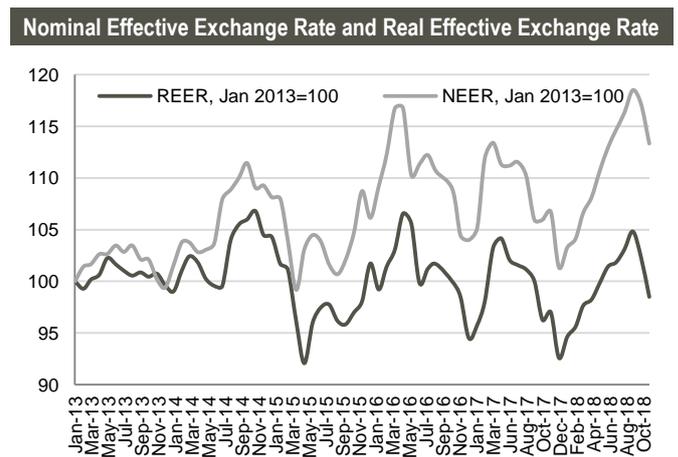
Source: NBG



Source: NBG



Source: NBG



Source: NBG

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

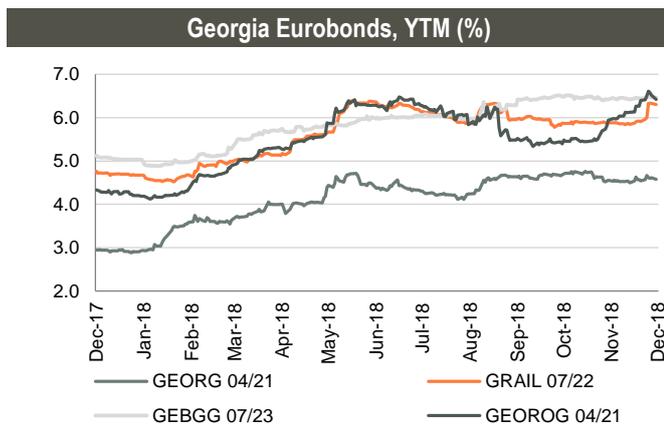


Fixed income

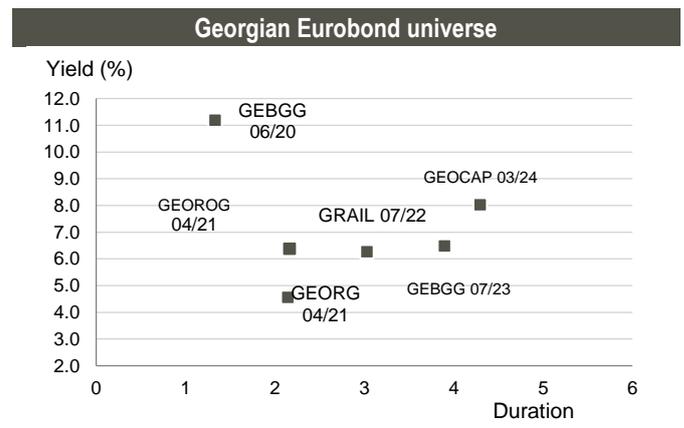
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.4% yield, trading at 98.1 (-0.1% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (unchanged w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 92.0 (unchanged w/w), yielding 8.0%.

GOGC Eurobonds (GEOROG) were trading at 100.8 (-0.2% w/w), yielding 6.4%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 104.7 (-1.4% w/w), yielding 6.3%.

Georgian Sovereign Eurobonds (GEORG) closed at 105.1 (-0.1% w/w) at 4.6% yield to maturity.



Source: Bloomberg



Source: Bloomberg

Georgia bonds performance

Georgia Eurobonds performance

Issuer	Amount, US\$ mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba2	105.11	4.55	157.34
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	104.72	6.26	329.43
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	100.80	6.38	340.14
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/Ba2	99.75	11.18	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	98.10	6.48	352.26
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	91.98	8.02	506.61

Georgia local bonds performance

Issuer	Amount, US\$ mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
GWP 12/21	30*	10.50%**	06/12/2021	BB****-/-	n/a	n/a	n/a
M2RE 10/19	25	7.500%	07/10/2019	B+/-	101.63	5.5	n/a
GLC 08/20	10	7.000%	29/08/2020	B+****-/-	101.21	6.25	n/a
GLC 06/21	5	6.500%	22/06/2021	B+****-/-	99.42	6.75	n/a
Nikora 06/19	10	9.000%	28/06/2019	-/-	n/a	n/a	n/a
Silknet 08/22	34*	10.50%**	18/08/2022	B+****-/-	n/a	n/a	n/a
Crystal 12/19	10*	11.50%***	28/12/2019	B/-	100.91	11.25	n/a

Source: Bloomberg

*GEBGG 06/20 bonds, GWP 12/21 bonds, Silknet 08/22 and Crystal 12/19 bonds are in Georgian lari

**Coupon rate 3.5% over the NBG's refinancing rate

Coupon rate 4.5% over the NBG's refinancing rate B+*

****Company ratings

Eastern European sovereign 10-year bond performance

Issuer	Amount, US\$ mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	500	6.875%	12/04/2021	BB-/BB-/Ba2	105.1	4.6	157.3
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	98.9	5.0	203.9
Bulgaria	323	5.000%	19/07/2021	BBB-/-	113.0	0.1	n/a
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	110.5	0.8	76.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	105.6	3.8	84.4
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	107.2	4.3	130.0
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	101.6	3.8	80.3
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	98.0	6.6	360.1

Source: Bloomberg



Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 13.69/share (-6.27% w/w and -16.68% m/m). More than 410k shares traded in the range of GBP 13.55 – 14.84/share. Average daily traded volume was 64k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 0.66% w/w and lost 4.07% m/m. The volume of BGEO shares traded was at 0.83% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 10.85/share (-6.03% w/w and -10.56% m/m). More than 106k shares traded in the range of GBP 11.50 – 12.00/share. Average daily traded volume was 43 in the last 4 weeks. The volume of CGEO shares traded was at 0.28% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 14.96 (-1.32% w/w and -12.28% m/m). More than 136k shares changed hands in the range of GBP 14.52 – 15.42/share. Average daily traded volume was 21k in the last 4 weeks. The volume of TBCG shares traded was at 0.25% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.3/share (-0.11% w/w and -2.17% m/m). More than 24k shares were traded in the range of GBP 2.21 – 2.31/share. Average daily traded volume was 16k in the last 4 weeks. The volume of GHG shares traded was at 0.02% of its capitalization.

Eastern European Banks

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
Bank of Georgia	BGEO	13.7*	859	-11.7%	-18.0%	-25.3%	-43.1%	-38.3%
TBC	TBC	14.96*	1,035	-5.9%	-6.5%	-8.9%	-14.5%	-5.4%
Halyk Bank	HSBK	11.40	3,350	0.0%	4.1%	-5.0%	15.4%	16.7%
VTB Bank	VTBR	1.25	8,074	-1.9%	-2.3%	-24.0%	-31.9%	-30.4%
Vozrozhdenie	VZRZ	7.04	167	1.8%	19.2%	17.4%	-19.0%	-30.2%
Sberbank	SBER	11.86	63,978	3.3%	10.9%	-17.7%	-30.0%	-27.3%

Source: Bloomberg
*BGEO and TBC share prices traded and shown in GBP

Investment Management Company Peers

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
Georgia Capital	CGEO	10.85*	528	-5.9%	6.7%	N/A	N/A	N/A
Creades	CREDA	29.43	241	0.7%	1.4%	-4.1%	-19.2%	-17.5%
CIE du Bois	COMB	427.71	721	0.5%	-11.2%	-8.1%	-0.6%	1.7%
Tinc Comm	TINC	13.35	364	-3.6%	-4.2%	-5.4%	-11.6%	-10.2%
Edify	EDIFY	61.10	297	-3.0%	-13.4%	-16.2%	-10.9%	-2.0%

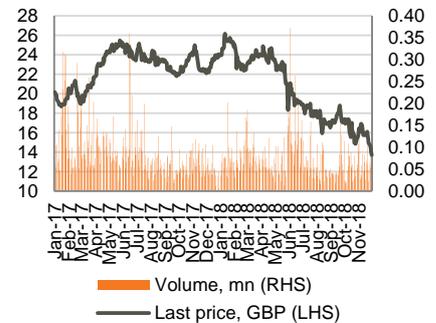
Source: Bloomberg
*CGEO share price traded and shown in GBP

Healthcare Sector Peers

Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg	
GHG	GHG	2.305*	387	-7.1%	0.2%	-14.6%	-35.1%	-34.5%
Mouwasat	MOUWASAT	19.99	1,999	-1.1%	-11.6%	-16.5%	-1.0%	-8.4%
Fortis	FORH	2.12	1,099	16.3%	1.1%	-1.9%	-15.7%	-5.6%
Raffles	RFMD	0.86	1,545	12.3%	7.8%	8.5%	2.6%	8.4%
IHH	IHH	1.28	11,266	7.7%	-5.2%	-13.9%	-11.0%	-6.8%
Bangkok Chain	BCH	0.56	1,386	-4.2%	-3.7%	8.5%	11.7%	15.4%
Netcare	NTC	1.84	2,705	12.2%	-5.8%	-22.4%	-9.4%	12.0%

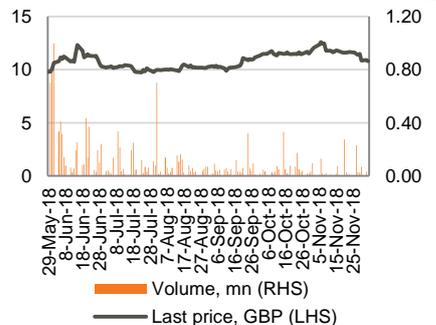
Source: Bloomberg
*GHG share price traded and shown in GBP

Bank of Georgia Group (BGEO LN)



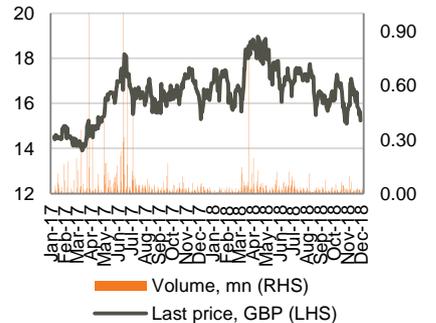
Source: Bloomberg

Georgia Capital (CGEO LN)



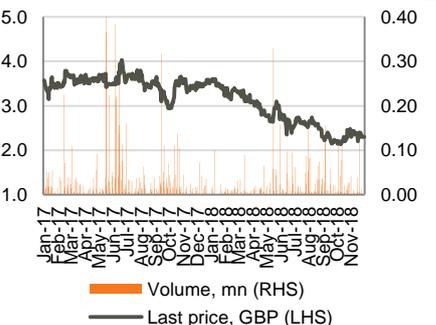
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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Galt & Taggart

Address: 79 D. Agmashenebeli Avenue, Tbilisi 0102, Georgia

Tel: + (995) 32 2401 111

Email: gt@gt.ge