



# Weekly Market Watch

Weekly Market Watch | Georgia  
June 15, 2020

## Economy

### Government creates GEL 2.7bn fiscal buffer in the 2020 revised budget document

The Georgian government has submitted to the parliament the 2020 revised budget document, which incorporates the fiscal parameters agreed with IMF, US\$ 1.5bn donor funding and fiscal stimulus measures for affected businesses and households to respond to COVID-19 pandemic associated economic crisis. Budget framework assumes -4.0% GDP growth in 2020 and sets deflator at 4.8%. Fiscal deficit is projected to increase to 8.5% of GDP due to the revenues shortfall (GEL 1.45bn reduction compared to the initial budget) and rise in expenditures for anti-crisis measures (GEL 1.4bn increase compared to the initial budget). To meet spending needs the government's external debt increased by GEL 4.3bn and domestic debt by GEL 649mn, with total public debt projected at 54.4% of GDP in 2020, and government plans to return the pre-crisis debt parameters in medium term. Notably, government borrows more from donors than it currently needs and creates a fiscal buffer in the amount of GEL 2.7bn in the revised budget document. These buffers build confidence as funds can be utilized if crisis deepens or recovery takes longer than is currently projected.

### FDI stood at 4.4% of GDP in 1Q20

FDI was down 41.7% y/y amounting US\$ 165mn (4.4% of GDP) in 1Q20, according to Geostat's preliminary figures. The major reasons behind this decrease were completion of BP pipeline project and ownership transfer from non-residents to residents in some companies. Notably, reinvestments accounted for 81.6% of total FDI in 1Q20. The financial sector was the largest FDI recipient at US\$ 94.9mn (+96.3% y/y, 57.4% of total), followed by real estate at US\$ 34.0mn (20.6% of total), transport & communication at US\$ 19.1mn (-51.4% y/y, 11.6% of total), hotels and restaurants at US\$ 15.8mn (-76.3 y/y, 9.5% of total) and mining at US\$ 10.4mn (+22.0% y/y, 6.3% of total). UK topped the list of investors with US\$ 73.1mn (+18.8% y/y), followed by USA at US\$ 28.1mn (+34.2% y/y), and Panama at US\$ 19.6mn (-56.8% y/y).

### NBG sold US\$ 29.7mn

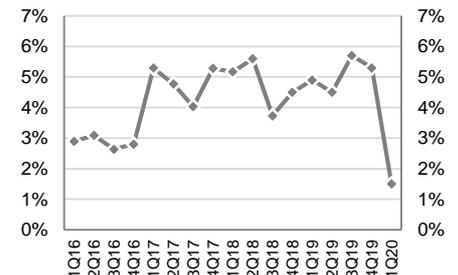
On 10 June 2020, the NBG intervened on the FX market and sold US\$ 29.7mn out of offered US\$ 40mn to limit GEL volatility. This was 6th FX intervention YTD for a total sale of US\$ 189.7mn through FX auctions.

### Key macro indicators

	2017	2018	2019
GDP (% change)	4.8%	4.8%	5.1%
GDP per capita (ppp)	11,485	12,417	13,559
GDP per capita (US\$)	4,359	4,722	4,763
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%	5.1%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.0%
Total public debt (% of GDP)	39.4%	38.9%	39.8%

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

 <b>BB</b> Stable Upgraded Oct-2019	 <b>Ba2</b> Stable Affirmed Mar-2020	 <b>BB</b> Negative Affirmed Apr-2020
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Source: Rating agencies

# Money market

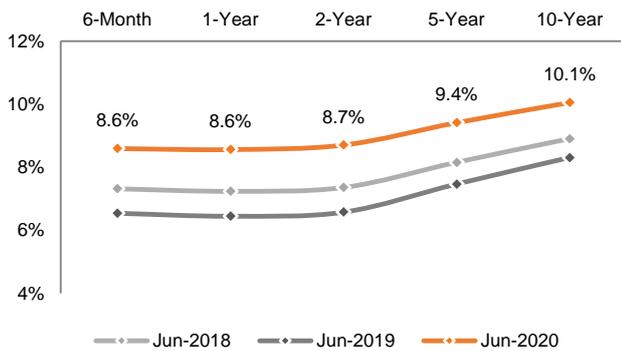
**Ministry of Finance T-Bills:** 1-year GEL 80.0mn (US\$ 26.8mn) T-Bills were sold at the auction held at NBG on June 9, 2020. Total demand was 1.9x higher and the weighted average yield was fixed at 8.699%, slightly down 0.02ppts from previous auction held in May, 2020. The nearest treasury security auction is scheduled for June 23, 2020, where GEL 80.0mn nominal value 5-year Benchmark Bonds will be sold.

## T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	230	60	250
1-year	360	240	620
2-year	420	420	1,280
5-year	400	560	1,743
10-year	70	80	563
<b>Total</b>	<b>1,480</b>	<b>1,360</b>	<b>4,455</b>

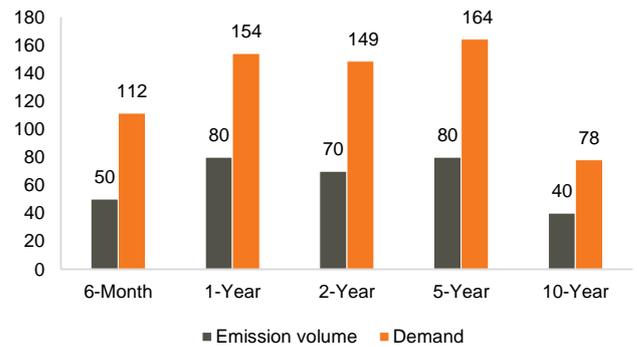
Source: MoF  
Note: \* As of 31 May 2020

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



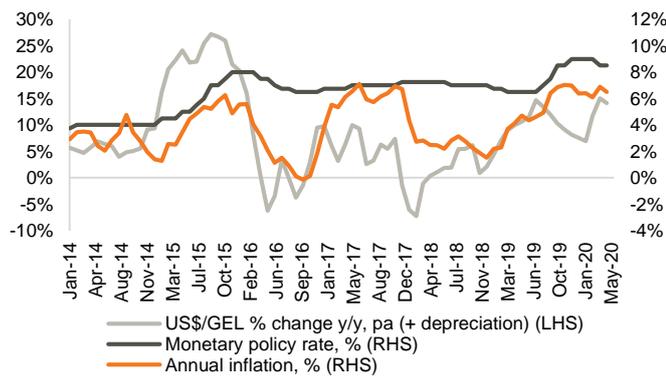
Source: NBG

## Emission volume vs. demand on latest T-bills / T-notes auctions, GEL mn



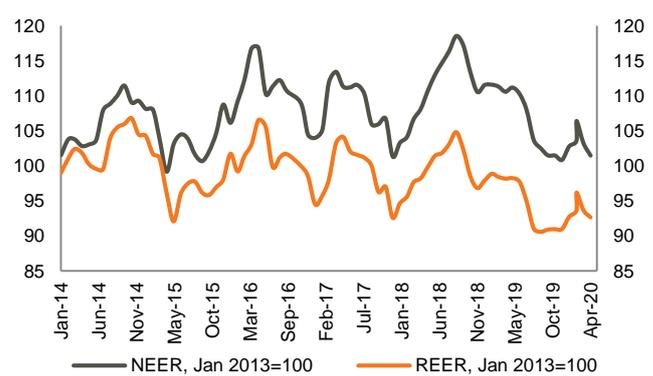
Source: NBG

## Monetary policy rate, inflation and FX 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

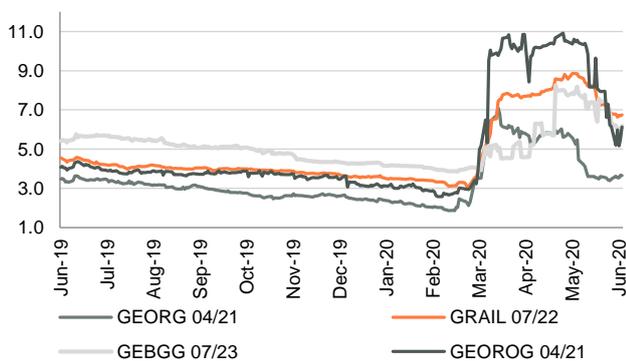
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 6.19% yield, trading at 99.46 (+0.31% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 92.47 (-0.06% w/w), yielding 8.52%.

GOGC Eurobonds (GEOROG) were trading at 100.50 (unchanged w/w), yielding 6.13%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.89 (+0.06% w/w), yielding 6.75%.

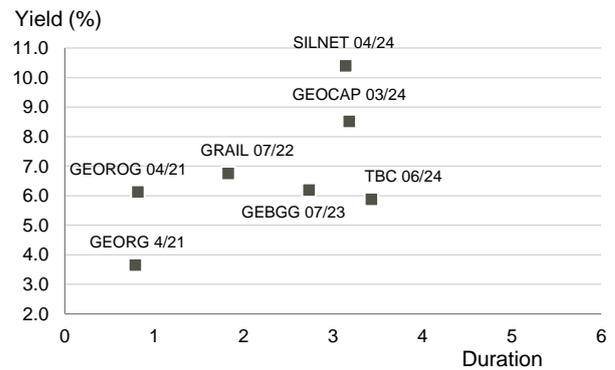
**Georgian Sovereign Eurobonds (GEORG)** closed at 102.58 (-0.20% w/w) at 3.65% yield to maturity.

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	102.58	3.65	341.13
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	101.89	6.75	639.03
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/BB/-	100.50	6.13	604.69
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B/Ba2	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B/Ba2	99.46	6.19	593.82
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B-	96.93	10.05	1,178.49
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	92.47	8.52	823.04
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	101.82	10.40	1,010.35
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	99.55	5.88	559.08
TBC PERP	US\$	125	10.775%	n/a	B-/B-	95.95	10.35	1,171.32

#### Georgian local bonds performance

GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B/Ba2	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	99.63	7.75	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	99.47	7.75	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	-/-/-	92.55	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	99.75	6.75	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.72	7.50	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/B-	100.00	12.50	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/BB+	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	-/-/BB+	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-/B-	100.00	14.75	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	102.58	3.65	341.13
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	100.08	5.64	613.60
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.77	2.17	191.49
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	103.55	5.44	517.95
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.85	1.51	123.62
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.02	3.01	289.51
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	102.71	5.39	518.26

Source: Bloomberg

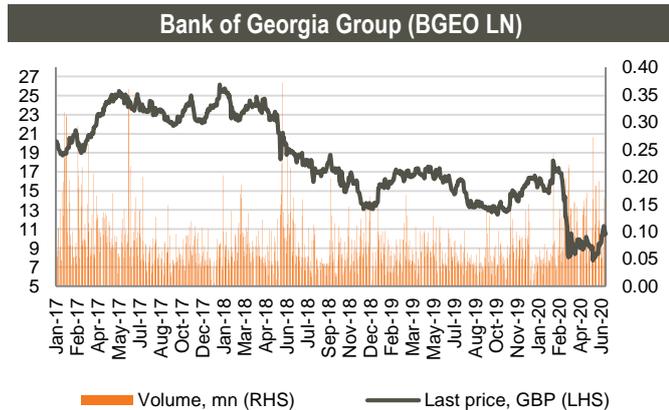
# Equities

**Bank of Georgia Group (BGE0 LN)** shares closed at GBP 10.50/share (-2.05% w/w and +14.13% m/m). More than 520k shares traded in the range of GBP 10.10 - 11.94/share. Average daily traded volume was 109k in the last 4 weeks. FTSE 250 Index, of which BGE0 is a constituent, lost 6.32% w/w and gained 5.59% m/m. The volume of BGE0 shares traded was at 1.06% of its capitalization.

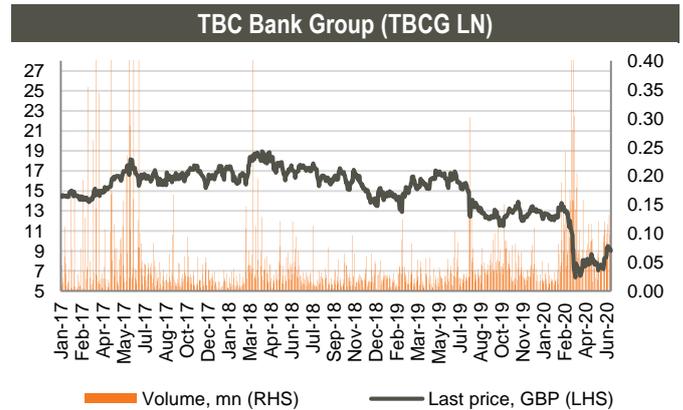
**Georgia Capital (CGEO LN)** shares closed at GBP 4.80/share (-2.83% w/w and +11.63% m/m). More than 178k shares traded in the range of GBP 4.56 - 5.20/share. Average daily traded volume was 53k in the last 4 weeks. The volume of CGEO shares traded was at 0.49% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 9.01/share (-4.86% w/w and +16.26% m/m). More than 470k shares changed hands in the range of GBP 8.61 - 9.74/share. Average daily traded volume was 81k in the last 4 weeks. The volume of TBCG shares traded was at 0.85% of its capitalization.

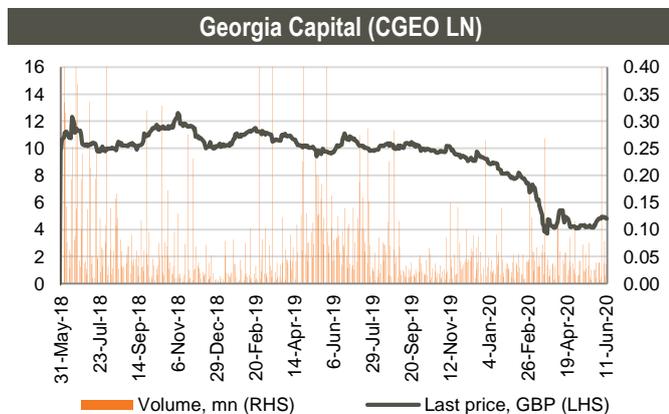
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 0.90/share (+5.88% w/w and +2.62% m/m). More than 304k shares were traded in the range of GBP 0.84 - 0.95/share. Average daily traded volume was 57k in the last 4 weeks. The volume of GHG shares traded was at 0.23% of its capitalization.



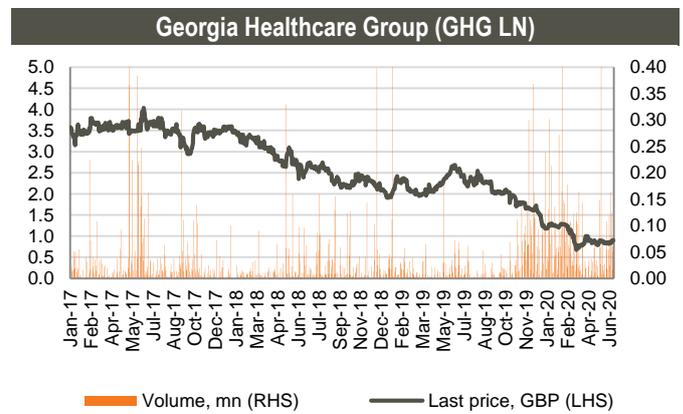
Source: Bloomberg



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		
							2019	2020F	2019	2020F	
Bank of Georgia	BGEO	GBP	10.50	516	-32.5%	-35.2%	-35.4%	3.73x	8.34x	0.83x	0.84x
TBC	TBC	GBP	9.01	496	-30.9%	-45.1%	-30.7%	3.31x	8.13x	0.67x	0.66x
Halyk Bank	HSBK	US\$	11.50	3,379	-13.5%	0.0%	-13.9%	3.87x	4.77x	0.98x	0.92x
VTB Bank	VTBR	US\$	1.02	6,584	-28.7%	-18.7%	-30.6%	2.02x	5.11x	0.36x	0.35x
Akbank	AKBNK	TRY	5.81	30,212	-26.2%	-7.9%	-28.4%	4.93x	4.67x	0.49x	0.49x
Garanti	GARAN	TRY	8.14	34,188	-23.1%	-0.2%	-26.9%	4.84x	4.53x	0.56x	0.55x
Isbank	ISCTR	TRY	5.15	23,175	-16.9%	1.0%	-19.7%	3.37x	4.13x	0.35x	0.37x
PKO	PKO	PLN	22.57	28,213	-34.4%	-46.5%	-34.5%	6.71x	12.34x	0.65x	0.65x
PEKAO	PEO	PLN	54.06	14,189	-45.2%	-51.0%	-46.2%	6.29x	11.36x	0.58x	0.59x
Millennium	MIL	PLN	3.16	3,828	-44.7%	-66.5%	-46.1%	6.55x	15.17x	0.41x	0.42x
Mbank	MBK	PLN	240.00	10,161	-35.3%	-43.9%	-38.4%	9.65x	18.44x	0.60x	0.60x
BRD	BRD	RON	12.30	8,572	-19.7%	1.8%	-22.3%	5.70x	9.77x	1.05x	1.06x
Banca Transilvania	TLV	RON	2.18	11,345	-13.3%	1.6%	-16.2%	6.32x	11.00x	1.27x	1.55x
OTP	OTPD	USD	22.80	12,768	7.5%	7.5%	7.5%	9.13x	17.39x	0.82x	0.77x
Komercni	KOMB	CZK	580.00	110,229	-27.5%	-34.5%	-30.1%	7.05x	13.92x	0.99x	0.96x
<b>Mean</b>								<b>5.57x</b>	<b>9.94x</b>	<b>0.71x</b>	<b>0.72x</b>
<b>Median</b>								<b>5.70x</b>	<b>9.77x</b>	<b>0.65x</b>	<b>0.65x</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		
							2019	2020F	2019	2020F	
Georgia Capital	CGEO	GBP	4.80	176	-47.8%	-52.9%	-47.9%	1.11x	4.28x	0.35x	n/a
Tinc Comm	TINC	EUR	13.40	365	-0.7%	8.0%	0.4%	17.84x	n/a	1.09x	n/a
Sabancı Holding	SAHOL	TRY	9.09	18,547	-4.7%	13.8%	-4.7%	4.29x	3.47x	0.49x	0.47x
Deutsche Beteiligungs	DBAN	EUR	29.15	439	-24.3%	-12.6%	-26.1%	9.87x	nmf	0.98x	1.14x
Eurazeo	RF	EUR	46.08	3,629	-25.4%	-26.8%	-24.5%	29.61x	8.54x	0.70x	0.66x
Carlyle Group	CG	USD	29.38	3,252	-1.5%	36.2%	-8.4%	8.54x	6.00x	5.60x	4.27x
<b>Mean</b>								<b>11.88x</b>	<b>5.57x</b>	<b>1.54x</b>	<b>1.63x</b>
<b>Median</b>								<b>9.20x</b>	<b>5.14x</b>	<b>0.84x</b>	<b>0.90x</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		
							2019	2020F	2019	2020F	
GHG	GHG	GBP	0.90	119	-44.3%	-65.4%	-26.8%	9.38x	7.18x	4.70x	4.02x
Mouwasset	MOUWASAT	SAR	87.20	8,720	2.6%	-2.0%	-0.9%	22.38x	22.93x	15.37x	14.83x
Fortis	FORH	INR	120.20	90,746	-12.4%	-8.3%	-8.9%	1.40x	1.34x	6.43x	6.66x
Raffles	RFMD	SGD	0.90	1,636	-8.7%	-11.4%	-10.5%	26.79x	32.97x	17.12x	19.16x
IHH	IHH	MYR	5.43	47,643	1.3%	-4.4%	-0.7%	51.50x	52.58x	15.01x	16.24x
Bangkok Chain	BCH	THB	14.30	35,661	-18.8%	-14.9%	-16.4%	29.16x	30.76x	16.22x	16.56x
Netcare	NTC	ZAR	13.86	20,123	-26.5%	-23.0%	-28.8%	8.13x	17.83x	5.42x	9.27x
Life Healthcare	LHC	ZAR	18.63	27,337	-19.0%	-21.8%	-24.4%	13.93x	40.41x	6.30x	8.50x
Mediclinic	MDC	GBP	2.66	1,964	-32.6%	-13.1%	-35.3%	9.58x	10.68x	7.33x	7.21x
Apollo Hospitals	APHS	INR	1,403.60	195,276	1.3%	1.6%	-2.7%	64.72x	58.12x	20.33x	14.75x
KPJ Healthcare	KPJ	MYR	0.85	3,621	-9.6%	-12.0%	-10.6%	18.72x	23.08x	9.10x	11.08x
NMC	NMC	GBP	0.90	119	-44.3%	-65.4%	-26.8%	9.38x	7.18x	4.70x	4.02x
<b>Mean</b>								<b>23.24x</b>	<b>27.08x</b>	<b>11.21x</b>	<b>11.66x</b>
<b>Median</b>								<b>18.72x</b>	<b>23.08x</b>	<b>9.10x</b>	<b>11.08x</b>

Source: Bloomberg, S&P Capital IQ

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