



# Weekly Market Watch

Weekly Market Watch | Georgia  
November 18, 2019

## Economy

### Georgia's GDP expands by 8.6% due to new methodology and improved coverage

Geostat has changed accounting methodology to a new Standard of National Accounting (SNA 2008), rebased GDP to year 2015 from year 2010 and recalculated GDP data from 2010 to 2018. According to the SNA 2008, Georgia's economy in nominal terms expanded by 8.6% to GEL 44.6bn (US\$ 17.6bn) in 2018, compared to previously estimated GEL 41.1bn (US\$ 16.2bn). Therefore, GDP per capita increased to US\$ 4,722 from US\$ 4,346 in 2018. Real GDP growth was also revised up to 4.8% in 2018 from 4.7% preliminary estimate. Expansion in nominal GDP level improved the key macro indicators in 2018: public debt to GDP down by 3.3ppts to 38.9%, fiscal deficit to GDP down by 0.2ppts to 2.3%, current account deficit to GDP also down by 0.5ppts to 6.8% in 2018.

### Exports up 4.5% y/y in October 2019

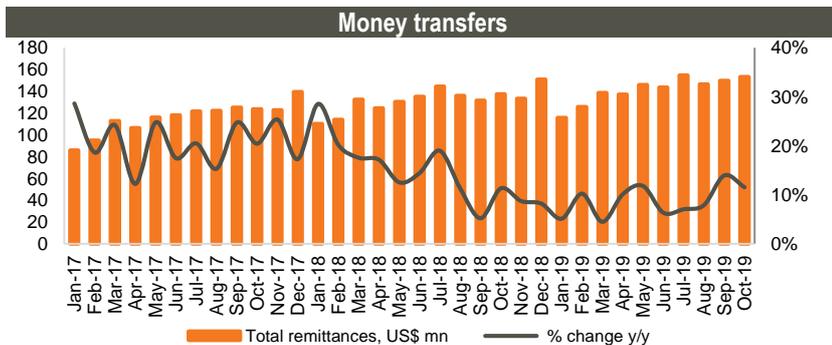
In October 2019, exports increased 4.5% y/y to US\$ 316.5mn, while import declined by 2.1% y/y to US\$ 848.0mn and the trade deficit narrowed 5.6% y/y to US\$ 531.5mn, according to Geostat's preliminary figures. In 10M19, trade deficit was down 10.8% to US\$ 4.3bn as exports increased by 10.4% y/y to US\$ 3.0bn and imports were down 3.1% y/y to US\$ 7.3bn. Detailed foreign trade statistics will be available on November 19, 2019.

### International arrivals up 8.8% y/y in October 2019

Total international arrivals (tourists and same-day arrivals) to Georgia increased by 8.8% y/y to 0.67mn persons in October 2019, according to GNTA. This growth was mostly driven by tourist arrivals increasing by 7.8% y/y (66.0% of total), while same-day arrivals also increased by (+10.9% y/y to 0.23mn trips). Out of top countries, in October 2019, international visitors increased from Armenia (+12.7% y/y), Azerbaijan (+7.7%), Turkey (+16.9% y/y), Israel (+56.9% y/y) and Ukraine (+22.5%). Meanwhile, visitors continued to decline from Russia (-15.2% y/y) and Iran (-34.5% y/y). Visitors from the EU were up 32.2% y/y to over 55,700 visitors, with Germany, Poland and Ireland driving the growth. In 10M19, total international visitors stood at 6.6mn (+6.2% y/y), of which tourist arrivals reached 4.4mn (+6.0% y/y) persons. Meanwhile, tourism revenues stood at US\$ 2.8bn (+0.9% y/y) in 10M19 according to NBG.

### Money transfers up 11.5% y/y in October 2019

In October 2019, money transfers increased 11.5% y/y to US\$ 153.2mn, after growing 13.9% y/y in the previous month, according to NBG. From major remitting countries, money transfers were up from Italy (+24.6% y/y, 13.7% of total), Greece (+3.9% y/y, 10.4% of total), USA (+6.1% y/y, 9.9% of total), Israel (+13.3% y/y, 8.9% of total) and Turkey (+6.5% y/y, 5.2% of total), while remittances were down from Russia (-4.5% y/y, 24.7% of total). Overall, in 10M19 money transfers were up 8.8% y/y to US\$ 1.4bn.



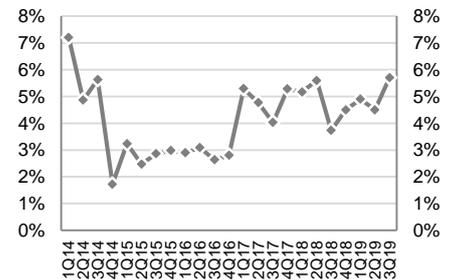
Source: NBG

### Key macro indicators

	2016	2017	2018
GDP (% change)	2.9%	4.8%	4.8%
GDP per capita (ppp)	10,511	11,485	12,417
GDP per capita (US\$)	4,062	4,359	4,722
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)	12.4%	8.1%	6.8%
Fiscal deficit (% of GDP)	2.9%	2.7%	2.3%
Total public debt (% of GDP)	40.3%	39.4%	38.9%

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 Sep-2019	 <b>BB</b> Stable Affirmed Aug-2019
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Source: Rating agencies

# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.4bn (US\$ 794.8mn).

**Ministry of Finance Benchmark Bonds:** 2-year GEL 70.0mn (US\$ 23.6mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on November 12, 2019. The weighted average yield was fixed at 9.281%. The nearest treasury security auction is scheduled for November 26, 2019, where GEL 70mn nominal value 5-year Benchmark Bonds will be sold.

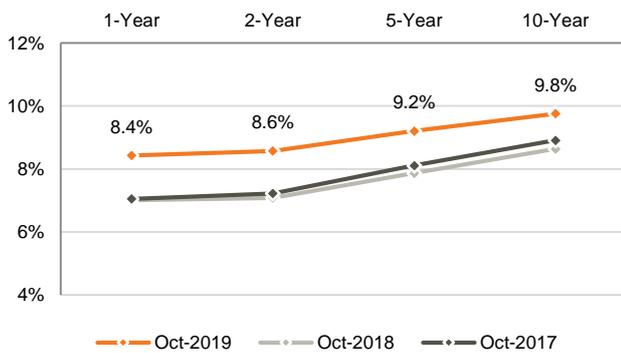
**Ministry of Finance Treasury Bills:** 6-month GEL 70.0mn (US\$ 23.6mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on November 12, 2019. The weighted average yield was fixed at 8.971%.

## T-bills / T-notes, Nov-19 emission calendar

Date	Volume, GEL mn	Maturity
26-Nov-19	70	5 year

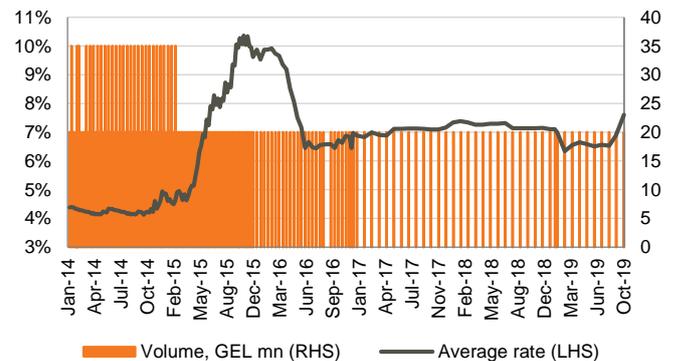
Source: MoF

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



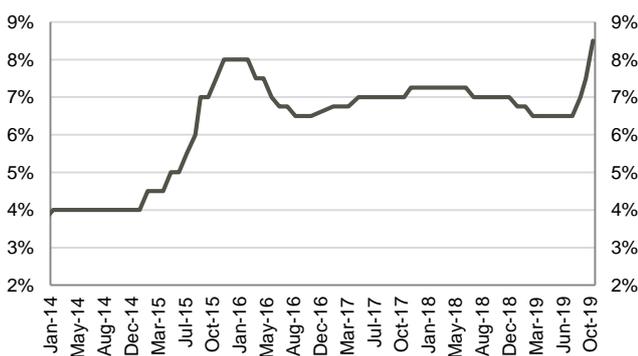
Source: NBG

## Certificates of Deposits (weighted average rate)



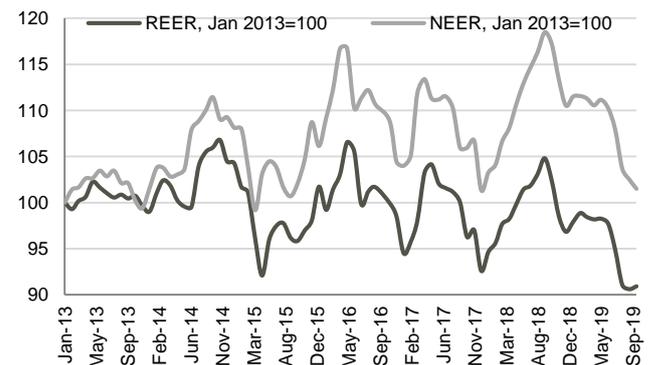
Source: NBG

## 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

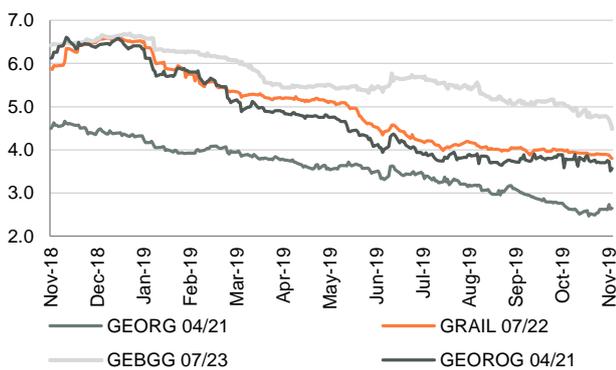
# Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 4.48% yield, trading at 105.10 (+0.96% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.10 (+0.10% w/w), yielding 7.47%.

GOGC Eurobonds (GEOROG) were trading at 104.41 (+0.13% w/w), yielding 3.57%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.85 (+0.19% w/w), yielding 3.80%.

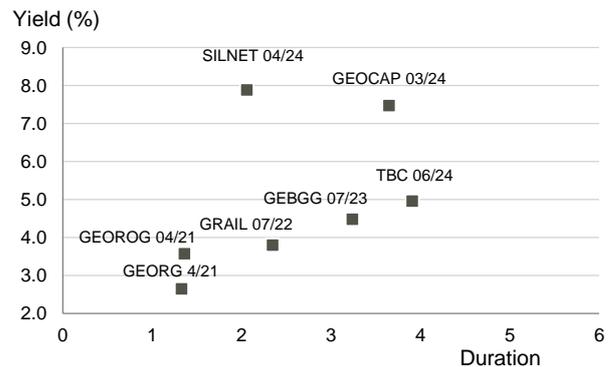
**Georgian Sovereign Eurobonds (GEORG)** closed at 105.76 (-0.09% w/w) at 2.65% yield to maturity.

**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	105.76	2.65	92.02
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.85	3.80	218.67
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/B+/-	104.41	3.57	190.73
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B+2	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B+2	105.10	4.48	291.74
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	104.41	10.16	829.71
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B+/B2	95.10	7.47	590.07
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-B1	111.29	7.89	620.53
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+2	103.23	4.95	338.96
TBC PERP	US\$	125	10.775%	n/a	B-/-	101.96	10.53	862.09

### Georgian local bonds performance

GWP 12/21	GEL	30	11.00%	Dec-21	BB-/-/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	100.98	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.64	7.25	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	101.04	5.63	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	99.25	7.00	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	100.62	7.25	n/a
CRYSTAL 12/19	GEL	10	12.00%	Dec-19	B/-/-	100.14	11.75	n/a
CRYSTAL 02/21	GEL	15	11.50%	Feb-21	B/-/-	100.84	11.75	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 08/22	GEL	34	11.00%	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	14.00%	Sep-21	B-/-/-	101.57	14.00	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	105.76	2.65	92.02
Armenia	US\$	500	6.000%	Sep-20	B+/-/Ba3	102.46	3.09	123.80
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.76	2.96	130.36
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.00	4.55	296.26
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.70	2.42	79.77
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.38	1.87	3.40
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	103.03	3.33	167.47
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	105.06	4.75	311.55

Source: Bloomberg

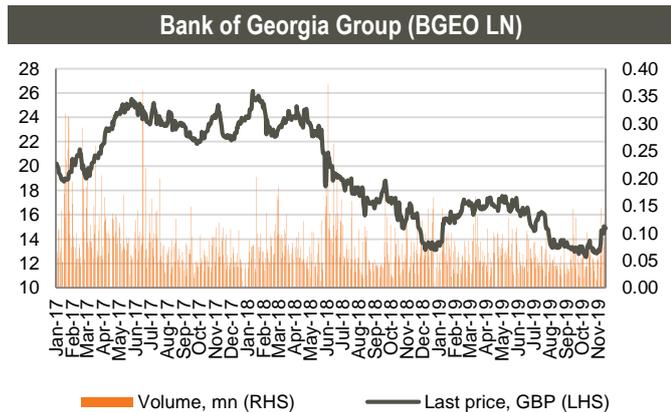
# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 14.92/share (+2.54% w/w and +9.30% m/m). More than 411k shares traded in the range of GBP 14.19 - 15.10/share. Average daily traded volume was 63k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.23% w/w and 1.03% m/m. The volume of BGEO shares traded was at 0.84% of its capitalization.

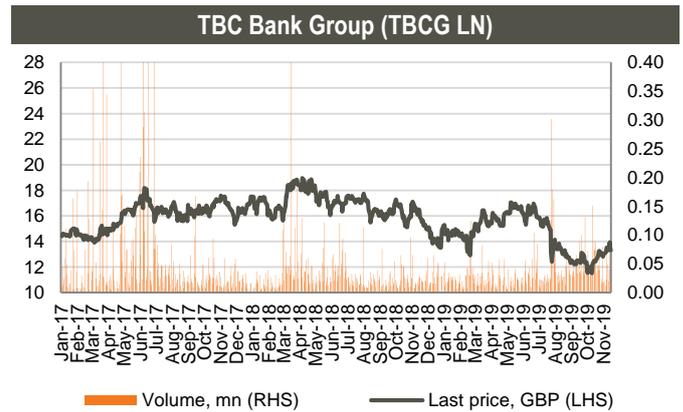
**Georgia Capital (CGEO LN)** shares closed at GBP 9.90/share (-2.56% w/w and unchanged m/m). More than 242k shares traded in the range of GBP 9.80 - 10.42/share. Average daily traded volume was 30k in the last 4 weeks. The volume of CGEO shares traded was at 0.66% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 13.30/share (-1.48% w/w and +7.26% m/m). More than 215k shares changed hands in the range of GBP 13.20 - 14.14/share. Average daily traded volume was 40k in the last 4 weeks. The volume of TBCG shares traded was at 0.39% of its capitalization.

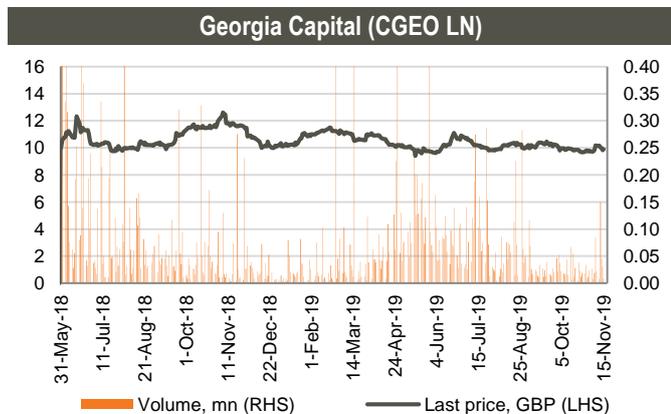
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 1.80/share (unchanged w/w and -11.76% m/m). More than 235k shares were traded in the range of GBP 1.70 - 1.93/share. Average daily traded volume was 29k in the last 4 weeks. The volume of GHG shares traded was at 0.18% of its capitalization.



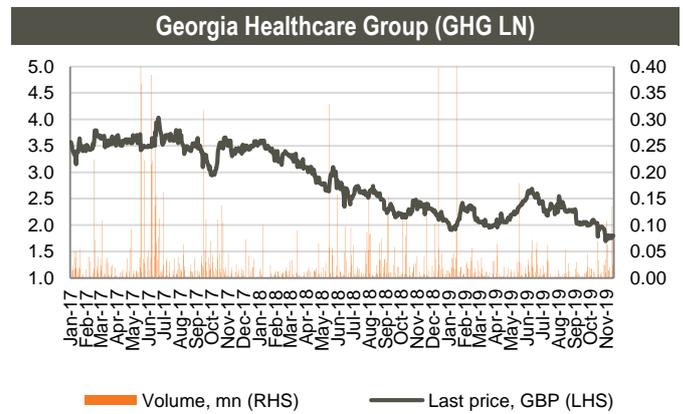
Source: Bloomberg



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	14.92	734	-8.7%	-6.5%	8.4%	5.90x	5.64x	1.40x	1.11x
TBC	TBC	GBP	13.30	732	-20.0%	-19.2%	-12.6%	5.79x	5.26x	1.06x	0.92x
Halyk Bank	HSBK	US\$	13.25	3,894	16.2%	20.5%	28.0%	5.02x	4.86x	1.17x	1.04x
VTB Bank	VTBR	US\$	1.45	9,396	32.5%	8.2%	30.9%	3.82x	3.54x	0.59x	0.44x
Akbank	AKBNK	TRY	7.68	39,936	33.8%	24.3%	30.5%	7.22x	5.07x	0.76x	0.67x
Garanti	GARAN	TRY	9.95	41,790	30.4%	27.2%	25.0%	6.31x	4.37x	0.76x	0.68x
Isbank	ISCTR	TRY	6.27	28,215	24.4%	54.8%	38.4%	4.81x	3.90x	0.51x	0.45x
PKO	PKO	PLN	38.21	47,763	2.8%	-5.2%	-3.2%	10.76x	10.33x	1.14x	1.10x
PEKAO	PEO	PLN	104.00	27,297	2.1%	-0.9%	-4.6%	12.13x	10.38x	1.16x	1.12x
Millennium	MIL	PLN	5.85	7,096	-33.4%	-38.6%	-34.0%	9.90x	8.14x	0.78x	0.72x
Mbank	MBK	PLN	388.40	16,444	-0.9%	-2.4%	-8.4%	13.19x	12.02x	1.00x	0.94x
BRD	BRD	RON	14.34	9,994	28.0%	7.3%	25.8%	7.62x	8.56x	1.32x	1.30x
Banca Transilvania	TLV	RON	2.47	12,857	26.9%	12.9%	33.2%	8.88x	9.16x	1.57x	1.46x
OTP	OTPD	USD	21.20	11,872	-5.4%	6.5%	8.2%	9.07x	9.05x	0.80x	0.70x
Komercni	KOMB	CZK	782.50	148,714	-8.3%	-13.9%	-7.6%	9.91x	10.45x	1.40x	1.35x
<b>Mean</b>								<b>8.02x</b>	<b>7.38x</b>	<b>1.03x</b>	<b>0.93x</b>
<b>Median</b>								<b>7.62x</b>	<b>8.14x</b>	<b>1.06x</b>	<b>0.94x</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		
							2019F	2020F	2019F	2020F	
Georgia Capital	CGEO	GBP	9.90	364	2.1%	-16.3%	-3.0%	14.18x	11.11x	1.00x	0.93x
Tinc Comm	TINC	EUR	14.10	385	18.5%	17.5%	19.5%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.07	18,506	25.8%	18.6%	20.6%	4.64x	3.82x	0.54x	0.48x
Deutsche Beteiligungs	DBAN	EUR	38.40	578	13.3%	10.3%	14.5%	19.32x	16.52x	1.28x	1.21x
Eurazeo	RF	EUR	62.10	4,891	-1.8%	-1.3%	5.5%	13.77x	11.60x	0.89x	0.84x
Carlyle Group	CG	USD	28.40	3,143	36.3%	52.9%	80.3%	16.45x	5.62x	3.06x	1.90x
<b>Mean</b>								<b>13.67x</b>	<b>9.73x</b>	<b>1.35x</b>	<b>1.07x</b>
<b>Median</b>								<b>14.18x</b>	<b>11.11x</b>	<b>1.00x</b>	<b>0.93x</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		
							2019F	2020F	2019F	2020F	
GHG	GHG	GBP	1.80	237	-21.7%	-23.4%	-11.8%	18.88x	12.20x	7.40x	6.27x
Mouwasat	MOUWASAT	SAR	82.70	8,270	-1.4%	10.1%	2.7%	20.47x	18.38x	14.64x	13.23x
Fortis	FORH	INR	143.80	108,563	12.0%	0.0%	2.3%	1.79x	1.61x	6.69x	6.77x
Raffles	RFMD	SGD	1.00	1,828	-3.8%	-7.4%	-9.1%	30.19x	30.37x	19.46x	18.63x
IHH	IHH	MYR	5.35	46,941	-3.1%	16.3%	-0.7%	45.74x	37.04x	15.86x	13.83x
Bangkok Chain	BCH	THB	16.40	40,897	-5.2%	-12.3%	-1.8%	33.66x	29.96x	18.43x	16.76x
Netcare	NTC	ZAR	17.64	25,611	-15.5%	-27.5%	-33.3%	11.98x	11.21x	7.27x	6.74x
Life Healthcare	LHC	ZAR	24.49	35,935	-2.6%	-2.6%	-7.2%	21.34x	15.62x	8.53x	7.58x
MediClinic	MDC	GBP	4.01	2,959	18.7%	16.6%	24.4%	14.85x	15.34x	9.44x	8.85x
Apollo Hospitals	APHS	INR	1,397.25	194,393	20.8%	10.7%	11.0%	68.07x	48.75x	21.22x	16.14x
KPJ Healthcare	KPJ	MYR	0.91	3,878	-4.7%	-16.2%	-13.0%	20.73x	19.20x	10.15x	9.55x
NMC	NMC	GBP	23.68	4,944	-8.4%	-34.3%	-13.5%	20.09x	15.49x	12.91x	10.95x
<b>Mean</b>								<b>25.65x</b>	<b>21.26x</b>	<b>12.67x</b>	<b>11.27x</b>
<b>Median</b>								<b>20.60x</b>	<b>17.00x</b>	<b>11.53x</b>	<b>10.25x</b>

Source: Bloomberg, S&P Capital IQ



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