



Weekly Market Watch

Weekly Market Watch | Georgia
June 8, 2020

Economy

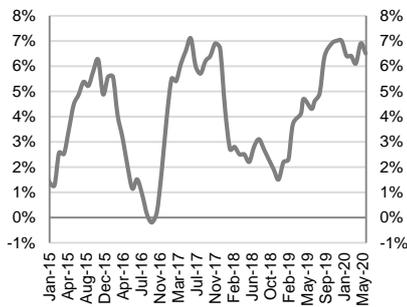
Inflation was 6.5% y/y and 0.2% m/m in May 2020

Annual CPI inflation retreated to 6.5% in May 2020 from 6.9% in April 2020, according to Geostat. Core inflation (non-food, non-energy) was 5.9% in May 2020, while core inflation excluding tobacco was 5.4%. Annual price changes were driven by price increases in food and non-alcoholic beverages (+14.7% y/y, +4.58ppts), furnishings, household equipment & maintenance (+8.3% y/y, +0.50ppts) and healthcare (+6.1% y/y, +0.49ppts) categories. Meanwhile, prices were down in transport (-4.6% y/y, -0.57ppts) and clothing and footwear (-1.4% y/y, -0.06ppts) categories. On a monthly basis, there was 0.2% inflation in May 2020, affected by price increase in restaurants and hotels (+4.3% m/m, +0.22ppts).

International reserves down 3.3% y/y and up 3.4% m/m in May 2020

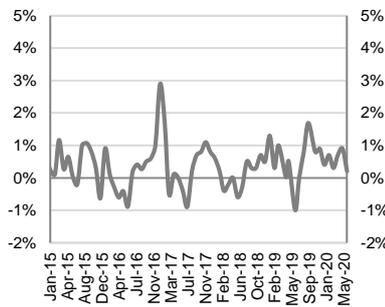
Gross international reserves decreased by 3.3% y/y to US\$ 3.6bn in May 2020 according to NBG. Meanwhile, reserves were up by 3.4% (+US\$ 117mn) on a monthly basis, reflecting disbursement of 1st instalment under IMF program.

Annual CPI inflation (% change, y/y)



Source: Geostat

Monthly CPI inflation (% change, m/m)

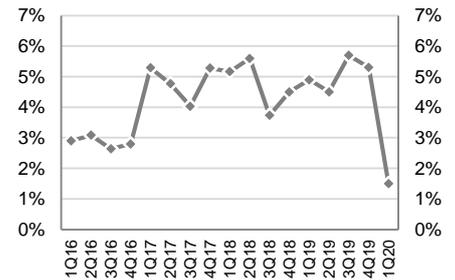


Key macro indicators

	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

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

Money market

Ministry of Finance Benchmark Bonds: 2-year GEL 70.0mn (US\$ 22.5mn) Benchmark Bonds were sold at the auction held at NBG on June 8, 2020. Total demand was 2.1x higher and the weighted average yield was fixed at 8.752%, down 0.14ppts from previous auction held in May, 2020. The nearest treasury security auction is scheduled for June 9, 2020, where GEL 80.0mn nominal value 1-year T-Bills will be sold.

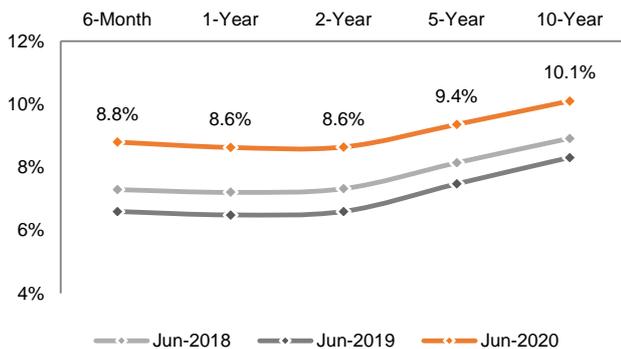
Ministry of Finance T-Bills: 6-month GEL 50.0mn (US\$ 16.0mn) T-Bills were sold at the auction held at NBG on June 2, 2020. Total demand was 2.2x higher and the weighted average yield was fixed at 8.655%, down 0.06ppts from previous auction held in May, 2020.

T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	230	60	270
1-year	280	320	580
2-year	420	420	1,210
5-year	400	560	1,663
10-year	70	80	563
Total	1,400	1,440	4,285

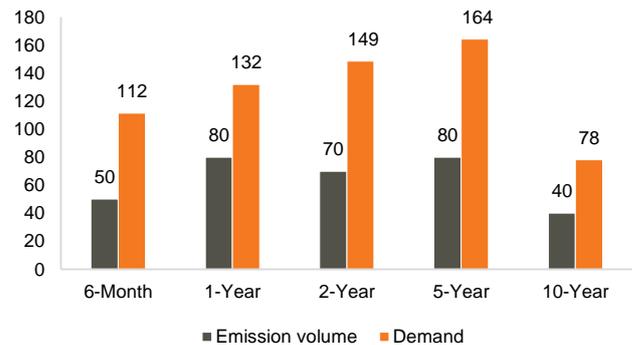
Source: MoF
Note: * As of 30 April 2020

T-bills / T-notes, yield curve



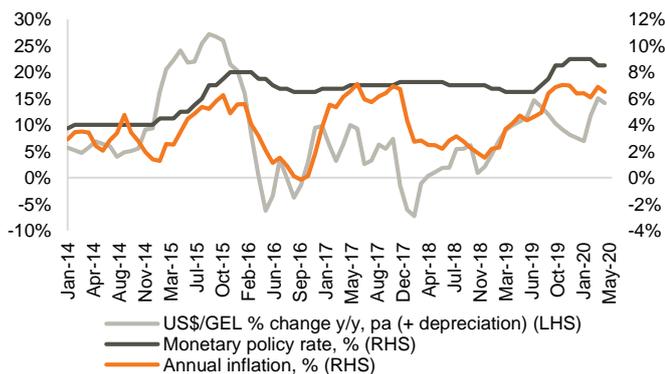
Source: NBG

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



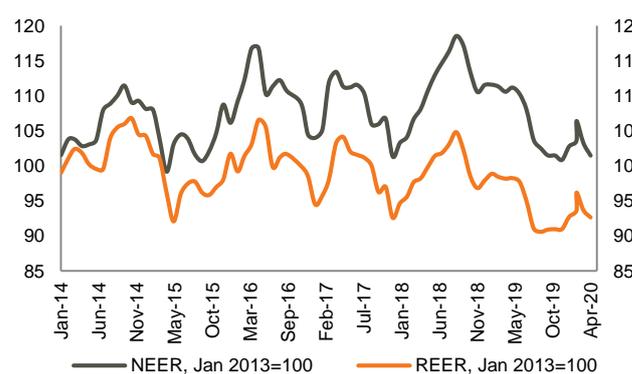
Source: NBG

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



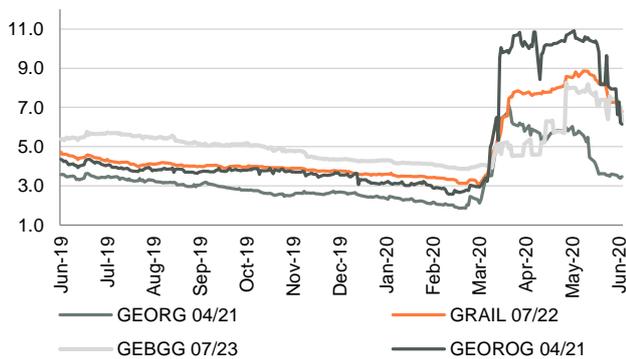
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.30% yield, trading at 99.16 (+3.23% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 92.52 (+0.03% w/w), yielding 8.49%.

GOGC Eurobonds (GEOROG) were trading at 100.50 (+1.54% w/w), yielding 6.14%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.82 (+0.87% w/w), yielding 6.80%.

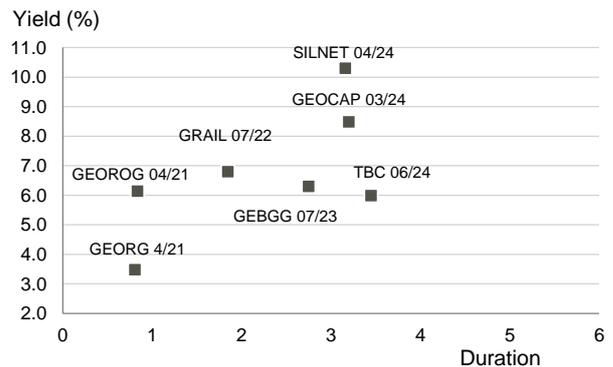
Georgian Sovereign Eurobonds (GEORG) closed at 102.79 (+0.05% w/w) at 3.48% yield to maturity.

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	102.79	3.48	329.58
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	101.82	6.80	644.55
GEORG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	100.50	6.14	588.58
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/Ba2	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/Ba2	99.16	6.30	578.02
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	93.93	10.51	1,264.74
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	92.52	8.49	811.01
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-B1	102.14	10.30	990.75
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	99.17	5.98	556.43
TBC PERP	US\$	125	10.775%	n/a	B-/-	94.47	10.63	1,203.29

Georgian local bonds performance

GWP 12/21	GEL	30	12.50%	Dec-21	BB-/-/-	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/-/-	100.00	12.50	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	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	102.79	3.48	329.58
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	100.19	5.31	517.57
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.24	1.80	151.83
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	104.32	5.15	479.95
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	110.34	1.41	96.42
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.50	2.48	202.10
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	103.19	5.03	476.39

Source: Bloomberg



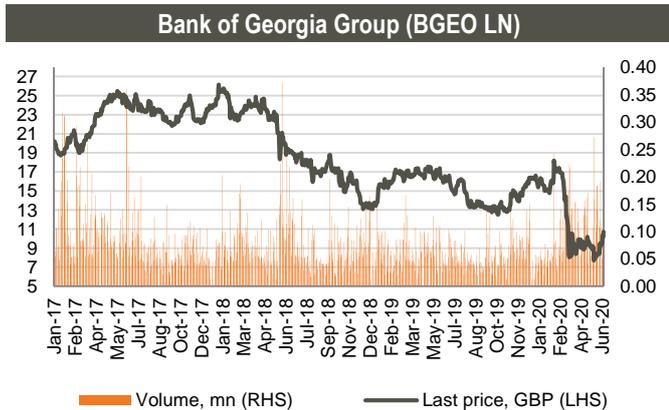
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 10.72/share (+15.89% w/w and +14.41% m/m). More than 309k shares traded in the range of GBP 9.02 - 10.76/share. Average daily traded volume was 116k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 6.96% w/w and 13.27% m/m. The volume of BGEO shares traded was at 0.63% of its capitalization.

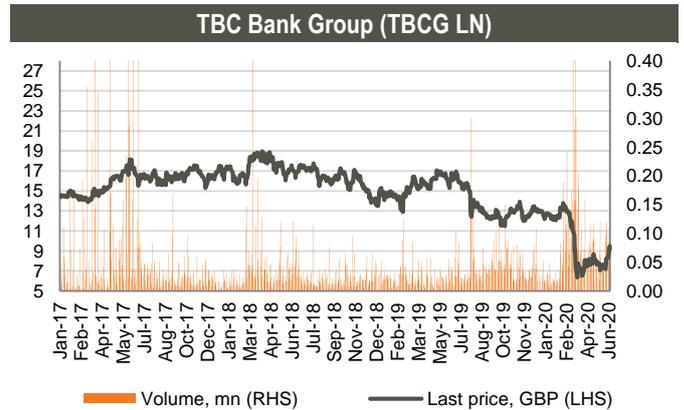
Georgia Capital (CGEO LN) shares closed at GBP 4.94/share (+7.39% w/w and +20.49% m/m). More than 1.0mn shares traded in the range of GBP 4.53 - 5.00/share. Average daily traded volume was 79k in the last 4 weeks. The volume of CGEO shares traded was at 2.84% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 9.47/share (+14.10% w/w and +21.10% m/m). More than 417k shares changed hands in the range of GBP 8.24 - 9.64/share. Average daily traded volume was 73k in the last 4 weeks. The volume of TBCG shares traded was at 0.76% of its capitalization.

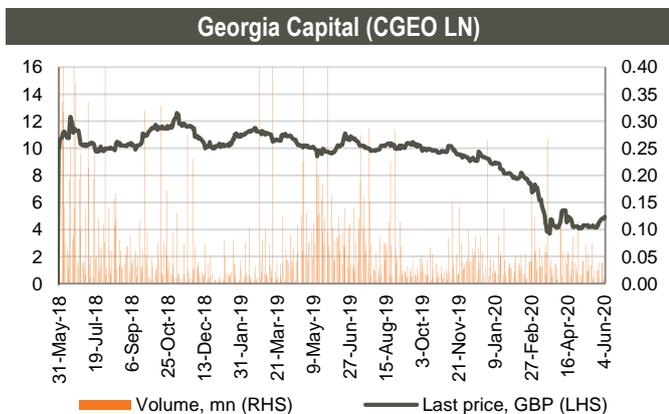
Georgia Healthcare Group (GHG LN) shares closed at GBP 0.85/share (+1.19% w/w and +6.92% m/m). More than 433k shares were traded in the range of GBP 0.80 - 0.90/share. Average daily traded volume was 103k in the last 4 weeks. The volume of GHG shares traded was at 0.33% of its capitalization.



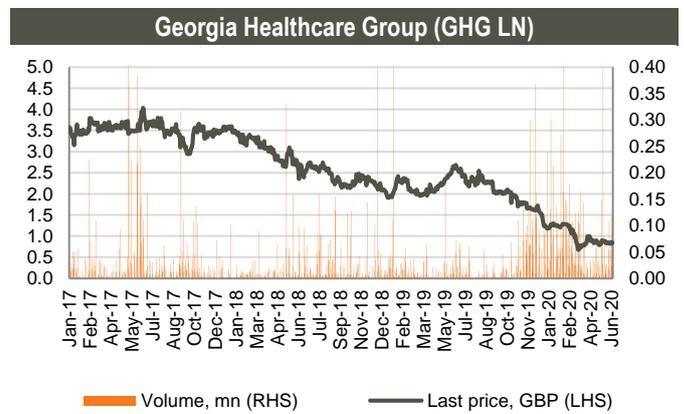
Source: Bloomberg



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	10.72	527	-29.7%	-33.6%	-34.0%	4.20x	8.44x	0.92x	0.86x
TBC	TBC	GBP	9.47	521	-24.8%	-39.3%	-27.2%	3.75x	8.48x	0.72x	0.69x
Halyk Bank	HSBK	US\$	12.00	3,526	-10.4%	3.9%	-10.1%	4.20x	4.95x	1.00x	0.99x
VTB Bank	VTBR	US\$	1.07	6,947	-22.1%	-13.1%	-26.7%	2.65x	4.83x	0.40x	0.41x
Akbank	AKBNK	TRY	5.92	30,784	-23.7%	-0.3%	-27.0%	5.01x	4.75x	0.52x	0.50x
Garanti	GARAN	TRY	8.29	34,818	-19.7%	4.8%	-25.6%	4.73x	4.60x	0.56x	0.56x
Isbank	ISCTR	TRY	5.14	23,130	-17.8%	4.3%	-19.8%	3.48x	4.12x	0.36x	0.37x
PKO	PKO	PLN	23.57	29,463	-32.2%	-40.4%	-31.6%	6.70x	12.80x	0.68x	0.67x
PEKAO	PEO	PLN	57.30	15,040	-41.1%	-47.4%	-43.0%	6.59x	11.63x	0.62x	0.62x
Millennium	MIL	PLN	3.25	3,942	-40.8%	-65.8%	-44.4%	5.12x	12.90x	0.42x	0.43x
Mbank	MBK	PLN	247.60	10,483	-30.2%	-38.6%	-36.4%	8.12x	14.28x	0.61x	0.61x
BRD	BRD	RON	12.82	8,934	-18.3%	8.3%	-19.1%	5.75x	10.16x	1.11x	1.11x
Banca Transilvania	TLV	RON	2.17	11,319	-16.5%	4.5%	-16.4%	6.08x	10.95x	1.26x	1.54x
OTP	OTPD	USD	22.80	12,768	7.5%	7.5%	7.5%	9.60x	17.00x	0.82x	0.75x
Komercni	KOMB	CZK	597.00	113,459	-25.3%	-33.3%	-28.0%	7.22x	14.23x	1.03x	0.99x
Mean								5.55x	9.61x	0.74x	0.74x
Median								5.12x	10.16x	0.68x	0.67x

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	4.94	181	-46.2%	-49.1%	-46.4%	6.73x	4.37x	0.48x	n/a
Tinc Comm	TINC	EUR	13.35	364	-1.5%	10.2%	0.0%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.12	18,608	-0.4%	18.1%	-4.4%	4.29x	3.48x	0.50x	0.47x
Deutsche Beteiligungs	DBAN	EUR	32.65	491	-18.6%	-1.8%	-17.2%	12.15x	nmf	1.09x	1.27x
Eurazeo	RF	EUR	50.30	3,962	-17.4%	-20.9%	-17.5%	12.36x	9.28x	0.75x	0.72x
Carlyle Group	CG	USD	29.66	3,283	0.7%	42.9%	-7.5%	17.12x	6.06x	1.83x	4.31x
Mean								10.53x	5.80x	0.93x	1.69x
Median								12.15x	5.21x	0.75x	1.00x

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	0.85	112	-47.7%	-67.9%	-30.9%	8.95x	6.73x	4.58x	3.87x
Mouwasset	MOUWASAT	SAR	84.90	8,490	2.9%	-0.4%	-3.5%	21.78x	21.80x	14.98x	14.46x
Fortis	FORH	INR	117.65	88,821	-14.7%	-5.1%	-10.8%	1.38x	1.29x	6.42x	6.65x
Raffles	RFMD	SGD	0.92	1,682	-6.6%	-10.7%	-8.0%	27.52x	33.84x	17.56x	19.65x
IHH	IHH	MYR	5.55	48,696	4.7%	2.2%	1.5%	52.59x	53.70x	15.32x	16.56x
Bangkok Chain	BCH	THB	14.60	36,409	-14.1%	-12.6%	-14.6%	29.30x	31.43x	16.29x	16.87x
Netcare	NTC	ZAR	14.70	21,342	-25.2%	-21.8%	-24.5%	8.72x	13.63x	5.71x	7.56x
Life Healthcare	LHC	ZAR	18.96	27,821	-21.7%	-21.3%	-23.1%	14.34x	33.79x	6.43x	8.25x
Mediclinic	MDC	GBP	3.00	2,209	-22.4%	-4.6%	-27.2%	10.89x	12.13x	7.85x	7.72x
Apollo Hospitals	APHS	INR	1,359.05	189,078	-8.4%	2.0%	-5.8%	62.89x	56.47x	19.83x	14.39x
KPJ Healthcare	KPJ	MYR	0.89	3,814	-3.3%	-3.8%	-5.8%	19.70x	21.21x	9.42x	9.58x
NMC	NMC	GBP	9.38	1,959	-63.8%	-58.5%	-46.9%	n/a	n/a	n/a	n/a
Mean								23.46x	26.00x	11.31x	11.41x
Median								19.70x	21.80x	9.42x	9.58x

Source: Bloomberg, S&P Capital IQ

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Galt & Taggart

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

Tel: + (995) 32 2401 111

Email: gt@gt.ge