



# Weekly Market Watch

Weekly Market Watch | Georgia  
May 6, 2019

## Economy

### Real GDP growth was 6.0% y/y in March 2019

Georgia's economy increased by 6.0% y/y in March 2019 after growing 4.6% y/y in previous month, according to Geostat's rapid estimates. Real growth was recorded in trade, transport, other community, social and personal activities and real estate operations. Meanwhile, construction continued to drag growth, likely impact of slowed residential building construction along with completion of BP gas pipeline project. From demand side, growth was supported by sizeable improvement in external balance boosting net exports. Overall, real GDP growth was 4.7% y/y in 1Q19. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

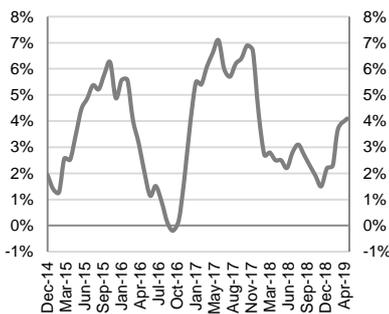
### Inflation was 4.1% y/y and 0.2% m/m in April 2019

Annual CPI inflation was 4.1% in April 2019 up from 3.7% in March 2019, according to Geostat. Core inflation (non-food, non-energy) was 3.6% in April 2019, while core inflation excluding tobacco was 1.4%, as excise tax induced growth in tobacco prices was significant. Annual price changes were driven by price increases in food and non-alcoholic beverages (+5.9% y/y, +1.82ppts), alcoholic beverages and tobacco (+21.1% y/y, +1.38ppts) and recreation and culture (+7.2% y/y, +0.41ppts) categories. On a monthly basis, there was 0.2% inflation in April 2019, affected by price increase in food and non-alcoholic beverages (+0.7% m/m, +0.21ppts).

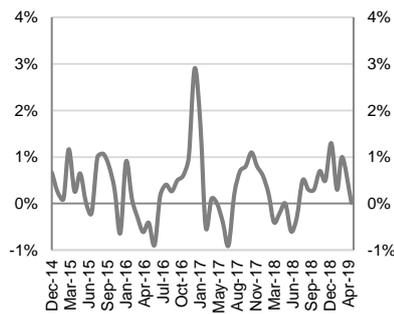
### NBG keeps monetary policy rate unchanged at 6.5%

At its meeting on 1 May 2019, NBG's monetary policy committee decided to keep its key rate unchanged at 6.5%. NBG commented that, inflation remained close to the target level of 3% since the beginning of 2019; Inflation reached 3.7% in March due to excise tax hikes on tobacco, contributing 1.3ppts in overall price growth. The NBG expects the inflation rate to remain close to its target level of 3% as one-offs fade away. With weak demand side inflationary pressures, the regulator sees room for gradual monetary normalization considering potential risks from external sector. The next committee meeting is scheduled for 12 June 2019.

### Annual CPI inflation (% change, y/y) Monthly CPI inflation (% change, m/m)



Source: Geostat

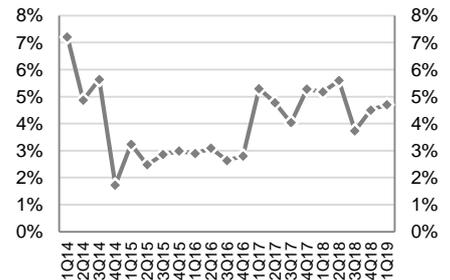


### Key macro indicators

	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

 <b>BB-</b> Positive Affirmed Apr-2019	 <b>Ba2</b> Stable Affirmed Sep-2018	 <b>BB</b> Stable Upgraded Feb-2019
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Source: Rating agencies



# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 8-day refinancing loans of GEL 500mn (US\$ 184.9mn).

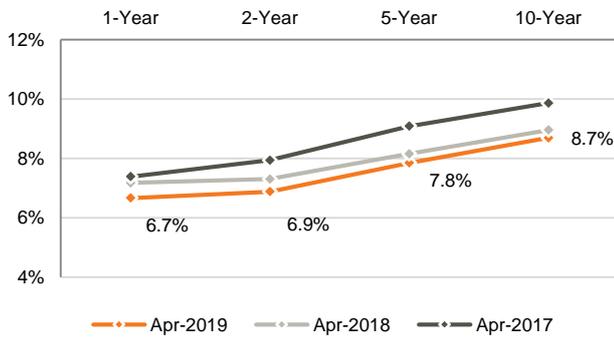
The nearest treasury securities auction is scheduled for May 7, 2019, where GEL 40.0mn nominal value 1-year T-Bills will be sold.

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

Date	Volume, GEL mn	Maturity
7-May-19	40	1 year
14-May-19	20	6 months
28-May-19	50	5 years

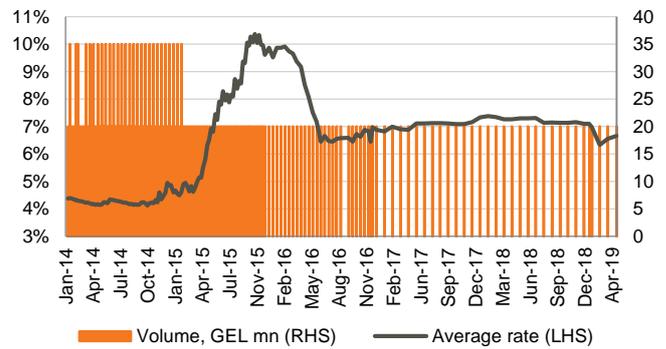
Source: MoF

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



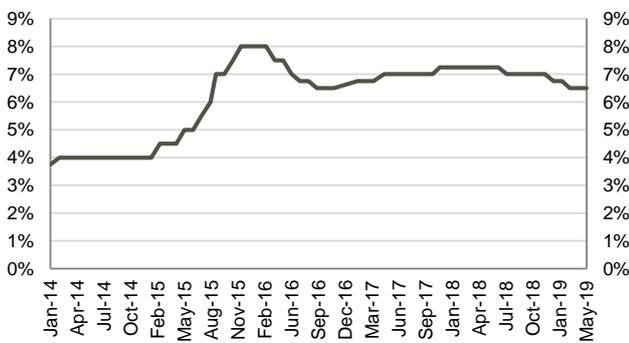
Source: NBG

### Certificates of Deposits (weighted average rate)



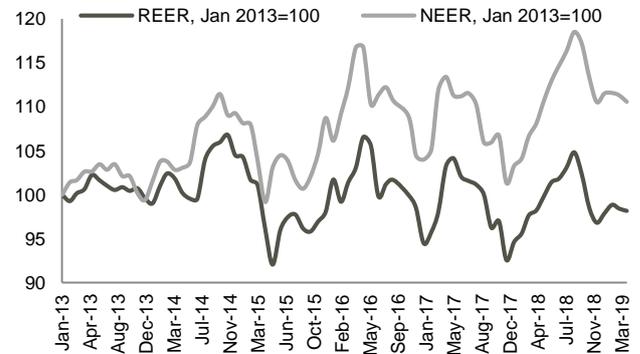
Source: NBG

### 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

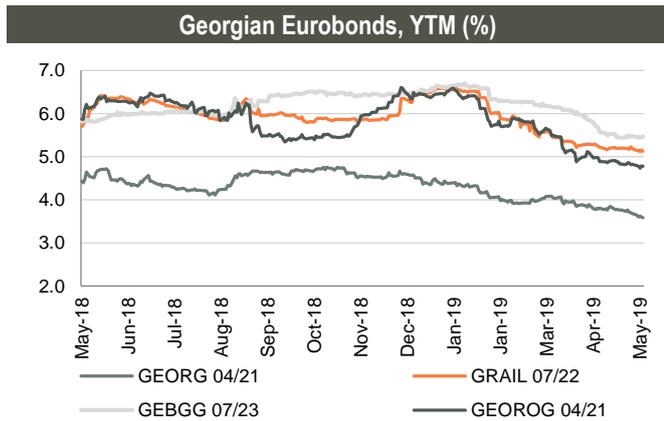


# Fixed income

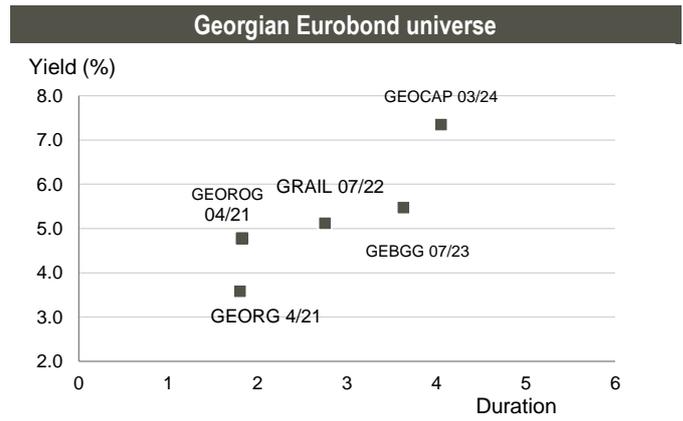
**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 5.47% yield, trading at 101.95 (+0.03% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.06 (+0.13% w/w), yielding 7.35%.

GOGC Eurobonds (GEOROG) were trading at 103.66 (+0.04% w/w), yielding 4.78%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.59 (+0.12% w/w), yielding 5.13%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 106.08 (+0.13% w/w) at 3.59% yield to maturity.



Source: Bloomberg



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%	04/12/2021	BB/BB-/Ba2/-	106.08	3.59	114.84	
GRAIL 07/22	US\$	500	7.750%	07/11/2022	BB-/B+/-/-	107.59	5.13	275.38	
GEOROG 04/21	US\$	250	6.750%	04/26/2021	BB/B+/-/-	103.66	4.78	236.41	
GEBGG 06/20	GEL	500	11.000%	06/01/2020	BB-/B2/-	n/a	n/a	n/a	
GEBGG 07/23	US\$	350	6.000%	07/26/2023	BB-/B2/-	101.95	5.47	312.79	
GEBGG 11 1/8 PERP	US\$	100	11.130%	n/a	B-/-/-	103.06	10.73	798.12	
GEOCAP 03/24	US\$	300	6.125%	03/09/2024	-/B+/B2/-	95.06	7.35	499.07	
SILKNET 04/24	US\$	200	11.00%	04/02/2024	B+/-/-	101.20	10.68	835.09	

Georgian local bonds performance									
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price	Mid yield, %	Z-spread, bps	
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	-/-/-	100.83	5.50	n/a	
M2CA 12/21	US\$	30	7.500%	31/12/2021	-/-/-	101.21	7.00	n/a	
GLC 08/20	US\$	10	7.000%	29/08/2020	B+/-/-	100.31	6.75	n/a	
GLC 06/21	US\$	5	6.500%	22/06/2021	B+/-/-	98.05	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-/-/-	100.38	10.75	n/a	
Crystal 02/21	GEL	15	10.500%	01/02/2021	B-/-/-	99.41	10.75	n/a	
Swiss Cap. 09/21	GEL	10	12.750%	13/09/2021	B-/-/-	100.00	13.00	n/a	
Tegeta 04/22	GEL	30	10.750%	30/04/2022	-/-/BB-	100.00	10.75	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	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	4/12/2021	BB/BB-/Ba2	106.08	3.59	114.84
Armenia	US\$	500	6.000%	9/30/2020	B+/-/B1	102.52	4.12	164.71
Azerbaijan	US\$	174	2.820%	9/1/2021	BB+/-/Ba2	97.50	3.96	158.83
Belarus	US\$	800	6.875%	2/28/2023	B/B/B3u	105.00	5.40	304.62
Kazakhstan	US\$	1,500	3.875%	10/14/2024	BBB/BBB-/Baa3	103.91	3.09	72.75
Russia	US\$	3,500	5.000%	4/29/2020	BBB-/BBB-/Baa3	101.95	2.96	46.16
Turkey	US\$	2,000	5.625%	3/30/2021	BB-/Ba3	99.07	6.15	381.47
Ukraine	US\$	1,409	7.750%	9/1/2021	B-/B-/Caa1	99.91	7.79	538.97

Source: Bloomberg

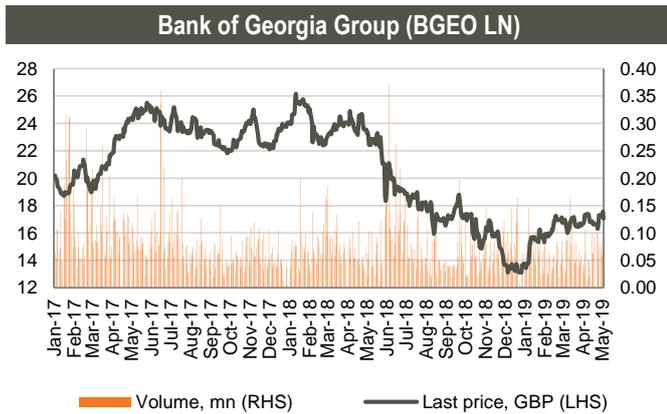
# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 17.04/share (-1.56% w/w and +0.89% m/m). More than 381k shares traded in the range of GBP 16.89 - 17.77/share. Average daily traded volume was 67k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained -0.76% w/w and +0.72% m/m. The volume of BGEO shares traded was at 0.78% of its capitalization.

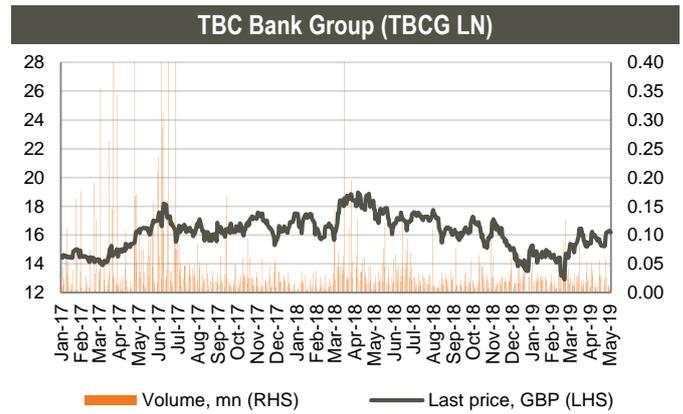
**Georgia Capital (CGEO LN)** shares closed at GBP 10.04/share (-1.57% w/w and -7.89% m/m). More than 378k shares traded in the range of GBP 10.00 - 10.36/share. Average daily traded volume was 115k in the last 4 weeks. The volume of CGEO shares traded was at 1.00% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 16.18/share (+0.12% w/w and +0.87% m/m). More than 73k shares changed hands in the range of GBP 15.92 - 16.30/share. Average daily traded volume was 21k in the last 4 weeks. The volume of TBCG shares traded was at 0.13% of its capitalization.

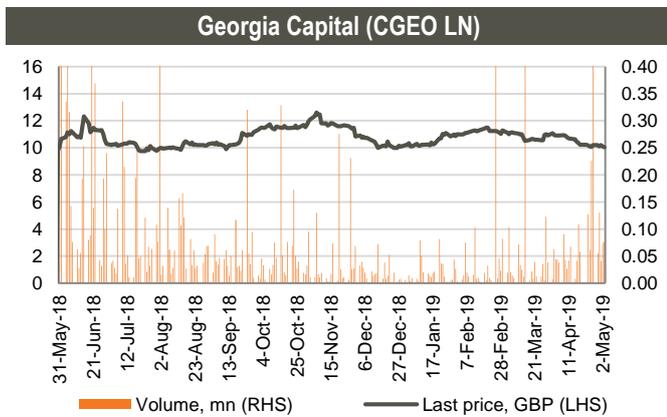
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 2.20/share (+2.56% w/w and +7.32% m/m). More than 29k shares were traded in the range of GBP 2.06 - 2.23/share. Average daily traded volume was 6k in the last 4 weeks. The volume of GHG shares traded was at 0.02% of its capitalization.



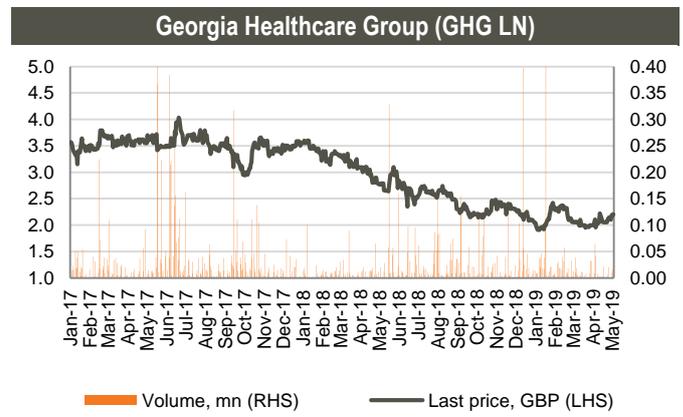
Source: Bloomberg



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	17.04	838	3.7%	-26.1%	23.7%	7.13x	6.03x	1.41x	1.18x
TBC	TBC	GBP	16.18	878	-5.4%	-5.4%	6.3%	6.59x	5.71x	1.19x	1.05x
Halyk Bank	HSBK	US\$	11.50	3,379	-1.7%	-10.5%	11.1%	4.83x	4.40x	1.06x	0.93x
VTB Bank	VTBR	US\$	1.12	7,284	-11.8%	-38.7%	1.4%	2.70x	2.70x	0.47x	0.41x
Akbank	AKBNK	TRY	5.98	31,096	-1.7%	-14.5%	1.6%	5.91x	4.02x	0.61x	0.54x
Garanti	GARAN	TRY	8.13	34,146	5.3%	-8.9%	2.1%	5.58x	3.61x	0.65x	0.58x
Isbank	ISCTR	TRY	5.19	23,355	22.4%	-12.2%	14.6%	3.88x	3.07x	0.43x	0.38x
PKO	PKO	PLN	39.26	49,075	-2.8%	-6.7%	-0.5%	11.80x	11.03x	1.18x	1.12x
PEKAO	PEO	PLN	113.95	29,908	7.2%	-3.4%	4.5%	12.55x	11.01x	1.28x	1.22x
Millennium	MIL	PLN	9.54	11,573	7.8%	15.6%	7.6%	14.27x	11.71x	1.27x	1.17x
Mbank	MBK	PLN	443.60	18,781	17.5%	-1.6%	4.6%	15.04x	13.18x	1.15x	1.08x
BRD	BRD	RON	13.48	9,394	1.4%	-11.3%	18.2%	9.88x	11.86x	1.31x	1.27x
Banca Transilvania	TLV	RON	2.18	10,473	-7.2%	-3.9%	8.5%	9.98x	9.58x	1.35x	1.20x
OTP	OTPD	USD	22.40	12,544	27.3%	1.8%	14.3%	10.55x	10.07x	0.84x	0.74x
Komercni	KOMB	CZK	888.50	168,859	2.1%	-2.7%	4.9%	11.80x	11.51x	1.58x	1.50x
<b>Mean</b>								<b>8.83x</b>	<b>7.97x</b>	<b>1.05x</b>	<b>0.96x</b>
<b>Median</b>								<b>9.88x</b>	<b>9.58x</b>	<b>1.18x</b>	<b>1.08x</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	10.04	382	-16.9%	n/a	-1.7%	13.00x	10.79x	0.77x	0.72x
Tinc Comm	TINC	EUR	11.90	325	-2.9%	-1.2%	0.8%	21.65x	19.10x	na	na
Sabancı Holding	SAHOL	TRY	7.58	15,466	1.2%	-21.9%	0.8%	4.02x	3.68x	0.45x	0.40x
Deutsche Beteiligungs	DBAN	EUR	35.45	533	-1.8%	-2.6%	5.7%	16.12x	11.65x	1.16x	1.07x
Eurazeo	RF	EUR	71.10	5,442	9.2%	3.9%	15.0%	12.18x	10.68x	0.96x	0.90x
Carlyle Group	CG	USD	21.00	2,288	3.7%	0.2%	33.3%	5.24x	2.74x	2.22x	1.04x
<b>Mean</b>								<b>12.04x</b>	<b>9.77x</b>	<b>1.11x</b>	<b>0.83x</b>
<b>Median</b>								<b>12.59x</b>	<b>10.74x</b>	<b>0.96x</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		
							2019F	2020F	2019F	2020F	
GHG	GHG	GBP	2.20	290	-4.3%	-20.7%	7.8%	19.16x	13.85x	8.18x	6.78x
Mouwasset	MOUWASAT	SAR	85.50	8,550	14.0%	-4.1%	6.2%	21.23x	19.47x	16.28x	14.44x
Fortis	FORH	INR	137.75	103,995	-0.5%	-12.7%	-2.0%	1.73x	1.61x	6.69x	6.55x
Raffles	RFMD	SGD	1.05	1,887	-3.7%	-7.1%	-4.5%	31.72x	30.97x	20.32x	19.05x
IHH	IHH	MYR	5.52	48,407	11.3%	-8.0%	2.4%	44.72x	35.42x	16.56x	14.05x
Bangkok Chain	BCH	THB	18.20	45,386	-6.2%	3.4%	9.0%	35.49x	31.31x	19.57x	17.71x
Netcare	NTC	ZAR	24.13	35,039	-4.9%	-19.9%	-8.7%	14.51x	13.53x	8.58x	7.95x
Life Healthcare	LHC	ZAR	26.56	38,973	2.2%	-8.8%	0.6%	20.83x	15.88x	8.66x	7.74x
Mediclinic	MDC	GBP	3.45	2,542	-14.5%	-49.6%	6.9%	12.99x	12.19x	8.70x	8.21x
Apollo Hospitals	APHS	INR	1,199.30	166,852	3.9%	12.2%	-4.7%	60.59x	42.92x	19.22x	16.34x
KPJ Healthcare	KPJ	MYR	0.97	4,185	-6.7%	5.4%	-6.7%	21.61x	19.76x	11.29x	10.58x
NMC	NMC	GBP	27.99	5,828	-18.4%	-20.3%	2.3%	22.25x	18.26x	15.90x	13.12x
<b>Mean</b>								<b>25.57x</b>	<b>21.26x</b>	<b>13.33x</b>	<b>11.88x</b>
<b>Median</b>								<b>21.42x</b>	<b>18.86x</b>	<b>13.59x</b>	<b>11.85x</b>

Source: Bloomberg, S&P Capital IQ

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