



Weekly Market Watch

Weekly Market Watch | Georgia
May 11, 2020

Economy

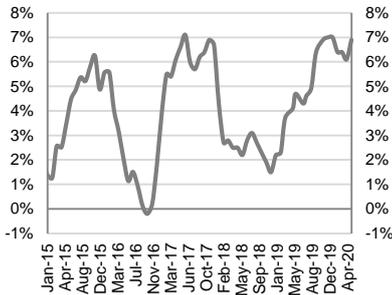
Inflation was 6.9% y/y and 0.9% m/m in April 2020

Annual CPI inflation was 6.9% in April 2020 up from 6.1% in March 2020, according to Geostat. The rise in inflation apart from GEL depreciation was affected by temporary logistical constraints due to COVID-19. Core inflation (non-food, non-energy) was 4.6% in April 2020, while core inflation excluding tobacco was 4.1%. Annual price changes were driven by price increases in food and non-alcoholic beverages (+16.1% y/y, +5.04ppts), furnishings, household equipment & maintenance (+9.6% y/y, +0.57ppts) and health (+4.9% y/y, +0.39ppts) categories. Meanwhile, prices were down in recreation and culture (-4.3% y/y, -0.16ppts) and clothing and footwear (-2.2% y/y, -0.09ppts) categories. On a monthly basis, there was 0.9% inflation in April 2020, affected by price increase in food and non-alcoholic beverages (+3.0% m/m, +1.01ppts).

International reserves down 4.0% y/y and up 2.3% m/m in April 2020

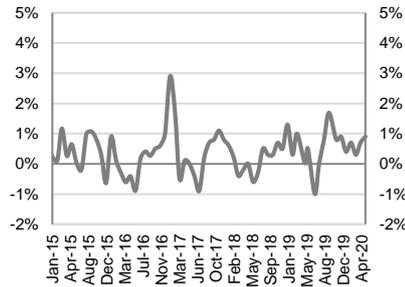
Gross international reserves decreased by 4.0% y/y to US\$ 3.5bn in April 2020 according to NBG. On a monthly basis reserves were up 2.3% (+US\$ 77mn). Growth in reserves were attributed to government and/or banking sector FX operations.

Annual CPI inflation (% change, y/y)



Source: Geostat

Monthly CPI inflation (% change, m/m)

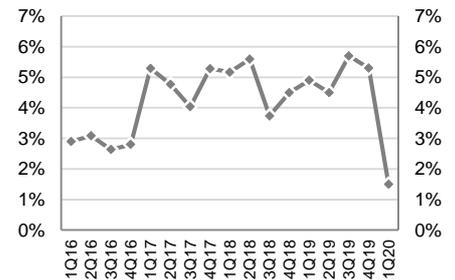


Key macro indicators

	2017	2018	2019E
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%	2.4%
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\$ 22.8mn) Benchmark Bonds were sold at the auction held at NBG on May 5, 2020. Total demand was 2.2x higher and the weighted average yield was fixed at 8.887%, down 1.28ppts from previous auction held in April, 2020. The nearest treasury security auction is scheduled for May 11, 2020, where GEL 80.0mn nominal value 1-year T-Bills will be sold.

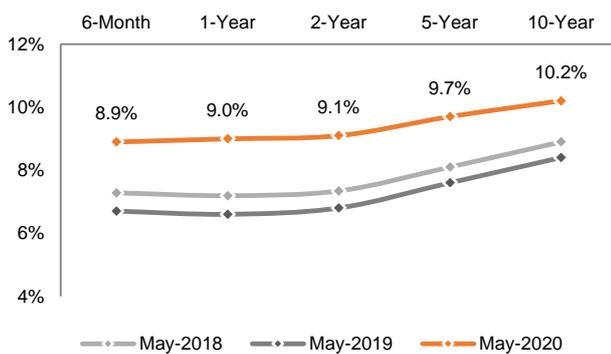
Ministry of Finance T-Bills: 6-month GEL 50.0mn (US\$ 15.6mn) T-Bills were sold at the auction held at NBG on May 5, 2020. Total demand was 2.1x higher and the weighted average yield was fixed at 8.715%, down 0.27ppts from previous auction held in April, 2020.

T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	180	110	320
1-year	200	400	570
2-year	350	490	1,140
5-year	320	640	1,623
10-year	70	80	523
Total	1,120	1,720	4,175

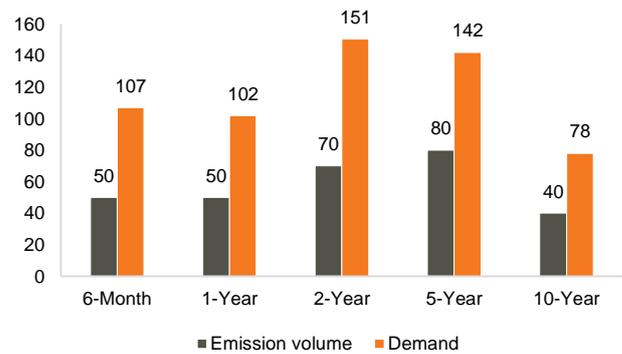
Source: MoF
Note: * As of 31 March 2020

T-bills / T-notes, yield curve



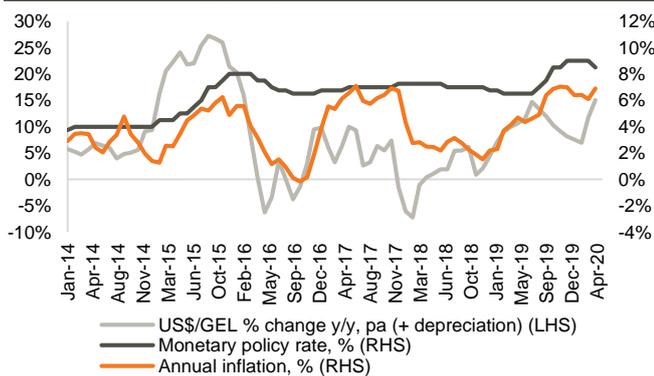
Source: NBG

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



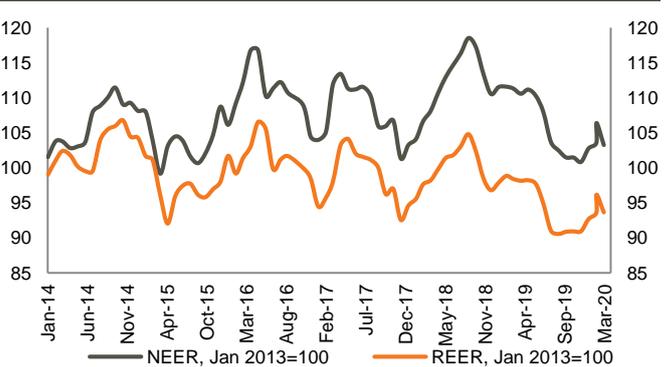
Source: NBG

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



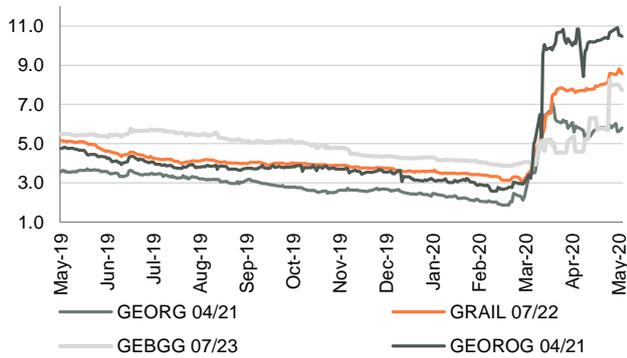
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 7.73% yield, trading at 95.16 (+0.75% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 92.71 (+0.15% w/w), yielding 8.39%.

GOGC Eurobonds (GEOROG) were trading at 96.69 (+0.28% w/w), yielding 10.48%. Georgian Railway Eurobonds (GRAIL) traded at 98.40 (+0.01% w/w), yielding 8.57%.

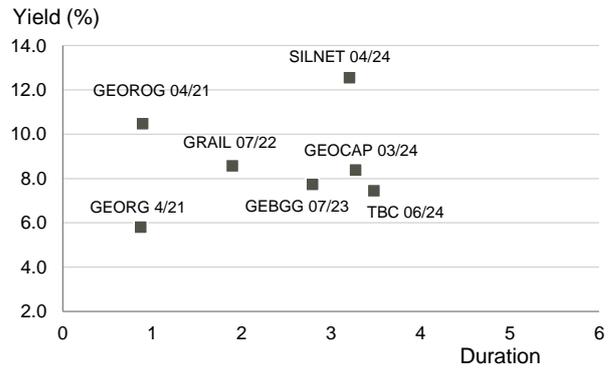
Georgian Sovereign Eurobonds (GEORG) closed at 100.94 (-0.02% w/w) at 5.80% yield to maturity.

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	100.94	5.80	544.83
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	98.40	8.57	850.48
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	96.69	10.48	950.51
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	95.16	7.73	753.21
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	94.76	10.30	1,247.54
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	92.71	8.39	804.90
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-B1	95.33	12.55	1,231.95
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/Ba2	94.07	7.45	717.05
TBC PERP	US\$	125	10.775%	n/a	B-/-	93.24	11.18	1,252.04

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	-/-/-	99.22	8.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	98.92	8.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	-/-/-	99.97	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	98.94	7.50	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.98	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	100.94	5.80	544.83
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	98.50	10.00	930.99
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	101.99	1.28	98.91
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	99.34	7.13	676.95
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.54	2.31	188.88
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	100.37	5.18	473.01
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	99.52	8.13	788.42

Source: Bloomberg

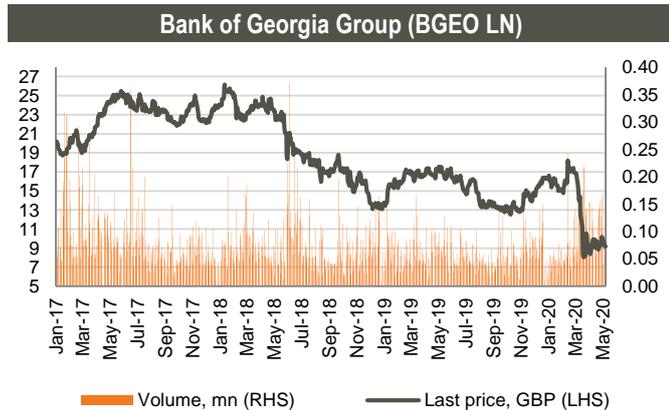
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 9.17/share (-7.93% w/w and -0.97% m/m). More than 264k shares traded in the range of GBP 8.94 - 9.81/share. Average daily traded volume was 103k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 1.26% w/w and gained 4.36% m/m. The volume of BGEO shares traded was at 0.54% of its capitalization.

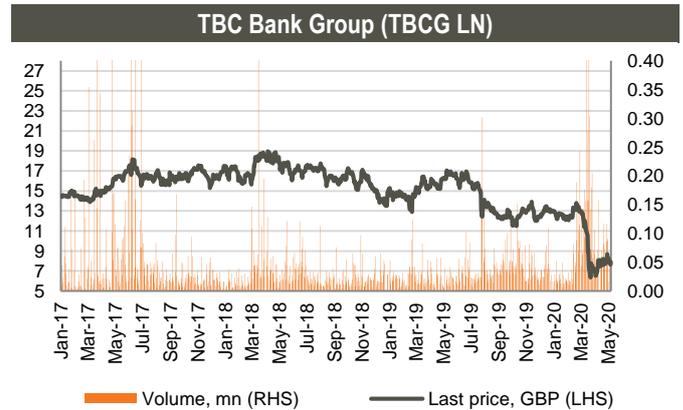
Georgia Capital (CGEO LN) shares closed at GBP 4.30/share (+2.38% w/w and -10.88% m/m). More than 113k shares traded in the range of GBP 4.03 - 4.35/share. Average daily traded volume was 39k in the last 4 weeks. The volume of CGEO shares traded was at 0.31% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 7.88/share (-3.79% w/w and +9.75% m/m). More than 154k shares changed hands in the range of GBP 7.43 - 8.20/share. Average daily traded volume was 65k in the last 4 weeks. The volume of TBCG shares traded was at 0.28% of its capitalization.

Georgia Healthcare Group (GHG LN) shares closed at GBP 0.81/share (-8.31% w/w and -12.97% m/m). More than 65k shares were traded in the range of GBP 0.77 - 0.90/share. Average daily traded volume was 21k in the last 4 weeks. The volume of GHG shares traded was at 0.05% of its capitalization.



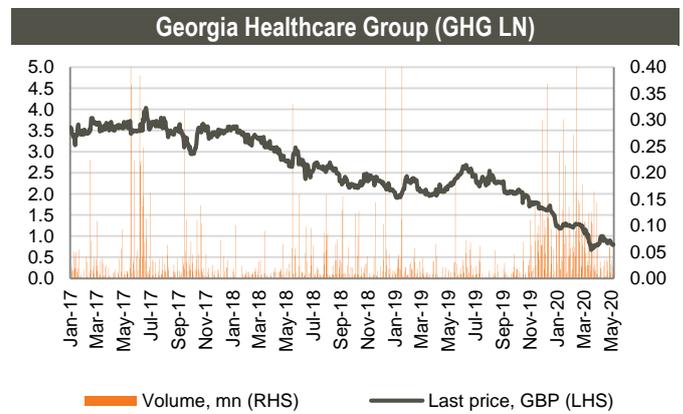
Source: Bloomberg



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	9.17	451	-37.7%	-46.0%	-43.6%	3.52x	5.11x	0.77x	0.69x
TBC	TBC	GBP	7.88	433	-41.6%	-51.4%	-39.4%	3.06x	7.97x	0.59x	0.58x
Halyk Bank	HSBK	US\$	9.26	2,721	-30.1%	-17.7%	-30.6%	3.24x	4.27x	0.78x	0.96x
VTB Bank	VTBR	US\$	0.94	6,104	-32.2%	-15.1%	-35.6%	2.33x	4.26x	0.35x	0.33x
Akbank	AKBNK	TRY	5.66	29,432	-22.9%	-2.4%	-30.2%	4.57x	4.53x	0.47x	0.48x
Garanti	GARAN	TRY	8.02	33,684	-17.9%	3.5%	-28.0%	4.37x	4.03x	0.52x	0.54x
Isbank	ISCTR	TRY	4.89	22,005	-21.3%	-3.6%	-23.7%	3.17x	3.28x	0.33x	0.34x
PKO	PKO	PLN	21.00	26,250	-46.2%	-44.4%	-39.1%	5.60x	9.50x	0.57x	0.59x
PEKAO	PEO	PLN	49.80	13,071	-53.0%	-54.0%	-50.4%	5.37x	7.28x	0.51x	0.53x
Millennium	MIL	PLN	2.30	2,788	-62.1%	-75.4%	-60.7%	3.41x	11.79x	0.28x	0.32x
Mbank	MBK	PLN	188.20	7,968	-51.8%	-56.0%	-51.7%	5.77x	16.35x	0.44x	0.47x
BRD	BRD	RON	11.48	8,000	-20.9%	-15.0%	-27.5%	4.95x	9.10x	0.96x	0.99x
Banca Transilvania	TLV	RON	2.00	10,411	-17.9%	0.3%	-23.1%	5.38x	10.08x	1.11x	1.42x
OTP	OTPD	USD	22.80	12,768	7.5%	1.8%	7.5%	9.60x	22.00x	0.82x	0.78x
Komercni	KOMB	CZK	525.00	99,776	-33.9%	-39.9%	-36.7%	5.96x	12.09x	0.85x	0.87x
Mean								4.69x	8.78x	0.62x	0.66x
Median								4.57x	7.97x	0.57x	0.58x

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	4.30	158	-57.8%	-57.2%	-53.4%	5.73x	4.00x	0.41x	n/a
Tinc Comm	TINC	EUR	13.05	356	-3.8%	12.2%	-2.2%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	7.97	16,262	-7.5%	10.4%	-16.5%	3.58x	3.66x	0.42x	0.45x
Deutsche Beteiligungs	DBAN	EUR	29.20	439	-25.1%	-17.3%	-26.0%	10.43x	nfm	0.93x	1.03x
Eurazeo	RF	EUR	42.64	3,359	-32.0%	-35.9%	-30.1%	10.06x	nfm	0.61x	0.58x
Carlyle Group	CG	USD	23.90	2,645	-13.1%	14.6%	-25.5%	13.80x	4.88x	1.48x	3.58x
Mean								8.72x	4.18x	0.77x	1.41x
Median								10.06x	4.00x	0.61x	0.80x

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	0.81	106	-55.3%	-64.4%	-34.6%	8.30x	6.70x	4.39x	3.86x
Mouwasset	MOUWASAT	SAR	83.30	8,330	-1.9%	-3.1%	-5.3%	21.36x	20.68x	14.71x	13.41x
Fortis	FORH	INR	124.00	93,615	-17.8%	-8.3%	-6.0%	1.45x	1.41x	6.44x	6.68x
Raffles	RFMD	SGD	0.88	1,609	-12.0%	-16.2%	-12.0%	25.96x	32.38x	16.63x	18.83x
IHH	IHH	MYR	5.19	45,537	-6.5%	-6.7%	-5.1%	48.42x	50.21x	14.16x	15.57x
Bangkok Chain	BCH	THB	13.30	33,167	-20.4%	-26.5%	-22.2%	26.05x	27.84x	14.69x	14.83x
Netcare	NTC	ZAR	15.50	22,504	-12.2%	-35.1%	-20.3%	8.46x	10.43x	5.58x	6.67x
Life Healthcare	LHC	ZAR	17.60	25,825	-27.7%	-33.7%	-28.6%	12.25x	12.55x	5.79x	6.36x
Mediclinic	MDC	GBP	2.52	1,858	-33.6%	-25.0%	-38.8%	8.97x	9.89x	7.08x	6.49x
Apollo Hospitals	APHS	INR	1,271.15	176,849	-13.2%	9.1%	-11.8%	58.84x	52.82x	18.75x	13.42x
KPJ Healthcare	KPJ	MYR	0.87	3,728	-5.4%	-10.3%	-7.9%	18.96x	20.24x	9.18x	9.15x
NMC	NMC	GBP	9.38	1,959	-61.0%	-65.6%	-46.9%	n/a	n/a	n/a	n/a
Mean								21.73x	22.29x	10.67x	10.48x
Median								18.96x	20.24x	9.18x	9.15x

Source: Bloomberg, S&P Capital IQ



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