



Weekly Market Watch

Weekly Market Watch | Georgia
Mar 11, 2019

Economy

Inflation was 2.3% y/y and 0.3% m/m in February 2019

The annual CPI inflation was recorded at 2.3% in February 2019 slightly up from 2.2% in previous month, according to Geostat. Core inflation was 1.3% in February 2019 down from 1.7% in previous month. Annual price changes were driven by price increases in alcoholic beverages and tobacco (+16.1% y/y, +1.06ppts), food and non-alcoholic beverages (+2.9% y/y, +0.90ppts) and healthcare (+3.4% y/y, +0.29ppts) categories, while prices were down in clothing and footwear (-11.1% y/y, -0.4ppts). On a monthly basis, there was 0.3% inflation in February 2019, affected by price increase in alcoholic beverages and tobacco (+6.7% m/m, +0.47ppts), and price reduction in clothing and footwear (-4.6% m/m, -0.16ppts) categories.

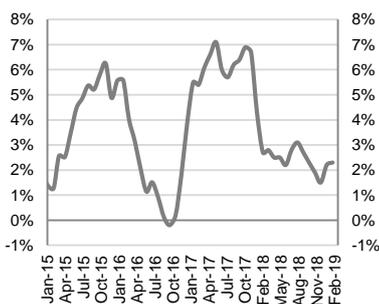
Tourist arrivals up 5.1% y/y in February 2019

Total international arrivals (tourists and same-day arrivals) to Georgia decreased by 1.2% y/y to 0.39mn in February 2019, according to the Ministry of Internal Affairs. This drop was attributed to reduced same-day arrivals (-10.7% y/y), as tourists arrivals increased by 5.1% y/y (0.25mn trips, 63.6% of total). Out of top countries, in February 2019, international visitors increased from Russia (+14.7% y/y), Ukraine (+13.1% y/y) and Israel (+198.4% y/y), while visitors were down from Armenia (-10.7% y/y), Turkey (-19.8% y/y) and Iran (-48.4% y/y). Visitors from the EU were up 29.0% y/y to over 16,000 visitors, with Poland, Latvia and Lithuania driving growth. In 2M19, total international visitors stood at 0.83mn (-0.9% y/y), of which tourist arrivals reached 0.55mn (+5.5% y/y).

International reserves up 15.7% y/y in February 2019

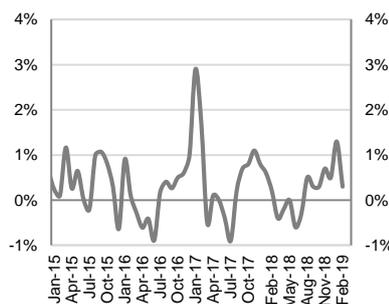
Gross international reserves were up 15.7% y/y to US\$ 3.5bn in February 2019, according to NBG. On a monthly basis, reserves increased by 2.7% in February 2019. Change in reserves was attributed to NBG's FX auctions, government FX operations and/or asset revaluation.

Annual CPI inflation (% change, y/y)



Source: GeoStat

Monthly CPI inflation (% change, m/m)

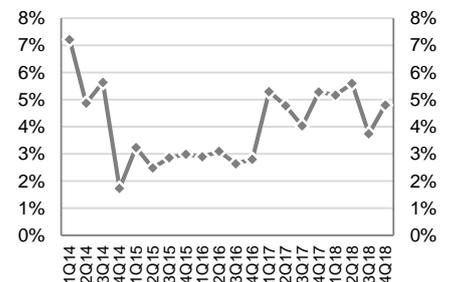


Key macro indicators

	2016	2017	2018E
GDP (% change)	2.8%	4.8%	4.8%
GDP per capita (ppp)	10,065	10,742	11,600
GDP per capita (US\$)	3,857	4,047	4,363
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%	6.5% ⁽¹⁾
Fiscal deficit (% of GDP)	3.0%	2.9%	2.3%
Total public debt (% of GDP)	44.4%	44.8%	44.8%

Source: Official data, IMF, G&T
1) As of 9M18

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

 BB- Stable Affirmed May-2018	 Ba2 Stable Affirmed Sep-2018	 BB Stable Upgraded Feb-2019
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Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 450mn (US\$ 167.8mn).

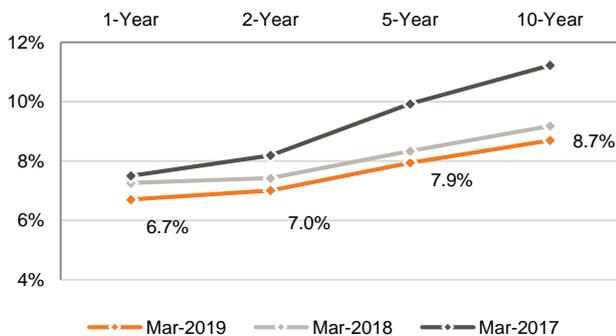
Ministry of Finance T-bills: 1-year GEL 40.0mn (US\$ 14.92mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on March 5, 2019. The weighted average yield was fixed at 6.876%. The nearest treasury securities auction is scheduled for March 12, 2019, where GEL 40.0mn nominal value 2-year Benchmark Bonds and GEL 20.0mn nominal value 6-month T-Bills will be sold.

T-bills / T-notes, Mar-19 emission calendar

Date	Volume, GEL mn	Maturity
12-Mar-19	20	6 month
12-Mar-19	40	2 years
26-Mar-19	30	5 years

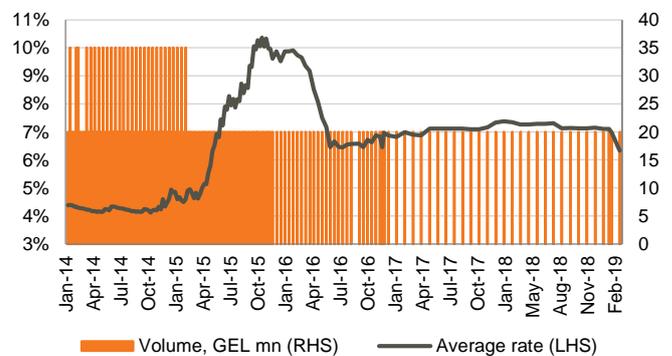
Source: MoF

T-bills / T-notes, yield curve



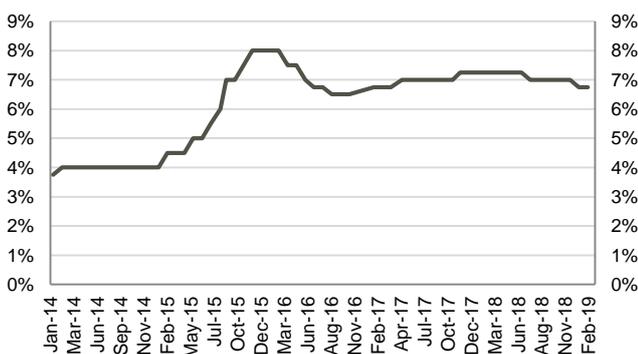
Source: NBG

Certificates of Deposits (weighted average rate)



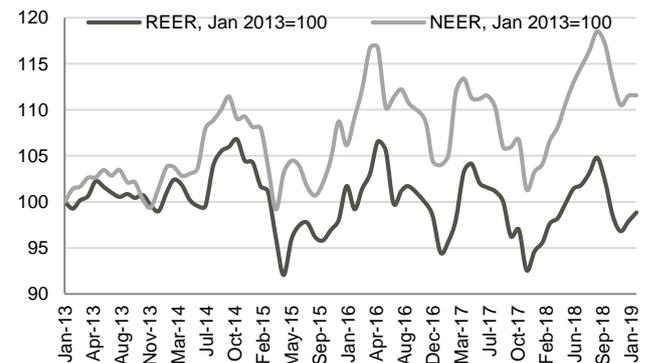
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

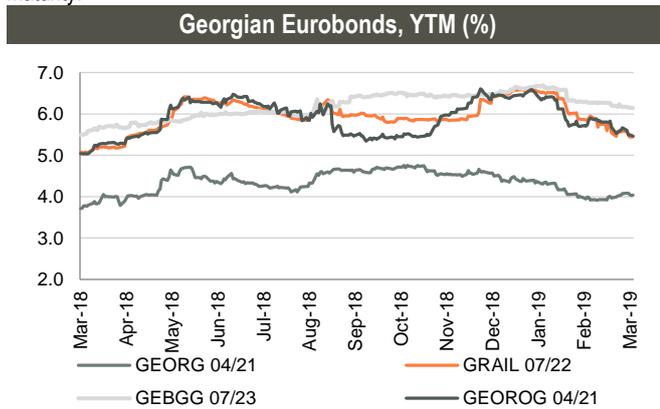
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

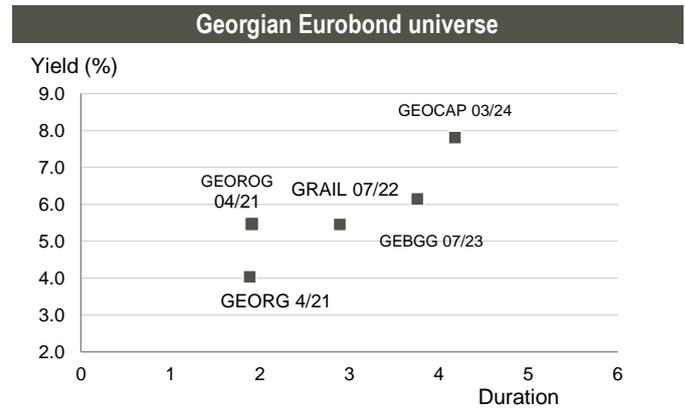
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.14% yield, trading at 99.45 (+0.11% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.50 (unchanged w/w), yielding 10.53%. Georgia Capital Eurobonds (GEOCAP) were trading at 93.17 (+0.86% w/w), yielding 7.80%.

GOGC Eurobonds (GEOROG) were trading at 102.53 (+0.37% w/w), yielding 5.47%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 106.90 (+0.35% w/w), yielding 5.45%.

Georgian Sovereign Eurobonds (GEORG) closed at 105.61 (+0.03% w/w) at 4.04% 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, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	04/12/2021	BB/BB-/Ba2/-	105.61	4.04	144.35
GRAIL 07/22	US\$	500	7.750%	07/11/2022	BB-/B+/-/-	106.90	5.45	292.02
GEOROG 04/21	US\$	250	6.750%	04/26/2021	BB/B+/-/-	102.53	5.47	287.57
GEBGG 06/20	GEL	500	11.000%	06/01/2020	BB-/B/Ba2/-	100.50	10.53	n/a
GEBGG 07/23	US\$	350	6.000%	07/26/2023	BB-/B/Ba2/-	99.45	6.14	362.97
GEOCAP 03/24	US\$	300	6.125%	03/09/2024	-/B+/B2/-	93.17	7.80	528.83

Georgian local bonds performance								
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price, US\$	Mid yield, %	Z-spread, bps
GWP 12/21	GEL	30	10.25%	06/12/2021	BB-/B+/-/-	n/a	n/a	n/a
M2RE 10/19	US\$	25	7.500%	07/10/2019	B+/-/B1	101.03	6.00	n/a
M2CA 12/21	US\$	30	7.500%	31/12/2021	B+/-/B1	101.03	6.00	n/a
GLC 08/20	US\$	10	7.000%	29/08/2020	B+/-/B1	100.37	6.75	n/a
GLC 06/21	US\$	5	6.500%	22/06/2021	B+/-/B1	98.91	7.00	n/a
Nikora 06/19	US\$	10	9.000%	28/06/2019	-/B+/B2	n/a	n/a	n/a
Silknet 08/22	GEL	34	10.25%	18/08/2022	B+/-/B1	n/a	n/a	n/a
Crystal 12/19	GEL	10	11.25%	28/12/2019	B1/-/B1	100.86	11.00	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, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	4/12/2021	BB/BB-/Ba2	105.61	4.04	144.35
Armenia	US\$	500	6.000%	9/30/2020	B+/-/B1	102.48	4.32	168.69
Azerbaijan	US\$	174	2.820%	9/1/2021	BB+/-/Ba2	96.76	4.21	164.66
Belarus	US\$	800	6.875%	2/28/2023	B/B/B3u	103.95	5.75	322.63
Kazakhstan	US\$	1,500	3.875%	10/14/2024	BBB/BBB-/Baa3	102.27	3.43	89.84
Russia	US\$	3,500	5.000%	4/29/2020	BBB-/BBB-/Baa3	102.13	3.07	40.12
Turkey	US\$	2,000	5.625%	3/30/2021	BB/NR/Ba3	100.45	5.39	279.96
Ukraine	US\$	1,409	7.750%	9/1/2021	B-/B-/Caa1	98.12	8.61	603.86

Source: Bloomberg

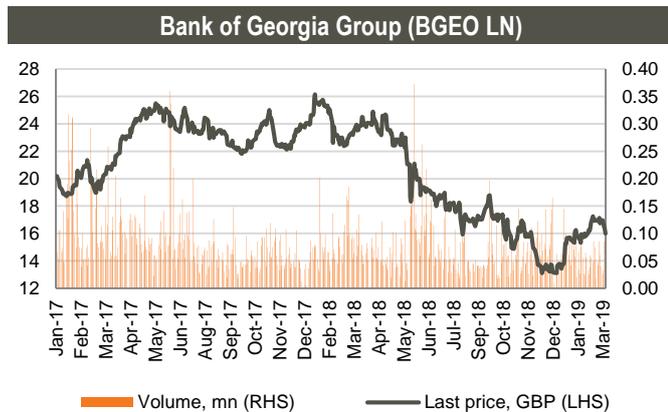
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 16.00/share (-5.34% w/w and +0.95% m/m). More than 340k shares traded in the range of GBP 15.88 – 17.02/share. Average daily traded volume was 55k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 1.81% w/w and gained 2.12% m/m. The volume of BGEO shares traded was at 0.69% of its capitalization.

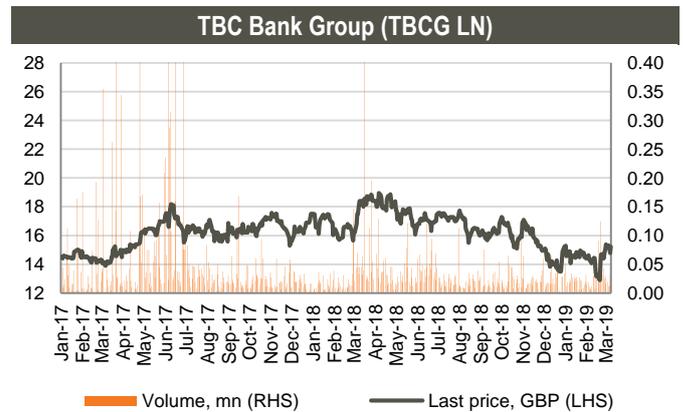
Georgia Capital (CGEO LN) shares closed at GBP 11.10/share (-1.79% w/w and -0.38% m/m). More than 165k shares traded in the range of GBP 10.83 – 11.29/share. Average daily traded volume was 55k in the last 4 weeks. The volume of CGEO shares traded was at 0.44% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 15.22 (-1.04% w/w and +8.10% m/m). More than 89k shares changed hands in the range of GBP 14.38 – 15.70/share. Average daily traded volume was 35k in the last 4 weeks. The volume of TBCG shares traded was at 0.17% of its capitalization.

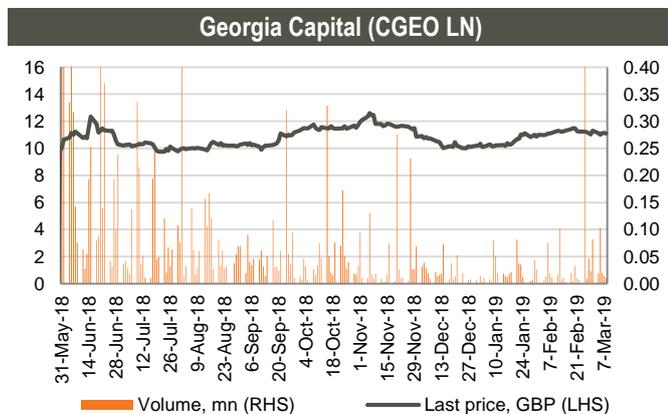
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.06/share (+0.49% w/w and -12.34% m/m). More than 76k shares were traded in the range of GBP 1.92 – 2.14/share. Average daily traded volume was 16k in the last 4 weeks. The volume of GHG shares traded was at 0.06% of its capitalization.



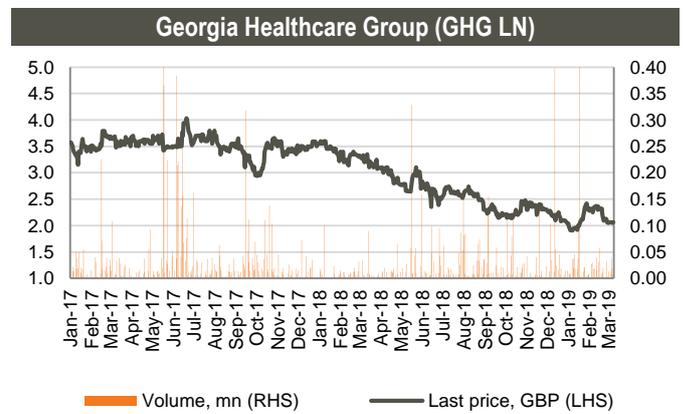
Source: Bloomberg



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	16.00	787	-6.0%	-31.8%	16.2%	6.12x	5.41x	1.30x	1.11x
TBC	TBC	GBP	15.22	826	-3.9%	-15.0%	0.0%	6.10x	5.28x	1.10x	0.97x
Halyk Bank	HSBK	US\$	10.95	3,218	5.8%	-22.6%	5.8%	4.87x	4.23x	0.99x	0.87x
VTB Bank	VTBR	US\$	1.11	7,193	-9.4%	-46.8%	0.2%	3.22x	2.80x	0.50x	0.44x
Akbank	AKBNK	TRY	6.37	33,124	30.3%	-29.1%	8.2%	6.41x	4.26x	0.67x	0.57x
Garanti	GARAN	TRY	8.66	36,372	40.8%	-24.6%	8.8%	6.04x	3.97x	0.71x	0.64x
Isbank	ISCTR	TRY	5.96	26,820	49.4%	-22.3%	31.6%	4.08x	3.62x	0.50x	0.46x
PKO	PKO	PLN	38.24	47,800	-6.9%	-5.9%	-3.1%	11.89x	10.80x	1.15x	1.10x
PEKAO	PEO	PLN	108.40	28,452	-0.8%	-16.0%	-0.6%	11.78x	10.42x	1.21x	1.16x
Millennium	MIL	PLN	8.77	10,638	3.3%	5.2%	-1.1%	13.05x	10.81x	1.15x	1.08x
Mbank	MBK	PLN	432.40	18,307	9.9%	-3.6%	1.9%	14.46x	12.58x	1.11x	1.06x
BRD	BRD	RON	12.60	8,781	-10.0%	-11.1%	10.5%	9.31x	10.14x	1.21x	1.17x
Banca Transilvania	TLV	RON	2.06	9,895	-12.9%	-7.4%	2.5%	7.95x	8.23x	1.16x	1.06x
OTP	OTPD	USD	19.90	11,144	12.4%	-12.7%	1.5%	9.39x	9.02x	0.71x	0.63x
Komercni	KOMB	CZK	951.50	180,832	6.1%	3.7%	12.3%	12.61x	12.45x	1.74x	1.65x
Mean								8.49x	7.60x	1.01x	0.93x
Median								7.95x	8.23x	1.11x	1.06x

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	11.10	422	8.0%	n/a	8.7%	14.37x	11.93x	0.86x	0.80x
Tinc Comm	TINC	EUR	12.15	331	1.7%	-3.6%	3.0%	22.27x	20.43x	1.02x	1.02x
Sabancı Holding	SAHOL	TRY	8.77	17,894	22.5%	-18.1%	16.6%	4.65x	4.45x	0.53x	0.47x
Deutsche Beteiligungs	DBAN	EUR	32.85	494	-9.9%	-24.6%	-2.1%	16.60x	9.11x	1.12x	1.05x
Eurazeo	RF	EUR	64.85	4,964	1.0%	-12.5%	4.9%	12.88x	11.83x	0.94x	0.90x
Carlyle Group	CG	USD	17.54	1,911	-21.3%	-22.4%	11.4%	2.60x	2.04x	1.88x	1.02x
Mean								12.23x	9.97x	1.06x	0.88x
Median								13.62x	10.47x	0.98x	0.96x

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	2.06	271	-10.8%	-35.6%	1.0%	17.26x	13.04x	8.07x	6.28x
Mouwasat	MOUWASAT	SAR	76.00	7,600	-6.3%	-12.7%	-5.6%	19.87x	17.45x	14.38x	12.72x
Fortis	FORH	INR	134.95	101,881	-7.8%	-8.9%	-4.0%	1.70x	1.59x	6.88x	6.68x
Raffles	RFMD	SGD	1.09	1,959	-2.7%	-6.0%	-0.9%	32.68x	31.71x	21.14x	19.80x
IHH	IHH	MYR	5.88	51,563	6.7%	-2.5%	9.1%	46.60x	36.49x	17.46x	14.70x
Bangkok Chain	BCH	THB	15.70	39,152	-19.1%	-4.8%	-6.0%	30.29x	26.73x	16.86x	15.21x
Netcare	NTC	ZAR	25.50	37,028	-10.5%	-0.8%	-3.5%	15.09x	13.94x	8.98x	8.32x
Life Healthcare	LHC	ZAR	27.01	39,633	3.4%	-8.4%	2.3%	19.20x	15.42x	8.56x	7.78x
MediClinic	MDC	GBP	3.15	2,324	-35.8%	-48.1%	-2.3%	11.91x	10.90x	8.12x	7.50x
Apollo Hospitals	APHS	INR	1,171.90	163,040	1.1%	0.8%	-6.9%	59.22x	38.07x	18.50x	15.60x
KPJ Healthcare	KPJ	MYR	1.04	4,487	-7.1%	10.6%	0.0%	23.09x	21.19x	12.13x	11.37x
NMC	NMC	GBP	25.88	5,388	-29.9%	-23.0%	-5.4%	19.09x	15.49x	14.84x	12.27x
Mean								21.71x	18.70x	12.58x	11.23x
Median								19.81x	15.91x	12.15x	11.40x

Source: Bloomberg, S&P Capital IQ



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