



Weekly Market Watch

Weekly Market Watch | Georgia
Oct 16, 2017

Economy

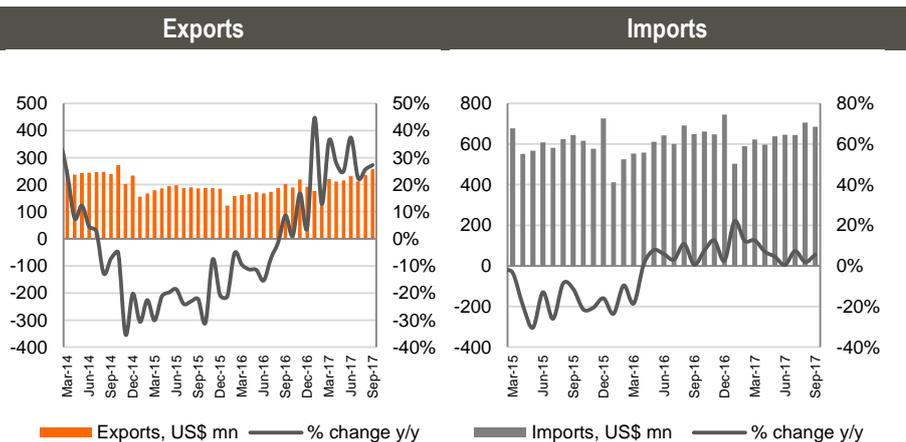
Exports up 27.2% y/y in September 2017

In September 2017, exports increased 27.2% y/y to US\$ 257.5mn, imports were up 5.5% y/y to US\$ 684.8mn and the trade deficit narrowed 4.3% y/y to US\$ 427.3mn according to GeoStat's preliminary figures. In 9M17, trade deficit was down 1.1% to US\$ 3.7bn as exports increased 28.3% y/y to US\$ 1.9bn, while imports were up 7.4% y/y to US\$ 5.6bn. Detailed foreign trade statistics will be available on October 19, 2017.

Tourism revenues up 28.5% y/y in 9M17

Tourism inflows to Georgia increased 25.1% y/y to US\$ 304.0mn in September 2017 and 28.5% y/y to US\$ 2.2bn in 9M17, according to NBS's preliminary estimates.

IMF revises Georgia's real GDP growth upwards to 4.3% in 2017 from 3.5%: IMF team visited Tbilisi from Sep-25 to Oct-9 to conduct discussions on the first review of the IMF program approved in April 2017. Completion of the review will make an additional US\$ 42.3mn available to Georgia, bringing total disbursements to US\$ 84.6mn out of total US\$ 285.3mn program amount. At the conclusion of the mission, IMF staff issued the following statement: "Georgia's economic reform program is off to a strong start. All quantitative performance targets for end-June were met, most by large margins. The economy has grown faster than expected this year due to prudent policies and stronger economic activity in Georgia's main trading partners. Growth has been revised upwards to 4.3% in 2017 from 3.5%, supported by exports, tourism, and investment. The current account balance is projected to narrow to 10.4% of GDP in 2017, from 12.8% of GDP in 2016. Economic growth is expected to strengthen over the medium term with continued implementation of the economic reforms. These reforms will promote private investment, productivity growth, and improve export competitiveness".



Source: GeoStat

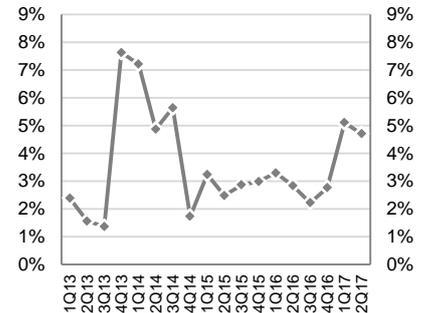
Key macro indicators

	9M17	2016	2015
GDP (% change)	4.7% ⁽¹⁾	2.7%	2.9%
GDP per capita (ppp)	...	10,044	9,601
GDP per capita (US\$)	...	3,853	3,767
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.2%	1.8%	4.9%
Gross reserves (US\$ bn)	3.0	2.8	2.5
CAD (% of GDP)	...	12.8%	12.0%
Fiscal deficit (% of GDP)	...	4.1%	3.7%
Total public debt (% of GDP)	...	44.6%	41.4%

Source: Official data, IMF

(1) As of 8M17

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

- Ease of Doing Business # 16 (Top 20)
- Economic Freedom Index # 13 (mostly free)
- Global Competitiveness Index # 67

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB- Stable Affirmed May-2017	 Ba2 Stable Affirmed Sep-2017	 BB- Stable Affirmed Sep-2017
--	--	--

Source: Rating agencies

Money market

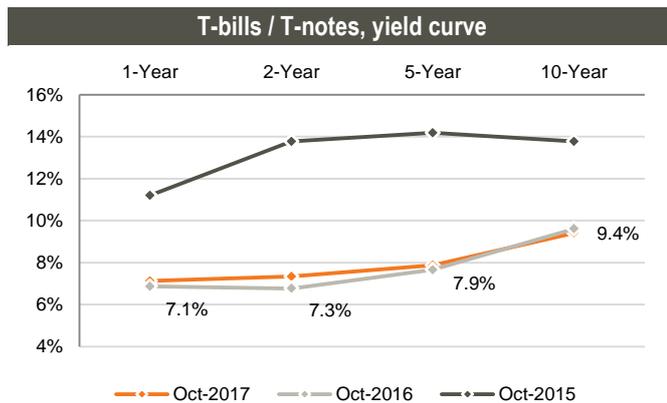
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 1,100mn (US\$ 443.6mn).

Ministry of Finance Treasury Bills:

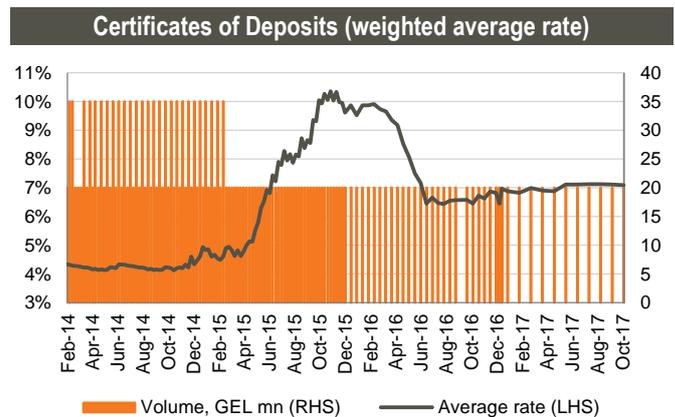
182-days GEL 20.0mn (US\$ 8.1mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on October 11, 2017. The weighted average yield was fixed at 7.122%.

Ministry of Finance Treasury Notes:

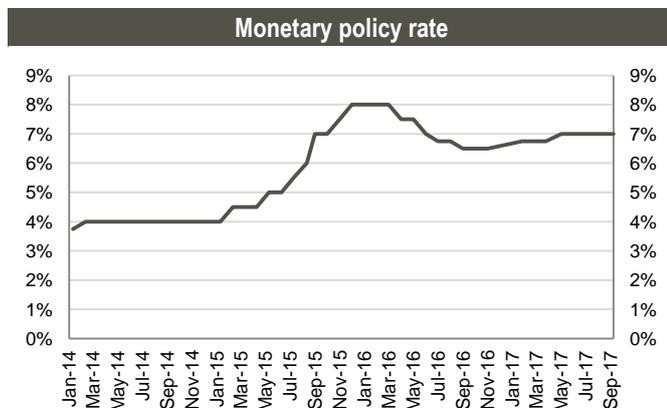
2-year GEL 20.0mn (US\$ 8.1mn) T-Notes of Ministry of Finance were sold at the auction held at NBG on October 11, 2017. The weighted average yield was fixed at 7.338%. The nearest treasury security auction is scheduled for October 18, 2017, where GEL 20.0mn nominal value 10-year T-Notes will be sold.



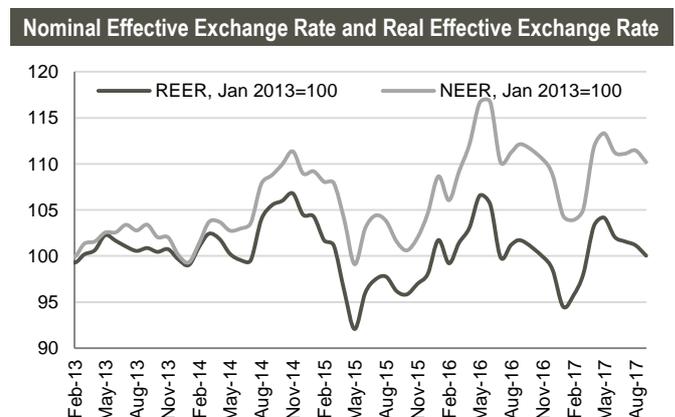
Source: NBG



Source: NBG



Source: NBG



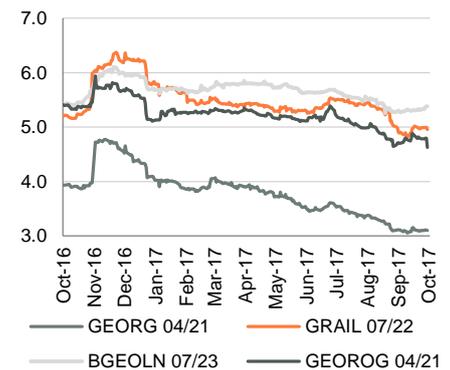
Source: NBG

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

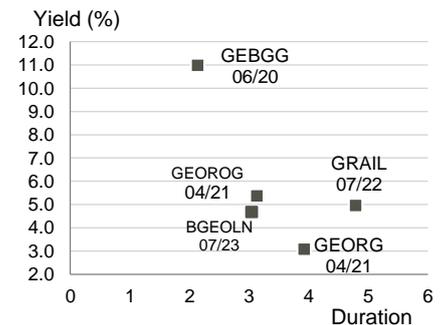
Fixed income

Corporate Eurobonds: BGEO Group Eurobonds (BGEOLN) closed at 5.4% yield, trading at 103.1 (-0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.0 (unchanged w/w), yielding 11.0%. GOGC Eurobonds (GEOROG) were trading at 106.7 (+0.4% w/w), yielding 4.7%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 111.7 (+0.2% w/w), yielding 5.0%.

Georgian Sovereign Eurobonds (GEORG) closed at 112.5 (+0.1% w/w) at 3.1% yield to maturity.

Georgia Eurobonds, YTM (%)


Source: Bloomberg

Georgian Eurobond universe


Source: Bloomberg

	Local bonds					Eurobonds				
	GWP 12/21	M2RE 10/19	Nikora 03/18	Nikora 06/19	GLC 08/20	GEBGG 06/20	GEOROG 04/21	BGEOLN 07/23	GEORG 04/21	GRAIL 07/22
Amount, US\$ mn	30*	25.0	5.0	10.0	10.0	500*	250	350	500	500
Issue date	12/16	10/16	03/16	08/17	8/17	06-17	04/16	07/16	04/11	07/12
Maturity date	12/21	10/19	03/18	06/19	8/20	06-20	04/21	07/23	04/21	07/22
Coupon, %	10.50**	7.5	11.0	9.0	7.00	11.0	6.750	6.000	6.875	7.750
Fitch/S&P/Moody's	BB-/B+	-/-	-/-	-/-	n/a	BB-/B+	BB-/B+	BB-/B1	BB-/B+	B+/B+
Mid price, US\$	n/a	101.4	101.2	100.0	101.73	100.0	106.7	103.1	112.5	111.7
Mid yield, %	n/a	6.75%	8.5%	9.0%	6.50%	11.0	4.7	5.4	3.1	5.0
Z-spread, bps	n/a	n/a	n/a	n/a	n/a	346.1	279.3	119.1	299.6	335.2

Source: Bloomberg

*GWP 12/21 bonds and GEBGG 06/20 bonds are in Georgian lari

**Coupon rate 3.5% over the NBG's refinancing rate

Eastern European sovereign 10-year bond performance

Issuer	Amount, US\$ mn	Coupon, %	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	500	6.875%	12/04/2021	BB-/BB+/Ba2	112.5	3.1	119.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/BB+/Ba1	103.3	4.2	209.7
Bulgaria	323	5.000%	19/07/2021	BBB-/BB+/Baa2	118.4	0.1	-29.8
Croatia	1,250	3.875%	30/05/2022	BB/BB/Ba2	112.9	1.0	85.6
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	112.7	2.5	64.1
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	115.8	2.8	88.8
Russia	3,500	5.000%	29/04/2020	BBB-/BB+/Ba1	106.1	2.5	69.7
Turkey	2,000	5.625%	30/03/2021	BB+/BB/Ba1	106.4	3.6	175.7

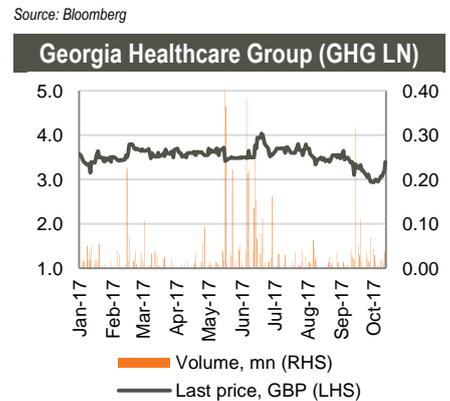
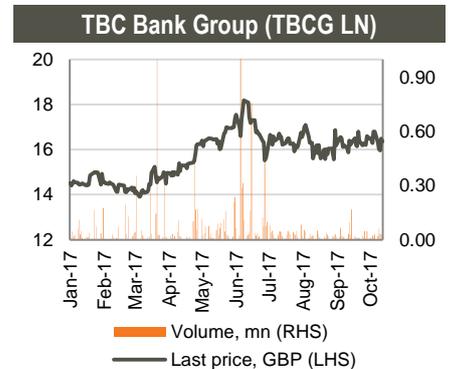
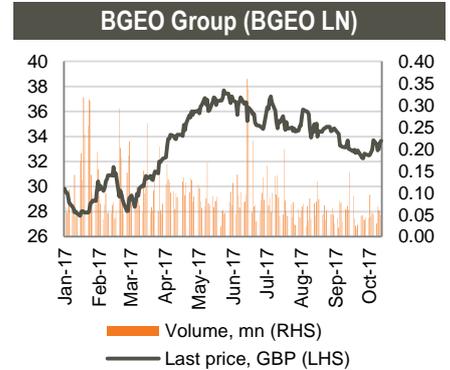
Source: Bloomberg

Equities

BGEO Group (BGEO LN) shares closed at GBP 33.65/share (-0.18% w/w and -0.09% m/m). More than 267k shares traded in the range of GBP 32.49 – 33.77/share. Average daily traded volume was 48k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.53% w/w and gained 3.48% m/m. The volume of BGEO shares traded was at 0.68% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.35 (-2.62% w/w and -0.30% m/m). More than 168k shares changed hands in the range of GBP 15.80 – 16.80 share. Averaged daily traded volume was 22k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 3.40/share (+15.17% w/w and +2.95% m/m). More than 180k shares were traded in the range of GBP 2.90 – 3.44/share. Average daily traded volume was 32k in the last 4 weeks. The volume of GHG shares traded was at 0.14% of its capitalization.



Eastern European Banks

	Tick er	Share price, US\$	MCap US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
BGEO*	BGEO	43.46	1,712	-0.7%	-8.8%	-3.3%	10.3%	9.3%
TBC*	TBC	21.15	1,119	-0.4%	-3.0%	7.5%	10.3%	34.5%
Halyk Bank	HSBK	9.44	2,595	-0.7%	-0.4%	24.2%	57.6%	43.2%
KKB	KKB	0.68	712	0.0%	13.3%	-39.3%	-52.9%	-48.9%
VTB Bank	VTBR	2.12	13,764	-2.9%	2.4%	-3.0%	-11.0%	-4.3%
Vozrozhdenie Bank	VZRZ	9.73	231	0.0%	-21.4%	-24.2%	-20.5%	-16.0%
Sberbank	SBER	14.20	76,634	0.0%	32.5%	28.4%	22.7%	42.6%

Source: Bloomberg

*BGEO and TBC are traded in GBP and are shown in US\$ equivalent

Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG*	GHG	4.06	535	-8.9%	-17.0%	-13.4%	-13.9%	-0.3%
Mouwasat	MOUWASAT	42.66	2,133	-0.6%	3.9%	13.0%	8.3%	43.6%
Fortis	FORH	2.35	1,218	-2.5%	-6.9%	-18.1%	-11.7%	-10.2%
Raffles	RFMD	0.86	1,528	10.1%	-8.0%	-17.2%	-12.7%	-21.7%
IHH	IHH	1.35	11,149	-3.1%	-1.6%	-0.3%	-4.4%	-14.0%
Bangkok Chain	BCH	0.48	1,193	7.9%	22.7%	26.4%	15.9%	40.1%
Netcare	NTC	1.84	2,698	-1.4%	-1.0%	4.8%	-20.4%	-28.8%

Source: Bloomberg

*GHG is traded in GBP and is shown in US\$ equivalent

Disclaimer

This document is strictly confidential and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of BGEO group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

This document is confidential to clients of Galt & Taggart. Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Galt & Taggart

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

Tel: + (995) 32 2401 111

Email: gt@gt.ge