



Weekly Market Watch

Weekly Market Watch | Georgia
June 3, 2019

Economy

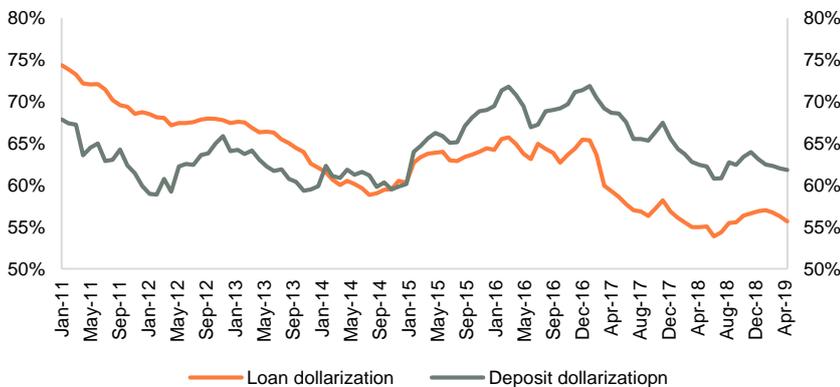
Real GDP growth was 5.1% y/y in April 2019

Georgia's economy grew by 5.1% y/y in April 2019 after growing 6.0% y/y in previous month, according to Geostat's rapid estimates. In April 2019, real growth was posted in trade, transport, financial intermediation and real estate sectors. Meanwhile, growth was down in construction sector. As in previous months, growth in April was supported by a significant improvement in the external balance increasing net exports. Overall, real GDP growth was 4.8% y/y in 4M19. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 3.4% in April 2019

In April 2019, the banking sector loan portfolio increased 13.1% y/y excluding the exchange rate effect according to NBG. In unadjusted terms, loan portfolio was up 17.7% y/y and down 0.4% m/m to GEL 26.7bn (US\$ 9.9bn). Deposits were up 9.8% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 16.3% y/y and flat m/m to GEL 23.1bn (US\$ 8.6bn). Deposit dollarization declined to 61.8% (-0.59ppts y/y and -0.20ppts m/m) and loan dollarization stood at 55.7% (+0.69ppts y/y and -0.62ppts m/m). NPLs stood at 3.4% in April 2019 (+0.8ppts y/y and +0.4ppts m/m).

Loan and deposit dollarization



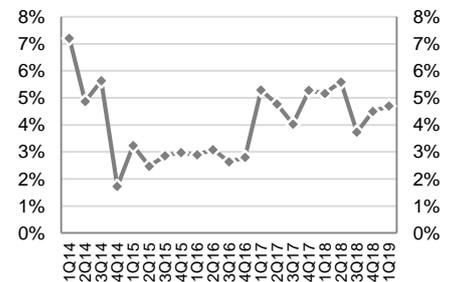
Source: NBG

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

| | | |
|---|---|--|
| BB- Positive Affirmed Apr-2019 | Ba2 Stable Affirmed Sep-2018 | BB Stable Upgraded Feb-2019 |
|---|---|--|

Source: Rating agencies



Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 600mn (US\$ 214.3mn).

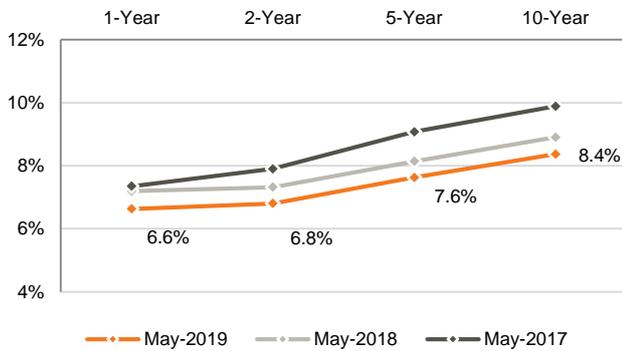
Ministry of Finance Benchmark Bonds: 5-year GEL 50.0mn (US\$ 17.9mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on May 28, 2019. The weighted average yield was fixed at 7.036%. The nearest treasury securities auction is scheduled for June 4, 2019, where GEL 40.0mn nominal value 1-year T-Bills will be sold.

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

| Date | Volume, GEL mn | Maturity |
|-----------|----------------|----------|
| 4-Jun-19 | 40 | 1 year |
| 11-Jun-19 | 20 | 6 month |
| 11-Jun-19 | 60 | 2 year |
| 25-Jun-19 | 50 | 5 year |

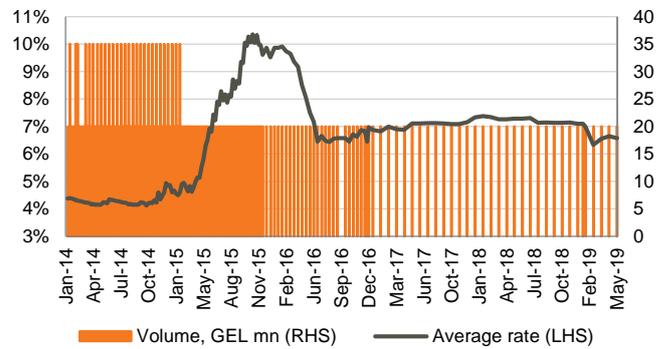
Source: MoF

T-bills / T-notes, yield curve



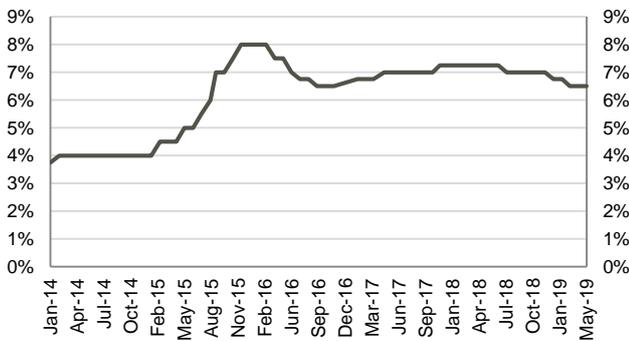
Source: NBG

Certificates of Deposits (weighted average rate)



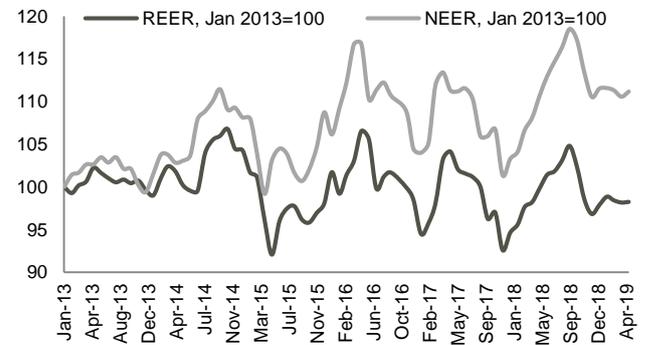
Source: NBG

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

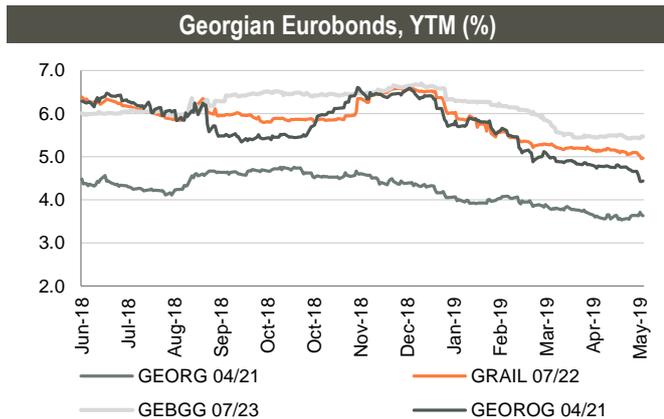


Fixed income

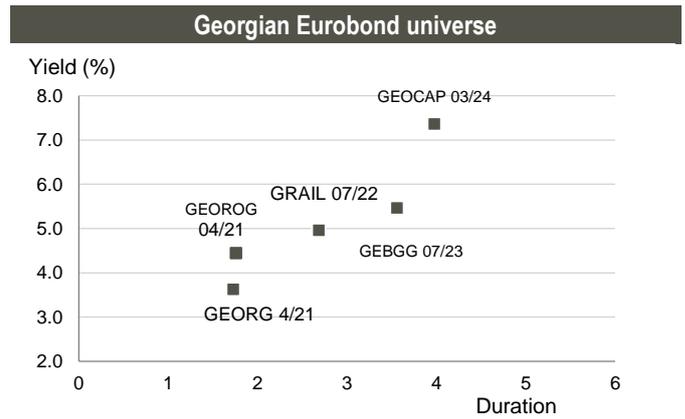
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.47% yield, trading at 101.93 (-0.10% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.07 (-0.14% w/w), yielding 7.37%.

GOGC Eurobonds (GEOROG) were trading at 104.14 (+0.36% w/w), yielding 4.44%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.91 (+0.33% w/w), yielding 4.97%.

Georgian Sovereign Eurobonds (GEORG) closed at 105.77 (-0.02% w/w) at 3.63% 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/- | 105.77 | 3.63 | 172.92 |
| GRAIL 07/22 | US\$ | 500 | 7.750% | 07/11/2022 | BB-/B+/-/- | 107.91 | 4.97 | 305.49 |
| GEOROG 04/21 | US\$ | 250 | 6.750% | 04/26/2021 | BB/B+/-/- | 104.14 | 4.44 | 246.96 |
| 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/- | 101.93 | 5.47 | 361.21 |
| GEBGG 11 1/8 PERP | US\$ | 100 | 11.130% | n/a | B-/-/- | 102.98 | 10.50 | 840.74 |
| GEOCAP 03/24 | US\$ | 300 | 6.125% | 03/09/2024 | -/B+/B2/- | 95.07 | 7.37 | 547.53 |
| SILKNET 04/24 | US\$ | 200 | 11.00% | 04/02/2024 | B+/-/- | 104.29 | 9.86 | 796.17 |

| 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 | -/-/- | 100.67 | 5.50 | n/a |
| M2CA 12/21 | US\$ | 30 | 7.500% | 31/12/2021 | -/-/- | 101.77 | 6.75 | n/a |
| GLC 08/20 | US\$ | 10 | 7.000% | 29/08/2020 | B+/-/- | 99.70 | 7.25 | n/a |
| GLC 06/21 | US\$ | 5 | 6.500% | 22/06/2021 | B+/-/- | 98.12 | 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-/-/- | 100.14 | 10.75 | n/a |
| Crystal 02/21 | GEL | 15 | 10.500% | 01/02/2021 | B-/-/- | 99.04 | 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- | n/a | n/a | 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 | 105.77 | 3.63 | 172.92 |
| Armenia | US\$ | 500 | 6.000% | 9/30/2020 | B+/-/B1 | 102.50 | 4.03 | 198.83 |
| Azerbaijan | US\$ | 174 | 2.820% | 9/1/2021 | BB+/-/Ba2 | 98.32 | 3.60 | 169.19 |
| Belarus | US\$ | 800 | 6.875% | 2/28/2023 | B/B/B3u | 104.70 | 5.46 | 358.09 |
| Kazakhstan | US\$ | 1,500 | 3.875% | 10/14/2024 | BBB/BBB-/Baa3 | 104.01 | 3.06 | 115.62 |
| Russia | US\$ | 3,500 | 5.000% | 4/29/2020 | BBB-/BBB-/Baa3 | 102.01 | 2.73 | 47.92 |
| Turkey | US\$ | 2,000 | 5.625% | 3/30/2021 | BB-/Ba3 | 98.65 | 6.42 | 441.35 |
| Ukraine | US\$ | 1,409 | 7.750% | 9/1/2021 | B-/B-/Caa1 | 100.48 | 7.51 | 551.66 |

Source: Bloomberg

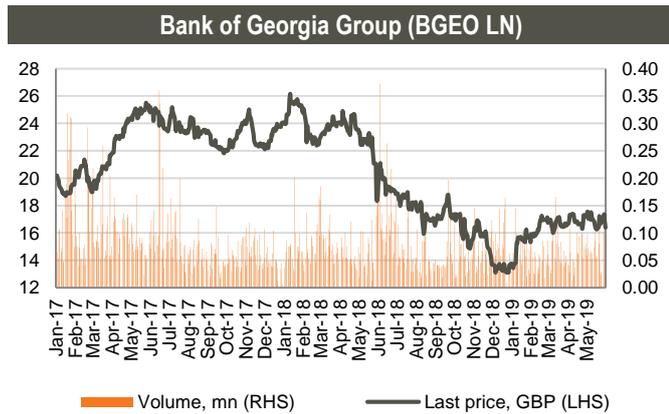
Equities

Bank of Georgia Group (BGEOLN) shares closed at GBP 16.40/share (-2.73% w/w and -4.60% m/m). More than 328k shares traded in the range of GBP 16.22 - 17.51/share. Average daily traded volume was 70k in the last 4 weeks. FTSE 250 Index, of which BGEOLN is a constituent, lost 0.82% w/w and 4.31% m/m. The volume of BGEOLN shares traded was at 0.67% of its capitalization.

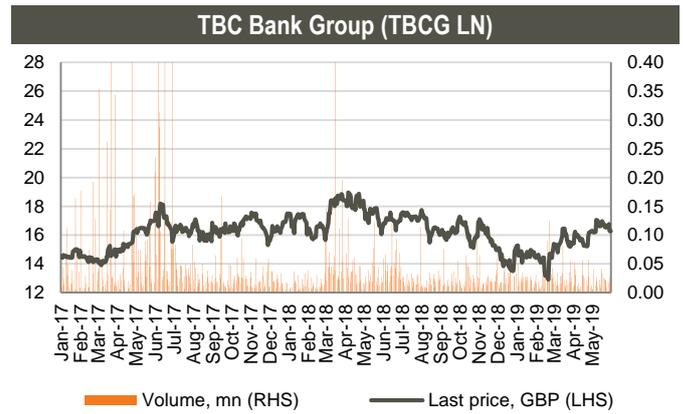
Georgia Capital (CGEOLN) shares closed at GBP 9.67/share (-0.82% w/w and -4.45% m/m). More than 1.3mn shares traded in the range of GBP 9.59 - 9.97/share. Average daily traded volume was 178k in the last 4 weeks. The volume of CGEOLN shares traded was at 3.49% of its capitalization.

TBC Bank Group (TBCGLN) closed the week at GBP 16.28/share (-1.57% w/w and unchanged m/m). More than 83k shares changed hands in the range of GBP 15.88 - 16.78/share. Average daily traded volume was 21k in the last 4 weeks. The volume of TBCGLN shares traded was at 0.15% of its capitalization.

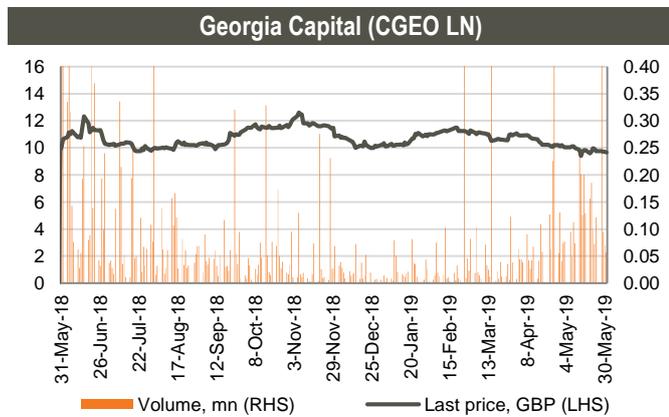
Georgia Healthcare Group (GHGLN) shares closed at GBP 2.50/share (+2.04% w/w and +14.68% m/m). More than 43k shares were traded in the range of GBP 2.43 - 2.55/share. Average daily traded volume was 20k in the last 4 weeks. The volume of GHGLN shares traded was at 0.03% of its capitalization.



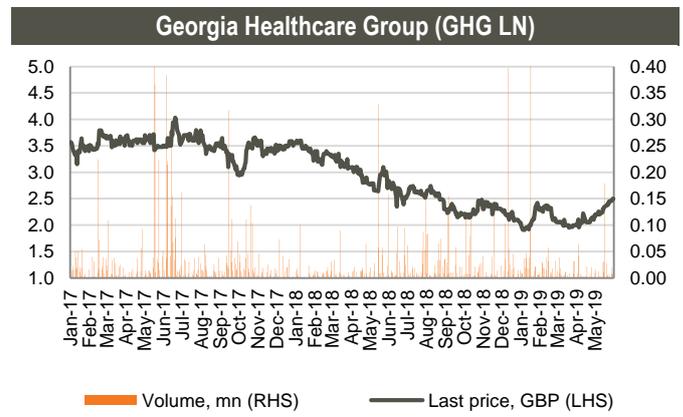
Source: Bloomberg



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 | 16.40 | 806 | 19.7% | -12.4% | 19.1% | 6.80x | 5.99x | 1.37x | 1.16x |
| TBC | TBC | GBP | 16.28 | 883 | 8.8% | -1.6% | 7.0% | 5.95x | 5.77x | 1.08x | 1.01x |
| Halyk Bank | HSBK | US\$ | 11.55 | 3,394 | 1.3% | -4.1% | 11.6% | 4.21x | 4.01x | 0.97x | 0.88x |
| VTB Bank | VTBR | US\$ | 1.15 | 7,478 | -7.4% | -27.3% | 4.2% | 3.67x | 2.73x | 0.46x | 0.42x |
| Akbank | AKBNK | TRY | 5.98 | 31,096 | -9.0% | -13.2% | 1.6% | 5.93x | 4.03x | 0.61x | 0.54x |
| Garanti | GARAN | TRY | 7.93 | 33,306 | -4.1% | -11.0% | -0.4% | 5.47x | 3.71x | 0.63x | 0.56x |
| Isbank | ISCTR | TRY | 5.12 | 23,040 | 20.2% | -14.1% | 13.0% | 3.92x | 3.10x | 0.42x | 0.38x |
| PKO | PKO | PLN | 39.30 | 49,125 | -3.9% | 4.7% | -0.4% | 11.83x | 11.09x | 1.19x | 1.12x |
| PEKAO | PEO | PLN | 106.25 | 27,887 | -3.2% | -5.0% | -2.5% | 12.07x | 10.30x | 1.20x | 1.15x |
| Millennium | MIL | PLN | 9.57 | 11,609 | 3.9% | 19.3% | 7.9% | 15.36x | 11.76x | 1.26x | 1.18x |
| Mbank | MBK | PLN | 402.60 | 17,045 | -1.4% | -4.5% | -5.1% | 13.66x | 11.97x | 1.04x | 0.98x |
| BRD | BRD | RON | 11.48 | 8,000 | -18.3% | -7.4% | 0.7% | 7.94x | 10.18x | 1.04x | 1.05x |
| Banca Transilvania | TLV | RON | 2.29 | 11,002 | -4.0% | 6.4% | 14.0% | 9.46x | 9.77x | 1.36x | 1.25x |
| OTP | OTPD | USD | 22.40 | 12,544 | 14.3% | 14.9% | 14.3% | 10.57x | 9.96x | 0.84x | 0.74x |
| Komercni | KOMB | CZK | 873.00 | 165,913 | -3.2% | -2.5% | 3.1% | 11.37x | 11.22x | 1.56x | 1.47x |
| Mean | | | | | | | | 8.55x | 7.71x | 1.00x | 0.93x |
| Median | | | | | | | | 7.94x | 9.77x | 1.04x | 1.01x |

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 | 9.67 | 367 | -10.9% | -3.8% | -5.3% | 12.65x | 10.48x | 0.74x | 0.69x |
| Tinc Comm | TINC | EUR | 12.20 | 333 | 3.4% | 2.1% | 3.4% | n/a | n/a | n/a | n/a |
| Sabancı Holding | SAHOL | TRY | 7.75 | 15,813 | -5.8% | -16.9% | 3.1% | 6.10x | 3.71x | 0.48x | 0.41x |
| Deutsche Beteiligungs | DBAN | EUR | 33.55 | 505 | -1.0% | -2.6% | 0.0% | 17.30x | 11.03x | 1.10x | 1.03x |
| Eurazeo | RF | EUR | 62.65 | 4,795 | -0.6% | -1.8% | 6.4% | 10.75x | 9.42x | 0.90x | 0.83x |
| Carlyle Group | CG | USD | 19.70 | 2,146 | 7.6% | -10.0% | 25.1% | 5.04x | 3.54x | 2.09x | 0.98x |
| Mean | | | | | | | | 10.37x | 7.64x | 1.06x | 0.79x |
| Median | | | | | | | | 10.75x | 9.42x | 0.90x | 0.83x |

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 | 2.50 | 329 | 8.5% | -10.7% | 22.5% | 21.89x | 14.91x | 9.33x | 7.44x |
| Mouwasat | MOUWASAT | SAR | 85.20 | 8,520 | 13.6% | -7.0% | 5.8% | 20.86x | 18.79x | 15.16x | 13.71x |
| Fortis | FORH | INR | 125.30 | 94,596 | -15.2% | -14.8% | -10.8% | 1.62x | 1.51x | 6.81x | 6.66x |
| Raffles | RFMD | SGD | 1.03 | 1,851 | -12.7% | -1.9% | -6.4% | 30.55x | 30.41x | 19.77x | 18.50x |
| IHH | IHH | MYR | 5.50 | 48,231 | 2.4% | -8.3% | 2.0% | 44.56x | 35.32x | 16.56x | 13.93x |
| Bangkok Chain | BCH | THB | 16.10 | 40,149 | -12.0% | -1.8% | -3.6% | 31.98x | 28.91x | 18.26x | 16.21x |
| Netcare | NTC | ZAR | 18.60 | 27,009 | -27.3% | -37.2% | -29.6% | 12.26x | 11.90x | 7.35x | 6.93x |
| Life Healthcare | LHC | ZAR | 23.15 | 33,969 | -11.0% | -18.8% | -12.3% | 24.54x | 14.07x | 7.87x | 7.01x |
| Mediclinic | MDC | GBP | 3.02 | 2,226 | -14.6% | -50.6% | -6.4% | 10.94x | 11.53x | 7.87x | 8.06x |
| Apollo Hospitals | APHS | INR | 1,238.80 | 172,348 | -2.1% | 30.4% | -1.5% | 62.16x | 45.52x | 19.64x | 16.12x |
| KPJ Healthcare | KPJ | MYR | 0.93 | 4,012 | -11.4% | -6.1% | -10.6% | 20.80x | 19.27x | 10.60x | 10.05x |
| NMC | NMC | GBP | 22.53 | 4,691 | -31.7% | -36.1% | -17.7% | 17.83x | 14.38x | 11.16x | 10.92x |
| Mean | | | | | | | | 25.00x | 20.54x | 12.53x | 11.29x |
| Median | | | | | | | | 21.38x | 16.85x | 10.88x | 10.49x |

Source: Bloomberg, S&P Capital IQ

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