



Weekly Market Watch

Weekly Market Watch | Georgia
June 17, 2019

Economy

FDI stood at 7.6% of GDP in 1Q19

FDI was down 6.3% y/y to US\$ 281mn (7.6% of GDP) in 1Q19, according to Geostat's preliminary figures. The major reasons behind this decrease were ownership transfer from nonresident to resident entities (deals in real estate and energy sector) and completion of BP gas pipeline. The gambling sector was the largest FDI recipient at circa US\$ 133mn (47.3% of total), followed by financial sector at US\$ 42.7mn (-61.5% y/y, 15.2% of total), transport at US\$ 28.6mn (-56.8% y/y, 10.2% of total), hotels and restaurants at US\$ 25.4mn (unchanged y/y, 9.0% of total) and manufacturing at US\$ 21.0mn (-48.5% y/y, 7.5% of total). Ireland topped the list of investors with US\$ 133.2mn (2759.7x higher y/y), followed by UK at US\$ 42.4mn (-48.7% y/y), and USA at US\$ 22.5mn (-4.7% y/y).

Trade deficit was down 14.5% y/y in May 2019

In May 2019, exports grew by 3.5% y/y to US\$ 334.3mn, imports were down 7.3% y/y to US\$ 751.5mn and the trade deficit decreased by 14.5% y/y to US\$ 417.2mn, according to Geostat's preliminary figures. In 5M19, trade deficit was down 13.4% to US\$ 2.0bn as exports increased 14.2% y/y to US\$ 1.5bn and imports were down 3.6% y/y to US\$ 3.5bn. Detailed foreign trade statistics will be available on June 19, 2019.

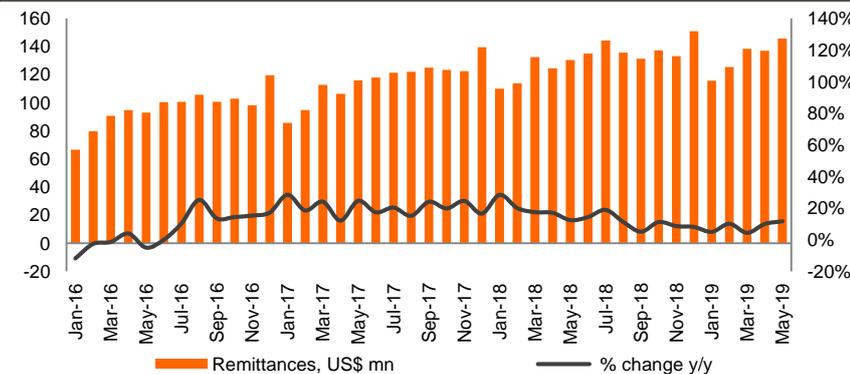
Money transfers up 11.8% y/y in May 2019

In May 2019, money transfers increased by 11.8% y/y to US\$ 145.8mn after growing 10.1% y/y in previous month, according to NBG. Money transfers were up from Italy (+28.4% y/y, 13.9% of total), Greece (+24.6% y/y, 11.4% of total), USA (+13.9% y/y, 11.0% of total) and Israel (+8.4% y/y, 9.4% of total). Meanwhile remittances continued falling from Russia (-5.8% y/y, 23.9% of total) and Turkey (-20.0% y/y, 5.3% of total) like in previous months. In 5M19, money transfers were up 8.3% y/y to US\$ 662.4mn.

NBG keeps monetary policy rate unchanged at 6.5%

At its meeting on 12 June 2019, NBG's monetary policy committee decided to keep its key rate unchanged at 6.50%. In May 2019, annual inflation was 4.7% caused by the increased excise tax on tobacco contributing 1.3ppts to overall inflation. Importantly, core inflation, which excludes food, energy and tobacco prices stood at 1.1% in May indicating that the increase in inflation is temporary. According to NBG's current forecast, inflation expected to converge the 3% inflation target from the beginning of 2020 once one-off factors fade. Regulator signals the further monetary normalization process to continue slowly taking into account risks of rising inflation expectations despite weak demand side inflationary pressures. The next committee meeting is scheduled for 24 July 2019.

Money transfers



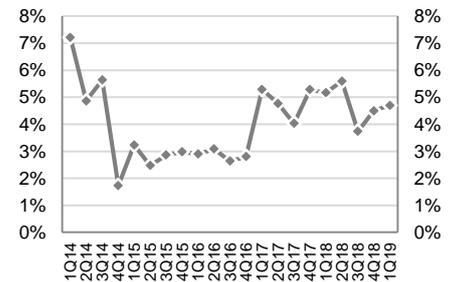
Source: Geostat

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

 BB- Positive Affirmed Apr-2019	 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 870mn (US\$ 318.2mn).

Ministry of Finance Treasury Bills: 6-month GEL 20.0mn (US\$ 7.3mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on June 11, 2019. The weighted average yield was fixed at 6.504%.

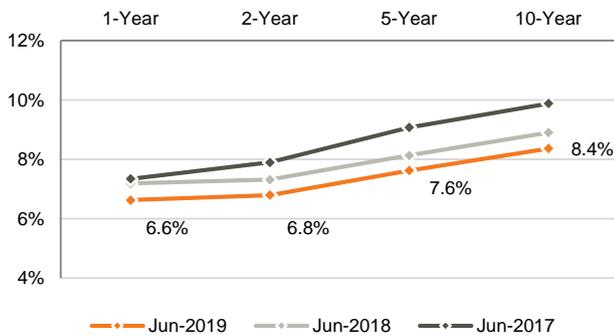
Ministry of Finance Benchmark Bonds: 2-year GEL 60.0mn (US\$ 21.9mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on June 11, 2019. The weighted average yield was fixed at 6.684%. The nearest treasury securities auction is scheduled for June 25, 2019, where GEL 50.0mn nominal value 5-year Benchmark Bonds will be sold.

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

Date	Volume, GEL mn	Maturity
25-Jun-19	50	5 year

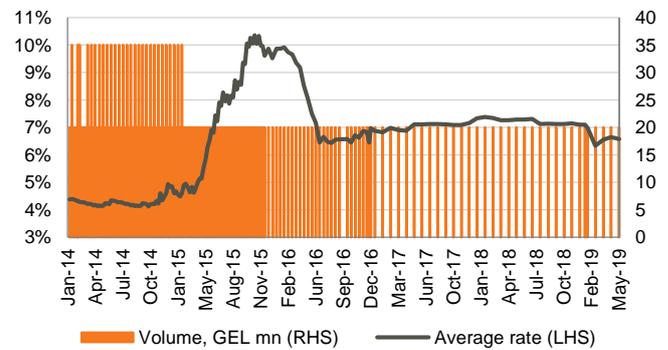
Source: MoF

T-bills / T-notes, yield curve



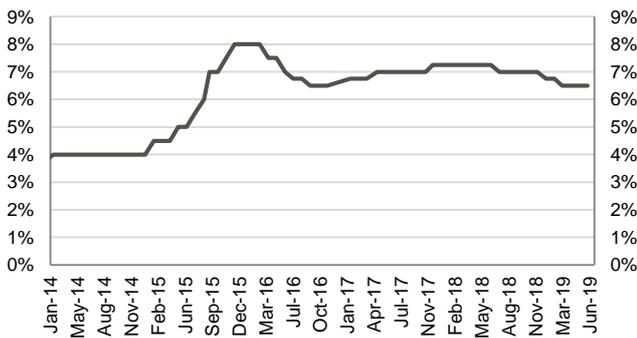
Source: NBG

Certificates of Deposits (weighted average rate)



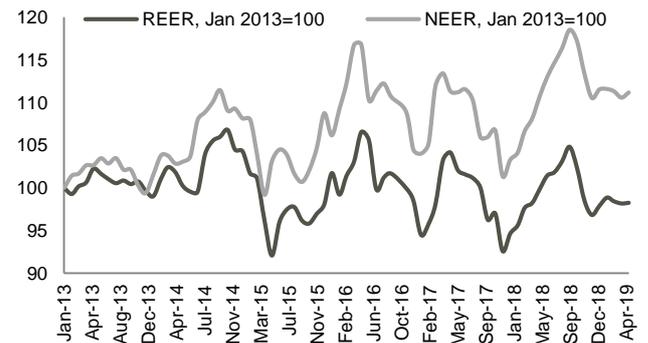
Source: NBG

Monetary policy rate



Source: NBG

Nominal Effective Exchange Rate and Real Effective Exchange Rate



Source: NBG

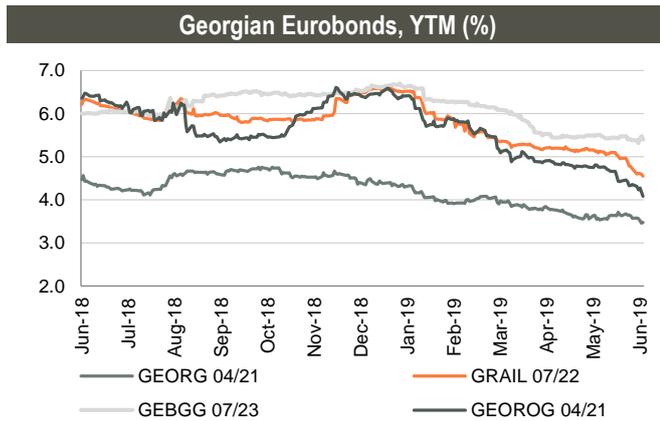
Note: Index growth means appreciation of exchange rate, decline means depreciation of exchange rate

Fixed income

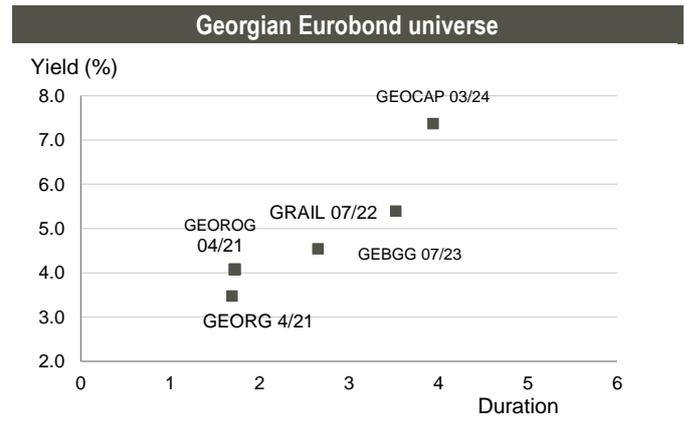
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.40% yield, trading at 102.19 (-0.06% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.09 (-0.27% w/w), yielding 7.37%.

GOGC Eurobonds (GEOROG) were trading at 104.72 (+0.44% w/w), yielding 4.08%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.06 (+0.43% w/w), yielding 4.55%.

Georgian Sovereign Eurobonds (GEORG) closed at 105.93 (+0.10% w/w) at 3.48% 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%	Apr-21	BB/BB-/Ba2	105.93	3.48	160.77
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.06	4.55	270.47
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/B+/-	104.72	4.08	224.87
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	102.19	5.40	363.63
GEBGG 11 1/8 PERP	US\$	100	11.130%	n/a	B-/-	103.66	10.39	829.76
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	95.09	7.37	551.63
SILKNET 04/24	US\$	200	11.00%	Apr-24	B+/-B1	104.49	9.79	798.47

Georgian local bonds performance

GWP 12/21	GEL	30	10.00%	Dec-21	BB-/-/-	n/a	n/a	n/a
M2RE 10/19	US\$	25	7.50%	Oct-19	-/-/-	100.60	5.50	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.74	6.75	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	99.56	7.38	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	97.70	7.75	n/a
CRYSTAL 12/19	GEL	10	11.00%	Dec-19	B/-/-	100.13	10.75	n/a
CRYSTAL 02/21	GEL	15	10.50%	Feb-21	B/-/-	99.63	10.75	n/a
Nikora Trade 08/21	GEL	25	10.50%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 08/22	GEL	34	10.00%	Aug-22	B+/-/B1/-	n/a	n/a	n/a
Geo. Beer Company	GEL	25	10.50%	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	12.75%	Sep-21	B-/-/-	100.00	13.00	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	105.93	3.48	160.77
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	102.65	3.86	183.53
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2u	98.48	3.54	168.75
Belarus	US\$	800	6.875%	Feb-23	B/B/B3u	105.02	5.36	353.35
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	105.17	2.82	97.11
Russia	US\$	3,500	5.000%	Apr-20	BBB-/BBB-/Baa3	101.97	2.68	41.55
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	100.04	5.59	372.09
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	102.95	6.29	467.98

Source: Bloomberg

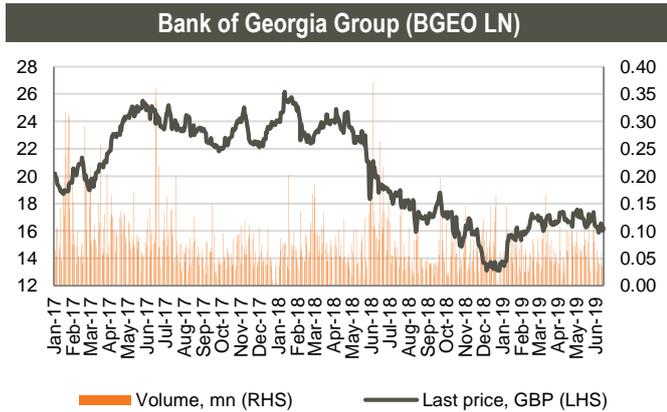
Equities

Bank of Georgia Group (BGE0 LN) shares closed at GBP 16.22/share (+1.19% w/w and -2.17% m/m). More than 212k shares traded in the range of GBP 15.93 - 16.84/share. Average daily traded volume was 55k in the last 4 weeks. FTSE 250 Index, of which BGE0 is a constituent, lost 0.59% w/w and 1.29% m/m. The volume of BGE0 shares traded was at 0.43% of its capitalization.

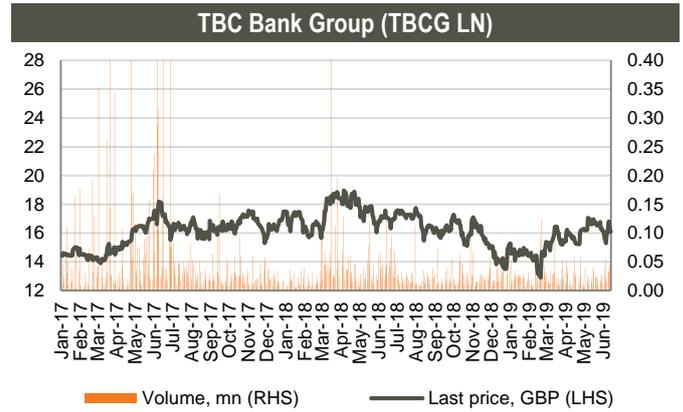
Georgia Capital (CGEO LN) shares closed at GBP 10.20/share (+4.40% w/w and +8.40% m/m). More than 439k shares traded in the range of GBP 9.72 - 10.32/share. Average daily traded volume was 149k in the last 4 weeks. The volume of CGEO shares traded was at 1.16% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 16.10/share (+1.77% w/w and -3.36% m/m). More than 150k shares changed hands in the range of GBP 15.78 - 16.96/share. Average daily traded volume was 25k in the last 4 weeks. The volume of TBCG shares traded was at 0.28% of its capitalization.

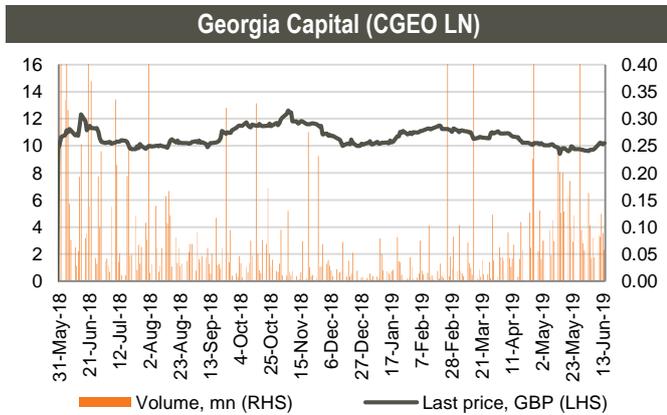
Georgia Healthcare Group (GHG LN) shares closed at GBP 2.59/share (-0.77% w/w and +12.61% m/m). More than 166k shares were traded in the range of GBP 2.56 - 2.70/share. Average daily traded volume was 18k in the last 4 weeks. The volume of GHG shares traded was at 0.13% of its capitalization.



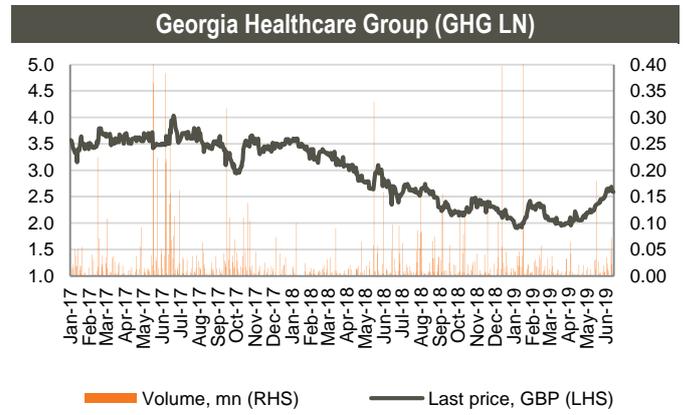
Source: Bloomberg



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	16.22	798	20.4%	-16.7%	17.8%	6.39x	5.81x	1.35x	1.14x
TBC	TBC	GBP	16.10	873	14.5%	-6.1%	5.8%	5.96x	5.47x	1.14x	1.00x
Halyk Bank	HSBK	US\$	11.65	3,423	12.0%	-1.3%	12.6%	4.42x	4.13x	1.00x	0.90x
VTB Bank	VTBR	US\$	1.26	8,165	6.3%	-10.0%	13.7%	3.90x	3.10x	0.50x	0.45x
Akbank	AKBNK	TRY	6.06	31,512	11.3%	-2.6%	3.0%	5.97x	4.05x	0.61x	0.55x
Garanti	GARAN	TRY	7.86	33,012	1.3%	-5.4%	-1.3%	5.33x	3.77x	0.63x	0.55x
Isbank	ISCTR	TRY	5.09	22,905	23.8%	-12.7%	12.4%	3.82x	3.05x	0.41x	0.37x
PKO	PKO	PLN	42.24	52,800	3.4%	5.6%	7.0%	12.58x	11.84x	1.27x	1.20x
PEKAO	PEO	PLN	111.75	29,331	4.9%	-6.8%	2.5%	12.65x	10.80x	1.25x	1.20x
Millennium	MIL	PLN	9.36	11,348	2.7%	15.4%	5.5%	14.97x	11.46x	1.23x	1.15x
Mbank	MBK	PLN	432.20	18,298	1.1%	0.9%	1.9%	14.61x	12.81x	1.12x	1.05x
BRD	BRD	RON	12.06	8,405	-12.0%	-8.6%	5.8%	8.31x	10.65x	1.09x	1.10x
Banca Transilvania	TLV	RON	2.29	11,027	-3.0%	5.8%	14.2%	9.45x	9.76x	1.36x	1.25x
OTP	OTPD	USD	21.20	11,872	8.2%	8.7%	8.2%	9.85x	9.28x	0.78x	0.69x
Komercni	KOMB	CZK	904.00	171,805	1.6%	-0.7%	6.7%	11.74x	11.58x	1.61x	1.51x
Mean								8.66x	7.84x	1.02x	0.94x
Median								8.31x	9.28x	1.12x	1.05x

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	10.20	388	2.0%	-11.7%	-0.1%	11.23x	8.51x	0.78x	0.73x
Tinc Comm	TINC	EUR	12.80	349	8.9%	4.9%	8.5%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	7.79	15,895	6.0%	-12.8%	3.6%	6.11x	3.13x	0.48x	0.41x
Deutsche Beteiligungs	DBAN	EUR	32.20	484	-7.7%	-10.1%	-4.0%	16.55x	10.55x	1.05x	0.99x
Eurazeo	RF	EUR	61.65	4,719	2.6%	-3.6%	4.7%	39.94x	9.24x	0.88x	0.82x
Carlyle Group	CG	USD	21.78	2,373	33.8%	-4.5%	38.3%	5.57x	3.92x	2.31x	1.08x
Mean								15.88x	7.07x	1.10x	0.81x
Median								11.23x	8.51x	0.88x	0.82x

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	2.59	341	17.7%	10.2%	27.0%	22.09x	15.05x	9.40x	7.49x
Mouwasset	MOUWASAT	SAR	87.00	8,700	3.9%	-7.2%	8.1%	21.30x	19.19x	15.46x	13.98x
Fortis	FORH	INR	131.00	98,899	-7.4%	-4.2%	-6.8%	1.67x	1.56x	6.80x	6.66x
Raffles	RFMD	SGD	1.03	1,851	-10.4%	0.0%	-6.4%	30.70x	30.23x	19.69x	18.50x
IHH	IHH	MYR	5.63	49,371	4.3%	-7.7%	4.5%	45.65x	36.19x	16.81x	14.42x
Bangkok Chain	BCH	THB	16.70	41,646	-9.7%	3.1%	0.0%	33.17x	29.94x	18.30x	16.63x
Netcare	NTC	ZAR	17.90	25,992	-30.7%	-38.2%	-32.3%	11.77x	11.42x	7.12x	6.79x
Life Healthcare	LHC	ZAR	22.81	33,470	-10.2%	-12.3%	-13.6%	19.18x	14.14x	7.72x	6.99x
Mediclinic	MDC	GBP	3.00	2,210	-8.2%	-46.9%	-7.0%	10.83x	11.46x	7.82x	7.49x
Apollo Hospitals	APHS	INR	1,370.60	190,685	9.8%	41.3%	8.9%	68.67x	48.59x	21.38x	17.64x
KPJ Healthcare	KPJ	MYR	0.98	4,206	-5.3%	-8.0%	-6.3%	22.27x	20.53x	10.67x	10.36x
NMC	NMC	GBP	22.99	4,787	-24.9%	-37.6%	-16.0%	18.58x	14.69x	11.41x	10.33x
Mean								25.49x	21.08x	12.71x	11.44x
Median								21.70x	17.12x	11.04x	10.35x

Source: Bloomberg, S&P Capital IQ

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