



Weekly Market Watch

Weekly Market Watch | Georgia
July 9, 2018

Economy

Tourist arrivals up 20.7% y/y in June 2018

Total international visitors to Georgia increased 14.2% y/y to 0.61mn visitors in June 2018, according to the Ministry of Internal Affairs. A 20.7% y/y growth in tourist arrivals (0.40mn trips, 65.9% of total) drove the international visitors' growth. Out of top countries by visitors, in June 2018, international visitors continued to increase from Russia (+27.5% y/y), Azerbaijan (+10.0% y/y) and Turkey (+14.7% y/y), while visitors were down from Armenia (-5.5% y/y) and Iran (-5.4% y/y).

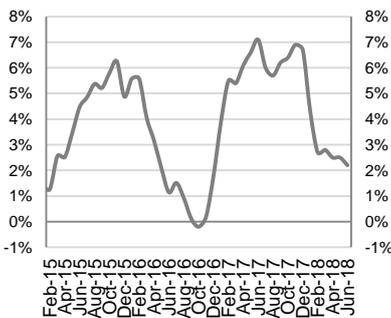
Inflation was 2.2% y/y and -0.6% m/m in June 2018

Annual CPI inflation was 2.2% in June 2018 down from 2.5% in May 2018, according to GeoStat. Core inflation was down to 1.6% from 1.8% in previous month. Annual price changes were driven by price increases in transport (+4.6% y/y, +0.63ppts), housing, water, electricity, gas and other fuels (+5.2% y/y, +0.43ppts), healthcare (+5.1% y/y, +0.43ppts) and alcoholic beverages and tobacco (+4.9% y/y, +0.34ppts) categories. On a monthly basis, there was 0.6% deflation in June 2018. Price decrease in food and non-alcoholic beverages (-2.6% m/m, -0.79ppts) was the major driver of monthly inflation dynamics.

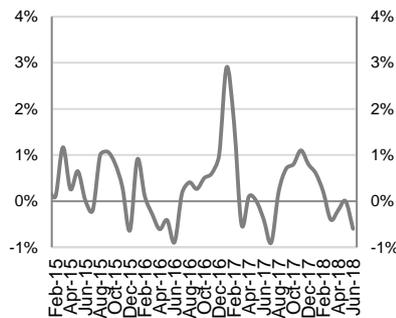
International reserves up 1.6% y/y in June 2018

Gross international reserves were up 1.6% y/y to US\$ 3.0bn in June 2018, while reserves were down 0.3% m/m, according to NBS. NBS purchased US\$ 30mn on 3 auctions in June, 2018. Change in reserves was attributed to government FX operations and/or asset revaluation.

Annual CPI inflation (% change, y/y)



Monthly CPI inflation (% change, m/m)



Source: GeoStat

Key macro indicators

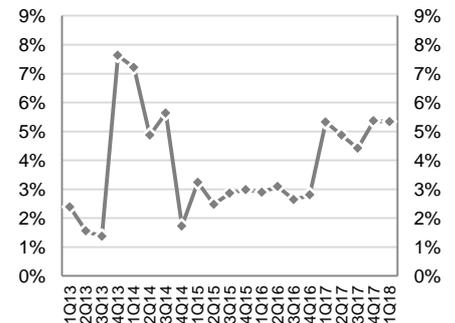
	1H18	2017	2016
GDP (% change)	6.1% ⁽¹⁾	5.0%	2.8%
GDP per capita (ppp)	...	10,644	10,043
GDP per capita (US\$)	...	4,068	3,857
Population (mn)	3.7	3.7	3.7
Inflation (eop)	2.2%	6.7%	1.8%
Gross reserves (US\$ bn)	3.0	3.0	2.8
CAD (% of GDP)	11.6% ⁽²⁾	8.7	12.8%
Fiscal deficit (% of GDP)	...	3.9%	4.1%
Total public debt (% of GDP)	...	44.6%	44.4%

Source: Official data, IMF

1) As of 1Q18

2) As of 5M18

Real GDP growth, %



Source: GeoStat

International ranking, 2017-18

Ease of Doing Business # 9 (Top 10)

Economic Freedom Index # 16 (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 Upgraded Sep-2017	 BB- Positive Affirmed Mar-2018
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Source: Rating agencies

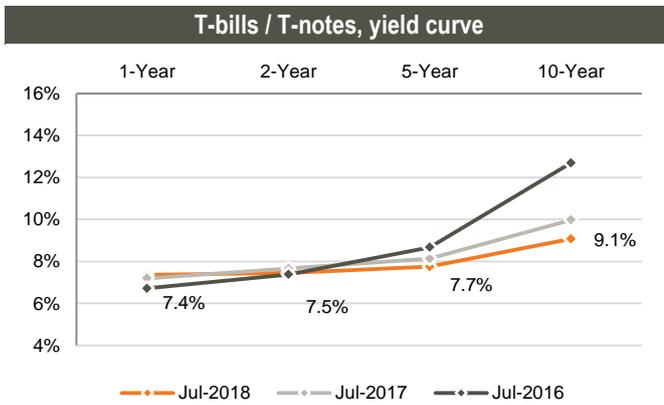


Money market

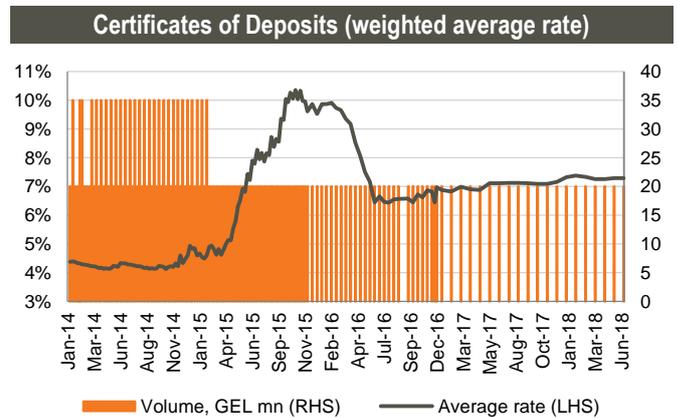
Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 780mn (US\$ 318.7mn).

Ministry of Finance Treasury Bills:

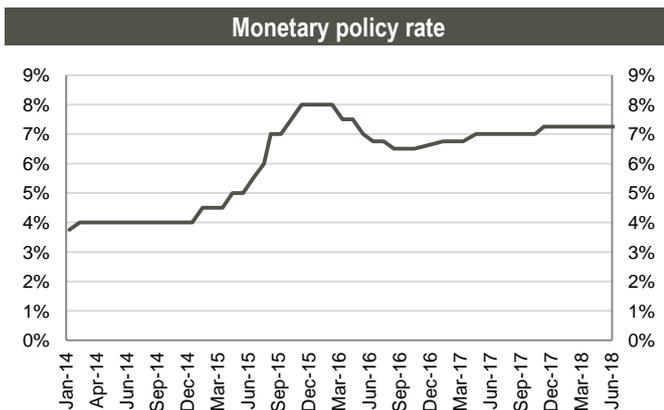
1-year GEL 40.0mn (US\$ 16.4mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on July 4, 2018. The weighted average yield was fixed at 7.364%. The nearest treasury security auction is scheduled for July 11, 2018, where GEL 40mn nominal value 2-year Benchmark bonds and GEL 20mn nominal value 182-days T-bills will be sold.



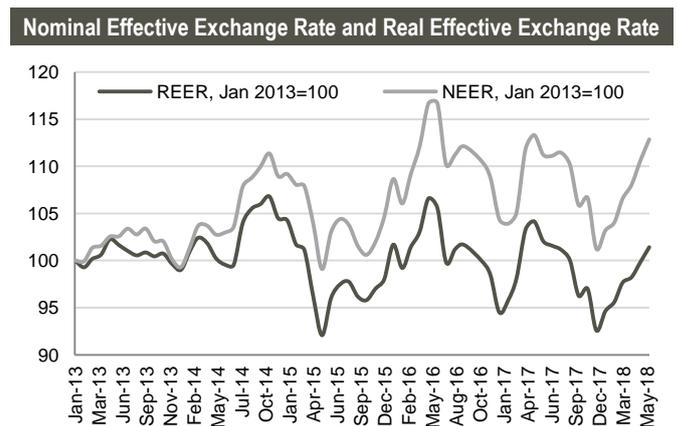
Source: NBG



Source: NBG



Source: NBG



Source: NBG

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

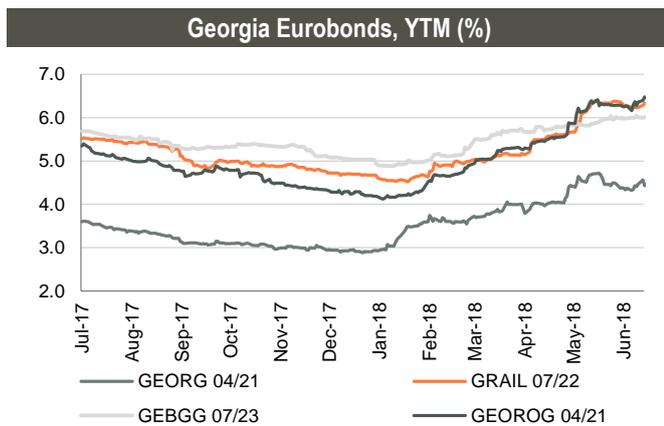


Fixed income

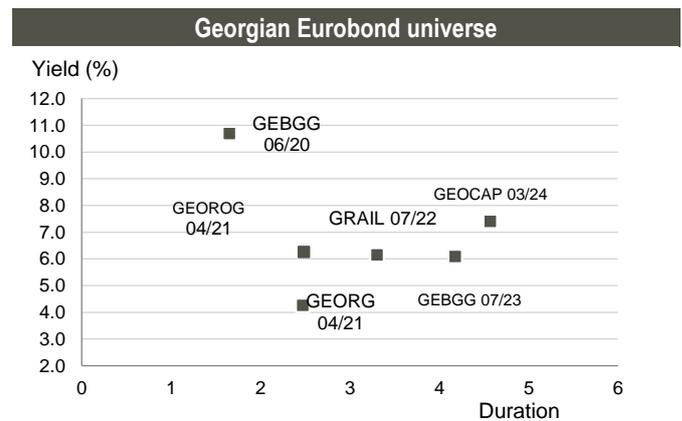
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 6.1% yield, trading at 99.7 (-0.2% w/w). Bank of Georgia GEL-denominated Eurobonds (GEBGG) were trading at 100.5 (+0.5% w/w), yielding 10.7%. Georgia Capital Eurobonds (GEOCAP) were trading at 94.2 (-0.1% w/w), yielding 7.4%.

GOGC Eurobonds (GEOROG) were trading at 101.0 (+0.2% w/w), yielding 6.3%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 105.5 (+0.3% w/w), yielding 6.2%.

Georgian Sovereign Eurobonds (GEORG) closed at 106.7 (+0.1% w/w) at 4.2% yield to maturity.



Source: Bloomberg



Source: Bloomberg

Georgia bonds performance

Georgia Eurobonds 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	106.73	4.26	141.08
GRAIL 07/22	500	7.750%	18/07/2022	B+/B+/-	105.65	6.14	325.98
GEOROG 04/21	250	6.750%	18/04/2021	BB-/B+/-	101.23	6.26	341.13
GEBGG 06/20	500*	11.000%	18/06/2020	BB-/Baa2	100.50	10.69	n/a
GEBGG 07/23	350	6.000%	18/07/2023	BB-/B2	99.66	6.08	319.56
GEOCAP 03/24	300	6.125%	18/03/2024	-/B+/B2	94.19	7.40	451.16

Georgia local bonds performance

GWP 12/21	30*	10.75%**	06/12/2021	BB-/B2	n/a	n/a	n/a
M2RE 10/19	25	7.500%	07/10/2019	-/-	102.50	5.50	n/a
GLC 08/20	10	7.000%	29/08/2020	-/-	102.02	6.00	n/a
GLC 06/21	5	6.500%	22/06/2021	-/-	n/a	n/a	n/a
Nikora 06/19	10	9.000%	28/06/2019	-/-	n/a	n/a	n/a
Silknet 08/22	34*	10.75%**	18/08/2022	-/-	n/a	n/a	n/a
Crystal 12/19	10*	11.75%***	28/12/2019	-/-	101.08	11.25	n/a

Source: Bloomberg

*GEBGG 06/20 bonds, GWP 12/21 bonds, Silknet 08/22 and Crystal 12/19 bonds are in Georgian lari

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

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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	106.7	4.3	141.1
Azerbaijan	1,250	4.750%	18/03/2024	BB+/-/Ba2	100.0	4.8	186.7
Bulgaria	323	5.000%	19/07/2021	BBB-/B2	115.1	0.0	-33.3
Croatia	1,250	3.875%	30/05/2022	BB+/BB+/Ba2	111.0	1.0	90.2
Hungary	3,000	6.375%	29/03/2021	BBB-/BBB-/Baa3	107.2	3.6	73.5
Romania	2,250	6.750%	07/02/2022	BBB-/BBB-/Baa3	109.3	3.9	106.1
Russia	3,500	5.000%	29/04/2020	BBB-/BBB-/Ba1	102.8	3.4	61.9
Turkey	2,000	5.625%	30/03/2021	BB+/-/Ba2	100.0	5.6	276.2

Source: Bloomberg



Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 17.99/share (-4.56% w/w and -12.86% m/m). More than 323k shares traded in the range of GBP 17.87 – 19.05/share. Average daily traded volume was 107k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 1.02% w/w and lost 2.61% m/m. The volume of BGEO shares traded was at 0.66% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 10.15/share (-1.44% w/w and -7.71% m/m). More than 261k shares traded in the range of GBP 10.15 – 10.51/share. The volume of CGEO shares traded was at 0.67% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 17.32 (-0.8% w/w and +0.81% m/m). More than 97k shares changed hands in the range of GBP 17.08 – 17.68/share. Average daily traded volume was 42k in the last 4 weeks.

Georgia Healthcare Group (GHG LN) shares closed at GBP 2.73/share (+8.55% w/w and +1.87% m/m). More than 83k shares were traded in the range of GBP 2.51 – 2.80/share. Average daily traded volume was 23k in the last 4 weeks. The volume of GHG shares traded was at 0.06% of its capitalization.

Eastern European Banks

	Ticker	Share price, US\$	MCapUS\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Bank of Georgia	BGEO	17.99*	1,173	-12.9%	-26.5%	-27.0%	-25.2%	-28.5%
TBC	TBC	17.32*	1,246	0.8%	-8.6%	4.6%	-1.0%	4.4%
Halyk Bank	HSBK	11.90	3,271	0.0%	-13.5%	10.2%	20.4%	24.2%
KKB	KKB	0.68	712	0.0%	0.0%	0.0%	0.0%	4.6%
VTB Bank	VTBR	1.55	10,044	2.6%	-25.5%	-21.4%	-15.3%	-24.9%
Vozrozhdenie	VZRZ	6.37	151	2.7%	-5.1%	-27.4%	-26.9%	-48.7%
Sberbank	SBER	14.95	80,681	4.4%	-21.1%	-18.4%	-11.7%	42.7%

Source: Bloomberg

*BGEO and TBC share prices traded and shown in GBP

Investment Management Company Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
Georgia Capital	CGEO	10.152*	521	-7.7%	N/A	N/A	N/A	N/A
Creades	CREDA	31.75	260	3.1%	-17.8%	-16.4%	-12.9%	1.4%
CIE du Bois	COMB	463.61	781	-0.8%	-4.6%	5.4%	7.8%	24.3%
Tinc Comm	TINC	14.20	387	-1.2%	-1.1%	-7.5%	-6.0%	0.7%
Edify	EDIFY	71.60	348	-1.1%	-7.4%	3.4%	4.5%	16.1%

Source: Bloomberg

*CGEO share price traded and shown in GBP

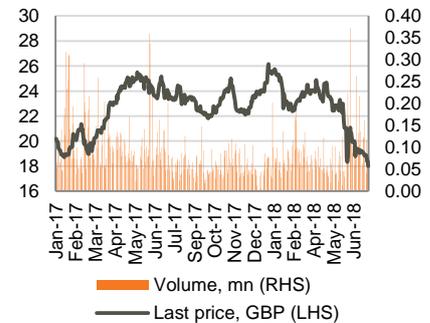
Healthcare Sector Peers

	Ticker	Share price, US\$	MCap, US\$ mn	1M, chg	3M, chg	6M, chg	YTD, chg	1Y, chg
GHG	GHG	2.73*	477	1.9%	-10.5%	-23.1%	-23.1%	-26.2%
Mouwasat	MOUWASAT	24.11	2,411	-5.9%	-3.0%	17.5%	19.5%	25.4%
Fortis	FORH	2.01	1,044	-7.0%	-5.8%	-22.0%	-19.9%	-19.8%
Raffles	RFMD	0.73	1,302	-8.9%	-16.3%	-14.1%	-13.5%	-24.1%
IHH	IHH	1.48	12,229	-1.9%	-5.1%	1.8%	2.8%	7.3%
Bangkok Chain	BCH	0.49	1,211	-3.1%	-10.2%	0.2%	-2.4%	25.4%
Netcare	NTC	2.11	3,103	-8.4%	-9.5%	7.1%	3.9%	11.4%

Source: Bloomberg

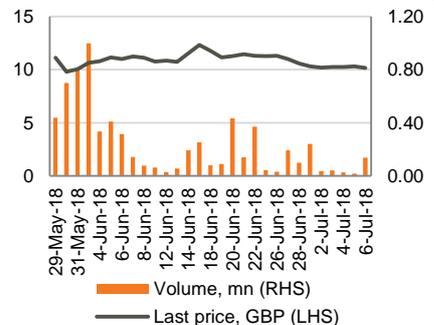
*GHG share price traded and shown in GBP

Bank of Georgia Group (BGEO LN)



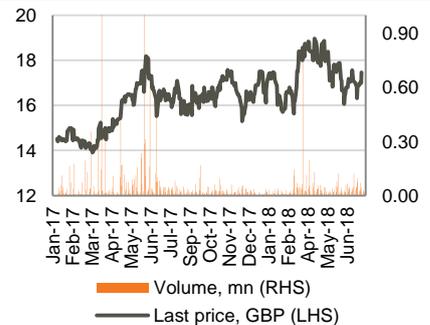
Source: Bloomberg

Georgia Capital (CGEO LN)



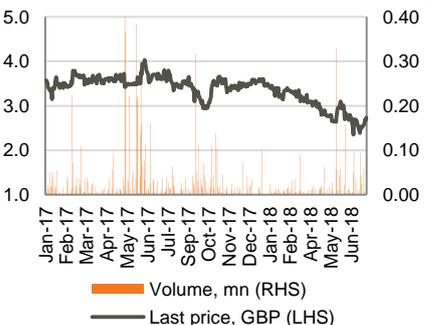
Source: Bloomberg

TBC Bank Group (TBCG LN)



Source: Bloomberg

Georgia Healthcare Group (GHG LN)



Source: Bloomberg

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