



Weekly Market Watch

Weekly Market Watch | Georgia
February 10, 2020

Economy

Inflation was 6.4% y/y and 0.7% m/m in January 2020

Annual CPI inflation retreated to 6.4% in January 2020 from 7.0% in previous month, according to Geostat. Core inflation (non-food, non-energy, non-tobacco) came in at 3.4%, down from 3.7% in previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+11.3% y/y, +3.57ppts), alcoholic beverages and tobacco (+11.2% y/y, +0.76ppts), transport (+3.3% y/y, +0.39ppts) and hotels & restaurants (+8.2% y/y, +0.36ppts) categories. Meanwhile, prices were down in clothing & footwear (-3.3% y/y, -0.12ppts) and communication (-1.2% y/y, -0.04ppts). On a monthly basis, there was 0.7% inflation in January 2020. Price increase in food & non-alcoholic beverages (+2.3% m/m, +0.76ppts) category was the major driver of monthly inflation dynamics.

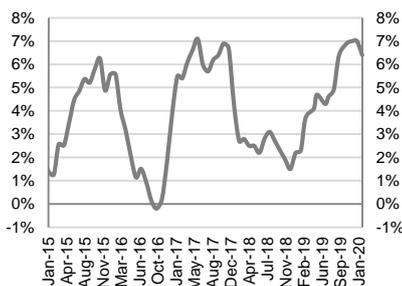
International arrivals up 19.8% y/y in January 2020

Total international arrivals (tourists and same-day arrivals) to Georgia increased by 19.8% y/y to 0.52mn persons in January 2020, according to GNTA. This growth was mostly driven by tourist arrivals (+18.9% y/y, 69.4% of total). Same-day arrivals also increased strongly (+21.9% y/y). Out of top countries, in January 2020, international visitors increased from Azerbaijan (+34.9%), Armenia (+17.5% y/y), Russia (+1.1% y/y), Turkey (+16.6% y/y), Ukraine (+22.4%), Israel (+57.3% y/y) and Iran (+12.4% y/y). Visitors from the EU were up 39.6% y/y to over 22,200 visitors, with Poland, Italy, Lithuania and France driving the growth. Meanwhile, we estimate tourism revenues at US\$ 187.5mn (+14% y/y) in January 2020.

International reserves stood at US\$ 3.5bn in January 2020

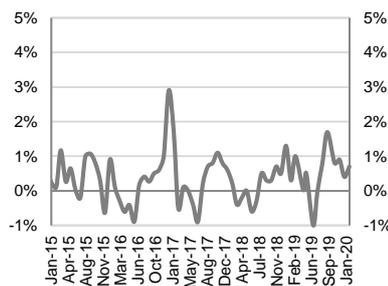
Gross international reserves were up 2.3% y/y to US\$ 3.5bn in January 2020, according to NBS. On a monthly basis, reserves were down 0.7% (-US\$ 23mn). The monthly decline in reserves was attributed to government and banking sector FX operations and/or asset revaluation.

Annual CPI inflation (% change, y/y)



Source: Geostat

Monthly CPI inflation (% change, m/m)

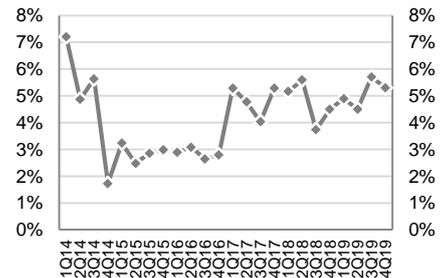


Key macro indicators

	2017	2018	2019E
GDP (% change)	4.8%	4.8%	5.2%
GDP per capita (ppp)	11,485	12,417	13,443
GDP per capita (US\$)	4,359	4,722	4,716
Population (mn)	3.7	3.7	3.7
Inflation (eop)	6.7%	1.5%	7.0%
Gross reserves (US\$ bn)	3.0	3.3	3.5
CAD (% of GDP)	8.1%	6.8%	4.0%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.4%
Total public debt (% of GDP)	39.4%	38.9%	40.3%

Source: Official data, Galt & Taggart

Real GDP growth, %



Source: Geostat

International ranking, 2019-20

- Ease of Doing Business # 7 (Top 10)
- Economic Freedom Index # 16 (mostly free)
- Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB Stable Upgraded Oct-2019	 Ba2 Stable Affirmed Sep-2019	 BB Stable Affirmed Aug-2019
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Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.0bn (US\$ 713.9mn).

Ministry of Finance Benchmark Bonds: 2-year GEL 70.0mn (US\$ 24.3mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on February 4, 2020. The weighted average yield was fixed at 9.044%. The nearest treasury security auction is scheduled for February 11, 2020, where GEL 50.0mn nominal value 1-year T-Bills will be sold.

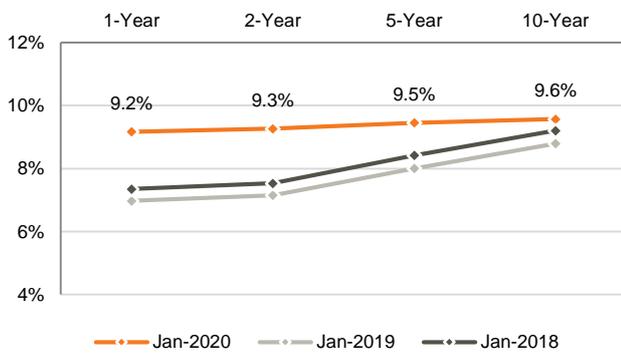
Ministry of Finance T-Bills: 6-month GEL 20.0mn (US\$ 6.9mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on February 4, 2020. The weighted average yield was fixed at 9.023%.

T-bills / T-notes, Feb-20 emission calendar

Date	Volume, GEL mn	Maturity
11-Feb-20	50	1 year
25-Feb-20	80	5 year

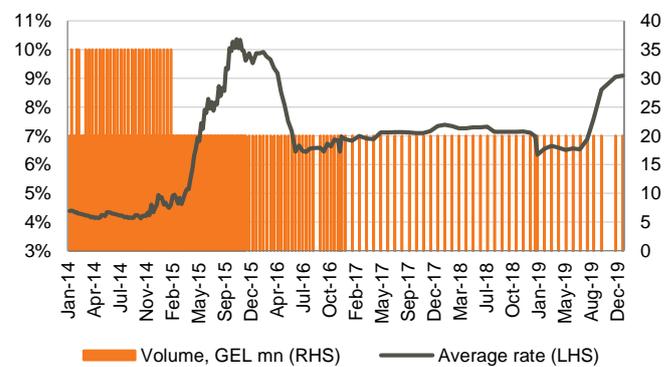
Source: MoF

T-bills / T-notes, yield curve



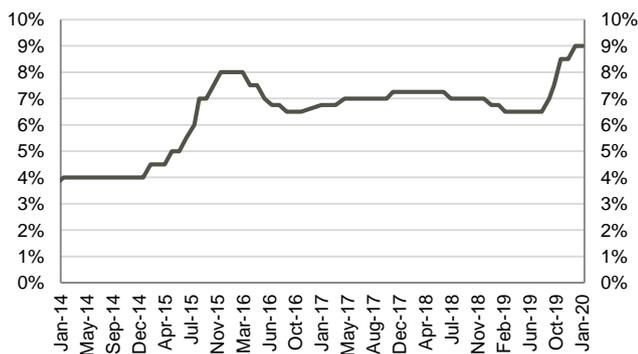
Source: NBG

Certificates of Deposits (weighted average rate)



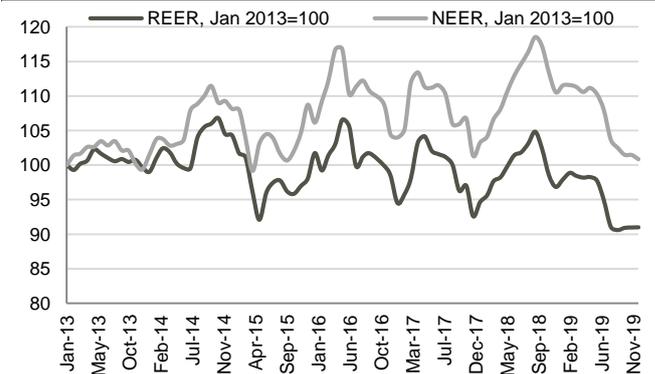
Source: NBG

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

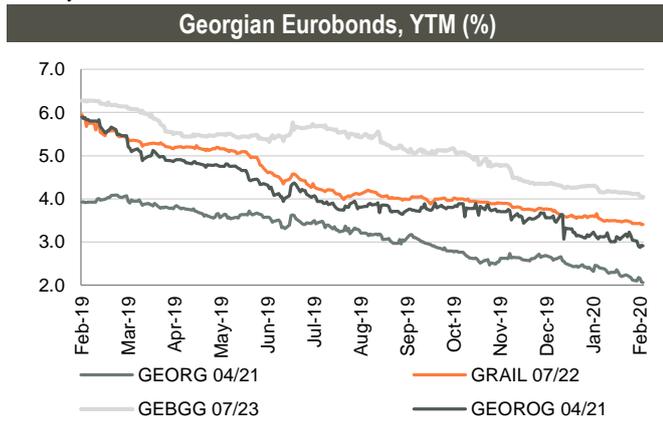


Fixed income

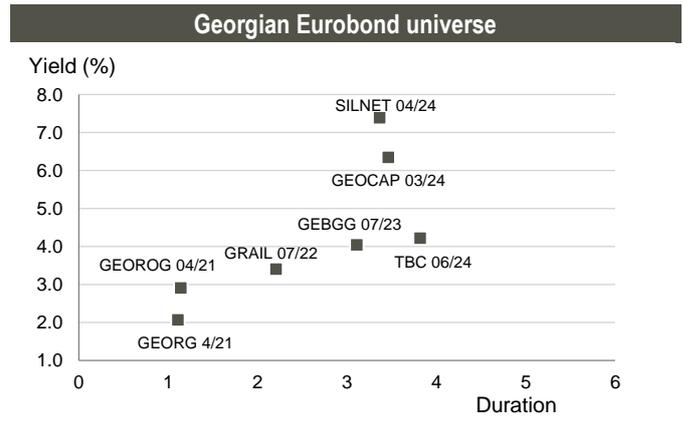
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.04% yield, trading at 106.25 (+0.18% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 99.20 (+0.07% w/w), yielding 6.35%.

GOGC Eurobonds (GEOROG) were trading at 104.52 (+0.10% w/w), yielding 2.91%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.99 (-0.02% w/w), yielding 3.41%.

Georgian Sovereign Eurobonds (GEORG) closed at 105.53 (-0.02% w/w) at 2.06% 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	105.53	2.06	55.97	
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.99	3.41	194.96	
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/B+/-	104.52	2.91	135.12	
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B+2	n/a	n/a	n/a	
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B+2	106.25	4.04	265.55	
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	107.52	9.74	756.38	
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	99.20	6.35	500.08	
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	112.68	7.39	547.17	
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+2	106.02	4.22	279.10	
TBC PERP	US\$	125	10.775%	n/a	B-/-	107.68	9.86	729.69	

Georgian local bonds performance									
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps	
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/-/-	n/a	n/a	n/a	
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.35	6.50	n/a	
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.59	7.25	n/a	
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	101.09	5.00	n/a	
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	99.99	6.50	n/a	
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	100.71	7.00	n/a	
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/-/-	99.77	12.75	n/a	
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a	
SILKNET 04/24	GEL	34	12.50%	Apr-24	B+/-/B1/-	n/a	n/a	n/a	
Geo. Beer Company	GEL	25	13.00%	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	13.25%	Sep-21	B-/-/-	100.00	13.25	n/a	
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	100.00	12.10	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	105.53	2.06	55.97
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	102.07	2.69	104.13
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-Ba2	100.18	2.70	122.11
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.93	4.08	263.23
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	107.95	2.08	65.45
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	100.78	1.39	-13.44
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	103.07	2.86	150.00
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	106.72	3.28	176.28

Source: Bloomberg



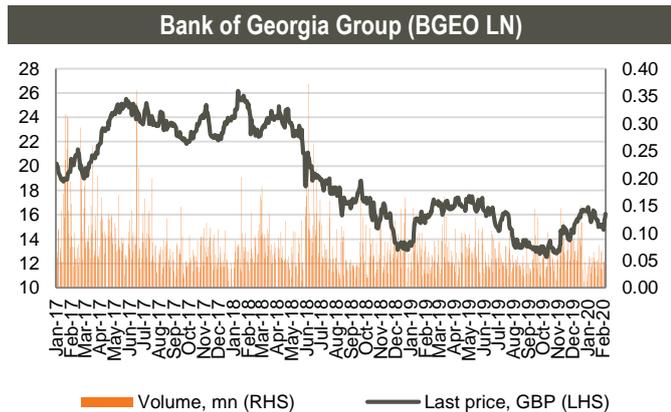
Equities

Bank of Georgia Group (BGE0 LN) shares closed at GBP 16.08/share (+6.28% w/w and +2.55% m/m). More than 244k shares traded in the range of GBP 14.62 - 16.08/share. Average daily traded volume was 49k in the last 4 weeks. FTSE 250 Index, of which BGE0 is a constituent, gained 1.68% w/w and lost 1.53% m/m. The volume of BGE0 shares traded was at 0.50% of its capitalization.

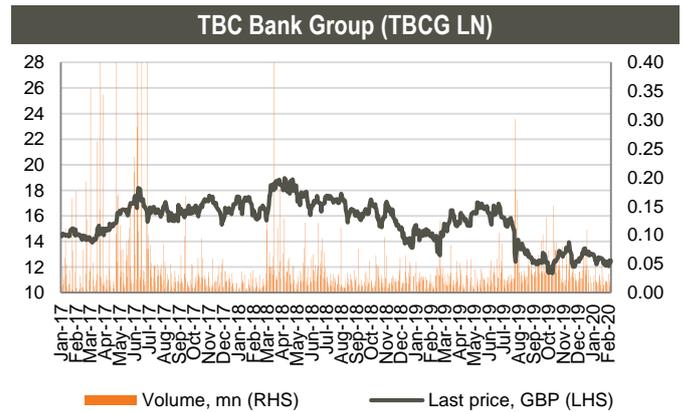
Georgia Capital (CGEO LN) shares closed at GBP 7.72/share (-3.98% w/w and -13.16% m/m). More than 134k shares traded in the range of GBP 7.61 - 8.08/share. Average daily traded volume was 39k in the last 4 weeks. The volume of CGEO shares traded was at 0.37% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 12.50/share (+0.81% w/w and -0.48% m/m). More than 95k shares changed hands in the range of GBP 11.94 - 12.62/share. Average daily traded volume was 20k in the last 4 weeks. The volume of TBCG shares traded was at 0.17% of its capitalization.

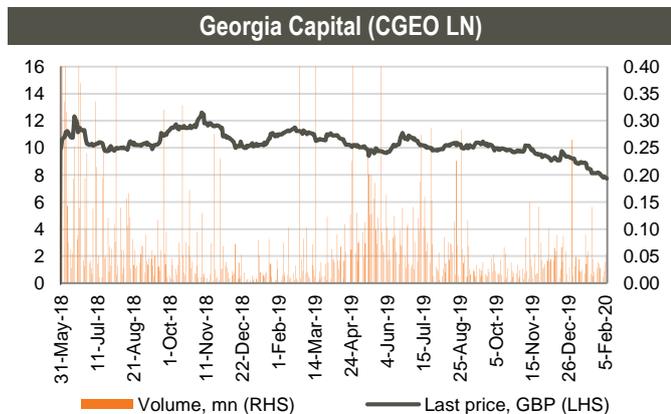
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.23/share (unchanged w/w and +4.24% m/m). More than 406k shares were traded in the range of GBP 1.16 - 1.26/share. Average daily traded volume was 86k in the last 4 weeks. The volume of GHG shares traded was at 0.31% of its capitalization.



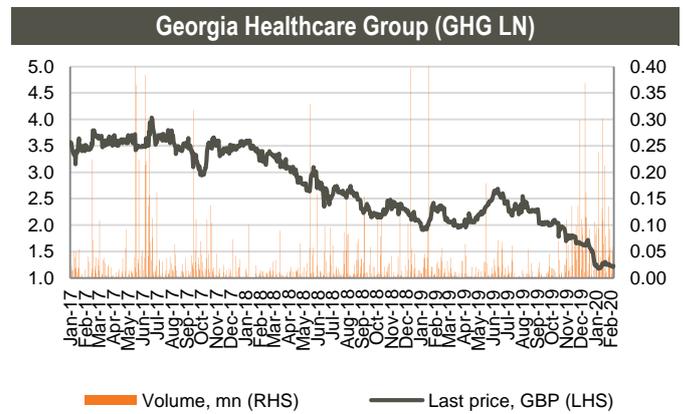
Source: Bloomberg



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	16.08	791	18.4%	1.8%	-1.0%	6.45x	6.01x	1.41x	1.20x
TBC	TBC	GBP	12.50	688	-7.5%	-12.0%	-3.8%	5.02x	4.76x	0.97x	0.84x
Halyk Bank	HSBK	US\$	15.45	4,540	12.0%	50.0%	15.7%	5.43x	5.33x	1.29x	1.15x
VTB Bank	VTBR	US\$	1.50	9,727	20.7%	20.1%	2.6%	3.72x	3.62x	0.60x	0.46x
Akbank	AKBNK	TRY	8.43	43,836	14.5%	24.0%	3.9%	8.03x	5.52x	0.83x	0.71x
Garanti	GARAN	TRY	11.97	50,274	22.0%	34.9%	7.5%	7.68x	5.60x	0.91x	0.83x
Isbank	ISCTR	TRY	7.44	33,480	26.1%	40.6%	16.1%	5.67x	4.22x	0.59x	0.53x
PKO	PKO	PLN	35.95	44,938	-6.6%	-9.0%	4.3%	10.21x	9.91x	1.05x	1.05x
PEKAO	PEO	PLN	101.75	26,706	4.8%	-8.2%	1.3%	11.85x	10.29x	1.11x	1.10x
Millennium	MIL	PLN	6.16	7,472	-17.4%	-31.9%	5.3%	9.83x	8.12x	0.80x	0.76x
Mbank	MBK	PLN	390.40	16,528	18.3%	-12.3%	0.3%	12.87x	11.86x	0.98x	0.95x
BRD	BRD	RON	16.34	11,387	22.3%	37.5%	3.2%	7.22x	9.74x	1.39x	1.47x
Banca Transilvania	TLV	RON	2.57	13,379	8.2%	47.0%	-1.2%	7.08x	8.90x	1.46x	1.50x
OTP	OTPD	USD	22.80	12,768	7.5%	14.0%	7.5%	9.54x	9.77x	0.82x	0.75x
Komercni	KOMB	CZK	813.00	154,510	-2.1%	-13.0%	-2.0%	10.13x	11.53x	1.45x	1.37x
Mean								8.05x	7.68x	1.04x	0.98x
Median								7.68x	8.12x	0.98x	0.95x

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	7.72	284	-23.3%	-30.5%	-16.3%	10.69x	8.36x	0.76x	0.73x
Tinc Comm	TINC	EUR	14.25	389	16.2%	24.1%	6.7%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	10.15	20,710	10.6%	9.3%	6.4%	5.50x	4.15x	0.63x	0.56x
Deutsche Beteiligungs	DBAN	EUR	39.20	590	30.4%	13.6%	-0.6%	14.14x	18.13x	1.26x	1.24x
Eurazeo	RF	EUR	66.60	5,246	14.9%	8.9%	9.2%	15.86x	12.96x	0.96x	0.93x
Carlyle Group	CG	USD	32.87	3,638	40.1%	73.1%	2.5%	18.97x	14.04x	2.03x	2.94x
Mean								13.04x	11.53x	1.13x	1.28x
Median								14.14x	12.96x	0.96x	0.93x

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	1.23	162	-47.9%	-47.2%	0.0%	13.17x	9.11x	5.82x	5.16x
Mouwasset	MOUWASAT	SAR	83.00	8,300	-5.7%	11.9%	-5.7%	21.43x	18.92x	14.93x	13.47x
Fortis	FORH	INR	163.65	123,549	37.1%	21.6%	24.1%	2.03x	1.86x	6.60x	6.67x
Raffles	RFMD	SGD	1.02	1,864	2.0%	-7.3%	2.0%	30.60x	30.75x	19.34x	18.96x
IHH	IHH	MYR	5.78	50,714	0.5%	1.8%	5.7%	57.18x	44.42x	16.39x	14.92x
Bangkok Chain	BCH	THB	15.60	38,902	2.6%	-6.6%	-8.8%	31.45x	28.52x	17.35x	16.20x
Netcare	NTC	ZAR	20.21	29,342	24.2%	-15.9%	3.9%	13.44x	14.74x	8.02x	7.70x
Life Healthcare	LHC	ZAR	25.76	37,799	14.3%	-0.5%	4.5%	21.83x	16.10x	8.71x	7.81x
Mediclinic	MDC	GBP	3.80	2,798	19.8%	23.0%	-7.8%	14.03x	14.63x	9.11x	8.68x
Apollo Hospitals	APHS	INR	1,663.15	231,386	26.5%	28.3%	15.3%	81.46x	63.94x	24.81x	18.07x
KPJ Healthcare	KPJ	MYR	0.97	4,156	5.4%	-9.3%	2.6%	22.13x	21.00x	10.23x	9.95x
NMC	NMC	GBP	7.00	1,461	-65.0%	-73.1%	-60.4%	6.04x	4.66x	6.25x	5.24x
Mean								26.23x	22.39x	12.30x	11.07x
Median								21.63x	17.51x	9.67x	9.32x

Source: Bloomberg, S&P Capital IQ

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