



Weekly Market Watch

Weekly Market Watch | Georgia
November 11, 2019

Economy

Inflation was 6.9% y/y and 0.8% m/m in October 2019

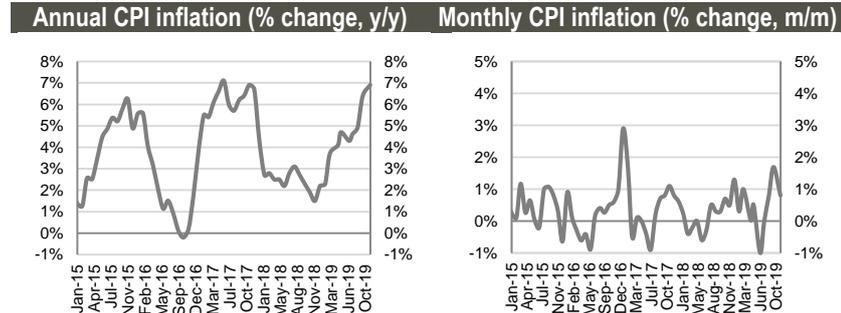
Annual CPI inflation was 6.9% in October 2019 up from 6.4% in previous month, according to Geostat. Core inflation (non-food, non-energy, non-tobacco) came in at 3.4% up from 3.2% compared to the previous month. Annual price changes were driven by price increases in food and non-alcoholic beverages (+13.5% y/y, +4.02ppts), alcoholic beverages and tobacco (+13.8% y/y, +0.92ppts), recreation and culture (+7.3% y/y, +0.41ppts) and transport (+3.0% y/y, +0.36ppts) categories, while prices were down in clothing and footwear (-5.9% y/y, -0.21ppts). On a monthly basis, there was 0.8% inflation in October 2019. Price increase in food and non-alcoholic beverages (+1.6% m/m, +0.5ppts) and clothing and footwear (+5.9% m/m, +0.18ppts) were the major drivers of monthly inflation dynamics.

International reserves stood at US\$ 3.4bn in October 2019

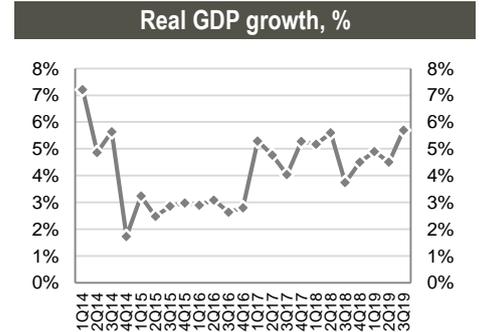
Gross international reserves were up 9.4% y/y to US\$ 3.4bn in October 2019, according to NBG. On a monthly basis, reserves were down 6.0% (-US\$ 216mn). There were no FX interventions in October and monthly decline in reserves is explained by a 5pp reduction in reserve requirement on banking sector FX deposits.

| Key macro indicators | | | |
|------------------------------|-------|--------|--------|
| | 2016 | 2017 | 2018 |
| GDP (% change) | 2.8% | 4.8% | 4.7% |
| GDP per capita (ppp) | 9,978 | 10,663 | 11,429 |
| 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% | 8.7% | 7.3% |
| Fiscal deficit (% of GDP) | 3.0% | 2.9% | 2.5% |
| Total public debt (% of GDP) | 42.4% | 42.4% | 42.2% |

Source: Official data, IMF



Source: Geostat



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 |
|---|--|---|

Source: Rating agencies

Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.3bn (US\$ 759.9mn).

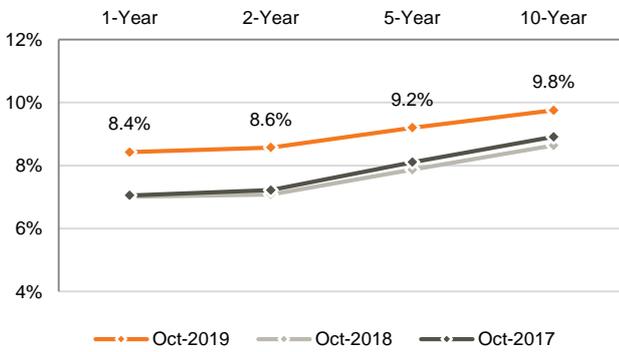
Ministry of Finance Treasury Bills: 1-year GEL 60.0mn (US\$ 20.3mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on November 5, 2019. The weighted average yield was fixed at 9.072%. The nearest treasury securities auction is scheduled for November 12, 2019, where GEL 70.0mn nominal value 6-month T-bills and GEL 70.0mn nominal value 2-year Benchmark Bonds will be sold.

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

| Date | Volume, GEL mn | Maturity |
|-----------|----------------|----------|
| 12-Nov-19 | 70 | 6 month |
| 12-Nov-19 | 70 | 2 year |
| 26-Nov-19 | 70 | 5 year |

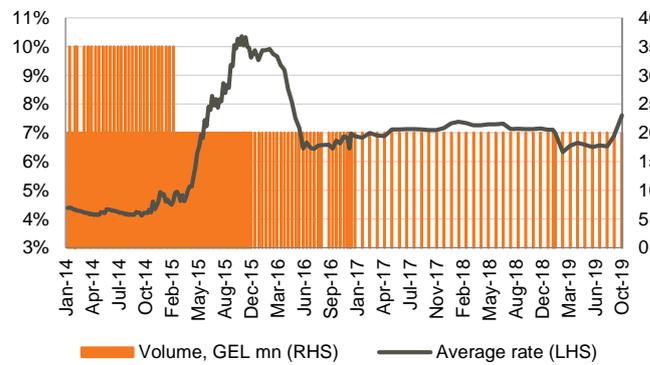
Source: MoF

T-bills / T-notes, yield curve



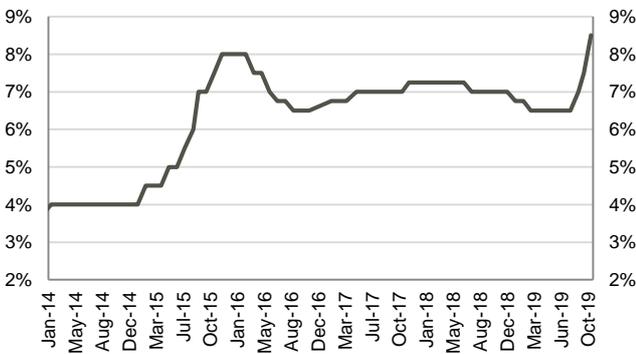
Source: NBG

Certificates of Deposits (weighted average rate)



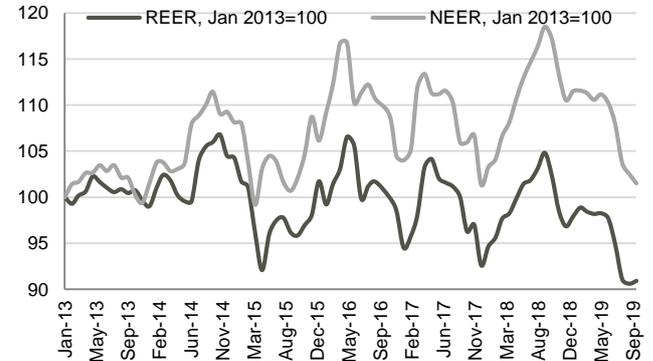
Source: NBG

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



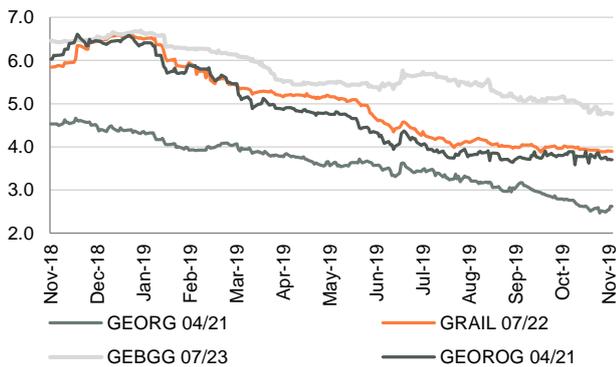
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.78% yield, trading at 104.10 (-0.12% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 95.00 (+0.04% w/w), yielding 7.50%.

GOGC Eurobonds (GEOROG) were trading at 104.28 (-0.03% w/w), yielding 3.70%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.64 (-0.10% w/w), yielding 3.90%.

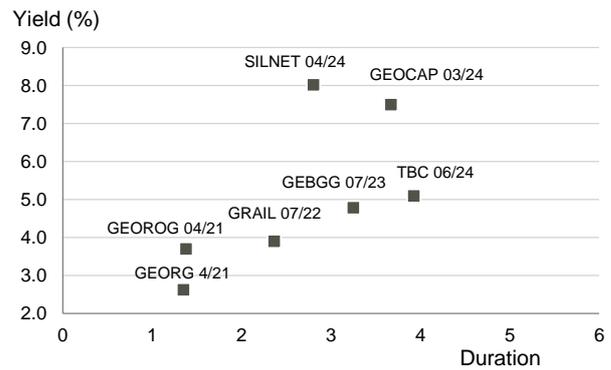
Georgian Sovereign Eurobonds (GEORG) closed at 105.86 (-0.23% w/w) at 2.62% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



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 | 105.86 | 2.62 | 88.24 |
| GRAIL 07/22 | US\$ | 500 | 7.750% | Jul-22 | BB-/B+/- | 109.64 | 3.90 | 218.44 |
| GEOROG 04/21 | US\$ | 250 | 6.750% | Apr-21 | BB/B+/- | 104.28 | 3.70 | 196.26 |
| 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 | 104.10 | 4.78 | 306.86 |
| GEBGG 11 1/8 PERP | US\$ | 100 | 11.125% | n/a | B-/- | 104.19 | 10.26 | 823.66 |
| GEOCAP 03/24 | US\$ | 300 | 6.125% | Mar-24 | -B+/B2 | 95.00 | 7.50 | 578.22 |
| SILKNET 04/24 | US\$ | 200 | 11.000% | Apr-24 | B+/-B1 | 110.84 | 8.02 | 629.08 |
| TBC 06/24 | US\$ | 300 | 5.750% | Jun-24 | BB-/B+2 | 102.65 | 5.10 | 337.64 |
| TBC PERP | US\$ | 125 | 10.775% | n/a | B-/- | 101.97 | 10.58 | 849.52 |

Georgian local bonds performance

| | | | | | | | | |
|-----------------------|------|----|--------|--------|-----------|--------|-------|-----|
| GWP 12/21 | GEL | 30 | 11.00% | Dec-21 | BB-/-/- | n/a | n/a | n/a |
| M2CA 12/21 | US\$ | 30 | 7.50% | Dec-21 | -/-/- | 100.74 | 7.13 | n/a |
| M2RE 10/22 | US\$ | 35 | 7.50% | Oct-22 | -/-/- | 100.32 | 7.38 | n/a |
| GLC 08/20 | US\$ | 10 | 7.00% | Aug-20 | B+/-/- | 101.06 | 5.63 | n/a |
| GLC 06/21 | US\$ | 5 | 6.50% | Jun-21 | B+/-/- | 99.05 | 7.13 | n/a |
| GLC 08/21 | US\$ | 10 | 7.50% | Aug-21 | B+/-/- | 100.62 | 7.25 | n/a |
| CRYSTAL 12/19 | GEL | 10 | 12.00% | Dec-19 | B/-/- | 100.17 | 11.75 | n/a |
| CRYSTAL 02/21 | GEL | 15 | 11.50% | Feb-21 | B/-/- | 100.85 | 11.75 | n/a |
| Nikora Trade 08/21 | GEL | 25 | 9.00% | Aug-21 | -/-/B+ | n/a | n/a | n/a |
| SILKNET 08/22 | GEL | 34 | 11.00% | 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 | 14.00% | Sep-21 | B-/-/- | 101.58 | 14.00 | 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 | 105.86 | 2.62 | 88.24 |
| Armenia | US\$ | 500 | 6.000% | Sep-20 | B+/-/Ba3 | 102.51 | 3.09 | 128.51 |
| Azerbaijan | US\$ | 174 | 2.820% | Sep-21 | BB+/-/Ba2 | 99.56 | 3.07 | 134.88 |
| Belarus | US\$ | 800 | 6.875% | Feb-23 | B/B/B3 | 107.33 | 4.45 | 274.23 |
| Kazakhstan | US\$ | 1,500 | 3.875% | Oct-24 | BBB/BBB-/Baa3 | 106.44 | 2.48 | 75.12 |
| Russia | US\$ | 3,500 | 5.000% | Apr-20 | BBB/BBB-/Baa3 | 101.38 | 1.99 | 8.72 |
| Turkey | US\$ | 2,000 | 5.625% | Mar-21 | BB-/B1 | 102.68 | 3.62 | 187.51 |
| Ukraine | US\$ | 1,409 | 7.750% | Sep-21 | B/B/Caa1 | 105.00 | 4.81 | 308.20 |

Source: Bloomberg

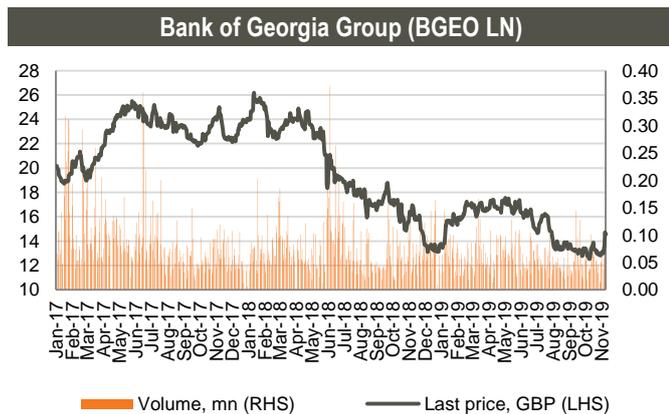
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 14.55/share (+11.07% w/w and +16.21% m/m). More than 417k shares traded in the range of GBP 12.92 - 15.05/share. Average daily traded volume was 58k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 0.99% w/w and 6.02% m/m. The volume of BGEO shares traded was at 0.85% of its capitalization.

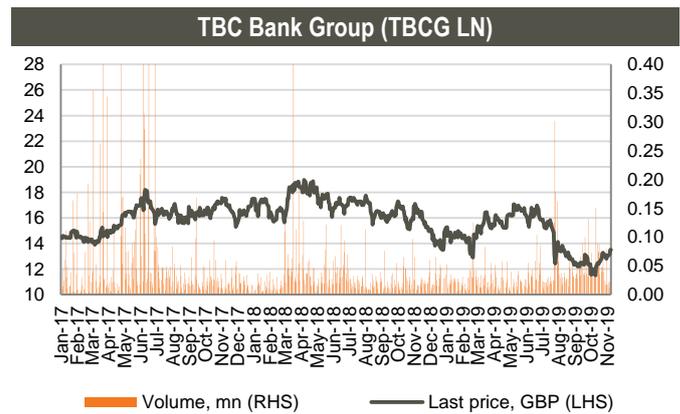
Georgia Capital (CGEO LN) shares closed at GBP 10.16/share (+3.99% w/w and +3.04% m/m). More than 160k shares traded in the range of GBP 9.51 - 10.30/share. Average daily traded volume was 26k in the last 4 weeks. The volume of CGEO shares traded was at 0.44% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 13.50/share (+3.69% w/w and +12.88% m/m). More than 184k shares changed hands in the range of GBP 12.94 - 13.90/share. Average daily traded volume was 47k in the last 4 weeks. The volume of TBCG shares traded was at 0.34% of its capitalization.

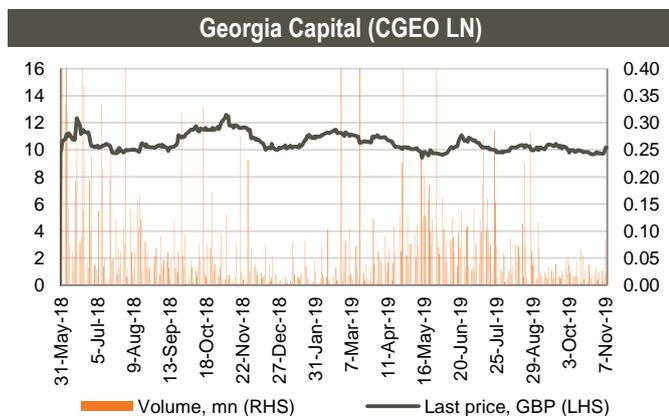
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.80/share (unchanged w/w and -14.08% m/m). More than 111k shares were traded in the range of GBP 1.73 - 1.80/share. Average daily traded volume was 22k in the last 4 weeks. The volume of GHG shares traded was at 0.08% of its capitalization.



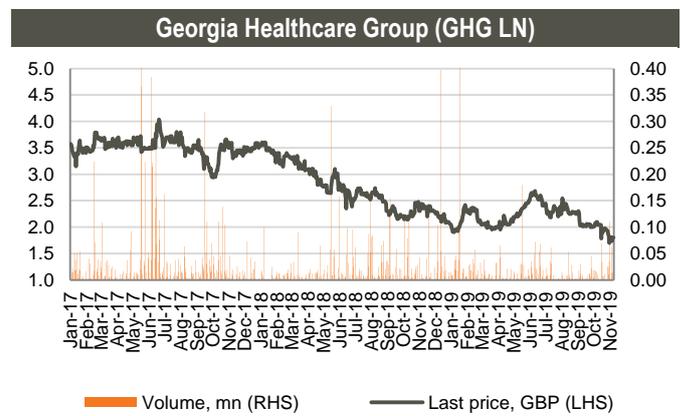
Source: Bloomberg



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 | 14.55 | 715 | -16.9% | -13.6% | 5.7% | 5.69x | 5.44x | 1.51x | 1.08x |
| TBC | TBC | GBP | 13.50 | 743 | -20.9% | -18.9% | -11.3% | 5.87x | 5.28x | 1.06x | 0.92x |
| Halyk Bank | HSBK | US\$ | 13.30 | 3,908 | 18.2% | 15.7% | 28.5% | 5.03x | 4.87x | 1.10x | 1.04x |
| VTB Bank | VTBR | US\$ | 1.43 | 9,260 | 27.4% | 10.9% | 29.0% | 3.77x | 3.50x | 0.58x | 0.43x |
| Akbank | AKBNK | TRY | 7.34 | 38,168 | 25.9% | 17.2% | 24.7% | 7.12x | 4.88x | 0.73x | 0.65x |
| Garanti | GARAN | TRY | 9.79 | 41,118 | 26.3% | 23.6% | 23.0% | 6.09x | 4.33x | 0.75x | 0.67x |
| Isbank | ISCTR | TRY | 6.15 | 27,675 | 17.8% | 51.5% | 35.8% | 4.73x | 3.83x | 0.50x | 0.44x |
| PKO | PKO | PLN | 39.00 | 48,750 | 3.2% | -7.5% | -1.2% | 10.88x | 10.61x | 1.16x | 1.13x |
| PEKAO | PEO | PLN | 105.05 | 27,572 | -2.2% | -6.0% | -3.6% | 12.24x | 10.42x | 1.17x | 1.13x |
| Millennium | MIL | PLN | 5.90 | 7,157 | -35.4% | -38.3% | -33.5% | 9.98x | 8.02x | 0.78x | 0.72x |
| Mbank | MBK | PLN | 382.80 | 16,207 | -7.8% | -8.9% | -9.8% | 12.99x | 11.84x | 0.98x | 0.92x |
| BRD | BRD | RON | 14.42 | 10,049 | 6.8% | 6.3% | 26.5% | 7.61x | 8.56x | 1.32x | 1.30x |
| Banca Transilvania | TLV | RON | 2.42 | 12,596 | 22.0% | 10.4% | 30.5% | 8.75x | 8.97x | 1.50x | 1.39x |
| OTP | OTPD | USD | 21.20 | 11,872 | -5.4% | 20.5% | 8.2% | 9.56x | 9.18x | 0.81x | 0.71x |
| Komercni | KOMB | CZK | 788.00 | 149,759 | -9.7% | -12.5% | -7.0% | 10.03x | 10.55x | 1.41x | 1.37x |
| Mean | | | | | | | | 8.02x | 7.35x | 1.02x | 0.93x |
| Median | | | | | | | | 7.61x | 8.02x | 1.06x | 0.92x |

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 | 10.16 | 373 | 0.4% | -18.5% | -0.5% | 14.39x | 11.28x | 1.03x | 0.96x |
| Tinc Comm | TINC | EUR | 14.00 | 382 | 16.7% | 15.2% | 18.6% | n/a | n/a | n/a | n/a |
| Sabancı Holding | SAHOL | TRY | 8.60 | 17,547 | 19.1% | 11.3% | 14.4% | 4.40x | 3.63x | 0.51x | 0.45x |
| Deutsche Beteiligungs | DBAN | EUR | 38.35 | 577 | 9.4% | 6.4% | 14.3% | 19.24x | 16.49x | 1.27x | 1.21x |
| Eurazeo | RF | EUR | 62.35 | 4,911 | -4.7% | -0.3% | 5.9% | 13.12x | 12.07x | 0.89x | 0.84x |
| Carlyle Group | CG | USD | 27.39 | 3,032 | 30.6% | 29.8% | 73.9% | 15.86x | 5.42x | 2.96x | 1.83x |
| Mean | | | | | | | | 13.40x | 9.78x | 1.33x | 1.06x |
| Median | | | | | | | | 14.39x | 11.28x | 1.03x | 0.96x |

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 | 1.80 | 237 | -18.9% | -25.9% | -11.8% | 18.53x | 11.94x | 7.31x | 6.15x |
| Mouwasset | MOUWASAT | SAR | 84.90 | 8,490 | -1.3% | 17.9% | 5.5% | 22.36x | 18.75x | 15.65x | 13.54x |
| Fortis | FORH | INR | 152.05 | 114,791 | 13.8% | 7.3% | 8.2% | 1.91x | 1.72x | 6.70x | 6.75x |
| Raffles | RFMD | SGD | 1.01 | 1,846 | -3.8% | -6.5% | -8.2% | 30.60x | 30.55x | 19.93x | 18.82x |
| IHH | IHH | MYR | 5.51 | 48,345 | 0.0% | 10.4% | 2.2% | 47.07x | 38.12x | 16.29x | 14.22x |
| Bangkok Chain | BCH | THB | 16.60 | 41,396 | -7.8% | -12.6% | -0.6% | 33.70x | 30.39x | 18.70x | 16.97x |
| Netcare | NTC | ZAR | 17.10 | 24,827 | -28.5% | -33.3% | -35.3% | 11.50x | 10.86x | 7.03x | 6.57x |
| Life Healthcare | LHC | ZAR | 24.11 | 35,378 | -9.1% | -7.4% | -8.7% | 20.64x | 15.35x | 8.41x | 7.52x |
| Mediclinic | MDC | GBP | 3.74 | 2,760 | 8.3% | 0.7% | 16.1% | 13.72x | 14.42x | 8.98x | 8.44x |
| Apollo Hospitals | APHS | INR | 1,418.60 | 197,363 | 21.2% | 25.4% | 12.7% | 69.60x | 53.26x | 21.63x | 16.22x |
| KPJ Healthcare | KPJ | MYR | 0.93 | 3,963 | -5.6% | -15.9% | -11.1% | 21.17x | 19.61x | 10.30x | 9.69x |
| NMC | NMC | GBP | 23.18 | 4,839 | -15.2% | -34.0% | -15.3% | 19.47x | 15.01x | 12.62x | 10.70x |
| Mean | | | | | | | | 25.86x | 21.67x | 12.80x | 11.30x |
| Median | | | | | | | | 20.90x | 17.05x | 11.46x | 10.19x |

Source: Bloomberg, S&P Capital IQ



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