

Weekly Market Watch

Weekly Market Watch | Georgia
June 14, 2021

Economy

International arrivals up 188.1% y/y in May 2021

Total international arrivals (tourists and same-day arrivals) to Georgia increased by 188.1% y/y to 104.8k persons in May 2021, according to GNTA. This growth was solely driven by 264.1% y/y growth in tourist arrivals from last year's low base, as same-day arrivals were down 16.3% y/y. As land borders opened from 1 June 2021, we expect international visitor growth to accelerate further. The largest contribution to international visitor growth came from Israel (+250x y/y), followed by Ukraine (+11x y/y) in May. Overall, in 5M21 total international arrivals stood at 317.5k (-73.3% y/y), of which tourist arrivals reached 288.9k (-64.7% y/y) persons. Meanwhile, we estimate tourism revenues at US\$ 171.6mn (-61.5% y/y) in 5M21.

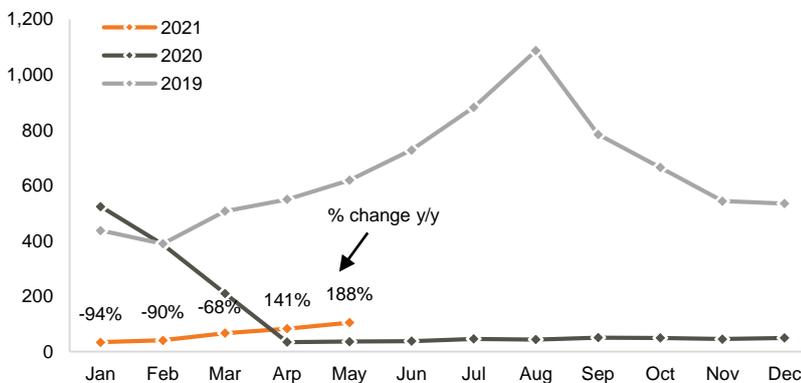
FDI down 28.3% y/y in 1Q21

FDI decreased by 28.3% y/y to US\$ 125.4mn (3.6% of GDP) in 1Q21, according to Geostat's preliminary figures. Based on Geostat, the reduction in FDI reflected reduced reinvestments and the ownership transfer from non-resident to the resident units in several companies. The financial sector was the largest FDI recipient at US\$ 93.9mn (-1.2% y/y, 74.9% of total), followed by energy sector at US\$ 35.5mn (28.3% of total), manufacturing at US\$ 27.9mn (+512.7% y/y, 22.2% of total) and real estate at US\$ 24.4mn (-30.3% y/y, 19.4% of total). UK topped the list of investors with US\$ 88.4mn (+20.8% y/y), followed by Russia at US\$ 31.9mn (+186.3% y/y) and Turkey at US\$ 24.5mn (+94.6% y/y).

International reserves at US\$ 4.2bn in May 2021

Gross international reserves increased by 15.6% y/y to US\$ 4.2bn in May 2021 according to NBG. On a monthly basis, the reserves were up by 0.4% (+US\$ 17.2mn). Changes in reserves were attributed to the government and banking sector FX operations, and/or asset revaluation.

International visitors to Georgia, 000' persons



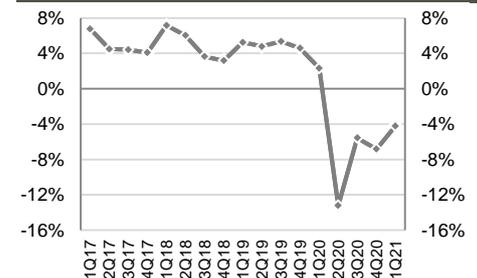
Source: GNTA

Key macro indicators

	2018	2019	2020
GDP (% change)	4.8%	5.0%	-6.2%
GDP per capita (ppp)	14,584	15,613	14,918
GDP per capita (US\$)	4,722	4,696	4,275
Population (mn)	3.7	3.7	3.7
Inflation (eop)	1.5%	7.0%	2.4%
Gross reserves (US\$ bn)	3.3	3.5	3.9
CAD (% of GDP)	6.8%	5.5%	12.3%
Fiscal deficit (% of GDP)	2.3%	2.1%	9.3%
Total public debt (% of GDP)	38.9%	40.4%	60.0%

Source: Official data

Real GDP growth, %



Source: Geostat

International ranking, 2019-21

- Ease of Doing Business # 7 (Top 10)
- Economic Freedom Index # 12 (mostly free)
- Global Competitiveness Index # 74

Source: World Bank, Heritage Foundation and World Economic Forum

Georgia sovereign credit ratings

 BB Negative Affirmed Feb-2021	 Ba2 Stable Affirmed Feb-2021	 BB Negative Affirmed Feb-2021
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Source: Rating agencies

Money market

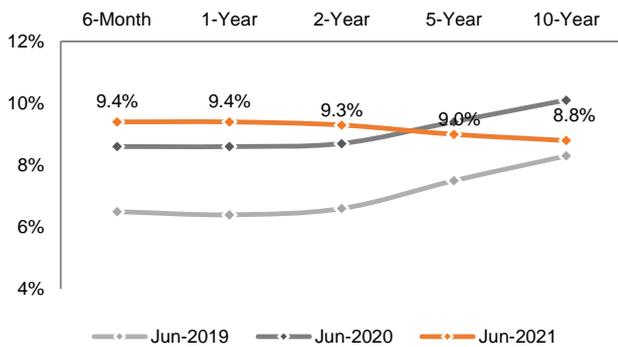
Ministry of Finance T-Bills: 1-year GEL 15.0mn (US\$ 4.8mn) T-Bills were sold at the auction held at NBG on June 8, 2021. Total demand was 4.5x higher and the weighted average yield was fixed at 9.153%, up by 0.698ppts from previous auction held in April, 2021. The nearest treasury security auction is scheduled for June 22, 2021, where GEL 35.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes in 2021

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	60	105	85
1-year	60	105	505
2-year	80	140	1,290
5-year	184	236	2,338
10-year	44	56	1,281
Total	428	642	5,499

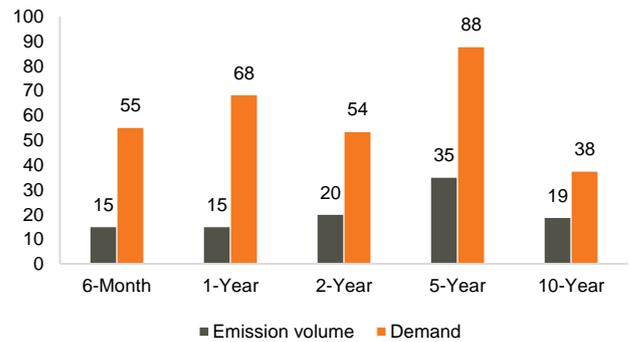
Source: MoF
Note: * As of 30 April 2021

T-bills / T-notes, yield curve



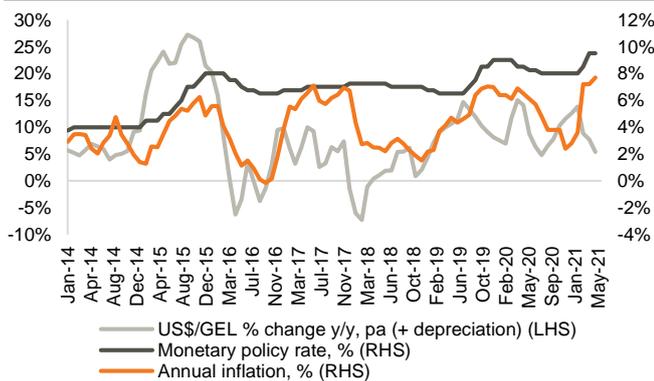
Source: NBG

Emission volume vs. demand on latest T-bills / T-notes auctions, GEL mn



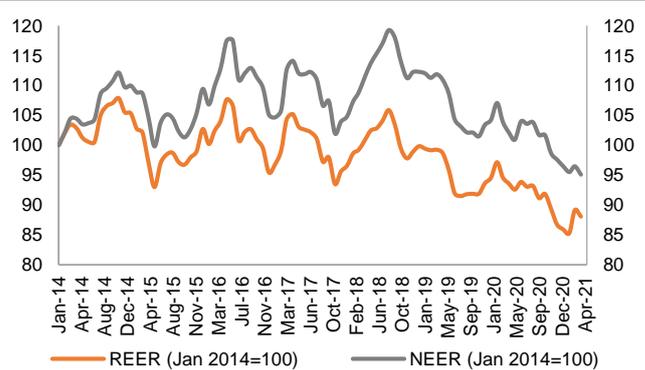
Source: NBG

Monetary policy rate, inflation and FX 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

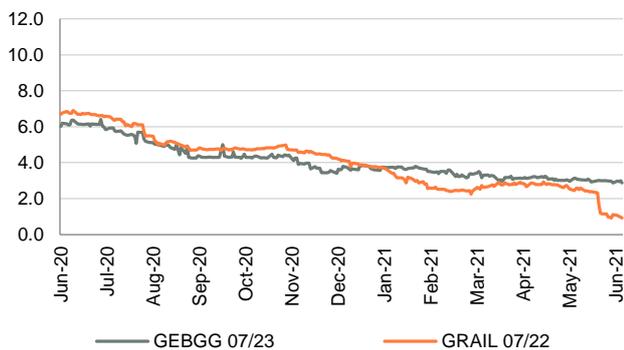
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 2.86% yield, trading at 106.40 (-0.01% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 101.52 (+0.26% w/w), yielding 5.51%.

Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.36 (+0.16% w/w), yielding 0.84%.

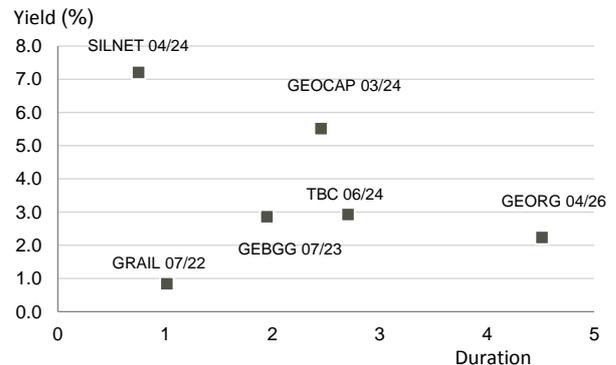
Georgian Sovereign Eurobonds (GEORG) closed at 102.37 (+0.95% w/w) at 2.23% yield to maturity.

Georgian Eurobonds, YTM (%)



Source: Bloomberg

Georgian Eurobond universe



Source: Bloomberg

Note: For Silknet duration calculation call date is taken as maturity.

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
GEORG 04/26	USD	500	2.750%	Apr-26	BB/BB/Ba2	102.37	2.23	145.82
GRAIL 07/22	USD	500	7.750%	Jul-22	BB-/B+/-	107.36	0.84	69.55
GEBGG 07/23	USD	350	6.000%	Jul-23	BB-/B+/-	106.40	2.86	261.61
GEBGG 11 1/8 PERP	USD	100	11.125%	n/a	B-/B-	110.20	8.99	692.42
GEOCAP 03/24	USD	300	6.125%	Mar-24	-/B/B2	101.52	5.51	516.57
SILKNET 04/24	USD	200	11.000%	Apr-24	B-/B1	109.44	7.21	541.37
TBC 06/24	USD	300	5.750%	Jun-24	BB-/B+/-	108.09	2.92	252.54
TBC PERP	USD	125	10.775%	n/a	B-/B-	109.88	9.22	689.84
GGU 07/25	USD	250	7.750%	Jul-25	B+/B/-	106.43	5.97	502.66

Georgian local bonds performance

KTW 12/22	USD	10	9.00%	Dec-22	-/-/-	n/a	n/a	n/a
GWP 12/21	GEL	30	12.50%	Dec-21	BB-/B+/-	n/a	n/a	n/a
M2CA 12/21	USD	30	7.50%	Dec-21	-/-/-	100.00	7.50	n/a
M2RE 10/22	USD	35	7.50%	Oct-22	-/-/-	100.43	7.20	n/a
GLC 08/21	USD	10	7.50%	Aug-21	-/-/-	100.00	7.50	n/a
GLC 08/22	USD	10	7.50%	Aug-22	-/-/-	n/a	n/a	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	USD	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	14.25%	Sep-21	B-/B-	100.00	14.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	n/a

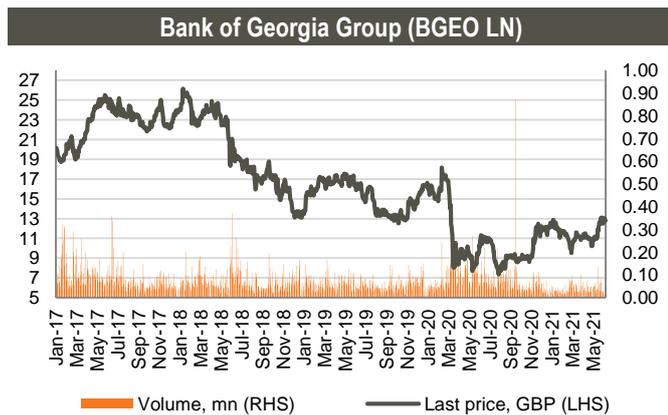
Source: Bloomberg

Equities

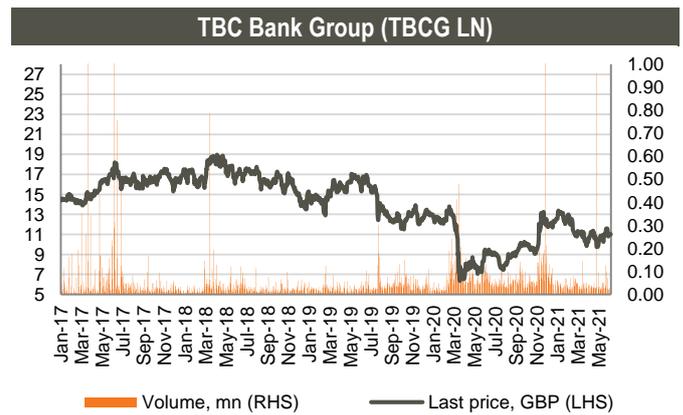
Bank of Georgia Group (BGEO LN) shares closed at GBP 12.76/share (+0.95% w/w and +15.79% m/m). More than 162k shares traded in the range of GBP 12.58 - 13.08/share. Average daily traded volume was 44k in the last 4 weeks. The volume of BGEO shares traded was at 0.33% of its capitalization.

Georgia Capital (CGEO LN) shares closed at GBP 6.18/share (-1.28% w/w and +2.15% m/m). More than 137k shares traded in the range of GBP 6.14 - 6.38/share. Average daily traded volume was 85k in the last 4 weeks. The volume of CGEO shares traded was at 0.29% of its capitalization.

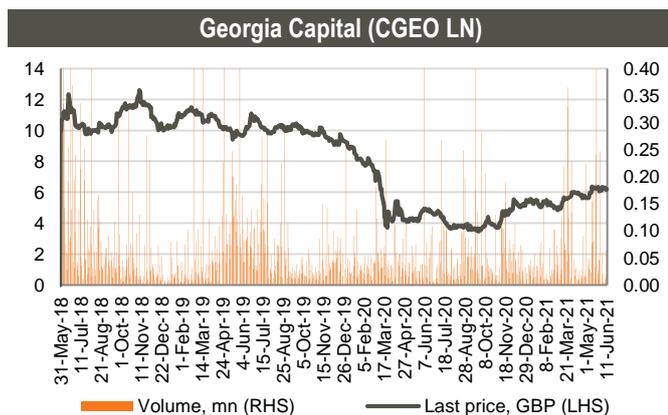
TBC Bank Group (TBCG LN) closed the week at GBP 11.00/share (+0.92% w/w and +1.48% m/m). More than 118k shares changed hands in the range of GBP 10.70 - 11.26/share. Average daily traded volume was 41k in the last 4 weeks. The volume of TBCG shares traded was at 0.22% of its capitalization.



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	
								2021F	2022F	2021F	2022F
Bank of Georgia	BGEO	GBP	12.76	627	7.8%	22.7%	4.6%	5.10x	4.28x	1.02x	0.88x
TBC	TBC	GBP	11.00	607	-7.6%	20.2%	-12.0%	4.60x	4.00x	0.79x	0.70x
Sberbank	SBER	USD	17.34	93,552	9.2%	45.5%	19.4%	6.71x	6.31x	1.18x	1.07x
Halyk Bank	HSBK	USD	16.12	4,737	42.0%	41.4%	38.4%	4.90x	5.04x	1.19x	1.13x
VTB Bank	VTBR	USD	1.41	9,163	39.6%	39.4%	48.1%	3.63x	3.37x	0.44x	0.41x
Akbank	AKBNK	TRY	5.51	28,652	-12.7%	-5.0%	-20.5%	3.79x	2.68x	0.41x	0.36x
Garanti	GARAN	TRY	8.46	35,532	-11.2%	3.7%	-18.4%	4.05x	2.82x	0.50x	0.43x
Isbank	ISCTR	TRY	5.34	24,030	-18.8%	4.3%	-23.7%	2.86x	2.12x	0.31x	0.28x
PKO	PKO	PLN	39.86	49,825	38.2%	70.2%	38.8%	10.83x	11.77x	1.16x	1.07x
PEKAO	PEO	PLN	98.12	25,754	61.3%	72.7%	60.6%	14.13x	12.28x	0.97x	0.93x
Millennium	MIL	PLN	4.86	5,891	51.3%	49.9%	48.5%	10.15x	7.64x	0.77x	0.70x
Mbank	MBK	PLN	294.00	12,456	64.0%	16.9%	64.1%	10.88x	11.28x	0.76x	0.72x
BRD	BRD	RON	16.14	11,248	10.5%	31.9%	8.6%	10.74x	10.21x	1.08x	1.21x
Banca Transilvania	TLV	RON	2.77	15,893	24.2%	45.8%	23.1%	9.88x	9.28x	1.49x	1.40x
OTP	OTPD	USD	22.00	12,320	-3.5%	-3.5%	-3.5%	8.57x	7.76x	1.20x	1.09x
Komercni	KOMB	CZK	794.00	150,899	28.3%	42.0%	20.9%	15.70x	13.34x	1.26x	1.25x
Mean								7.91x	7.14x	0.91x	0.85x
Median								7.64x	6.98x	1.00x	0.91x

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	
								2021F	2022F	2021F	2022F
Georgia Capital	CGEO	GBP	6.18	296	18.4%	28.8%	14.4%	na	na	na	na
Tinc Comm	TINC	EUR	12.44	452	-2.4%	-7.2%	-3.9%	na	na	na	na
Sabancı Holding	SAHOL	TRY	9.47	19,323	-10.0%	5.6%	-17.4%	3.59x	2.79x	0.43x	0.35x
Deutsche Beteiligungs	DBAN	EUR	35.55	535	15.5%	28.9%	14.1%	6.99x	7.23x	na	na
Eurazeo	RF	EUR	73.35	5,796	35.3%	62.5%	32.2%	10.87x	9.70x	0.95x	0.87x
Carlyle Group	CG	USD	44.16	15,658	49.0%	57.5%	40.5%	17.73x	14.25x	4.91x	4.13x
Mean								9.79x	8.49x	2.09x	1.78x
Median								8.93x	8.47x	0.95x	0.87x

Source: Bloomberg, S&P Capital IQ

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