



Weekly Market Watch

Weekly Market Watch | Georgia
December 2, 2019

Economy

Real GDP growth was 5.7% y/y in October 2019

Georgia's economy grew by 5.7% y/y in October 2019 after growing 5.2% y/y in previous month, according to Geostat's rapid estimates. In October 2019, real growth was recorded in manufacturing, construction, hotels & restaurants, and information & communication sectors. Meanwhile, real growth was down in mining and in arts, entertainment and recreation activities. Overall, real GDP growth was 5.1% y/y in 10M19. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

NPLs at 2.7% in October 2019

In October 2019, the banking sector loan portfolio increased 14.0% y/y, after growing 14.6% in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 19.4% y/y and up 2.1% m/m to GEL 30.8bn (US\$ 10.4bn). Deposits were up 11.4% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 18.1% y/y and up 2.7% m/m to GEL 26.3bn (US\$ 8.9bn). Loan dollarization stood at 55.3% (-1.09ppts y/y and +0.32ppts m/m) and deposit dollarization reached 63.9% (+0.51ppts y/y and +0.03ppts m/m). NPLs was 2.7% in October 2019 (-0.15ppts y/y and +0.02ppts m/m).

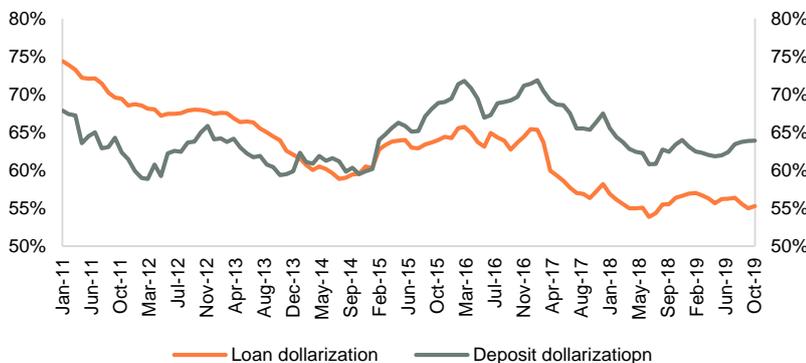
NBG sold US\$ 20.0mn

On 26 November 2019, the NBG intervened on the FX market and sold US\$ 20.0mn. YTD, the NBG is a net buyer of US\$ 123mn as it purchased US\$ 216mn in 1H19 and sold US\$ 92.8mn during August-November 2019.

Government targets a 2.5% deficit in the 2020 final budget

The government has submitted to the parliament the final draft of 2020 budget, which sets economic growth at 4.5% (revised down from 5.0% in initial draft) and GDP deflator at 3.5% (revised up from 3.0% in initial draft) for 2020. Fiscal deficit is set at 2.5% of GDP, total expenditures at 28.4% of GDP, and taxes at 23.2% of GDP on the consolidated budget level. Total public debt to GDP is set at 42.5% (2019E 40.9%), reflecting reduced share of external debt (2020F 32.2% vs. 2019E 32.5%) and increased share of domestic debt (2020F 10.3% vs. 2019E 8.4%). Importantly, all ratios to GDP are reduced due to GDP recalculation (see our note of 18 November 2019). Notably, in nominal terms tax revenues and expenditures were revised upwards significantly compared to initial draft, while fiscal deficit was revised up slightly. Moreover, government targets growth in deposits by GEL 700mn up from GEL 400mn in initial draft.

Loan and deposit dollarization



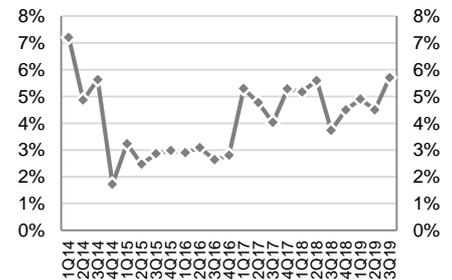
Source: NBG

Key macro indicators

	2016	2017	2018
GDP (% change)	2.9%	4.8%	4.8%
GDP per capita (ppp)	10,511	11,485	12,417
GDP per capita (US\$)	4,062	4,359	4,722
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)	12.4%	8.1%	6.8%
Fiscal deficit (% of GDP)	2.9%	2.7%	2.3%
Total public debt (% of GDP)	40.3%	39.4%	38.9%

Source: Official data, Galt & Taggart

Real GDP growth, %





Money market

Refinancing loans: National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.1bn (US\$ 712.5mn).

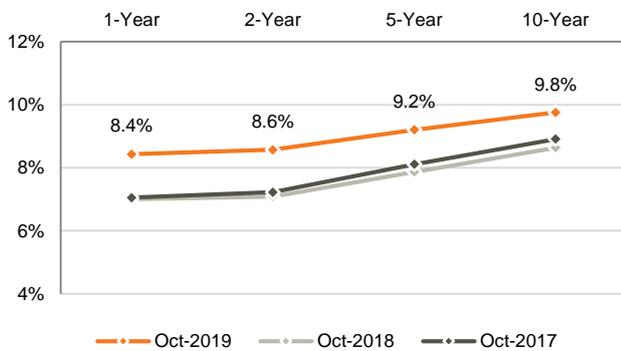
Ministry of Finance Benchmark Bonds: 5-year GEL 70.0mn (US\$ 23.5mn) Benchmark Bonds of Ministry of Finance were sold at the auction held at NBG on November 26, 2019. The weighted average yield was fixed at 9.461%. The nearest treasury security auction is scheduled for December 3, 2019, where GEL 60.0mn nominal value 1-year T-Bills will be sold.

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

Date	Volume, GEL mn	Maturity
3-Dec-19	60	1 year
10-Dec-19	70	6 month
10-Dec-19	70	2 year
17-Dec-19	30	10 year
24-Dec-19	70	5 year

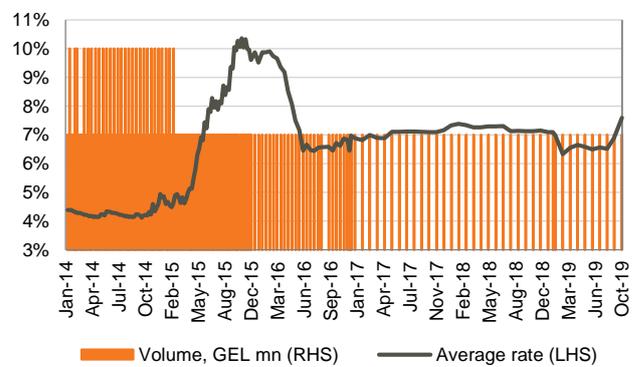
Source: MoF

T-bills / T-notes, yield curve



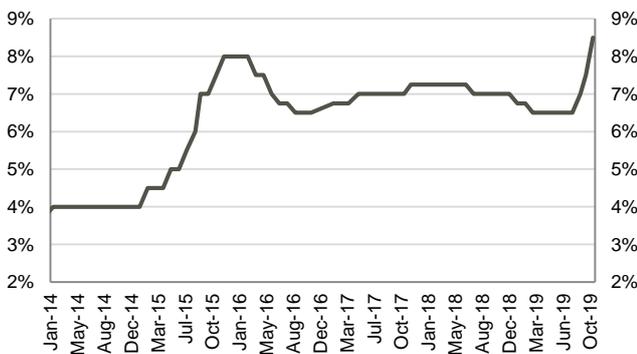
Source: NBG

Certificates of Deposits (weighted average rate)



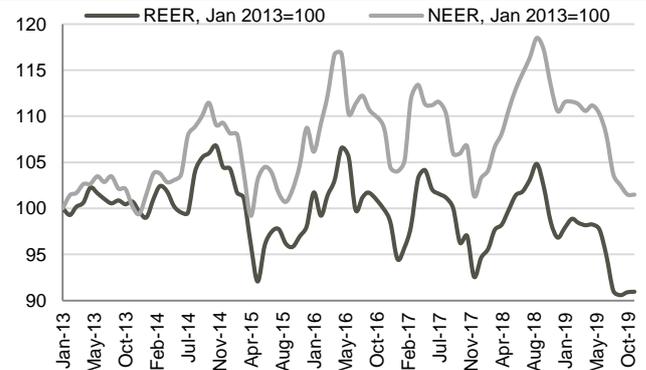
Source: NBG

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



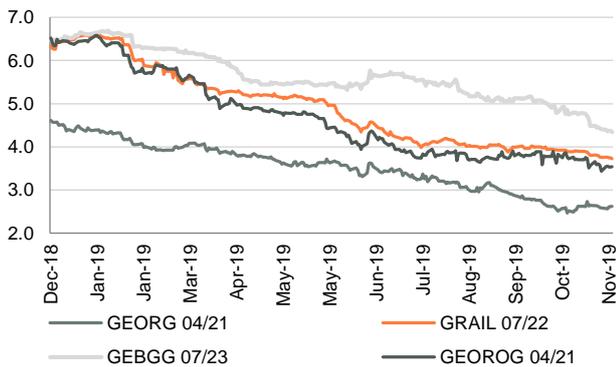
Fixed income

Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 4.34% yield, trading at 105.54 (+0.21% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 96.66 (-0.70% w/w), yielding 7.04%.

GOGC Eurobonds (GEOROG) were trading at 104.34 (-0.19% w/w), yielding 3.54%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.90 (+0.01% w/w), yielding 3.73%.

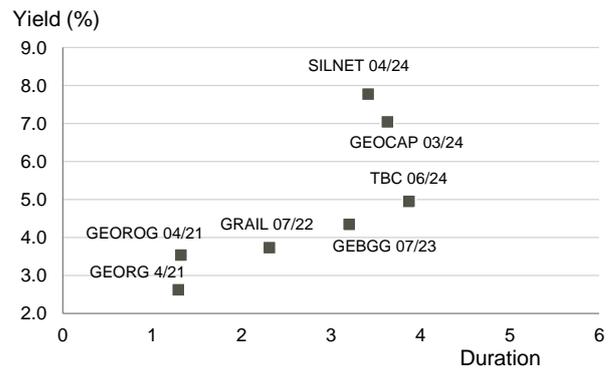
Georgian Sovereign Eurobonds (GEORG) closed at 105.64 (-0.12% w/w) at 2.62% yield to maturity.

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	105.64	2.62	90.72
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.90	3.73	206.36
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/B+/-	104.34	3.54	175.90
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B+/-	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B+/-	105.54	4.34	277.49
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	104.59	10.16	822.31
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B+/B2	96.66	7.04	525.12
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	111.65	7.78	600.33
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+/-	103.23	4.95	332.68
TBC PERP	US\$	125	10.775%	n/a	B-/-	102.33	10.47	854.03

Georgian local bonds performance

GWP 12/21	GEL	30	11.00%	Dec-21	BB-/B+/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	99.81	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.00	7.50	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	101.45	5.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	99.07	7.00	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	102.44	6.50	n/a
CRYSTAL 12/19	GEL	10	12.00%	Dec-19	B-/-	100.10	11.75	n/a
CRYSTAL 02/21	GEL	15	11.50%	Feb-21	B-/-	100.81	11.75	n/a
Nikora Trade 08/21	GEL	25	9.00%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 04/24	GEL	34	11.00%	Apr-24	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-/-/-	101.54	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	105.64	2.62	90.72
Armenia	US\$	500	6.000%	Sep-20	B+/-/Ba3	102.61	2.78	91.38
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.07	2.78	111.97
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	106.91	4.55	290.95
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.95	2.35	74.07
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.20	2.00	6.77
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.91	3.36	163.20
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	104.89	4.79	308.74

Source: Bloomberg

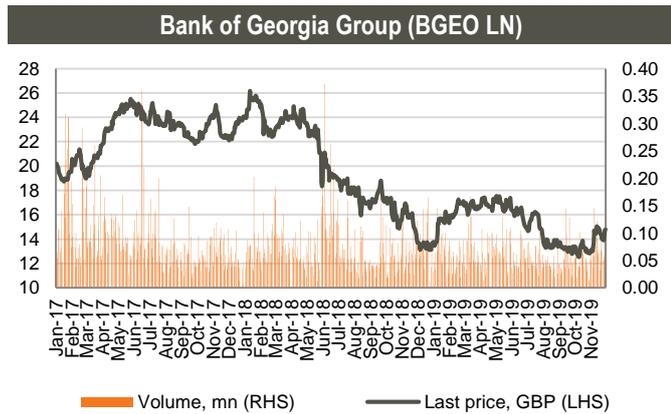
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 14.80/share (+5.71% w/w and +15.53% m/m). More than 367k shares traded in the range of GBP 13.83 - 14.94/share. Average daily traded volume was 76k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, gained 1.60% w/w and 3.19% m/m. The volume of BGEO shares traded was at 0.75% of its capitalization.

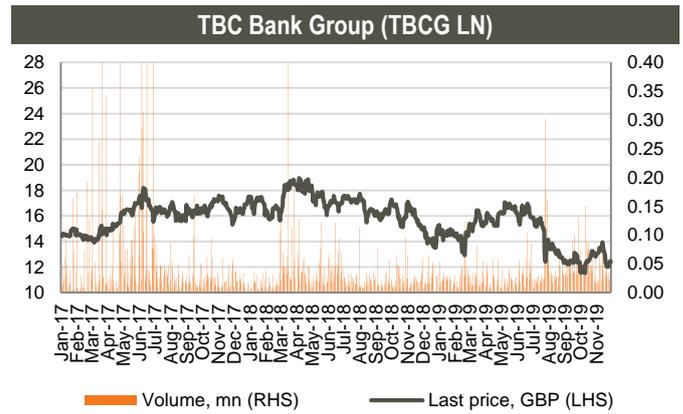
Georgia Capital (CGEO LN) shares closed at GBP 9.44/share (-0.63% w/w and -3.77% m/m). More than 208k shares traded in the range of GBP 9.26 - 9.60/share. Average daily traded volume was 43k in the last 4 weeks. The volume of CGEO shares traded was at 0.57% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 12.40/share (+3.33% w/w and -4.02% m/m). More than 106k shares changed hands in the range of GBP 11.90 - 12.56/share. Average daily traded volume was 35k in the last 4 weeks. The volume of TBCG shares traded was at 0.19% of its capitalization.

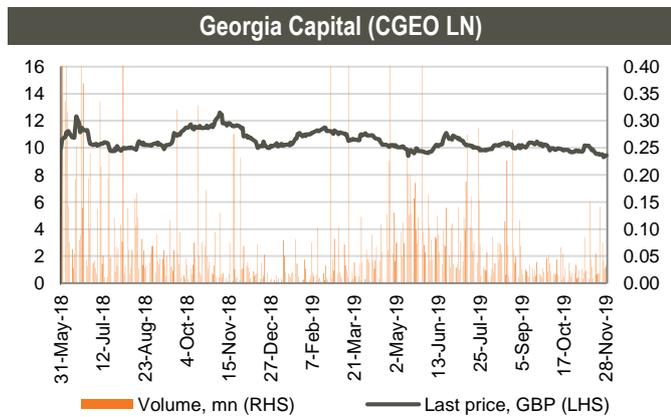
Georgia Healthcare Group (GHG LN) shares closed at GBP 1.65/share (-0.15% w/w and -12.02% m/m). More than 625k shares were traded in the range of GBP 1.64 - 1.70/share. Average daily traded volume was 66k in the last 4 weeks. The volume of GHG shares traded was at 0.48% of its capitalization.



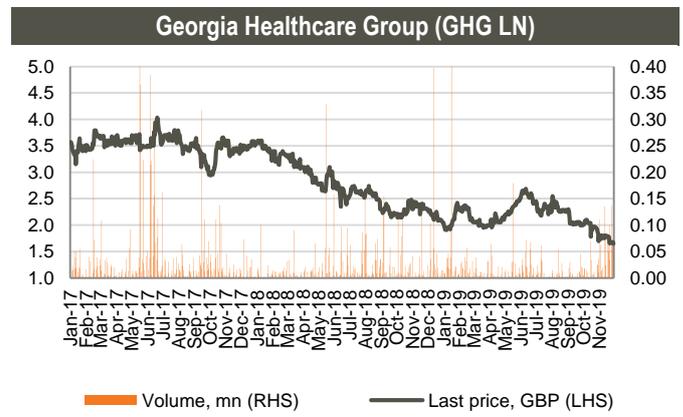
Source: Bloomberg



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	14.80	728	-14.8%	5.3%	7.5%	5.89x	5.64x	1.39x	1.10x
TBC	TBC	GBP	12.40	682	-23.9%	-17.0%	-18.5%	5.33x	4.96x	0.98x	0.86x
Halyk Bank	HSBK	US\$	13.35	3,923	14.6%	28.4%	29.0%	5.05x	4.90x	1.18x	1.05x
VTB Bank	VTBR	US\$	1.38	8,943	19.9%	6.4%	24.5%	3.69x	3.51x	0.56x	0.42x
Akbank	AKBNK	TRY	7.77	40,404	35.6%	20.1%	32.0%	7.46x	5.02x	0.78x	0.68x
Garanti	GARAN	TRY	10.10	42,420	35.2%	24.7%	26.9%	6.41x	4.44x	0.78x	0.69x
Isbank	ISCTR	TRY	6.15	27,675	25.3%	45.7%	35.8%	4.85x	3.92x	0.50x	0.44x
PKO	PKO	PLN	36.14	45,175	-5.0%	-13.3%	-8.4%	10.18x	9.79x	1.08x	1.05x
PEKAO	PEO	PLN	104.80	27,507	1.0%	-4.2%	-3.9%	12.24x	10.47x	1.18x	1.13x
Millennium	MIL	PLN	5.52	6,696	-40.9%	-40.7%	-37.8%	9.34x	7.56x	0.73x	0.68x
Mbank	MBK	PLN	372.20	15,758	-6.6%	-12.1%	-12.3%	12.64x	11.51x	0.96x	0.90x
BRD	BRD	RON	15.30	10,663	34.7%	8.8%	34.2%	6.94x	9.24x	1.39x	1.38x
Banca Transilvania	TLV	RON	2.55	13,301	21.7%	16.1%	37.8%	9.03x	9.48x	1.50x	1.48x
OTP	OTPD	USD	21.20	11,872	-5.4%	8.2%	8.2%	9.09x	9.06x	0.80x	0.70x
Komercni	KOMB	CZK	794.00	150,899	-8.7%	-12.0%	-6.3%	10.02x	10.66x	1.43x	1.37x
Mean								7.88x	7.34x	1.02x	0.93x
Median								7.46x	7.56x	0.98x	0.90x

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	9.44	347	-2.9%	-17.8%	-7.5%	13.61x	10.67x	0.95x	0.89x
Tinc Comm	TINC	EUR	13.80	376	15.8%	20.7%	20.7%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.10	18,568	24.8%	10.3%	21.0%	4.66x	3.84x	0.54x	0.48x
Deutsche Beteiligungs	DBAN	EUR	40.55	610	16.4%	14.1%	20.9%	18.86x	17.44x	1.34x	1.27x
Eurazeo	RF	EUR	61.85	4,872	-1.4%	-3.3%	5.1%	13.71x	11.54x	0.88x	0.83x
Carlyle Group	CG	USD	29.80	3,298	49.4%	61.7%	89.2%	17.14x	5.56x	3.22x	1.99x
Mean								13.60x	9.81x	1.39x	1.09x
Median								13.71x	10.67x	0.95x	0.89x

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	1.65	217	-33.0%	-28.5%	-19.2%	16.48x	12.14x	7.51x	6.31x
Mouwasset	MOUWASAT	SAR	83.60	8,360	-1.6%	11.5%	3.9%	20.87x	18.59x	15.01x	13.35x
Fortis	FORH	INR	138.75	104,750	9.7%	-6.0%	-1.2%	1.74x	1.58x	6.65x	6.74x
Raffles	RFMD	SGD	1.00	1,819	-3.4%	-15.0%	-9.5%	30.46x	30.21x	19.37x	18.54x
IHH	IHH	MYR	5.37	47,116	-2.4%	-2.4%	-0.4%	54.88x	38.54x	15.37x	13.90x
Bangkok Chain	BCH	THB	17.40	43,391	10.1%	-5.4%	4.2%	35.74x	31.74x	19.43x	17.67x
Netcare	NTC	ZAR	20.00	29,037	8.3%	-24.0%	-24.3%	13.62x	12.19x	8.09x	7.54x
Life Healthcare	LHC	ZAR	24.72	36,273	7.1%	-7.8%	-6.4%	21.51x	15.54x	8.61x	7.95x
Mediclinic	MDC	GBP	3.87	2,850	25.1%	5.8%	19.9%	14.34x	14.64x	9.23x	8.86x
Apollo Hospitals	APHS	INR	1,441.20	200,507	19.8%	15.7%	14.5%	70.26x	54.95x	21.81x	15.85x
KPJ Healthcare	KPJ	MYR	0.91	3,878	-2.2%	-15.4%	-13.0%	20.67x	19.13x	9.40x	9.51x
NMC	NMC	GBP	25.09	5,238	3.0%	-29.2%	-8.3%	21.33x	16.45x	13.50x	11.46x
Mean								26.83x	22.14x	12.83x	11.47x
Median								21.10x	17.52x	11.45x	10.49x

Source: Bloomberg, S&P Capital IQ



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