



Weekly Market Watch

Weekly Market Watch | Georgia
March 23, 2020

Economy

Real GDP growth was 5.1% in 2019

Georgia's real GDP growth in 4Q19 was revised downwards to 5.1% from 5.3% bringing growth for the full year 2019 to 5.1%. In 2019, the information & communication was the fastest growing sector (+15.2% y/y), followed by professional, scientific & technical activities (+14.4% y/y), entertainment & recreation (+14.3% y/y), healthcare (+9.6% y/y), accommodation & food service activities (+8.9% y/y), trade (+8.8% y/y) and education (+8.8% y/y) sectors. In 2019, real growth was down in public administration (-2.7% y/y), financial & insurance activities (-2.1% y/y), mining (-2.0% y/y) and agriculture (-1.1% y/y).

Exports flat y/y in February 2020

In February 2020, exports decreased by a mere 0.5% y/y to US\$ 263.6mn, imports were up 8.4% y/y to US\$ 702.5mn. As a result, the trade deficit widened 14.5% y/y to US\$ 438.9mn, according to Geostat.

In February 2020, cars (+59.5% y/y), copper (+11.3% y/y), ferro-alloys (-18.4% y/y), wine (-22.6% y/y) and fertilizers (-42.5% y/y) were the top 5 exported commodities. A 19.7% of exports was directed to the EU (-11.4% y/y), 47.7% to the CIS (-2.0% y/y) and 32.6% to other countries (+10.1% y/y).

Cars (+49.7% y/y), petroleum (-2.0% y/y), copper (+32.4% y/y), gases (+10.3% y/y) and pharmaceuticals (-31.3% y/y) represented the top 5 imported commodities in February 2020.

Overall, in 2M20, trade deficit was up 8.2% to US\$ 801.3mn as exports increased by 4.5% y/y to US\$ 526.3mn and imports increased by 6.7% y/y to US\$ 1.3bn.

Producer price index up 6.7% y/y in February 2020

Annual PPI for industrial goods was up 6.7% in February 2020 according to Geostat. Rising prices in manufacturing (+7.0% y/y) contributed the most to the overall index change.

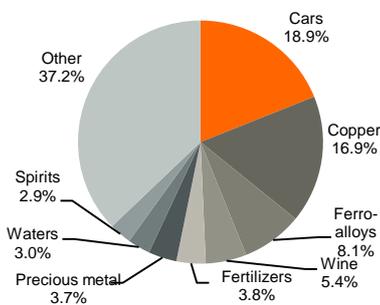
NBG sold US\$ 40.0mn

On 19 March 2020, the NBG intervened on the FX market and sold US\$ 40.0mn to curb GEL depreciation pressure. This was second FX intervention in 2020 for a total of US\$ 60.0mn sales.

NBG kept its monetary policy rate unchanged at 9.0%

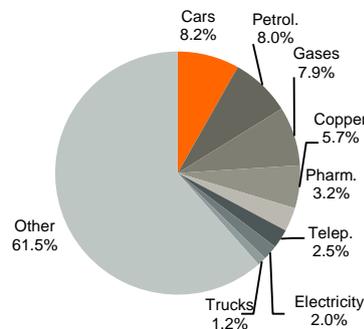
At its meeting on 18 March 2020, NBG's monetary policy committee decided to keep its policy rate unchanged at 9.0%. According to NBG, currency depreciation puts upward pressure on inflation expectations, while weak demand puts a downward pressure. Therefore, the NBG communicated that the policy rate may move in both directions depending on the exchange rate/demand effects. NBG also approached the IMF to increase access to funding, while, additional funds will be allocated by other international donors to mitigate the effects of the coronavirus pandemic. The next committee meeting is scheduled for 29 April 2020. However, if necessary, the committee will consider the possibility of extraordinary meeting.

Exports by commodities, 2M20



Source: Geostat

Imports by commodities, 2M20

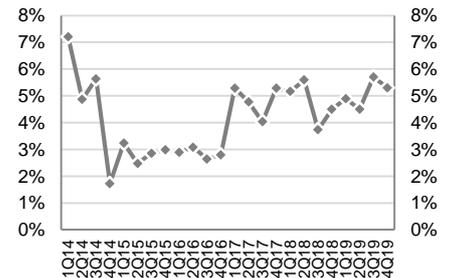


Key macro indicators

	2017	2018	2019E
GDP (% change)	4.8%	4.8%	5.1%
GDP per capita (ppp)	11,485	12,417	13,559
GDP per capita (US\$)	4,359	4,722	4,763
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%	4.4%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.4%
Total public debt (% of GDP)	39.4%	38.9%	39.8%

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

<p>BB Stable Upgraded Oct-2019</p>	<p>Ba2 Stable Affirmed Sep-2019</p>	<p>BB Stable Affirmed Feb-2020</p>
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Source: Rating agencies



Money market

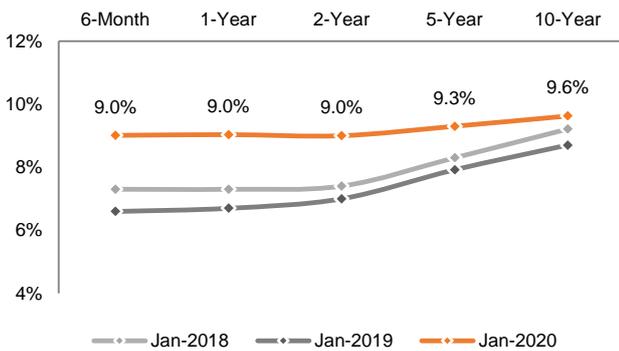
Treasury auctions: There was no treasury securities auction last week. The nearest treasury security auction is scheduled for March 24, 2020, where GEL 80.0mn nominal value 5-year Benchmark Bonds will be sold.

T-bills / T-notes in 2020

Maturity	YTD placements, GEL mn	Remaining placements, GEL mn	Outstanding amount, GEL mn*
6-month	110	180	320
1-year	150	450	560
2-year	210	630	1,070
5-year	160	800	1,543
10-year	30	120	523
Total	660	2,180	4,015

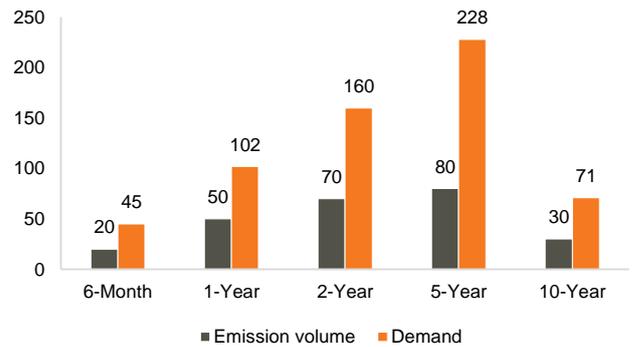
Source: MoF
Note: * As of 29 February 2020

T-bills / T-notes, yield curve



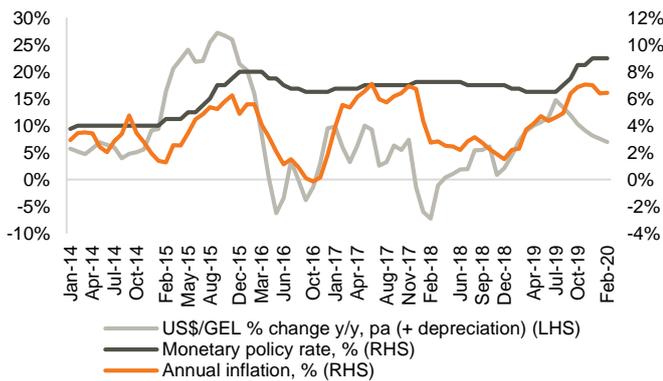
Source: NBG

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



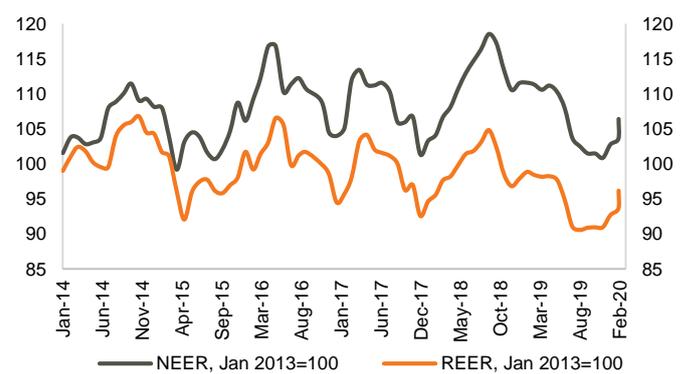
Source: NBG

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

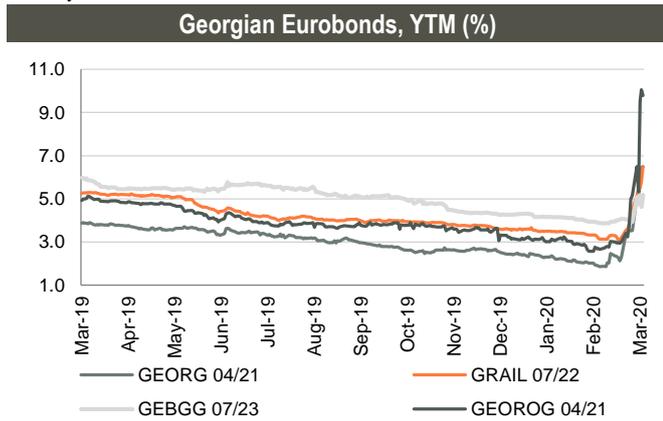


Fixed income

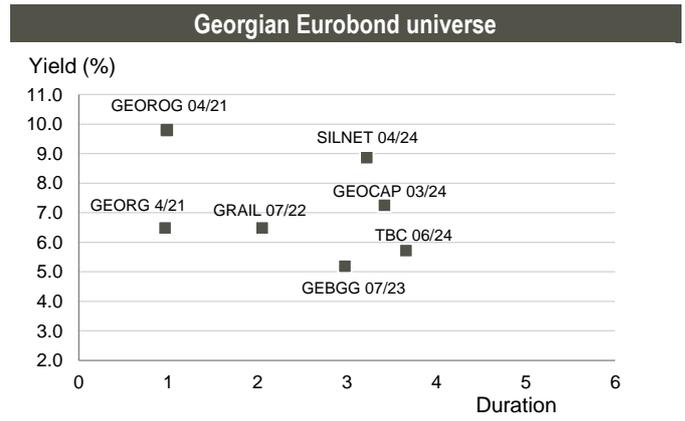
Corporate Eurobonds: Bank of Georgia Group Eurobonds (GEBGG) closed at 5.18% yield, trading at 102.47 (-3.76% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 96.20 (-0.55% w/w), yielding 7.25%.

GOGC Eurobonds (GEOROG) were trading at 96.92 (-4.68% w/w), yielding 9.79%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 102.65 (-4.07% w/w), yielding 6.48%.

Georgian Sovereign Eurobonds (GEORG) closed at 100.39 (-2.99% w/w) at 6.48% 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	100.39	6.48	593.54
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	102.65	6.48	595.20
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB/BB/-	96.92	9.79	937.05
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+/-	102.47	5.18	445.06
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-	98.42	10.07	1,112.17
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	96.20	7.25	722.62
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	107.10	8.86	844.17
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+/-	100.10	5.72	510.28
TBC PERP	US\$	125	10.775%	n/a	B-/-	97.80	10.66	1,084.79

Georgian local bonds performance

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	-/-/-	100.83	7.00	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	100.57	7.25	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	100.86	5.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	101.79	6.00	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	100.83	7.00	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/-/-	100.00	13.00	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	15.25	n/a
EVEX 11/24	GEL	50	12.10%	Nov-24	-/-/BB	n/a	n/a	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	100.39	6.48	593.54
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	99.62	6.76	605.89
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	97.37	4.74	416.25
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	96.96	8.06	768.20
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	100.66	3.72	323.16
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	100.10	3.91	216.65
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	99.09	6.57	554.74
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	95.20	11.46	1,071.34

Source: Bloomberg



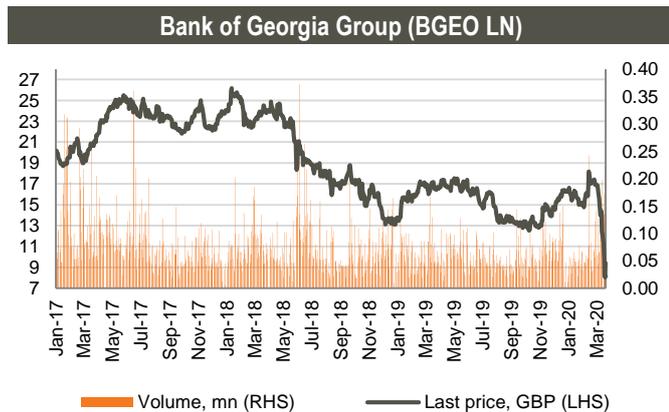
Equities

Bank of Georgia Group (BGEO LN) shares closed at GBP 9.45/share (-23.17% w/w and -45.15% m/m). More than 878k shares traded in the range of GBP 6.90 - 12.45/share. Average daily traded volume was 124k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 12.65% w/w and 37.84% m/m. The volume of BGEO shares traded was at 1.79% of its capitalization.

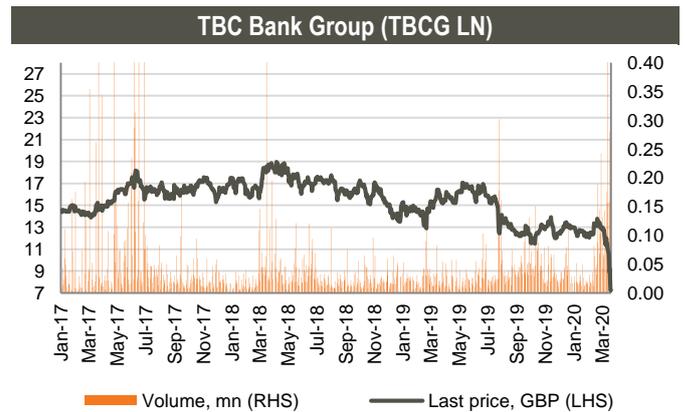
Georgia Capital (CGEO LN) shares closed at GBP 3.85/share (-31.62% w/w and -50.45% m/m). More than 473k shares traded in the range of GBP 3.70 - 5.50/share. Average daily traded volume was 67k in the last 4 weeks. The volume of CGEO shares traded was at 1.29% of its capitalization.

TBC Bank Group (TBCG LN) closed the week at GBP 7.24/share (-34.54% w/w and -47.46% m/m). More than 1.4mn shares changed hands in the range of GBP 7.04 - 11.06/share. Average daily traded volume was 172k in the last 4 weeks. The volume of TBCG shares traded was at 2.50% of its capitalization.

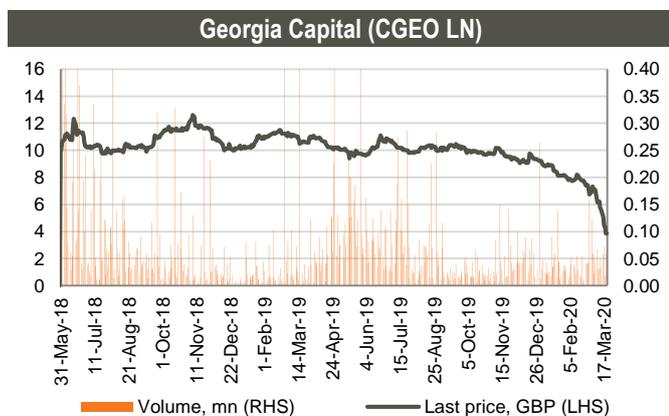
Georgia Healthcare Group (GHG LN) shares closed at GBP 0.77/share (-10.23% w/w and -39.21% m/m). More than 375k shares were traded in the range of GBP 0.60 - 0.83/share. Average daily traded volume was 69k in the last 4 weeks. The volume of GHG shares traded was at 0.29% of its capitalization.



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	9.45	465	-28.4%	-42.9%	-41.8%	3.40x	3.24x	0.75x	0.68x
TBC	TBC	GBP	7.24	398	-44.8%	-54.7%	-44.3%	2.64x	2.40x	0.51x	0.48x
Halyk Bank	HSBK	US\$	8.00	2,351	-39.8%	-32.5%	-40.1%	2.80x	2.79x	0.67x	0.64x
VTB Bank	VTBR	US\$	0.81	5,262	-37.2%	-32.7%	-44.5%	2.01x	2.26x	0.30x	0.24x
Akbank	AKBNK	TRY	5.52	28,704	-25.0%	-17.7%	-31.9%	4.83x	3.60x	0.50x	0.46x
Garanti	GARAN	TRY	7.46	31,332	-19.5%	-20.7%	-33.0%	4.40x	3.33x	0.52x	0.50x
Isbank	ISCTR	TRY	4.94	22,230	-15.6%	-23.4%	-22.9%	3.46x	2.73x	0.36x	0.34x
PKO	PKO	PLN	23.06	28,825	-42.1%	-41.8%	-33.1%	6.08x	6.51x	0.62x	0.67x
PEKAO	PEO	PLN	56.80	14,908	-45.4%	-49.3%	-43.5%	6.06x	5.87x	0.57x	0.61x
Millennium	MIL	PLN	3.68	4,466	-37.5%	-60.8%	-37.1%	5.40x	4.84x	0.44x	0.45x
Mbank	MBK	PLN	248.40	10,517	-21.6%	-44.3%	-36.2%	7.53x	7.53x	0.57x	0.60x
BRD	BRD	RON	11.30	7,875	-18.8%	-13.1%	-28.7%	4.79x	6.74x	0.92x	1.02x
Banca Transilvania	TLV	RON	1.73	9,024	-27.9%	-11.4%	-33.3%	4.58x	6.00x	0.95x	1.01x
OTP	OTPD	USD	22.80	12,768	7.5%	0.0%	7.5%	9.60x	9.87x	0.82x	0.77x
Komercni	KOMB	CZK	484.00	91,984	-40.4%	-49.0%	-41.7%	5.40x	6.61x	0.77x	0.83x
Mean								4.87x	4.95x	0.62x	0.62x
Median								4.79x	4.84x	0.57x	0.61x

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	3.85	141	-63.2%	-63.8%	-58.2%	5.40x	3.71x	0.38x	n/a
Tinc Comm	TINC	EUR	12.10	330	-8.9%	2.8%	-9.4%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	7.53	15,364	-15.2%	-12.0%	-21.1%	4.51x	3.65x	0.53x	0.52x
Deutsche Beteiligungs	DBAN	EUR	24.65	371	-23.2%	-26.2%	-37.5%	9.21x	12.06x	0.82x	0.83x
Eurazeo	RF	EUR	40.70	3,206	-38.6%	-37.7%	-33.3%	10.04x	8.39x	0.61x	0.49x
Carlyle Group	CG	USD	19.39	2,146	-27.1%	1.6%	-39.6%	11.19x	8.41x	1.20x	1.61x
Mean								8.07x	7.24x	0.71x	0.86x
Median								9.21x	8.39x	0.61x	0.67x

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	0.77	102	-62.3%	-60.4%	-37.2%	7.47x	5.87x	4.16x	3.77x
Mouwasset	MOUWASAT	SAR	74.70	7,470	-15.2%	-7.3%	-15.1%	19.17x	16.94x	13.28x	10.40x
Fortis	FORH	INR	131.90	99,579	1.9%	-3.2%	0.0%	1.55x	1.55x	6.47x	6.60x
Raffles	RFMD	SGD	0.79	1,444	-22.5%	-26.9%	-21.0%	22.70x	24.73x	14.70x	14.80x
IHH	IHH	MYR	5.17	45,362	-9.3%	-11.6%	-5.5%	47.57x	43.56x	13.92x	14.05x
Bangkok Chain	BCH	THB	12.40	30,922	-19.0%	-24.8%	-27.5%	23.96x	23.53x	13.66x	13.02x
Netcare	NTC	ZAR	15.60	22,649	-9.3%	-39.1%	-19.8%	8.87x	11.30x	5.78x	6.35x
Life Healthcare	LHC	ZAR	18.67	27,395	-18.1%	-31.7%	-24.3%	13.54x	11.58x	6.18x	6.10x
Mediclinic	MDC	GBP	2.77	2,045	-20.4%	-11.9%	-32.6%	9.26x	10.64x	7.19x	6.64x
Apollo Hospitals	APHS	INR	1,362.95	189,621	-7.2%	16.9%	-5.5%	63.39x	55.02x	19.97x	14.59x
KPJ Healthcare	KPJ	MYR	0.78	3,321	-13.4%	-24.8%	-18.0%	16.65x	16.26x	8.41x	8.01x
NMC	NMC	GBP	9.38	1,959	-67.8%	-64.3%	-46.9%	8.77x	6.57x	9.74x	8.32x
Mean								20.24x	18.96x	10.29x	9.39x
Median								15.09x	13.92x	9.07x	8.17x

Source: Bloomberg, S&P Capital IQ

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