



# Weekly Market Watch

Weekly Market Watch | Georgia  
June 29, 2020

## Economy

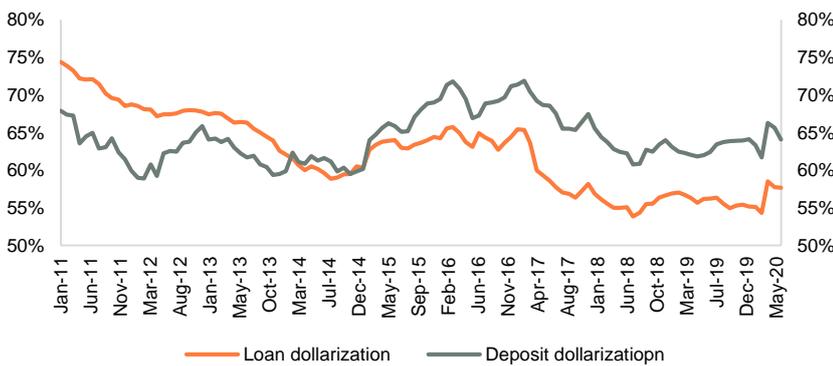
### NPLs at 2.3% in May 2020

In May 2020, the banking sector loan portfolio increased 15.3% y/y after growing 17.2% y/y in previous month, excluding the exchange rate effect. In unadjusted terms, loan portfolio was up 23.8% y/y and flat m/m to GEL 34.2bn (US\$ 10.8bn). Deposits were up 8.7% y/y excluding the exchange rate effect. In unadjusted terms, deposits were up 17.9% y/y and 2.3% m/m to GEL 28.2bn (US\$ 8.9bn). Loan dollarization stood at 57.7% (+1.47ppts y/y and flat m/m) and deposit dollarization was 64.1% (+2.11ppts y/y and -1.57ppts m/m). NPLs stood at 2.3% in May 2020 (-0.80ppts y/y and flat m/m).

### NBG cuts its policy rate by 0.25ppts to 8.25%

At its meeting on 24 June 2020, NBG's monetary policy committee decided to reduce its policy rate by 25bps to 8.25%. According to NBG, on the one-hand the Covid-19 prevention measures increased short-term logistic costs leading to rise in inflation, however, on the other hand weaker external and domestic demand seems to last longer and a downward pressure on prices is expected through the year. As inflation is expected to decrease, the committee decided to continue the gradual exit from the tightened monetary policy. The pace of further policy normalization will depend on how quickly inflation expectations fade. The next committee meeting is scheduled for 5 August 2020.

### Loan and deposit dollarization



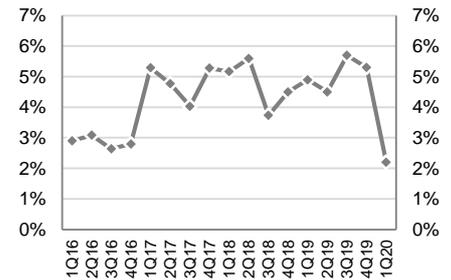
Source: NBG

### Key macro indicators

	2017	2018	2019
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%	5.1%
Fiscal deficit (% of GDP)	2.7%	2.3%	2.0%
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

 <b>BB</b> Stable Upgraded Oct-2019	 <b>Ba2</b> Stable Affirmed Mar-2020	 <b>BB</b> Negative Affirmed Apr-2020
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Source: Rating agencies



# Money market

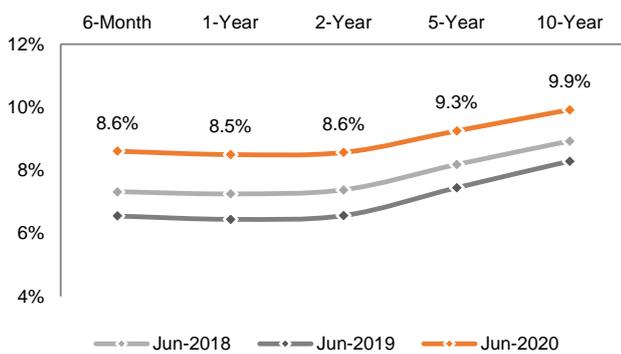
**Ministry of Finance Benchmark Bonds:** 5-year GEL 80.0mn (US\$ 26.3mn) Benchmark Bonds were sold at the auction held at NBG on June 23, 2020. Total demand was 2.1x higher and the weighted average yield was fixed at 8.668%, down 0.44ppts from previous auction held in May, 2020. The nearest treasury security auction is scheduled for July 7, 2020, where GEL 20.0mn nominal value 6-month T-Bills and GEL 70.0mn nominal value 2-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	230	60	250
1-year	360	240	620
2-year	420	420	1,280
5-year	480	480	1,743
10-year	70	80	563
<b>Total</b>	<b>1,560</b>	<b>1,280</b>	<b>4,455</b>

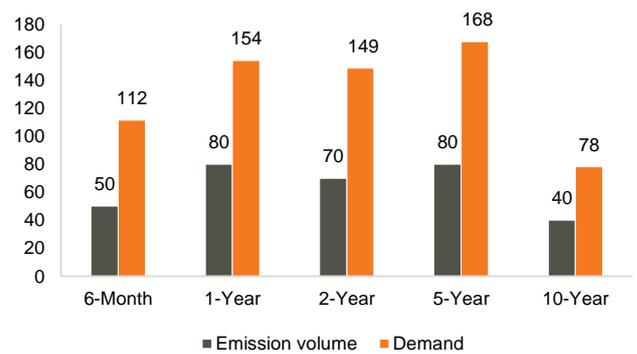
Source: MoF  
Note: \* As of 31 May 2020

## T-bills / T-notes, yield curve



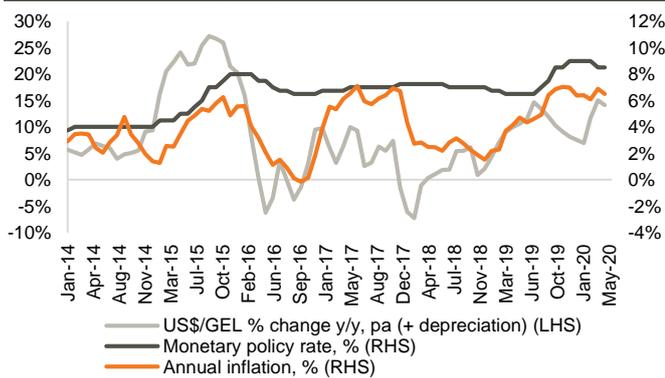
Source: NBG

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



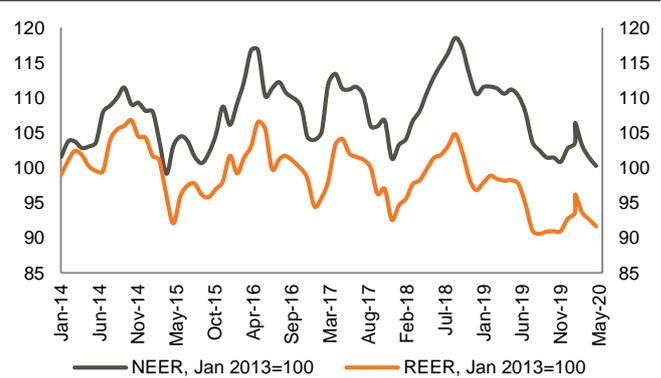
Source: NBG

## 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

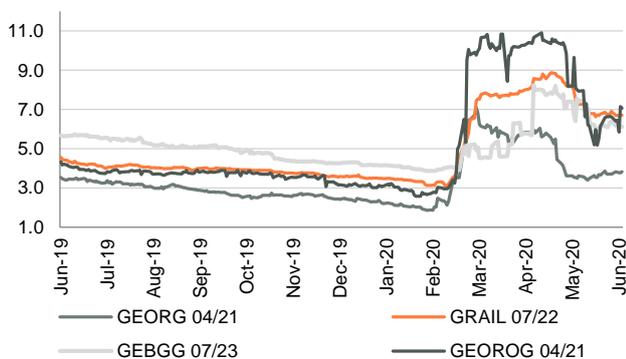
## Fixed income

**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 6.12% yield, trading at 99.66 (+0.70% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 91.01 (-1.71% w/w), yielding 9.04%.

GOGC Eurobonds (GEOROG) were trading at 99.74 (-0.34% w/w), yielding 7.06%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 101.94 (+0.34% w/w), yielding 6.71%.

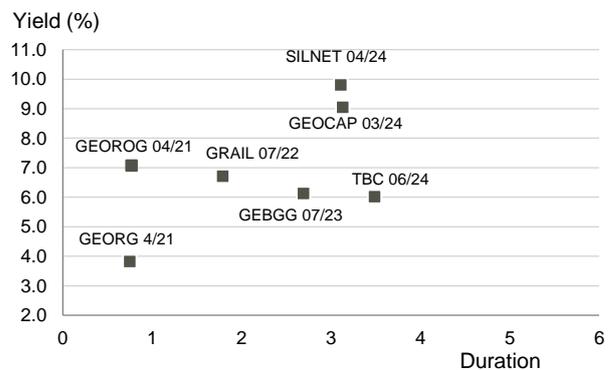
**Georgian Sovereign Eurobonds (GEORG)** closed at 102.33 (-0.16% w/w) at 3.82% yield to maturity.

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	102.33	3.82	361.03
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	101.94	6.71	658.47
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/BB-/-	99.74	7.06	857.80
GEBGG 06/20	GEL	500	11.000%	Jun-20	BB-/B/Ba2	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	Jul-23	BB-/B/Ba2	99.66	6.12	605.14
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/-/-	97.17	10.01	1,177.36
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-B/B2	91.01	9.04	876.68
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	103.67	9.80	952.80
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B/Ba2	99.08	6.01	575.82
TBC PERP	US\$	125	10.775%	n/a	B-/-/-	96.08	10.31	1,167.78

#### 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	-/-/-	98.94	8.25	n/a
M2RE 10/22	US\$	35	7.50%	Oct-22	-/-/-	98.45	8.25	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	-/-/-	99.97	7.00	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	-/-/-	99.76	6.75	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	-/-/-	99.73	7.75	n/a
CRYSTAL 02/21	GEL	15	13.00%	Feb-21	B-/-/-	100.00	12.50	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	14.75	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	102.33	3.82	361.03
Armenia	US\$	500	6.000%	Sep-20	BB-/Ba3	99.84	6.57	567.65
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	100.09	2.74	247.63
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	100.32	6.74	646.45
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	109.32	1.62	134.87
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	101.87	3.08	277.28
Ukraine	US\$	1,409	7.750%	Sep-21	B/B/Caa1	102.54	5.47	517.72

Source: Bloomberg

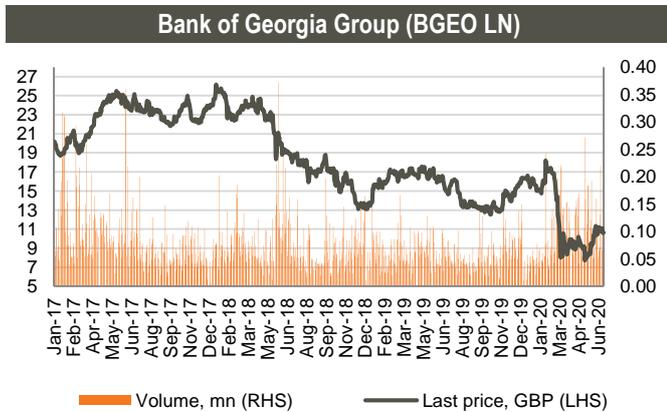
# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 10.62/share (-1.48% w/w and +26.88% m/m). More than 381k shares traded in the range of GBP 10.02 - 11.24/share. Average daily traded volume was 88k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 3.25% w/w and gained 1.06% m/m. The volume of BGEO shares traded was at 0.78% of its capitalization.

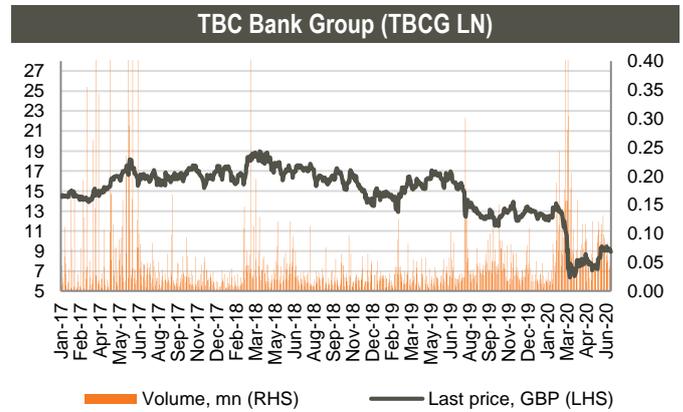
**Georgia Capital (CGEO LN)** shares closed at GBP 4.60/share (-2.44% w/w and +6.98% m/m). More than 129k shares traded in the range of GBP 4.51 - 4.80/share. Average daily traded volume was 55k in the last 4 weeks. The volume of CGEO shares traded was at 0.35% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 8.93/share (-1.98% w/w and +24.03% m/m). More than 207k shares changed hands in the range of GBP 8.64 - 9.34/share. Average daily traded volume was 71k in the last 4 weeks. The volume of TBCG shares traded was at 0.38% of its capitalization.

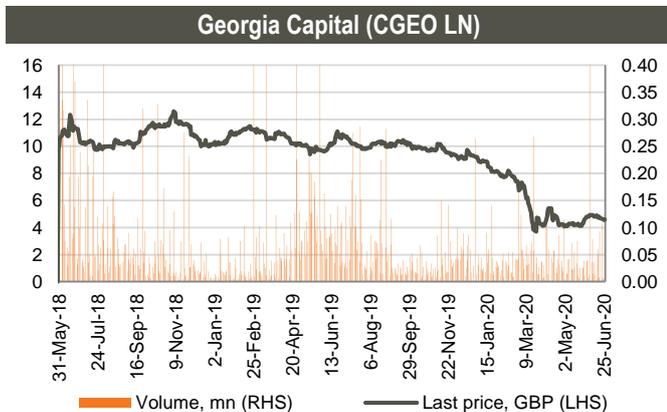
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 0.90/share (+4.17% w/w and +5.88% m/m). More than 424k shares were traded in the range of GBP 0.86 - 0.93/share. Average daily traded volume was 72k in the last 4 weeks. The volume of GHG shares traded was at 0.32% of its capitalization.



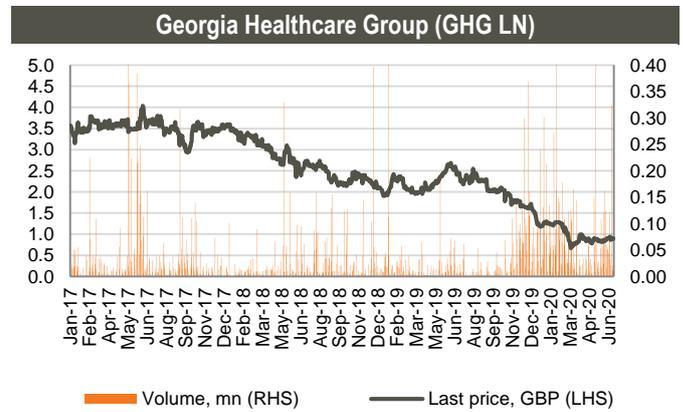
Source: Bloomberg



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		
							2019	2020F	2019	2020F	
Bank of Georgia	BGEO	GBP	10.62	522	-34.7%	-29.7%	-34.6%	4.05x	8.34x	0.89x	0.85x
TBC	TBC	GBP	8.93	491	-30.8%	-44.3%	-31.3%	3.45x	7.97x	0.66x	0.65x
Halyk Bank	HSBK	US\$	12.80	3,761	-3.4%	-2.7%	-4.1%	4.48x	5.32x	1.07x	1.02x
VTB Bank	VTBR	US\$	0.96	6,221	-34.6%	-25.2%	-34.4%	2.37x	4.84x	0.36x	0.33x
Akbank	AKBNK	TRY	5.89	30,628	-28.6%	-12.4%	-27.4%	4.92x	5.02x	0.51x	0.51x
Garanti	GARAN	TRY	8.22	34,524	-25.5%	-7.5%	-26.2%	4.63x	4.79x	0.55x	0.55x
Isbank	ISCTR	TRY	5.39	24,255	-14.4%	-8.6%	-15.9%	3.60x	4.21x	0.38x	0.38x
PKO	PKO	PLN	22.37	27,963	-35.5%	-47.5%	-35.1%	6.27x	12.20x	0.64x	0.64x
PEKAO	PEO	PLN	52.82	13,864	-47.8%	-47.8%	-47.4%	5.99x	12.81x	0.56x	0.57x
Millennium	MIL	PLN	3.09	3,743	-46.9%	-68.0%	-47.2%	4.80x	14.79x	0.39x	0.41x
Mbank	MBK	PLN	237.60	10,059	-39.0%	-44.1%	-39.0%	7.68x	18.21x	0.58x	0.59x
BRD	BRD	RON	11.50	8,014	-26.8%	-7.3%	-27.4%	5.12x	10.22x	0.99x	0.91x
Banca Transilvania	TLV	RON	2.10	10,953	-18.8%	-3.4%	-19.1%	5.85x	13.23x	1.21x	1.40x
OTP	OTPD	USD	22.80	12,768	7.5%	7.5%	7.5%	9.60x	17.89x	0.82x	0.79x
Komercni	KOMB	CZK	560.00	106,428	-31.8%	-36.8%	-32.5%	6.69x	13.45x	0.95x	0.93x
<b>Mean</b>								<b>5.30x</b>	<b>10.22x</b>	<b>0.70x</b>	<b>0.70x</b>
<b>Median</b>								<b>4.92x</b>	<b>10.22x</b>	<b>0.64x</b>	<b>0.64x</b>

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		
							2019	2020F	2019	2020F	
Georgia Capital	CGEO	GBP	4.60	169	-50.8%	-57.0%	-50.1%	6.10x	4.06x	0.43x	n/a
Tinc Comm	TINC	EUR	12.80	349	-4.1%	3.6%	-4.1%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.12	18,608	-4.2%	9.1%	-4.4%	4.24x	3.47x	0.50x	0.49x
Deutsche Beteiligungs	DBAN	EUR	30.15	454	-21.6%	-12.0%	-23.6%	11.15x	nmf	1.00x	1.18x
Eurazeo	RF	EUR	44.98	3,543	-27.0%	-26.7%	-26.3%	10.98x	26.14x	0.66x	0.64x
Carlyle Group	CG	USD	26.47	2,930	-15.3%	20.9%	-17.5%	15.28x	5.41x	1.64x	3.85x
<b>Mean</b>								<b>9.55x</b>	<b>9.77x</b>	<b>0.84x</b>	<b>1.54x</b>
<b>Median</b>								<b>10.98x</b>	<b>4.73x</b>	<b>0.66x</b>	<b>0.91x</b>

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		
							2019	2020F	2019	2020F	
GHG	GHG	GBP	0.90	119	-39.8%	-62.9%	-26.8%	9.23x	7.11x	4.65x	4.69x
Mouwasset	MOUWASAT	SAR	89.90	8,990	0.4%	1.5%	2.2%	23.09x	23.95x	15.83x	15.31x
Fortis	FORH	INR	123.35	93,124	-5.7%	-4.7%	-6.5%	1.45x	1.39x	6.44x	6.66x
Raffles	RFMD	SGD	0.91	1,663	-9.0%	-12.5%	-9.0%	27.22x	33.53x	17.38x	19.47x
IHH	IHH	MYR	5.36	47,029	-4.3%	-7.6%	-2.0%	50.51x	53.56x	14.74x	16.21x
Bangkok Chain	BCH	THB	14.60	36,409	-13.1%	-11.5%	-14.6%	29.82x	31.41x	16.55x	16.86x
Netcare	NTC	ZAR	13.29	19,295	-31.7%	-25.8%	-31.7%	7.70x	17.10x	5.20x	9.76x
Life Healthcare	LHC	ZAR	17.01	24,960	-30.9%	-24.9%	-31.0%	12.56x	36.58x	5.89x	8.18x
Mediclinic	MDC	GBP	2.58	1,905	-36.7%	-11.9%	-37.2%	9.14x	10.19x	7.15x	7.03x
Apollo Hospitals	APHS	INR	1,388.15	193,127	0.6%	6.1%	-3.7%	64.18x	57.63x	20.18x	14.45x
KPJ Healthcare	KPJ	MYR	0.84	3,599	-10.2%	-12.0%	-11.1%	18.49x	22.89x	9.02x	10.44x
NMC	NMC	GBP	9.38	1,959	-47.3%	-60.3%	-46.9%	n/a	n/a	n/a	n/a
<b>Mean</b>								<b>23.04x</b>	<b>26.85x</b>	<b>11.18x</b>	<b>11.73x</b>
<b>Median</b>								<b>18.49x</b>	<b>23.95x</b>	<b>9.02x</b>	<b>10.44x</b>

Source: Bloomberg, S&P Capital IQ

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