



# Weekly Market Watch

Weekly Market Watch | Georgia  
Mar 25, 2019

## Economy

### Real GDP growth was 4.5% in 4Q and 4.7% in 2018

Georgia's real GDP growth in 4Q18 was revised downwards to 4.5% from 4.8% rapid estimate by Geostat. Growth was 4.7% for the full year. In 2018, the financial intermediation was the fastest growing sector (+13.5% y/y), followed by other community, social and personal service activities (+13.2% y/y), real estate operations (+12.1% y/y) and hotels and restaurants (+9.7% y/y) sectors. In 2018, real growth was only down in construction sector by 3.1% y/y, explained by delays in public infrastructure spending as well as completion of BP gas pipeline construction.

### Exports up 19.1% y/y in February 2019

In February 2019, exports increased by 19.1% y/y to US\$ 266.3mn, while imports were up 0.6% y/y to US\$ 642.7mn. As a result, the trade deficit dropped 9.3% y/y to US\$ 376.5mn, according to Geostat. In February 2019, copper (-12.5% y/y), ferro-alloys (+53.1% y/y), cars (+34.4% y/y), wine (+30.9% y/y) and pharmaceuticals (+104.1% y/y) were the top 5 exported commodities. A 22.0% of exports was directed to the EU (-14.3% y/y), 48.6% to the CIS (+37.5% y/y) and 29.4% to other countries (+27.8% y/y).

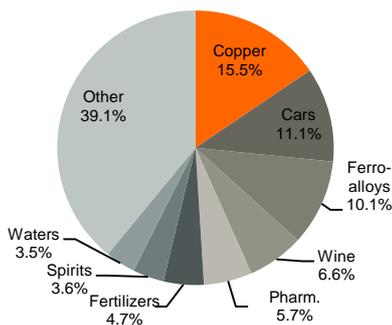
Petroleum (+6.2% y/y), gases (+6.8% y/y), pharmaceuticals (+99.8% y/y), copper (+11.0% y/y) and cars (-18.6% y/y) represented the top 5 imported commodities in February 2019.

Overall, in 2M19, trade deficit was down 7.3% to US\$ 729.7mn as exports increased by 13.2% y/y and imports growth was flat.

### Producer price index up 3.3% y/y in February 2019

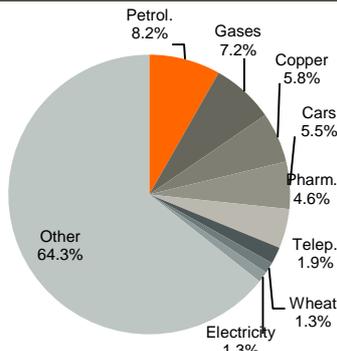
Annual PPI for industrial goods was up 3.3% in February 2019 according to Geostat. Rising prices in manufacturing (+4.0% y/y) contributed the most to the overall index change.

Exports by commodities, 2M19



Source: GeoStat

Imports by commodities, 2M19



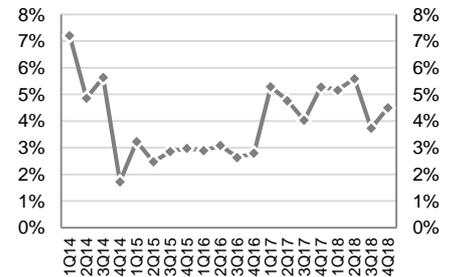
### Key macro indicators

	2016	2017	2018
GDP (% change)	2.8%	4.8%	4.7%
GDP per capita (ppp)	10,065	10,742	11,600
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%	8.8%	6.5% <sup>(1)</sup>
Fiscal deficit (% of GDP)	3.0%	2.9%	2.5%
Total public debt (% of GDP)	44.4%	44.8%	45.0%

Source: Official data, IMF, G&T

1) As of 9M18

### Real GDP growth, %



Source: Geostat

### International ranking, 2018-19

Ease of Doing Business # 6 (Top 10)  
Economic Freedom Index # 16 (mostly free)  
Global Competitiveness Index # 66 (improving trend)

Source: World Bank, Heritage Foundation and World Economic Forum

### Georgia sovereign credit ratings



Source: Rating agencies



# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 550mn (US\$ 205.1mn).

There were no treasury securities auction last week.

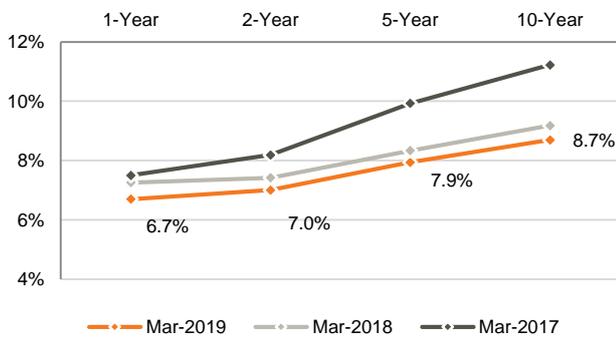
The nearest treasury securities auction is scheduled for March 26, 2019, where GEL 30.0mn nominal value 5-year Benchmark Bonds will be sold.

### T-bills / T-notes, Mar-19 emission calendar

Date	Volume, GEL mn	Maturity
26-Mar-19	30	5 years

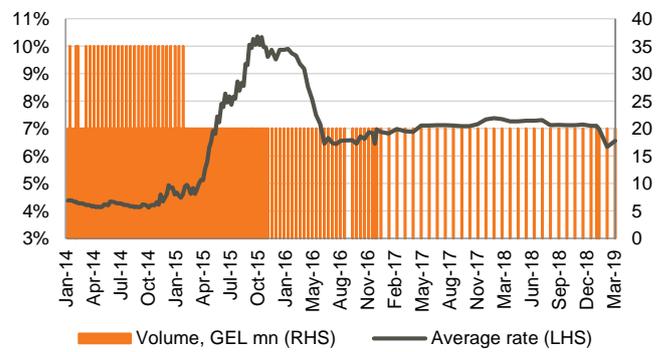
Source: MoF

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



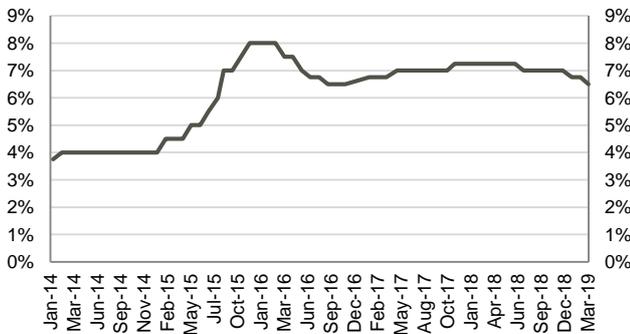
Source: NBG

### Certificates of Deposits (weighted average rate)



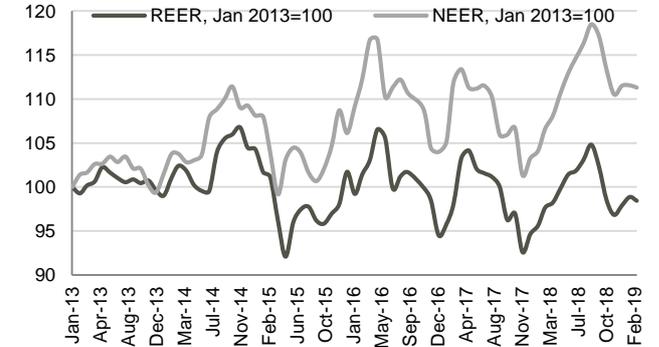
Source: NBG

### 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

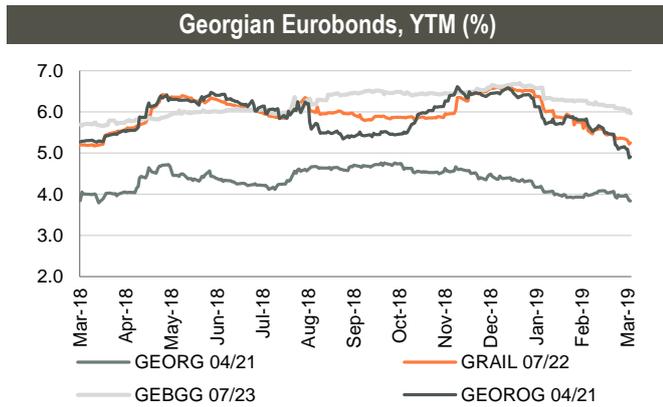


## Fixed income

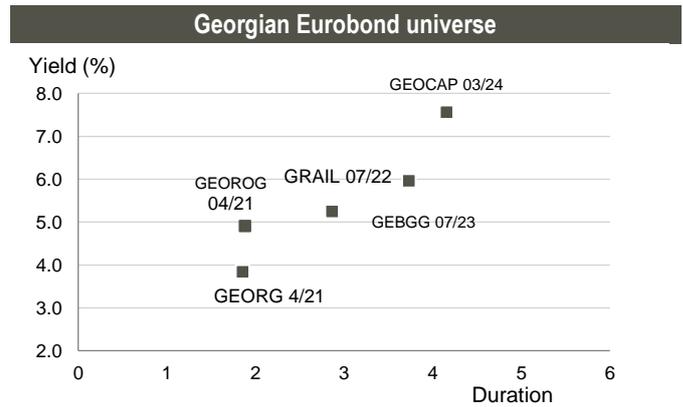
**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 5.97% yield, trading at 100.12 (+0.44% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.14 (+0.55% w/w), yielding 7.57%.

GOGC Eurobonds (GEOROG) were trading at 103.60 (+0.39% w/w), yielding 4.91%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 107.47 (+0.31% w/w), yielding 5.25%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 105.91 (+0.16% w/w) at 3.84% 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, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	04/12/2021	BB-/BB-/Ba2/-	105.91	3.84	143.27
GRAIL 07/22	US\$	500	7.750%	07/11/2022	BB-/B+/-/-	107.47	5.25	292.62
GEOROG 04/21	US\$	250	6.750%	04/26/2021	BB/B+/-/-	103.60	4.91	250.65
GEBGG 06/20	GEL	500	11.000%	06/01/2020	BB-/B/Ba2/-	n/a	n/a	n/a
GEBGG 07/23	US\$	350	6.000%	07/26/2023	BB-/B/Ba2/-	100.12	5.97	366.99
GEBGG 11 1/8 PERP	US\$	100	11.130%	n/a	B-e/-/-/-	101.24	10.91	848.12
GEOCAP 03/24	US\$	300	6.125%	03/09/2024	-/B+/B2/-	94.14	7.57	526.80

#### Georgian local bonds performance

GWP 12/21	GEL	30	10.000%	06/12/2021	BB-/B+/-/-	n/a	n/a	n/a
M2RE 10/19	US\$	25	7.500%	07/10/2019	B+/-/-/-	100.79	6.00	n/a
M2CA 12/21	US\$	30	7.500%	31/12/2021	B+/-/-/-	101.26	7.00	n/a
GLC 08/20	US\$	10	7.000%	29/08/2020	B+/-/-/-	100.67	6.50	n/a
GLC 06/21	US\$	10	6.500%	22/06/2021	B+/-/-/-	97.95	7.50	n/a
Nikora 06/19	US\$	10	9.000%	28/06/2019	-/-/B+	n/a	n/a	n/a
Silknet 08/22	GEL	34	10.000%	18/08/2022	B+/-/-/-	n/a	n/a	n/a
Crystal 12/19	GEL	10	11.000%	28/12/2019	B/-/-/-	100.39	11.00	n/a
Crystal 02/21	GEL	15	10.500%	01/02/2021	B/-/-/-	99.39	10.75	n/a
Swiss Cap. 09/21	GEL	10	13.000%	13/09/2021	B/-/-/-	100.0	13.00	n/a

Source: Bloomberg

#### Eastern European sovereign 10-year bonds performance

Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody)	Mid price, US\$	Mid yield, %	Z-spread, bps
Georgia	US\$	500	6.875%	4/12/2021	BB-/BB-/Ba2	105.91	3.84	143.27
Armenia	US\$	500	6.000%	9/30/2020	B+/-/B1	102.60	4.21	172.47
Azerbaijan	US\$	174	2.820%	9/1/2021	BB+/-/Ba2	97.16	4.06	168.85
Belarus	US\$	800	6.875%	2/28/2023	B/B/B3u	105.33	5.35	304.65
Kazakhstan	US\$	1,500	3.875%	10/14/2024	BBB-/BBB-/Baa3	103.07	3.27	96.23
Russia	US\$	3,500	5.000%	4/29/2020	BBB-/BBB-/Baa3	101.99	3.13	57.70
Turkey	US\$	2,000	5.625%	3/30/2021	BB-/NR/Ba3	100.45	5.39	298.09
Ukraine	US\$	1,409	7.750%	9/1/2021	B-/B-/Caa1	99.38	8.03	565.45

Source: Bloomberg

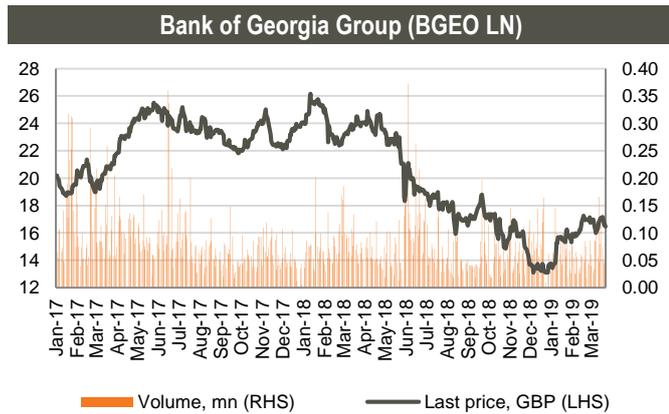
# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 16.47/share (-3.74% w/w and -2.97% m/m). More than 300k shares traded in the range of GBP 16.30 - 17.21/share. Average daily traded volume was 70k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost -2.58% w/w and -1.46% m/m. The volume of BGEO shares traded was at 0.61% of its capitalization.

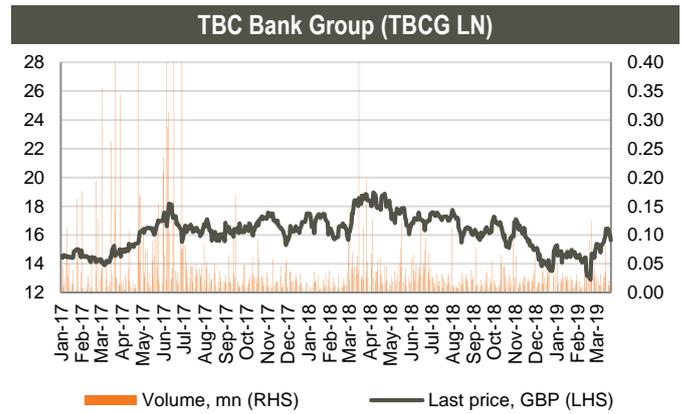
**Georgia Capital (CGEO LN)** shares closed at GBP 10.61/share (+1.05% w/w and -5.64% m/m). More than 85k shares traded in the range of GBP 10.51 - 10.94/share. Average daily traded volume was 79k in the last 4 weeks. The volume of CGEO shares traded was at 0.22% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 15.62/share (-4.87% w/w and +6.26% m/m). More than 75k shares changed hands in the range of GBP 15.32 - 16.66/share. Average daily traded volume was 25k in the last 4 weeks. The volume of TBCG shares traded was at 0.14% of its capitalization.

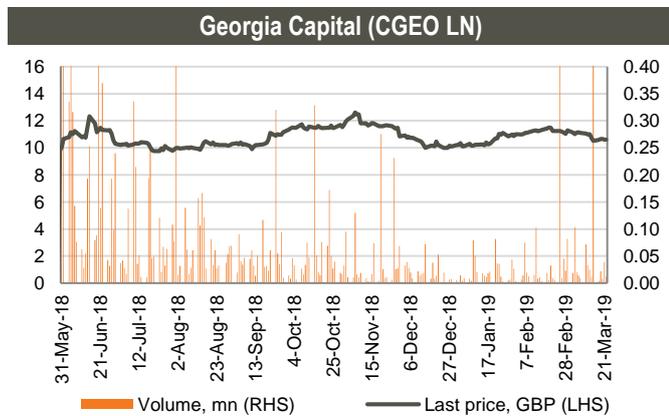
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 1.98/share (-1.00% w/w and -5.49% m/m). More than 15k shares were traded in the range of GBP 1.95 - 2.00/share. Average daily traded volume was 9k in the last 4 weeks. The volume of GHG shares traded was at 0.01% of its capitalization.



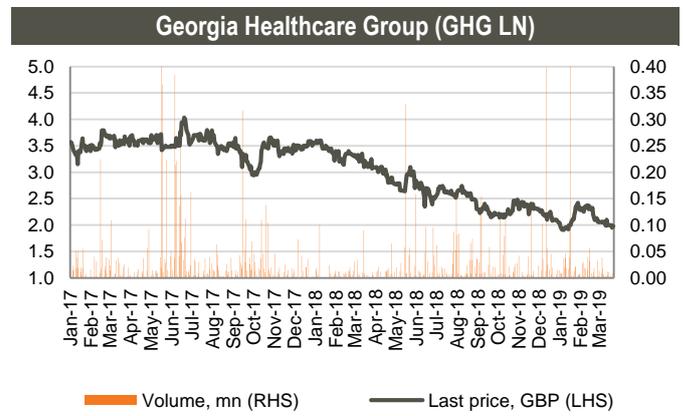
Source: Bloomberg



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	16.47	810	-12.4%	-32.0%	19.6%	6.35x	5.61x	1.34x	1.14x
TBC	TBC	GBP	15.62	847	-4.9%	-16.0%	2.6%	6.32x	5.47x	1.14x	1.01x
Halyk Bank	HSBK	US\$	11.60	3,409	10.5%	-18.3%	12.1%	5.14x	4.81x	1.02x	0.90x
VTB Bank	VTBR	US\$	1.17	7,582	-13.1%	-42.9%	5.6%	2.68x	2.81x	0.43x	0.44x
Akbank	AKBNK	TRY	6.36	33,072	16.8%	-26.4%	8.1%	6.21x	4.25x	0.65x	0.58x
Garanti	GARAN	TRY	9.18	38,556	38.9%	-16.3%	15.3%	6.33x	4.10x	0.74x	0.65x
Isbank	ISCTR	TRY	5.93	26,685	44.6%	-18.3%	30.9%	4.05x	3.43x	0.49x	0.44x
PKO	PKO	PLN	38.70	48,375	-6.7%	-5.4%	-2.0%	12.03x	10.99x	1.17x	1.12x
PEKAO	PEO	PLN	109.65	28,780	1.7%	-12.0%	0.6%	11.94x	10.56x	1.23x	1.17x
Millennium	MIL	PLN	9.22	11,184	3.6%	11.8%	3.9%	13.73x	11.37x	1.21x	1.14x
Mbank	MBK	PLN	442.20	18,721	5.2%	3.6%	4.2%	14.80x	12.87x	1.14x	1.08x
BRD	BRD	RON	12.82	8,934	-6.0%	-14.5%	12.5%	9.42x	10.26x	1.23x	1.19x
Banca Transilvania	TLV	RON	2.12	10,184	-9.2%	-9.7%	5.5%	8.14x	8.43x	1.18x	1.09x
OTP	OTPD	USD	22.80	12,768	28.8%	0.9%	16.3%	10.68x	10.12x	0.82x	0.73x
Komercni	KOMB	CZK	958.50	182,162	6.3%	2.5%	13.2%	12.61x	12.44x	1.74x	1.64x
<b>Mean</b>								<b>8.70x</b>	<b>7.83x</b>	<b>1.04x</b>	<b>0.95x</b>
<b>Median</b>								<b>8.14x</b>	<b>8.43x</b>	<b>1.14x</b>	<b>1.08x</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		
							2019F	2020F	2019F	2020F	
Georgia Capital	CGEO	GBP	10.61	403	-4.3%	n/a	3.9%	13.73x	11.41x	0.82x	0.77x
Tinc Comm	TINC	EUR	12.05	329	-2.4%	3.0%	2.1%	21.99x	20.17x	1.01x	1.00x
Sabancı Holding	SAHOL	TRY	8.45	17,241	17.2%	-19.3%	12.4%	4.82x	4.52x	0.54x	0.48x
Deutsche Beteiligungs	DBAN	EUR	32.60	490	-10.2%	-19.8%	-2.8%	16.40x	10.74x	1.11x	1.04x
Eurazeo	RF	EUR	67.35	5,155	-1.9%	-6.0%	9.0%	13.32x	12.23x	1.12x	0.93x
Carlyle Group	CG	USD	18.78	2,046	-21.6%	-13.8%	19.3%	2.95x	2.15x	2.01x	1.09x
<b>Mean</b>								<b>12.20x</b>	<b>10.20x</b>	<b>1.10x</b>	<b>0.88x</b>
<b>Median</b>								<b>13.52x</b>	<b>11.07x</b>	<b>1.06x</b>	<b>0.97x</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		
							2019F	2020F	2019F	2020F	
GHG	GHG	GBP	1.98	260	-8.1%	-36.7%	-3.2%	16.85x	12.22x	7.41x	6.07x
Mouwasat	MOUWASAT	SAR	80.20	8,020	6.5%	-8.8%	-0.4%	20.86x	18.33x	15.06x	13.42x
Fortis	FORH	INR	136.35	102,938	-0.7%	-11.8%	-3.0%	1.70x	1.58x	6.84x	6.65x
Raffles	RFMD	SGD	1.06	1,905	-3.6%	-8.6%	-3.6%	31.81x	30.87x	20.61x	19.30x
IHH	IHH	MYR	5.82	51,037	11.1%	-3.3%	8.0%	45.99x	36.01x	17.24x	14.50x
Bangkok Chain	BCH	THB	16.90	42,144	-16.3%	1.2%	1.2%	33.36x	29.30x	18.52x	16.66x
Netcare	NTC	ZAR	24.67	35,823	-10.5%	-4.4%	-6.7%	15.12x	13.95x	9.01x	8.35x
Life Healthcare	LHC	ZAR	27.07	39,721	4.5%	-6.9%	2.5%	19.94x	16.01x	8.81x	8.02x
Mediclinic	MDC	GBP	3.03	2,232	-33.0%	-46.7%	-6.1%	11.16x	10.08x	7.89x	7.29x
Apollo Hospitals	APHS	INR	1,150.60	160,077	10.2%	12.6%	-8.6%	56.63x	36.48x	18.13x	15.04x
KPJ Healthcare	KPJ	MYR	1.04	4,487	-4.6%	15.6%	0.0%	23.02x	21.13x	12.05x	11.35x
NMC	NMC	GBP	24.22	5,043	-26.8%	-27.5%	-11.5%	18.10x	14.37x	13.57x	11.54x
<b>Mean</b>								<b>24.55x</b>	<b>20.03x</b>	<b>12.93x</b>	<b>11.52x</b>
<b>Median</b>								<b>20.40x</b>	<b>17.17x</b>	<b>12.81x</b>	<b>11.44x</b>

Source: Bloomberg, S&P Capital IQ

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