

# Weekly Market Watch

Weekly Market Watch | Georgia  
October 7, 2019

## Economy

### Georgian economy grew by 5.8% y/y in August 2019

Economic growth in Georgia was 5.8% y/y in August 2019 after growing 6.1% y/y in the previous month according to Geostat's rapid estimates. In August 2019, the growth was broad based with real growth recorded in construction, transport, other community, social and personal service activities, trade, manufacturing and hotels and restaurants sectors. Meanwhile, real growth was down in mining and electricity, gas and water supply sectors. Overall, real GDP growth was 5.0% y/y in 8M19. Monthly rapid estimates are based on VAT turnover, fiscal and monetary statistics.

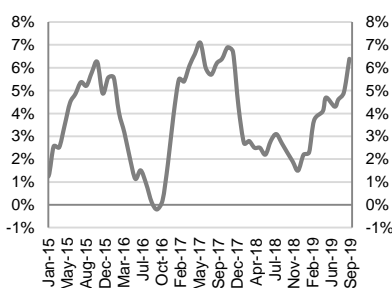
### Inflation was 6.4% y/y and 1.7% m/m in September 2019

Annual CPI inflation was 6.4% in September 2019 up from 4.9% in August 2019, according to Geostat. Core inflation (non-food, non-energy, non-tobacco) was 3.2% up from 2.4% recorded in the previous month. Annual price changes reflected price increases in food and non-alcoholic beverages (+11.7% y/y, +3.49ppts), followed by alcoholic beverages and tobacco (+14.6% y/y, +0.97ppts) and transport (+3.9% y/y, +0.47ppts) categories. Meanwhile, prices were down in clothing and footwear (-5.5% y/y) and communication (-2.2% y/y) categories. On a monthly basis, there was 1.7% inflation in September 2019. Price increase in food and non-alcoholic beverages (+3.3% m/m, +1.03ppts) was the major driver of monthly inflation dynamics.

### Government targets a 2.7% deficit in the 2020 draft budget

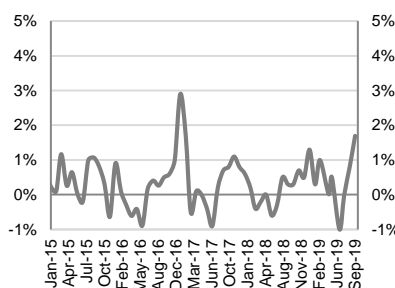
The government has submitted to the Parliament an initial draft of 2020 state budget, which sets economic growth at 5.0% and GDP deflator at 3.0% for 2020. Fiscal deficit is set at 2.7% of GDP, total expenditures at 30.6% of GDP, and taxes at 25.0% of GDP on the consolidated budget level (both slightly lower than 2019 figures relative to GDP). Total public debt to GDP is set at 45.0% (2019E 44.3%), reflecting reduced share of external debt (2020F 34.7% vs. 2019E 35.2%) and increased share of domestic debt (2020F 10.3% vs. 2019E 9.2%).

Annual CPI inflation (% change, y/y)



Source: Geostat

Monthly CPI inflation (% change, m/m)

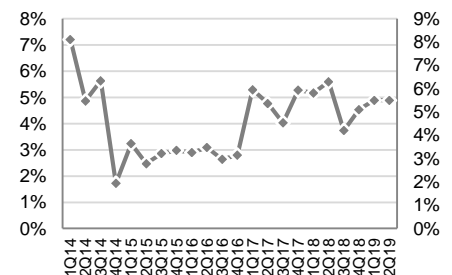


### Key macro indicators

	2016	2017	2018
GDP (% change)	2.8%	4.8%	4.7%
GDP per capita (ppp)	9,991	10,679	11,485
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%	7.7%
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

### 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

 <b>BB-</b> Positive Affirmed Apr-2019	 <b>Ba2</b> Stable Affirmed Mar-2019	 <b>BB</b> Stable Affirmed Aug-2019
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Source: Rating agencies



# Money market

**Refinancing loans:** National Bank of Georgia (NBG) issued 7-day refinancing loans of GEL 2.1bn (US\$ 689.0mn).

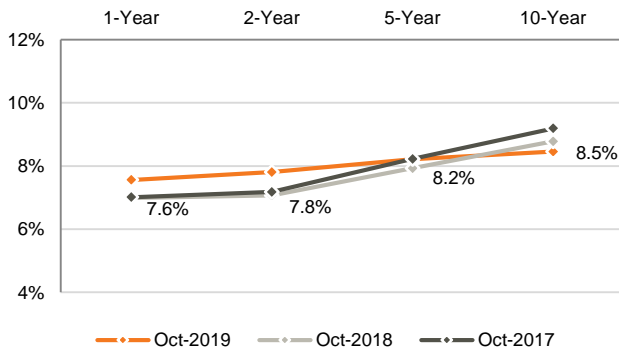
**Ministry of Finance Treasury Bills:** 1-year GEL 60.0mn (US\$ 20.2mn) T-Bills of Ministry of Finance were sold at the auction held at NBG on October 1, 2019. The weighted average yield was fixed at 8.004%. The nearest treasury securities auction is scheduled for October 8, 2019, where GEL 70.0mn nominal value 6-month T-bills and GEL 70.0mn nominal value 2-year Benchmark Bonds will be sold.

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

Date	Volume, GEL mn	Maturity
8-Oct-19	70	6 month
8-Oct-19	70	2 year
15-Oct-19	30	10 year
22-Oct-19	70	5 year

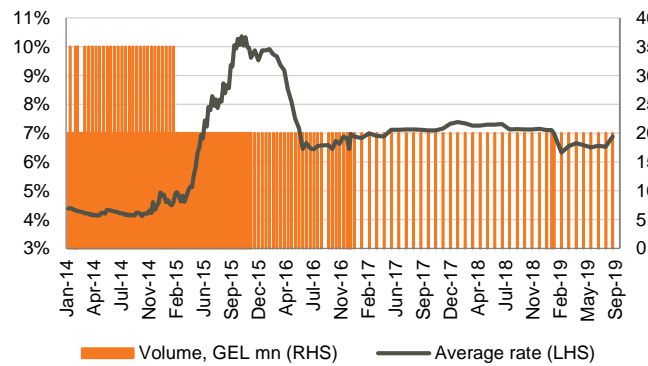
Source: MoF

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



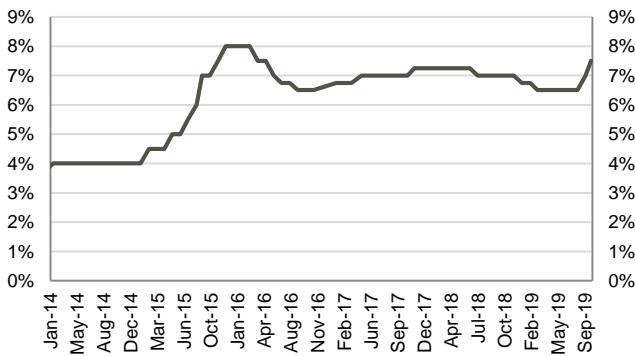
Source: NBG

### Certificates of Deposits (weighted average rate)



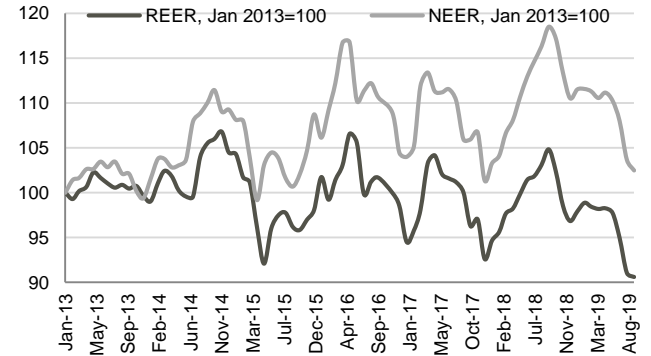
Source: NBG

### 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

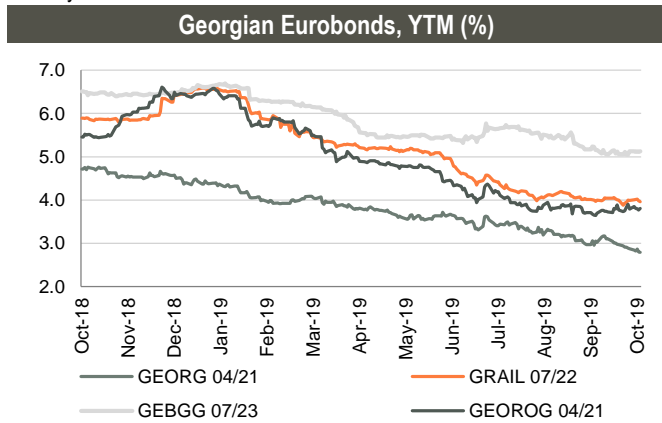


# Fixed income

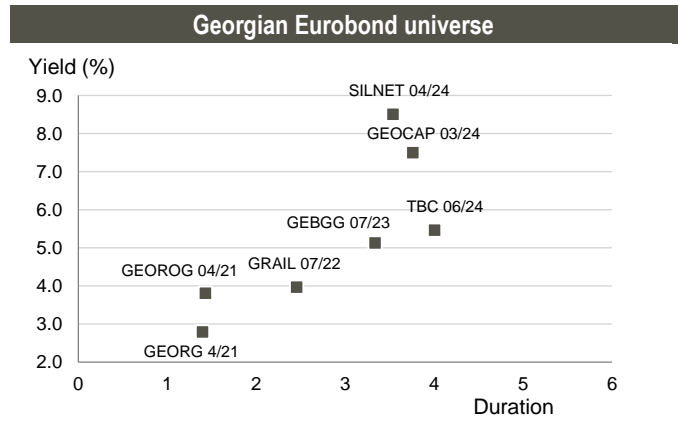
**Corporate Eurobonds:** Bank of Georgia Group Eurobonds (GEBGG) closed at 5.13% yield, trading at 102.96 (-0.03% w/w). Georgia Capital Eurobonds (GEOCAP) were trading at 94.90 (+0.27% w/w), yielding 7.50%.

GOGC Eurobonds (GEOROG) were trading at 104.39 (-0.07% w/w), yielding 3.80%. Georgian Railway Eurobonds (GRAIL) traded at a premium at 109.80 (+0.02% w/w), yielding 3.96%.

**Georgian Sovereign Eurobonds (GEORG)** closed at 106.01 (+0.06% w/w) at 2.79% 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	106.01	2.79	118.45
GRAIL 07/22	US\$	500	7.750%	Jul-22	BB-/B+/-	109.80	3.96	257.34
GEOROG 04/21	US\$	250	6.750%	Apr-21	BB-/B+/-	104.39	3.80	224.83
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+/-	102.96	5.13	375.15
GEBGG 11 1/8 PERP	US\$	100	11.125%	n/a	B-/B+	103.55	10.08	878.63
GEOCAP 03/24	US\$	300	6.125%	Mar-24	-/B+/B2	94.90	7.50	614.74
SILKNET 04/24	US\$	200	11.000%	Apr-24	B+/-/B1	109.13	8.51	715.44
TBC 06/24	US\$	300	5.750%	Jun-24	BB-/B+/-	101.18	5.46	410.51
TBC PERP	US\$	125	10.775%	n/a	B-/B+	101.55	10.40	896.60

Georgian local bonds performance								
Issuer	Currency	Amount, mn	Coupon	Maturity date	Ratings (Fitch/S&P/Moody/Scope)	Mid price	Mid yield, %	Z-spread, bps
GWP 12/21	GEL	30	10.00%	Dec-21	BB-/B+/-	n/a	n/a	n/a
M2CA 12/21	US\$	30	7.50%	Dec-21	-/-/-	101.03	7.00	n/a
GLC 08/20	US\$	10	7.00%	Aug-20	B+/-/-	100.97	5.88	n/a
GLC 06/21	US\$	5	6.50%	Jun-21	B+/-/-	99.19	7.00	n/a
GLC 08/21	US\$	10	7.50%	Aug-21	B+/-/-	100.64	7.25	n/a
CRYSTAL 12/19	GEL	10	11.00%	Dec-19	B-/B+	99.83	11.75	n/a
CRYSTAL 02/21	GEL	15	10.50%	Feb-21	B-/B+	98.48	11.75	n/a
Nikora Trade 08/21	GEL	25	10.50%	Aug-21	-/-/B+	n/a	n/a	n/a
SILKNET 08/22	GEL	34	10.00%	Aug-22	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	12.75%	Sep-21	B-/B+	98.35	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	106.01	2.79	118.45
Armenia	US\$	500	6.000%	Sep-20	B+/-/B1	103.33	2.54	84.51
Azerbaijan	US\$	174	2.820%	Sep-21	BB+/-/Ba2	99.37	3.17	170.32
Belarus	US\$	800	6.875%	Feb-23	B/B/B3	107.05	4.60	322.50
Kazakhstan	US\$	1,500	3.875%	Oct-24	BBB/BBB-/Baa3	106.62	2.47	113.41
Russia	US\$	3,500	5.000%	Apr-20	BBB/BBB-/Baa3	101.67	1.97	5.76
Turkey	US\$	2,000	5.625%	Mar-21	BB-/B1	102.94	3.57	207.84
Ukraine	US\$	1,409	7.750%	Sep-21	B-/B-/Caa1	104.35	5.30	394.73

Source: Bloomberg

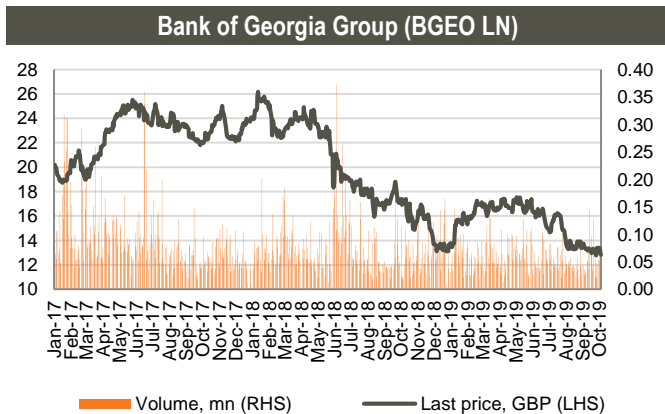
# Equities

**Bank of Georgia Group (BGEO LN)** shares closed at GBP 12.82/share (-4.33% w/w and -4.68% m/m). More than 271k shares traded in the range of GBP 12.69 - 13.79/share. Average daily traded volume was 59k in the last 4 weeks. FTSE 250 Index, of which BGEO is a constituent, lost 2.46% w/w and 0.71% m/m. The volume of BGEO shares traded was at 0.55% of its capitalization.

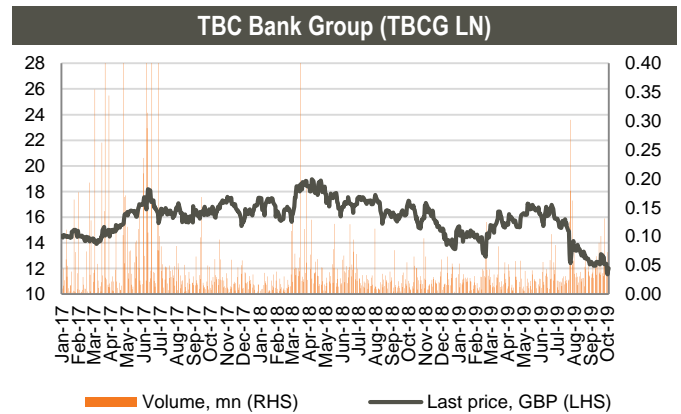
**Georgia Capital (CGEO LN)** shares closed at GBP 9.98/share (-2.73% w/w and -0.20% m/m). More than 180k shares traded in the range of GBP 9.77 - 10.30/share. Average daily traded volume was 25k in the last 4 weeks. The volume of CGEO shares traded was at 0.49% of its capitalization.

**TBC Bank Group (TBCG LN)** closed the week at GBP 12.00/share (-2.91% w/w and -3.07% m/m). More than 249k shares changed hands in the range of GBP 11.38 - 12.50/share. Average daily traded volume was 55k in the last 4 weeks. The volume of TBCG shares traded was at 0.45% of its capitalization.

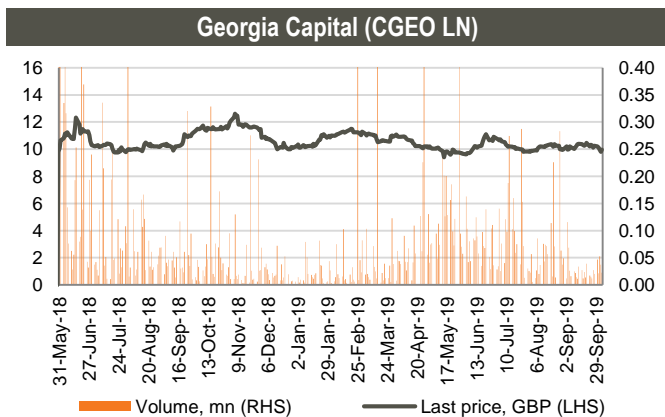
**Georgia Healthcare Group (GHG LN)** shares closed at GBP 2.08/share (+3.75% w/w and -2.58% m/m). More than 62k shares were traded in the range of GBP 1.98 - 2.08/share. Average daily traded volume was 9k in the last 4 weeks. The volume of GHG shares traded was at 0.05% of its capitalization.



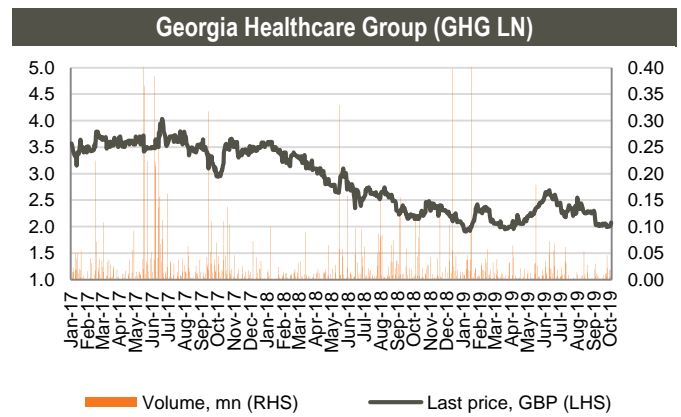
Source: Bloomberg



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	12.82	630	-26.0%	-26.2%	-6.9%	5.24x	4.62x	1.06x	0.91x
TBC	TBC	GBP	12.00	660	-26.0%	-29.2%	-21.2%	4.96x	4.52x	0.91x	0.79x
Halyk Bank	HSBK	US\$	12.50	3,673	7.8%	13.6%	20.8%	4.65x	4.58x	1.03x	0.98x
VTB Bank	VTBR	US\$	1.25	8,107	7.1%	-2.1%	12.9%	3.39x	3.22x	0.51x	0.38x
Akbank	AKBNK	TRY	7.86	40,872	22.4%	56.1%	33.6%	7.31x	5.11x	0.78x	0.69x
Garanti	GARAN	TRY	9.99	41,958	13.8%	52.1%	25.5%	6.08x	4.44x	0.77x	0.68x
Isbank	ISCTR	TRY	6.15	27,675	3.7%	56.1%	35.8%	4.71x	3.65x	0.50x	0.44x
PKO	PKO	PLN	37.74	47,175	-6.8%	-11.0%	-4.4%	10.63x	10.31x	1.14x	1.09x
PEKAO	PEO	PLN	101.50	26,641	-11.0%	-4.2%	-6.9%	11.63x	9.98x	1.14x	1.10x
Millennium	MIL	PLN	5.48	6,641	-42.7%	-40.8%	-38.3%	8.49x	6.71x	0.73x	0.67x
Mbank	MBK	PLN	346.80	14,682	-20.8%	-20.4%	-18.2%	11.92x	10.45x	0.89x	0.84x
BRD	BRD	RON	14.18	9,882	7.8%	3.5%	24.4%	7.39x	8.40x	1.25x	1.22x
Banca Transilvania	TLV	RON	2.40	12,492	20.9%	9.5%	29.4%	7.90x	8.76x	1.49x	1.38x
OTP	OTPD	USD	21.20	11,872	-7.0%	17.1%	8.2%	9.64x	9.45x	0.81x	0.71x
Komercni	KOMB	CZK	765.50	145,483	-18.7%	-15.5%	-9.6%	9.85x	10.10x	1.37x	1.29x
<b>Mean</b>								<b>7.59x</b>	<b>6.95x</b>	<b>0.96x</b>	<b>0.88x</b>
<b>Median</b>								<b>7.39x</b>	<b>6.71x</b>	<b>0.91x</b>	<b>0.84x</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	9.98	367	-8.6%	-13.1%	-2.3%	13.70x	10.74x	1.01x	0.94x
Tinc Comm	TINC	EUR	13.60	371	12.9%	10.6%	15.3%	n/a	n/a	n/a	n/a
Sabancı Holding	SAHOL	TRY	9.12	18,608	11.5%	24.9%	21.3%	4.40x	3.92x	0.54x	0.48x
Deutsche Beteiligungs	DBAN	EUR	34.10	513	0.0%	-2.7%	1.6%	17.85x	14.72x	1.15x	1.09x
Eurazeo	RF	EUR	66.65	5,250	3.4%	4.1%	13.2%	14.03x	12.90x	0.95x	0.90x
Carlyle Group	CG	USD	24.80	2,745	34.4%	11.0%	57.5%	6.68x	3.81x	2.89x	1.69x
<b>Mean</b>								<b>11.33x</b>	<b>9.22x</b>	<b>1.31x</b>	<b>1.02x</b>
<b>Median</b>								<b>13.70x</b>	<b>10.74x</b>	<b>1.01x</b>	<b>0.94x</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	2.08	273	-1.4%	-3.9%	1.7%	20.70x	13.34x	7.95x	6.72x
Mouwasset	MOUWASAT	SAR	88.00	8,800	5.4%	9.3%	9.3%	23.19x	19.31x	16.23x	13.95x
Fortis	FORH	INR	139.70	105,468	2.1%	3.9%	-0.6%	1.77x	1.60x	6.71x	6.78x
Raffles	RFMD	SGD	1.00	1,819	-7.9%	-11.9%	-9.5%	30.32x	30.08x	19.38x	18.40x
IHH	IHH	MYR	5.65	49,573	0.9%	8.9%	4.8%	48.30x	39.11x	16.71x	14.56x
Bangkok Chain	BCH	THB	15.50	38,653	-9.9%	-20.5%	-7.2%	31.27x	28.25x	17.46x	15.91x
Netcare	NTC	ZAR	17.50	25,407	-26.4%	-27.8%	-33.8%	11.59x	11.22x	7.11x	6.76x
Life Healthcare	LHC	ZAR	22.73	33,353	-18.7%	-4.7%	-13.9%	19.12x	14.63x	7.95x	7.19x
Mediclinic	MDC	GBP	3.19	2,353	0.3%	-28.8%	-1.0%	11.29x	12.43x	8.01x	7.77x
Apollo Hospitals	APHS	INR	1,400.45	194,838	11.5%	33.7%	11.3%	69.10x	52.64x	21.50x	16.34x
KPJ Healthcare	KPJ	MYR	0.88	3,771	-13.7%	-19.3%	-15.4%	20.53x	18.75x	9.98x	9.39x
NMC	NMC	GBP	25.01	5,221	1.5%	-24.5%	-8.6%	20.43x	15.74x	13.19x	10.90x
<b>Mean</b>								<b>25.63x</b>	<b>21.43x</b>	<b>12.68x</b>	<b>11.22x</b>
<b>Median</b>								<b>20.62x</b>	<b>17.25x</b>	<b>11.59x</b>	<b>10.15x</b>

Source: Bloomberg, S&P Capital IQ

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